TRANSCRIPT H1 2024 EARNINGS WEBCAST CM.COM

Mr. Serge Enneman: Goodmorning all, and welcome to the half-year 2024 earnings webcast of CM.com. My name is Serge Enneman, Head of Investor Relations, and I will coordinate this webcast on behalf of CM.com. As you probably are aware, we will first share our video summarizing the key highlights of the first half of 2024, after which we will have a Q&A session with the analysts.

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

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

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

VIDEO

Mr. Jeroen van Glabbeek:

Earlier today, CM.com published the results for the first six months of 2024, and I'm pleased to present you the highlights. CM.com had an excellent first six months in 2024. The focus on bottom-line performance has resulted in record growth in EBITDA year after year. For the second quarter, our revenue was up seven percent to €70.8 million and our EBITDA grew to €4.9 million, compared to -€1.4 million in the second quarter of 2023. At the start of 2024, CM.com launched the four business units which are Connect, previous CPaaS, Engage, previous SaaS, Pay, previous Payment, and Live, previous Ticketing. The ambition of this new structure is to better deploy all the talents within CM.com and to better serve the clients. As an agile organization, CM.com can quickly adapt to benefit from opportunities.

Each business unit has its successes, such as Connect, which will take WhatsApp volumes to the next record levels. Engage was integrated GENAI in almost every SaaS product and Pay, which is growing in volume. Now is alive with its in-house development acquiring a processing platform and Live was signed with Eye-catching projects and more to come. Since the launch of the business units, we have seen that once new leadership arises within the business units. Second, cooperation between employees increased, and third, internal alignment between the different segments improved. With the formation of the business units, we concluded our restructuring program. We are now at a team size, which we qualify as the right size for the near future.

That means we don't expect restructuring costs going forward, and we are starting to see some new hires again to strengthen our various teams. All these developments translate into a better match between the product offering of CM.com and the needs of our clients, with the fast growth of new order intake as a great result. That new order intake contains several strong partnerships. CM.com signed an agreement with

Prenatal Netherlands, a large Dutch brand in childcare and toys. We'll use software tooling for digital cloud communications. Another market that is evolving for CM.com is venues. CM.com is increasingly selected as a strong partner for venues that organize events Hedon, a local event venue in the Netherlands with over 100,000 visitors per year signed up with CM.com. Next to new orders, the pipeline is also looking good as well.

CM.com is close to finalizing landmark agreements in France and the UK on some eye-catching events and venues in the future. Another development that influenced the performance of CM.com in the second quarter was the execution of the largest global WhatsApp campaign through our business unit Connect for renowned brands. This performance showed that rich text messaging is becoming a widely accepted channel to expand communication with consumers. The business unit structure also leads to innovations in the product portfolio of CM.com. GenAI is an example of this. GenAI nowadays plays a pivotal role in the software offering of the business unit Engage.

Ever since the GenAI proposition was launched in September last year, CM.com has noticed rapid, quarter-over-quarter adoption of GenAI in the software offering to clients. Clients discover more possibilities to use AI technology, and CM.com operates at the forefront of these markets, providing its customers with clear use cases for their business model. CM.com will continue to develop applications related to AI to serve a growing client base in their needs. We are extremely proud of several big recent projects, such as a Dutch KLM Open, where CM.com provided ticketing and payment services. For the Dutch Grand Prix, we introduced the use of WhatsApp in combination with payments for buying tickets, which is a novelty in the sports industry. It's a great example of conversational commerce.

Overall, CM.com will remain focused on unlocking the talents within the organization to grow the business, grow the business by, amongst others, Cross and upselling and better operating leverage aimed at reaching a structural positive free cash flow by the second half of 2024. Now I would like to hand it over to our CFO, Jörg de Graaf, who will zoom in further into the performance of the first half of 2024.

Mr. Jörg de Graaf:

As mentioned by Jeroen in his opening remarks, CM.com realized significant growth in gross profit and gross margins because of the shift in strategic focus to value growth over volume growth. In the first half of 2024. Our gross profit grew by six percent to €40.3 million, and our gross margins improved to 30 percent. That was supported by gross profit growth in all our businesses. Although over the first six months, our overall revenue declined by two percent, we returned to revenue growth in the second quarter with a seven percent higher revenue than the same period last year. This was mostly driven by our connect business, in which the value-over-volume strategy we initiated in Q1 2023 is now absorbed on a year-over-year comparison base.

