

]pexip[

# Quarterly Presentation Q4 2023

February 14, 2024

# Important notice and disclaimer

These materials have been produced by Pexip Holding ASA (the "Company", and with subsidiaries the "Group"). The materials have been prepared for the exclusive use of persons attending an oral briefing and meeting to which these materials relate given by a representative of the Company and/or persons to whom these materials have been provided directly by an authorized representative of the Company (the "Recipients"). For purposes of this notice, "materials" means this presentation, its contents and appendices and any part thereof, any oral presentation and any question or answer session during or after or in relation to any of the foregoing.

The materials are for information purposes only, and do not constitute or form part of any offer, invitation or recommendation to purchase, sell or subscribe for any securities in any jurisdiction and neither the issue of the information nor anything contained herein shall form the basis of or be relied upon in connection with, or act as an inducement to enter into, any investment activity. The materials comprise a general summary of certain matters in connection with the Group, and do not purport to contain all of the information that any recipient may require to make an investment decision. Each recipient should seek its own independent advice in relation to any financial, legal, tax, accounting or other specialist advice.

No representation or warranty (expressed or implied) is made as to any information contained herein, and no liability whatsoever is accepted as to any errors, omissions or misstatements. Accordingly, the Company or any such person's officers or employees accepts any liability whatsoever arising directly or indirectly from the use of the materials.

The materials may contain certain forward-looking statements relating to the business, financial performance and results of the Company and/or the industry in which it operates. Forward-looking statements concern future circumstances and results and other statements that are not historical facts, sometimes identified by the words "believes", "expects", "predicts", "intends", "projects", "plans", "estimates", "aims", "foresees", "anticipates", "targets", and similar expressions. Any such forward-looking statements are solely opinions and forecasts which are subject to risks, uncertainties and other factors that may cause actual events to differ materially from any anticipated development. No liability for such statements, or any obligation to update any such statements or to conform such statements to actual results, is assumed.

These materials are not intended for distribution to, or use by, any person in any jurisdiction where such distribution or use would be contrary to local laws or regulations, and by accepting these materials, each recipient confirms that it is able to receive them without contravention of an unfulfilled registration requirements or other legal or regulatory restrictions in the jurisdiction in which such recipients resides or conducts business.

This presentation and related materials speaks only as of the date set out on the cover, and the views expressed are subject to change based on a number of factors. The Company does not undertake any obligation to amend, correct or update the materials or to provide any additional information about any matters described herein.

# Q4 highlights

## Solid Q4 results

- Q4 revenue of NOK 285 million, up 10% y-o-y
- Total ARR at USD 102.8 million, up USD 3.0 million q-o-q
- EBITDA<sup>1</sup> of NOK 59 million and cash flow of NOK 28 million

## Strong development in Connected Spaces

- USD 2.7 million in ARR growth in the quarter for Connected Spaces
- Benefiting from positive market trends, HP|Poly partnership, improved competitive dynamics and product enhancements

## Delivered on 2023 targets

- ARR growth of 3% (7% excluding legacy)
- NOK 113 million in EBITDA excluding other gains and losses
- NOK 105 million in free cash flow

## Launched VPaaS

- Pexip launched its new Video Platform as a Service (VPaaS)
- The new platform is targeting embedded video for regulated organizations

## 2023 capital distribution

- Recommend dividend of NOK 1.1 per share to 2024 AGM
  - Ordinary dividend of 0.6 NOK per share for 2023
  - Extraordinary dividend of NOK 0.5 per share

## Financial targets and 2024 outlook

- Medium term we target to consistently deliver above 10% ARR growth and minimum 20% EBITDA
- For 2024 we have the following outlook:
  - 5-10% ARR growth
  - 13-18% EBITDA