This performance confirms that our focus on high-value business and the shift in product mix has improved our business position and our ability to grow earnings organically. The launch of the business unit structure this year adds to that performance, as the decentralized organizational structure strengthens customer centricity, efficiency, and internal alignment. Now, let's zoom in on the financial performance of the different business units in the first six months of 2024. First, Connect. In Connect, the top line declined by four percent to €108 million in the first half of 2024. The pace of decline, however, was reduced significantly as guided during our first quarter trading update. Connect even realized seven percent revenue growth in the second quarter to €57.4 million.

As stated, this was the result of the transition flows to higher-margin business and a global WhatsApp campaign that CM.com executed in the second quarter for one of its major customers. Gross margins in Connect improved overall to 18 percent in the first half of 2024, up from 15.9 percent in the same period last year. This reflects our value-over-volume strategy. The number of messages we process was well above the 4 billion mark, with a record 2.4 billion messages in the second quarter. A significant part of these messages was related to WhatsApp traffic. We see a sizable growth opportunity in rich messaging services like WhatsApp and RCS going forward. In Engage, our demand for our cloud communication solutions continues to grow, with revenues up 10 percent and gross profit up nine percent, while the gross margin stayed strong at 87 percent.

Our annual recurring revenue grew to €32.6 million in the first six months, up six percent year-over-year. This was driven by ongoing strong order intake. The pipeline in Engage is developing well and is expected to support future growth in the remainder of 2024 and 2025. In our business unit Pay, the process volumes on our platform grew 29 percent as especially our ideal offerings showed year-over-year growth in volumes. The product mix did improve our margins to 56 percent, supporting growth in our gross profit by three percent. Our revenue fell by four percent as more of the process volumes were related to processing flows only. This was partly offset by an increase in our in-person payment solutions. As more clients seek a one-stop-shop solution, we see new leads appear in our pipeline for our base solutions.

That brings us to the business unit Live. In Live, CM.com sold a record number of 9.3 million tickets in the first six months of 2024. Ever since COVID-19 ended, there has been consistent growth year-over-year in events and hence in tickets sold. Gross profit grew year-over-year to a record level, and gross margins remained strong at 87.4 percent. Also, here, the pipeline looks good as we are expanding our activities internationally, so the overall performance in the first half of 2024 was the result of the disciplined focus on growing value over volume in previous years. It results in profit growth, margin growth, and eventually again, overall revenue growth as we showed in the second quarter. Now that we have reviewed the financial highlights per business unit, let's zoom in on our OPEX and EBITDA development in 2024 so far.

As communicated before, CM.com has been working on improving its efficiency by lowering its OPEX while growing its gross profits, thereby returning to positive EBITDA generation. The majority of our OPEX is linked to personnel-related expenses. In the past two years, we have optimized our cost base through natural attrition, process redesign, and focus on areas where our investments in growth yield the highest returns. In doing so, and continuously focusing on hiring the right talents, we have improved the quality of our organization. By the end of the first half of 2024, headcount was down 23 percent year-over-year to 681 FTE, down from 881 FTE in the same period last year. Total OPEX also fell by 23 percent year-over-year to €32.1 million as we kept a tight grip on expenses.

This performance means that we have every confidence we will be able to meet our full-year 2024 target of lowering our normalized OPEX by 15 percent overall. As a result, our normalized EBITDA reached a record €8.2 million in the first half of 2024. That compares to an EBITDA of -€3.7 million in the first half of 2023. Our normalized EBITDA in the second quarter was €4.9 million, which is another quarter-over-quarter improvement over EBITDA performance and a substantial improvement versus the -€1.4 million EBITDA in the second quarter of 2023. The improvement in EBITDA with lower year-over-year CapEx resulted in an improvement in our cash flow. Our cash balance at the end of the first half of 2024 was near €21 million. Free cash flow improved to -1.3 million for the first six months of the year, getting close to becoming free cash flow positive.

Therefore, CM.com reiterates its guidance to become free cash flow positive by the second half of 2024. Our credit facility of €15 million with HSBC remains a standby facility. Looking ahead into the second half of 2024, CM.com will keep executing on its path to profitability. That means that CM.com will continue to focus on growing the business by delivering to its customers the products and services that help them be successful, coupled with agility and a strong focus on efficiency and cost levels. To further highlight the outlook for the remainder of 2024, I will now hand it back over to Jeroen.

Mr. Jeroen van Glabbeek:

The first six months of 2024 were a confirmation of what we aim to achieve through the changes implemented in recent years. After years of fast growth, CM.com improved its organizational structure and performance in 2023 and launched the business unit structure in 2024. All this is to strengthen the proposition of CM.com and to be prepared for the next phase of growth. As the market changed, we wanted to be able to generate cash and grow our business independently. Our gross profits and gross margins improved as we improved our product traits and increased our presence in the higher-margin businesses. CM.com continued to grow its gross profit and EBITDA to record levels.

For the remainder of 2024, CM.com continues to aim for further improvements to the bottom-line performance and to become Free cash flow positive by the second half of 2024. Normalized EBITDA is expected to be in the range of €14-18 million for 2024, coming from a -€1 million in 2023. Normalized OPEX is expected to be at least 15 percent lower year-over-year in 2024. As all the restructuring now is being completed, we expect going forward no longer to refer to the term "Normalized." Thank you for your attention. I would now like to hand it over to the operator for the Q&A session with the analysts. We look forward to your questions

Q&A

Mr. Serge Enneman: Now that the video has ended, we would like to open the lines for the analysts to answer any questions they may have. We would like to ask you to raise your hands in Teams. This is for the analysts. Raise your hand in Teams and keep your mic on mute until we hand over the turn to you.

Mr. Rundberg of ING, please go ahead and ask your question. Remember to unmute your phone, otherwise we won't hear you.

Thymen Rundberg (ING): Sure. Thanks. Good morning, all. I have a few questions. The first one is on your EBITDA guidance for the full year 2024. Given the strong performance in the first half of the year, already 8.2 million adjusted EBITDA, I feel that the normalized EBITDA guidance for the full year is somewhat on the low side, €14 to 18 million. Given especially that, you also mentioned that the pipeline for the second half of 2024 is quite strong, is the guidance more conservative on your end, or do you expect maybe any specific challenges or market conditions that might impact growth in EBITDA in the second half? That was my first question.

The second one is about Connect and the geographical exposure there. We could see some year-over-year variation in geographical exposure in general, but particularly within the Connect division. We see strong growth in the APAC region, particularly in the first half of the year, with net revenues nearly doubled there. Is that related to the large WhatsApp campaign? Could you give more insight in general into this, and also how sustainable you think this is going forward?

Then the last question is about the value-over-volume strategy that you started last year. What's the status on that currently? You started to add some volume in terms of messaging in the second quarter while Connect margins remained quite strong, but margins in the Live division have declined a little bit. I'm just wondering if you could elaborate a bit on that and what to expect going forward from a margin perspective as well. Thanks.

Mr. Jörg de Graaf: Yes, Thymen. Thank you. Let me answer your first question related to the EBITDA guidance. I think we had a very strong first half of the year in terms of performance also on the EBITDA level. That means we are well on track to hit our growth ambition there as well. We have been a little bit conservative in the guidance in the sense that the markets that we operate in are not necessarily always stable, so there's always a little bit of volatility. Also, what we know is that the second half of the year, mostly Q3, is typically where we have the highest peak in, for instance, our marketing expenses, which is kind of a recurring thing. We're right on track in terms of where we want to be, and I think also, ballpark, where we kind of guide it. At the same time, we want to leave a little bit of room for some volatility as we get closer to the end of the year, so by Q3 we will narrow the range. We don't want to overpromise, but we think we are in a good spot here. It's developing nicely, and I think the range should really be looked at indeed as the range where the midpoint is still truly a midpoint, but with a little bit of potential volatility. Jeroen, over to you for the Connect question.

Mr. Jeroen van Glabbeek: Yes, Thymen, about your question about the geographical spread, where does the revenue come from and how volatile is that? Indeed, we always see in Connect that the biggest chunk of revenue is quite stable. We have long-term relationships with our clients all over the world, whether they are tech companies, banks, or other institutions. There is a smaller portion of our Connect's revenue, which is a bit volatile. Also, if you see, in the long-term developments, over the last years, we've seen consistent growth in Connect's volumes and revenue. On top of this consistent growth, there's always some volatility of some bigger clients coming and going or increasing or reducing the traffic a bit. This comes from the largest clients in the world, who typically work with several suppliers. Most of our clients only use CM.com as a supplier for the messaging, but the biggest players in the world, most of the time have various suppliers like CM.com and our competitors. What you've seen is that there is always a top layer of revenue, which is a bit volatile. You also see the gains in the geographical split, where some of the countries reduced and in other countries a little bit more revenue, but for us, it's a normal way of doing business in this CPaaS world.