1) Excluding Other gains and losses, e.g., restructuring costs

# Pexip has a unique video technology platform

## Patented **transcoding** architecture



### Centralized data processing

- Gives improved interoperability & browser experience
- Enables AI applications

## Run on **any compute** platform



### Works in all environments, including self hosted and sovereign clouds

- Enables total data privacy and control
- Easy to customize

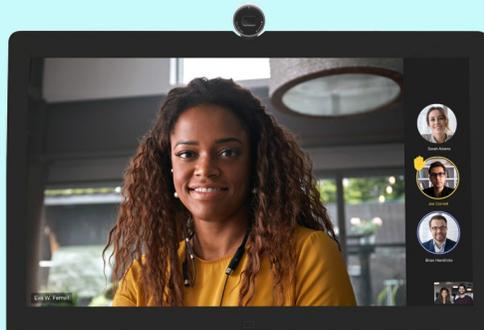
Flexible **video technology** that powers everything from business communication to ultra secure government meetings, doctor's appointments and court proceedings

Powered by Pexip

MISSION

To make seamless video communication available to all organizations regardless of technology platforms and security requirements

**Pexip Connected Spaces**  
Video meeting interoperability



When several video technologies need to work seamlessly together

Selected partners



**Pexip Secure & custom Spaces**  
Video meetings for self hosting or private clouds



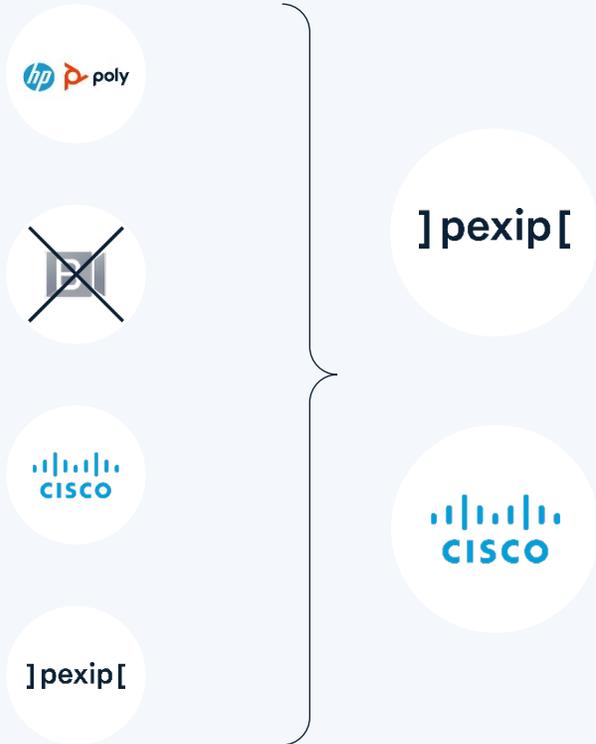
When complete privacy and control over data is required