Mr. Jörg de Graaf: Okay then let me answer your last question, Thymen, on the value over volume strategy, the status, and going forward. I think first of all, we implemented that strategy by the beginning of last year, quite successfully, I think. It's not something that, in that sense, has a status that it's our way of how we run our business. That basically means we will not be chasing volumes in any of our businesses, but we'll be looking at what will contribute to the value and profitability of our company. That also means that our focus is not necessarily on margin percentage, but our focus is on just bottom-line Euro results. That means that as our business progresses, there can be a sort of temporary changes back and forth with mixes. For us, that's okay, and I think we have to be agile also in accommodating that. Our true focus is every piece of business, every customer, and every volume that we add, is it contributing to our bottom line. That's what we're managing the company on now, but also going forward. It's really key to our commercial strategy.

Thymen Rundberg (ING): Okay. Clear. Thanks very much.

Mr. Serge Enneman: Thank you, Thymen, for your questions. I would like now to ask you to mute your phone then. Then I will hand it over to Wim Gille of ABN AMRO. Wim, please go ahead with your question.

Mr. Wim Gille (ABN AMRO): Very good. I've got a few questions, obviously. First of all, focus on the CPaaS that is currently called Connect business. Can you give us a bit of an indication of the growth of WhatsApp or OTT channels? What percentage of the volume in Q2 is already converted to OTT in Q2, and can you remind us about the unit economics of OTT versus traditional SMS messages? The second question related to Connect is Voice. This line item remains in decline, while the COVID-19 base is well behind us. Can you give us a bit more understanding of what is happening to this particular channel, and should we be worried in any sense there?

Moving to the ticketing or the Live business. It's up 10 percent, so it's growing quite nicely. I don't have the feeling that you are significantly outperforming the market here given your local proposition vis-à-vis the competition and also considering that both your biggest competitors CTS Eventim and Ticketmaster are distracted, and one is digesting a fairly large acquisition. The other one has significant legislation coming against them. My feeling is that you should be outgrowing the market and that you should be growing the ticketing business, Live business much faster than what you currently do. Can you give us a bit of a feeling on how you look at your market shares, how you look at the internationalization that you are currently embarking upon, and what's holding you back from really accelerating in this part?

The last question would be on the SaaS business or Engage business. You talk quite nicely about all the engagement that you have with clients on in particular generative AI and how that particular capability is really filling up the pipeline, if you will. Yet your ARR does not really go up in line with the kind of the potential that we could see in this particular setting. Is this more or less a situation where we are just anticipating and filling up the pipeline? At a certain point in time, it pops in, and we see an acceleration in the growth here, or is something else going on that the ARR is growing relatively slowly? That's it.

Mr. Jeroen van Glabbeek: Thank you. I will answer the first questions about Connect and Ticketing, and then I'll hand them over to the CFO. You have a question about AI and SaaS, although it's very tempting to answer that question as well because of the great things happening within that domain. Let's start with Connect. Indeed, what we always said is that this communication channel of text messages will become much, much richer in terms of experience, and it always has been in the past. In the past, there were text messages, notifications, and one-time passwords, and that is still a valid business model and still a growing business model. We still send more and more one-time passwords. We send more and more deliveries.

On top of that, since 2019, just before our IPO, we were able to also put WhatsApp, Rich Communications Systems, or RCS, such as the Apple business messages into the mix to enable our clients to have a much better experience actually with their consumers. We saw that growing. We invested heavily in that. We are at the top of the list of WhatsApp global partners. We are maybe the number one, or at least within the top five WhatsApp players in the world, at least for the last quarter. We are quite successful in making messaging richer. You see that our volumes are growing in terms of messages. The vast majority of the growth, I think, came from richer messaging.

Now, how does it work in terms of unit economics? I think actually very good. What we see with text messages, we sell them at a sell rate. We buy them at a buy rate, and we make a margin in between. That's how CPaaS has always worked and still works. The same actually goes for the new type of message, WhatsApp. We buy them from Meta, and we sell them at a higher price. RCS, the newest kid on the block so to say, we buy it from the operators. We sell it to our clients, also with a margin. This is especially coming up for the next quarters, we are really looking forward to seeing more growth in RCS. I think WhatsApp has been tremendously successful over the last quarters, but the next will be RCS. Why? Everybody in the market expects that our partner Apple will introduce RCS in iOS 18, which will be released somewhere in September, so not far from now, a few months.