Selected partners



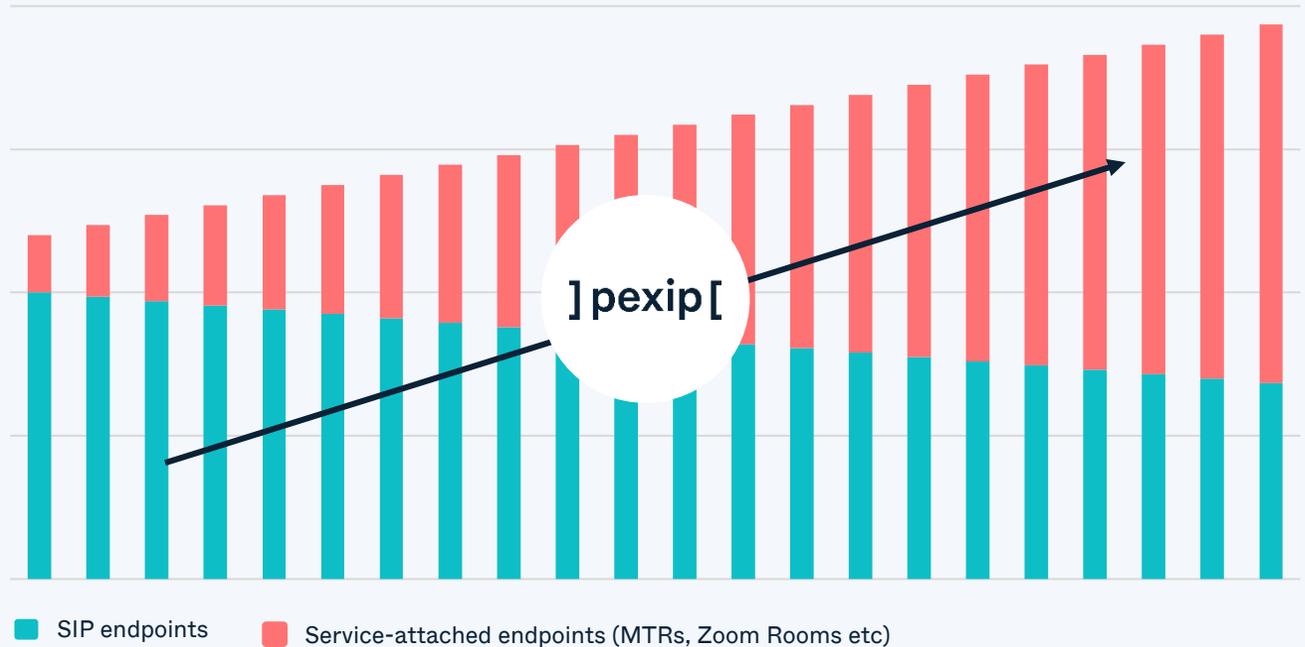
# Connected Spaces market opportunity

## Consolidating market for SIP interop



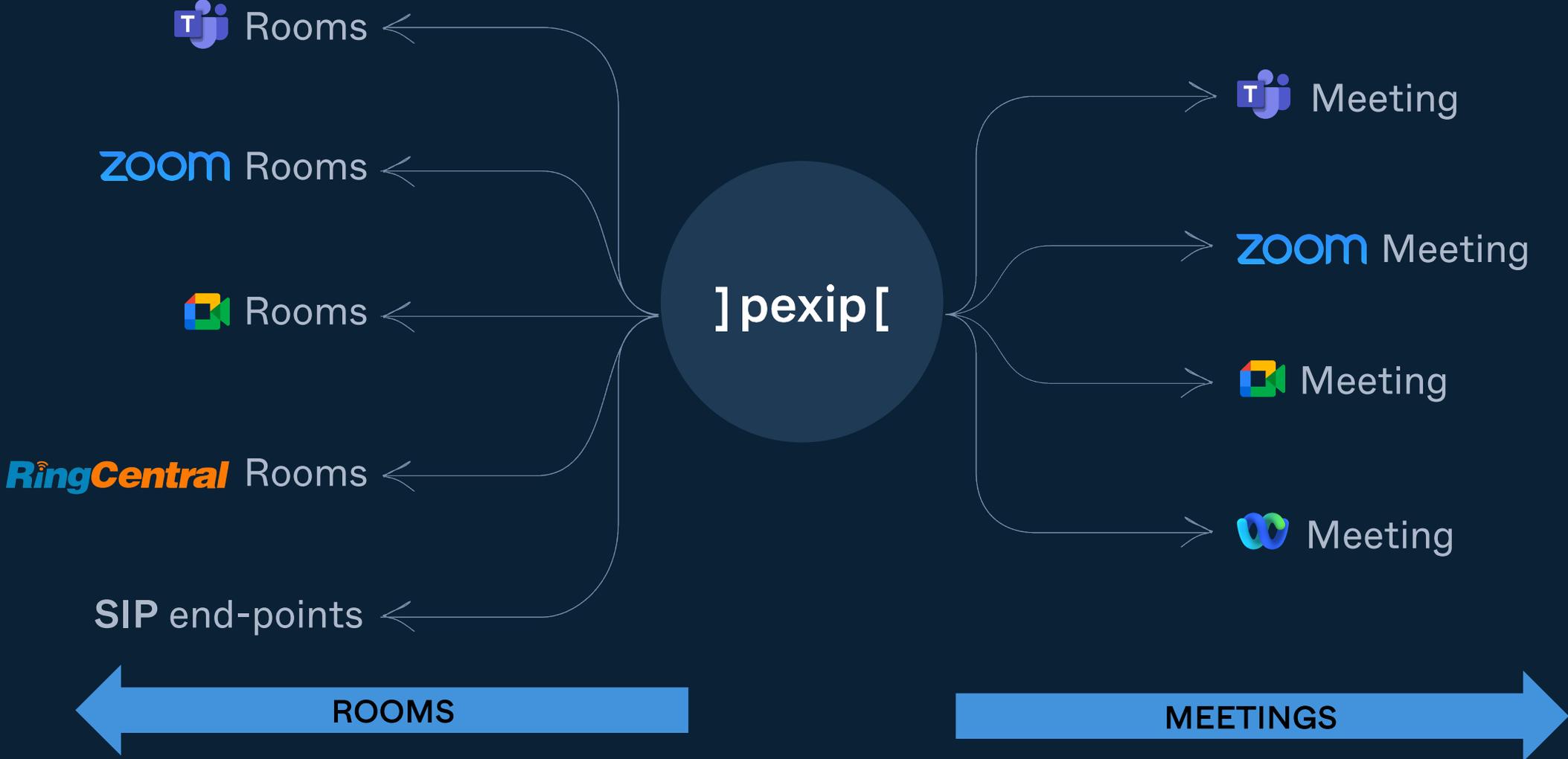
- Only two players left
- Pexip is technology leader

## Emerging market for service-attached interop fueled by 15% p.a. growth in video endpoint sales next five years<sup>1</sup>



- Market for interop solutions is growing
- Installed base of SIP end-points up for grabs in short to medium term
- Longer term there is a large opportunity in next generation interop providing “any to any” seamless video communication

# On a journey to connect any meeting room to any meeting



# Strengthening Pexip Connect for Teams Rooms ecosystem with Lenovo partnership

PEXIP CONNECT

## Teams Rooms

SIP/H.323 compatibility for Microsoft Teams Rooms.

[Learn more](#)



# Lenovo

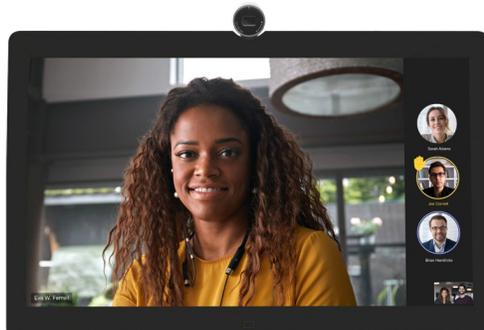
“We are excited to collaborate with Pexip to enhance the capabilities of our Teams Rooms. With the capabilities provided by Pexip, customers can have a more complete solution – making it an attractive and preferred option for businesses seeking a single provider to meet all their video meeting room needs.”

Andrea Recupero, Lenovo Director EMEA Smart Collaboration

MISSION

To make seamless video communication available to all organizations regardless of technology platforms and security requirements