We cannot comment on what we're doing with Apple at that stage at the moment. It's widely spread in the media that everybody's anticipating that rich communication systems, RCS messages, will also be included in Apple devices. That will be a great new feature, where it's like a global coverage coming up for RCS. Then we are actually where we always wanted to be for the CPaaS market and by text messages by operators. If you want to negotiate with the operators, we have alternatives. With WhatsApp, you can go to WhatsApp. If you want to negotiate with WhatsApp, we also have leverage because we can go back to the operators and negotiate about RCS. It gives us more power to buy these messages for our clients. We really believe that this will have a positive impact on the margins going forward and positive effects on the experiences of the consumers worldwide using these channels to communicate with their businesses. We are very positive about those developments.

Then in other developments, you mentioned voice. CPaaS, of course, is multichannel and not only messaging, but also voice. Voice is very relevant for our clients. Imagine we sell this software within our Engage department. We have also a for our mobile service cloud, where we receive a lot of incoming questions from our customers and enable them to answer those questions. Where we enable those incoming questions, we support all the existing channels; messages, chats, emails, but also voice. Voice is an important part of a business in terms of the necessity to be relevant for clients, but it is not so important for our business in terms of volume. If you look at our latest press release of today, we say in terms of numbers, our number of messages is 2.4 billion messages in the last quarter. If we talk about voice, that's a whole other order of magnitude. The number of voice minutes is 58 million, so 2.4 billion messages and only 58 million voice minutes. Voice is not an important part of our revenue or margin compared to text. That's why we are mainly focused on the number of messages. Voice is a nice add-on and must-have, so to speak, for our other disciplines like Engage and also for our clients. That's to put in perspective our voice business compared to our messaging business.

That concludes my answer for Connect, but you also have two other questions. One is about Ticketing, and one is for SaaS. I would like to answer the question about Ticketing first. If you look at Ticketing, indeed, we're growing fast. Then your question was, are we outperforming the market, and what are our opportunities given the facts, what's happening with the competitors? Indeed, a few of our competitors merged, so they will be distracted. I can believe that you said there. We also heard news about Ticketmaster, which is not always positive in the news, so big opportunities for our ticketing departments. Do we see them, or will we see them back in our figures now? We certainly believe so. We also indicated here and there in our press release that we are working on several big deals, especially in Europe. A few of them are also related to ticketing because indeed we see the opportunities, but also our potential clients see opportunities we have for them.

We have this ticketing solution in place, it's really integrated into our platform. It works seamlessly together with our marketing cloud and with the service cloud and most promoters and organizers of events, they know that if they go to CM.com they can stay independent. We are aiming for the independent players in this market. What does it mean? Some competitors of some players in the event space are not independent. They're, for example, owned by a company called Live Nation. And this

Live Nation also owns Ticketmaster. If you do, if you are part of Live Nation, you have to work more or less with Ticketmaster, and this also goes for some venues.

But there is a part of the business where we aim, which is our target market. This part of the business is where we aim to win them, and we are winning more and more deals there.

We should expect that it will translate into growth for the ticketing department in the near future, but it will take some time to get it in the numbers. We are really looking forward to making more deals with these independent promoters as we speak at the moment. That's about ticketing. Then GenAI, a lot of things are happening and for that, I hand it over to Jörg de Graaf to tell you more about that.

Mr. Jörg de Graaf: Thank you, Jeroen. Yes, our SaaS or Engage business, includes GenAI I think over the last almost a year. When we launched our GenAI proposition, we also really made the whole package, our suite of SaaS products much more condensed. It's really integrated, and it works well. It's all suited for the same target market, so mid-market and high mid-market. That's really where our sweet spot is. We're seeing a lot of traction there. With GenAI, we're still ahead of the game in terms of what we're able to deliver. We're continuously improving and developing, but seamlessly integrating it with our software solutions. I think that's very important that it allows us, the GenAI solutions that we are integrating, it allows us to accelerate the order intake on our total software package. That's what we have seen basically since the fourth quarter of last year. That has continued for, well, the last three quarters in total.

Then order intake. Not only in the Netherlands, but around the world has been very good. Compared to historical standards, we really are closing a lot of deals with very interesting brands and names. Prenatal Netherlands, you've heard, but we also have a large energy drinks company signed up and there are many more. What we see basically happening is that the new business, the new order intake, with our new combined proposition, is really getting a lot of traction. It's going well. The implementation of that within our customers is sometimes a phased thing. A large company typically doesn't immediately implement the whole thing, but they do it unit by unit. You see the order intake translate step by step into revenue, and that's sort of what we see happening. Also, the whole onboarding needs to be done. In that sense, there's a little bit of a delay between order intake and when you see the revenue coming.