**Pexip Connected Spaces**  
Video meeting interoperability



When several video technologies need to work seamlessly together

Selected partners



**Pexip Secure & custom Spaces**  
Video meetings for self hosting or private clouds

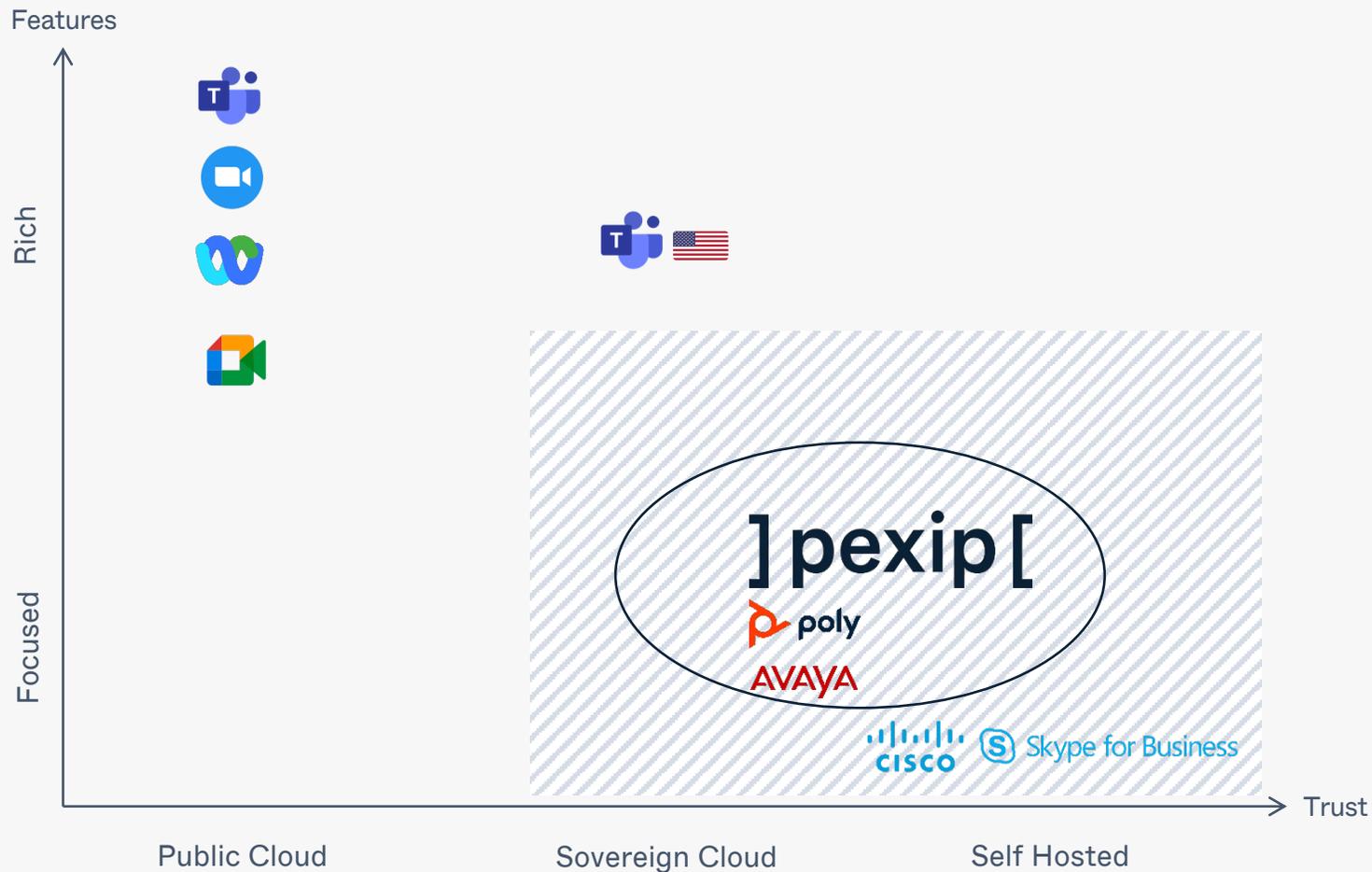


When complete privacy and control over data is required

Selected partners



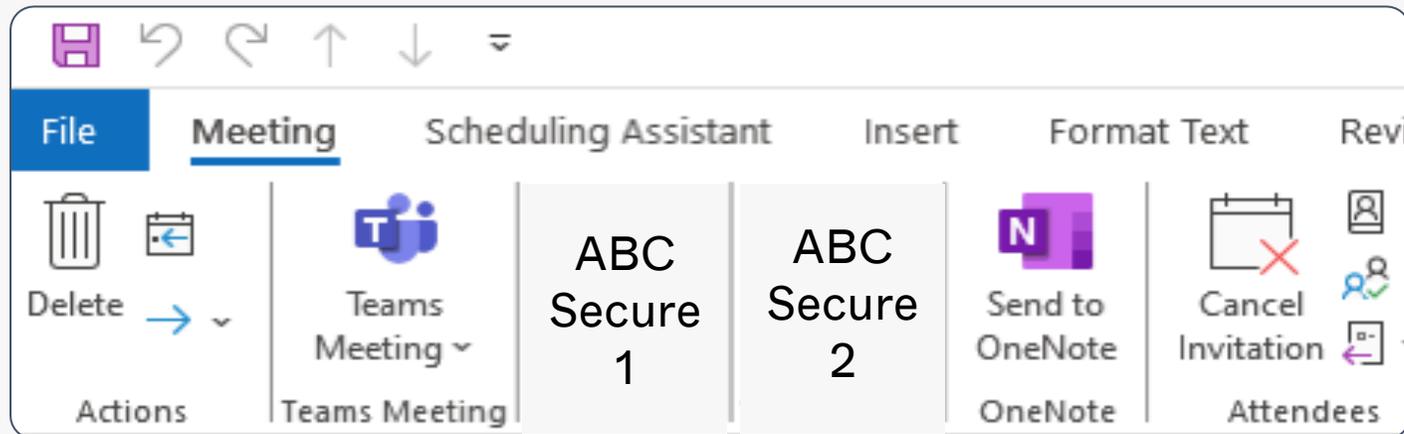
# Secure & Custom market opportunity



- Analysts expect 30% growth in private clouds
- 137+ countries have enacted some form of data protection and sovereignty laws
- 50% of European CXOs see data sovereignty as a top issue
- 44% of European enterprises plan to move to sovereign cloud in the next 2 yrs.
- Pexip well positioned

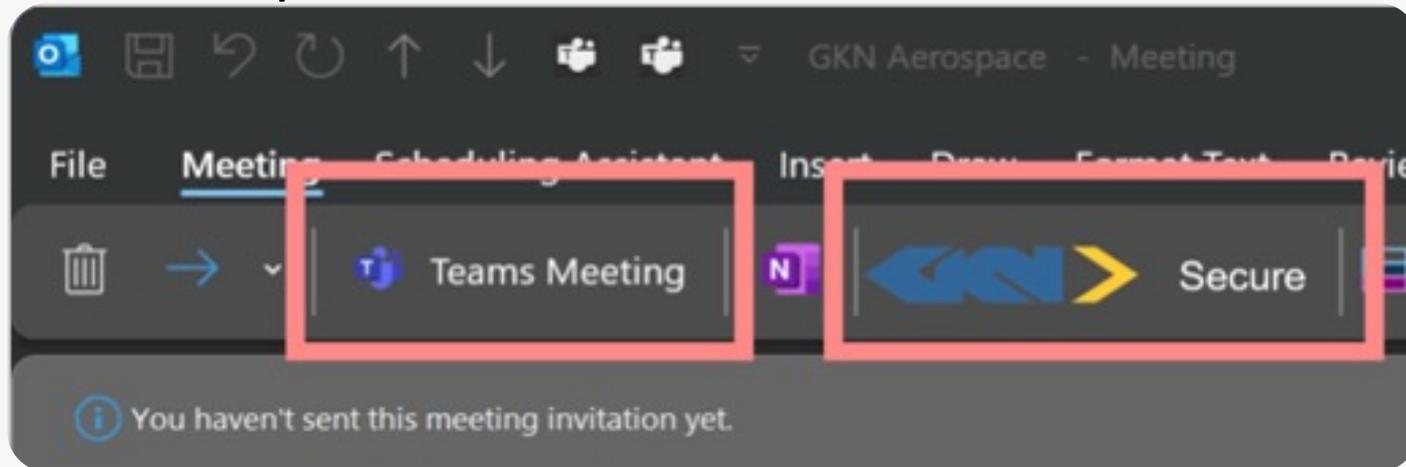
# Complementing Teams meetings with Pexip Secure Meetings

## European Country Government



Pexip Secure Meetings as a complementary video meeting platform for meetings that require an extra level of security. The application is an Outlook plug-in, alongside Teams.