If you compare it to our financial results, we showed a 10 percent increase in revenue for our SaaS business. That's quite okay. We have ambitions beyond that, but I think that's quite okay. Comparing that to the ARR uptake of six percent, which is below that, I think it's not a hundred percent like-for-like comparison because the ARR consists of more elements than just SaaS. All of our recurring revenues within CM Group are ARR. Also, there's a little bit of a timing thing, as we've mentioned. By the end of last year, due to several circumstances, mostly also financial related, some of our SaaS customers had to stop taking our services for their corporate reasons. Yes, that sort of still needs is fading into our results, so that's putting a little bit of pressure on the year-over-year ARR growth. Generically, we see a lot of traction on our SaaS offering. The GenAI really propels the value and the impact of our total software suite. We're quite bullish in that sense in terms of how our SaaS business is developing.

Mr. Wim Gille: Very good. Then I have two follow-up questions more related to the cost side of things. If I'm not mistaken, in Q3, you not only have the big marketing event related to primarily Formula One, but also you implement your merit cycle in Q3, if I'm not mistaken. What should we pencil in for wage inflation as per the second half of this year? Then, related to that, how do you look at the number of FTEs? I saw it more or less stabilized versus Q1. Should we expect to stay on this level, or should we expect a bit of an uptick? What can you tell me about that?

Mr. Jorg de Graaf: Okay. Thank you, Wim. Yes, so indeed, there are a couple of elements happening in Q3 and Q4 that impact our cost base. To sort of give a total overview of sort of the main elements, one is obviously the marketing peak that you mentioned. It's sort of an annual recurring thing for us. You probably know ballpark what to have in mind there, even though we did scale it back somewhat. Then there is also another element that does impact on our cost level traditionally in the second half of the year, and that is that there are more vacation days than in the first half of the year. What does that mean? That means that our developers are not writing as many hours as they do in the first half of the year on new development projects, so that means fewer hours are capitalized. There's lower CapEx, but a little bit higher OPEX. It's also every year the same.
Then, you are right. The last thing is we have our merit increase, which is always in September for us, and I think we try to be in line with the total market there. I think the order of magnitude, it's a little bit over five percent. Five to seven percent I think you should sort of take into account; all things taken into consideration. On the headcount, as we mentioned, by the end of this quarter, we're sort of where we want to be. There may be a little bit of volatility within and between the quarters, but that's mostly related to attrition, hiring, and how fast that sort of compensates for each other. Ballpark, I think the headcount that we ended Q2 with is kind of what you need to take into account.

00:44:40
Mr. Wim Gille: Thank you.

00:44:41
Mr. Serge Enneman: Okay. Thanks for your question, Wim. Then I would like to move on to Robert Vink of Kepler Cheuvreux. Robert, please go ahead with your questions, and remember to unmute your phone.

00:44:53
Mr. Robert Vink: Yes, great. Can you hear me?

00:44:55
Mr. Serge Enneman: Yes.

00:44:56
Mr. Robert Vink: Perfect. All right. Two questions from my side. With the restructuring process out of the way, could you maybe share with us how you expect the composition of your employee base to evolve going forward? If I look at the numbers

what I noticed is that the number of R&D staff already went up in the last quarter while sales and marketing and G&A actually shrunk. This is a trend that you expect to continue, meaning that research and development will grow in proportion relative to sales and marketing and G&A. Maybe as an informative question, relating to this topic, I was wondering if you could roughly quantify how many R&D people in your company work on GenAI solutions, and also how you expect this to evolve going forward. Thank you.

Mr. Jeroen van Glabbeek: All right. Robert, I'll take those questions if you allow me. About restructuring, indeed, that came to an end. We are happy where we are now. The number of employees we expect to be more or less stable, as Jorg just indicated as well. Then in the composition of the different groups of employees, yes indeed. We divide them into three groups, the smallest group, General Admin, overhead so to speak. We're quite stable below 100 people, so that's great that we, with such a small team, manage to manage all our corporate stuff very efficiently and lower than we were in the last two years since our listing. Indeed, we have a great staff in terms of R&D. It's still a lot of work to integrate all the products, to develop them further.

We really would like to invest in our products for our clients going forward. We have many ideas, although we already were able to deliver a lot in the last few years. When the downturn came in the market a few years ago, I think in the summer of 2020, when we realized, that if we have to scale, yes. We also chose to keep the focus on developing the really core priorities for our product. By doing that, we now are much more advanced in terms of our product suite than most of our competitors whether it is in payments and ticketing, in SaaS, or in CPaaS. We were able to deliver the features our markets wanted, and that's why we are so successful now in our order intake. I'm very happy that we were steady in our R&D department. I also believe that we can do that going forward. Of course, we try to do our best in R&D to become more efficient and with every new tool coming out. Also, GenAI helps, of course, coding for our developers, but we have a very great base of R&D people.

Also, a bit relates to the question earlier from Wim from ABN. We invest a lot in people. We hire young talents coming from universities around our offices. We hire them, we train them. We make them better in their work every year, and then somewhere in their career, they flow out to go to various other companies. Then we hire new young talent and train them more and more again. That's also a bit of managing our cost base as well. We try to promote our talent to the next levels, because we invest in the growth, so they become more valuable. We're very proud of that, and then they flow out maybe later on and help make other companies successful as well. That works for us, this talent, this investment in talent, and also keep on refreshing the talent with young, energetic people. That's about our R&D.

Then we go to sales and marketing. Do you know what it is for sales are marketing? We can really measure everything. We know per campaign, per sales individual, the performance. Of course, we always have patience. We look at the figures, and we give people a second chance. We try things again and again, but then eventually, if we say “Okay, we can invest better in these and these countries and in those products, and maybe we can also invest less in other countries or close countries like we did last year.” We are now happy where we are with a number of countries, but we had to decide to close a few countries in the past. The same is true where we invest in products. We'd like to invest in terms of sales and marketing, in the sweet spots of where we have traction in the market, where our products are really hot, in the countries where they're really hot and there we want to sell them. It's very efficient nowadays in our ROI, so the costs we make in sales and marketing, we earn them back quite rapidly.

We are capable of doing that within a smaller team of sales and marketing, but as we said also in my CEO message, we do more with less. That means we have more order intake than ever before, and we do that with fewer people, maybe because we are more efficient. Maybe we let go of the right people, and we get to the right people. We have a great group of talented sales and marketing people now, who are very effective and efficient. Yes, indeed, we are able to do more with less in terms of sales and marketing. How do we see that going forward? The same as looking backward. Every day we look at the figures and see what the ROI on our efforts in marketing and sales is, where our dollar has the best return on investment and there we invest more.

Also, looking forward to the next quarters and the next years, we're allocating our resources where we can deploy them best in terms of efficient growth and sustainable growth going forward. We believe that we can do that more or less with the same number of people we employ today. Then, of course, we have some natural attrition. People grow further, go to other companies and we hire also young talents like I discussed. That's a bit about the employee base.

Then GenAI, I cannot exactly answer the question about how many people are employed within CM on AI. Why? Because actually the development of AI involves everyone. Whether you are in sales or marketing, finance, or the helpdesk or a developer, all our employees, in some way or another, use AI on a daily basis.
If I have to guess, how many FTEs within the CM company are working on delivering products about AI, implementing them for our clients, but also integrating it into our product suites, my best guess would be around 100. I think around 100 people are on a daily basis, working at CM every day to make our own models, and to host them on our own chips. To test them, we have our testing capability, which is really advanced, and to make the guide rails where GenAI lives on. Our enterprise customers like utility companies, financial institutions, and insurance companies can trust CM.com that our GenAI capabilities will not go off the rails and say a lot of stupid things, which we've seen from competitors in the markets. We have a very good reputation on AI.

We invest a lot and I think 100 people for a Dutch company working on AI on a daily basis it's a big amount. I think we might have been one of the biggest investors in AI in the Dutch context and that we do so because, one, we are really good on it. We started this really early as we acquired CX company, we acquired Building Blocks, and invested in it ourselves. We really believe that this is the market. Someday we will be maybe an AI company instead of a software company, which we are today, and we are preparing for that. That's why we invest heavily in AI, and we see the returns as we go along. I hope that answers your question, Robert.

Mr. Robert Vink: Okay. Thank you. That's very helpful. Maybe one follow-up question on the venues. Could you maybe give us some more context on the dynamics behind venues and how that diverse to event organizers? Maybe you could also quantify the size of the venue opportunity for the Live division, and maybe for other divisions in the company. Thank you.

Mr. Jeroen van Glabbeek: Yes. If you look at ticketing, ticketing is a broad spectrum. You buy tickets for a lot of things every day to grant access. The core of our vision, our vision is mobile phones will be the remote control of people's lives. What do people do with a remote control? What do people do with their mobile phones? You communicate. You want to download information and look things up on the internet. You want to make payments with mobile payments, but you also grant access. In a lot of things in daily life, you get access to things, even to a parking lot, you get access with your mobile phone. Mobile phones are important. Ticketing is important for mobile phones. We invested already ten years in this field.

We started with our own background. We came from discotheques and clubs 25 years ago, and we found the company, so we would also like it to sell tickets for festivals, but most festivals are like once a year happening events. Now, with our software suites and a communication suite, we can help our clients to make it a year-round communication, but still, every festival takes place on average once a year. It's the same with sports events.
Over the last decades, when we were developing our ticket portfolio, we came to the conclusion that our revenues would become more stable if we looked for client groups in venues. Now, the first venues we did were museums. We acquired Global Tickets a few years ago, a market leader in selling tickets in museums like the Van Gogh Museum and Heineken Experience and MOCO museum with many great names.

Also in the near future, we expect to announce other great names in other countries for our museums. That are the first venues. The nice thing about museums is they are open every day, so they sell tickets every day, and they give us a constant flow of income in our Live division. On top of that, lately, we are seeing uptake in other venues and sort of independent venues not owned by ordered ticket companies. They are free to choose and where venues are free to choose, they like to choose CM.com. What kind of venues are that now? On top of the museums and attraction parks we already had, we see now more and more music venues, where they organize on a weekly basis, on a daily basis, music and live events. We announced just one name, Hedon. If you look at our order book, you'll see we've signed up many other venues as well, also bigger names, household names, so to speak.

We expect a more consistent revenue stream coming from venues. That's why it's important for us going forward, and it's nice to see this traction. That's why we also mentioned it in our press release.

Mr. Robert Vink: Okay. Thank you.

Mr. Serge Enneman: Okay. If there are any follow-up questions, please. Thymen, you have a follow-up question. Please go ahead.

00:56:47

Thymen Rundberg (ING): Yes. Thank you, Serge. I just have one last question from my side about the new business units and cross-sell performance. You already mentioned the business unit structure and how it has had positive impact in the first half of the year. I was wondering a bit about cross- and upsell performance. You mentioned already in an answer to another question that order intake on the total software package is accelerating. I was wondering if you know how many products a new customer takes and how it compares to, let's say, your existing or legacy customers? I know that also some years ago you reported some cross-sell KPIs. Is that something also that you would consider again in the future? Thanks.

Mr. Jörg de Graaf: Yes, well, good question, Thymen. For us, obviously, our vision is that the integration of the different solutions that we have is what brings the most value to some of our customers. We are actively selling integrated solutions where that help our customers. We're also selling them standalone, of course. What we have seen over the years is that as we progress, a number of sorts of natural combinations have arisen very actively. For instance, in Life, we see practically all deals done with either payment included, or Engage solutions included, or both. We see a lot of integrations between our software solutions that kind of propel conversations with the conversational channels. We're now also integrating payment links into WhatsApp, so it's kind of a continuous focus point of ours.

Also, despite the fact that we're now sort of organized in business units, our commercial teams are still very actively looking for these cross-sell opportunities. It's not because we want to push it, but because our customers are asking for it because it solves a challenge for them. It helps them be more successful in their business. At this stage, we're not disclosing the exact numbers, but we do see continuous progress in terms of the number of average products that a customer takes from us. It's a KPI that we are considering to disclose again at a point in the future, but we haven't decided upon yet. It's important for us. We put a lot of effort into it, and we see that our customers value the integrated solutions a lot.

Thymen Rundberg (ING): Okay. Great. Thanks.

Mr. Jeroen van Glabbeek: Yes. Last few minutes? We're coming to the end of this presentation and the Q&A, I think. Yes, obviously we had a great quarter, and this was only possible with the help of all our colleagues, and I think they did a great job. We did more with less. That means a lot, a lot of things, of course, that this group of people loyal to CM.com worked very hard to make this all possible, and I'm very grateful for that. Lastly, I'm looking forward to the next quarters and what they will bring. Then I hope to meet you again and to continue this dialogue.

Mr. Serge Enneman: Thank you, Jeroen. This concludes our webcast. Thank you all for attending and for all your questions. Our next release will be in the third quarter, Trading Updates, which will be released on the 18th of October 2024. There will be no webcast for that release. For all other details and our financial calendar, please visit our Investor Relations website or CM.com, and this concludes the call. Thank you all.

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