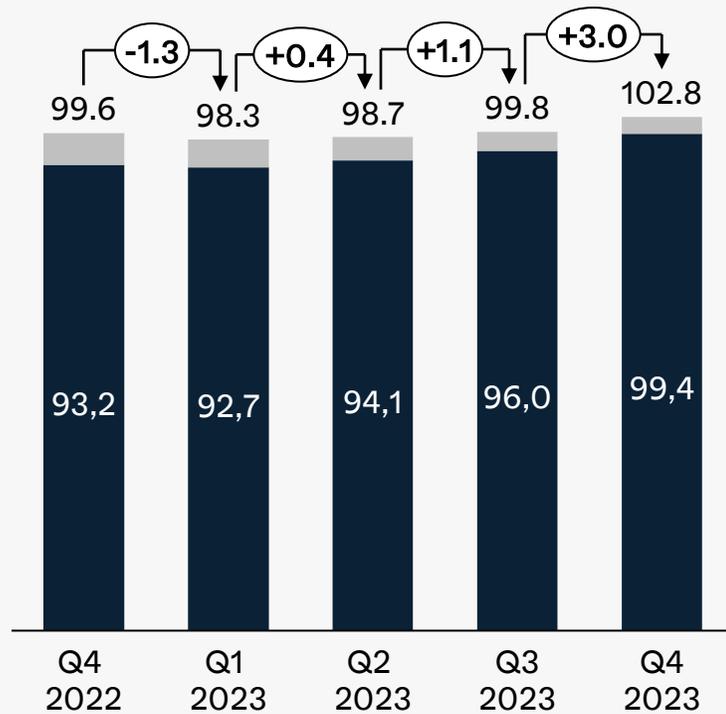
## GKN Aerospace



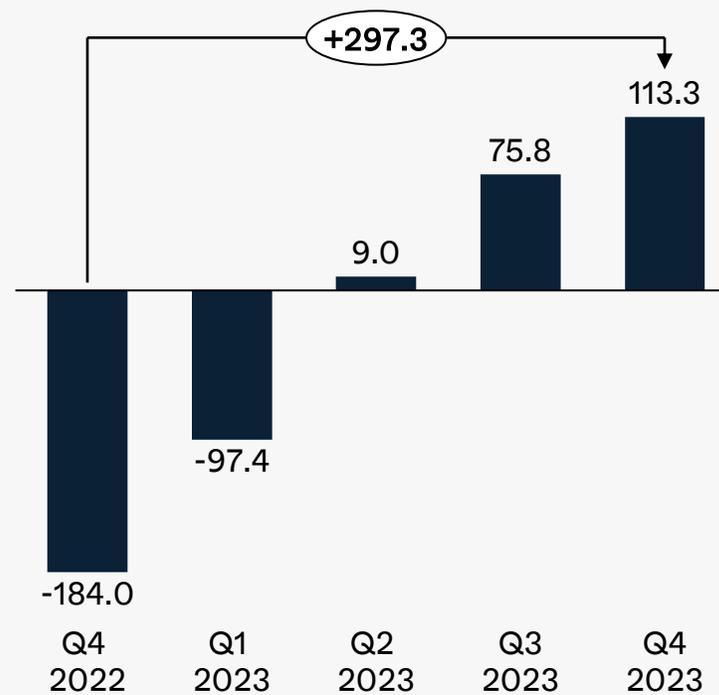
Need for a secure on-premises video platform with full opportunity to audit access to information to comply with regulatory demands related to international trade

# Step-change in financial performance

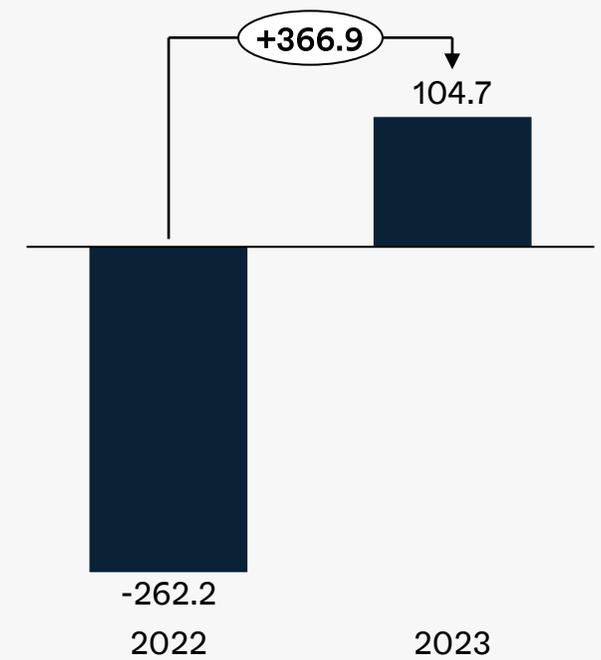
Total ARR  
USDm



Adjusted EBITDA<sup>1</sup>  
NOKm, last 12 months



Free Cash flow<sup>2</sup>  
NOKm



Legacy Underlying ARR

<sup>1</sup> EBITDA less Other gains and losses  
<sup>2</sup> Operating cash flow, investment cash flow and leases

# 2023 target achievement

**Target 2023 EBITDA of NOK 100-150 million**

**Target 2023 free cash flow<sup>1</sup> of NOK 85-100 million**

**Target flat to positive development in recurring revenues for FY 2023**

**NOK 113 million in EBITDA adjusted for other gains and losses (restructuring)**

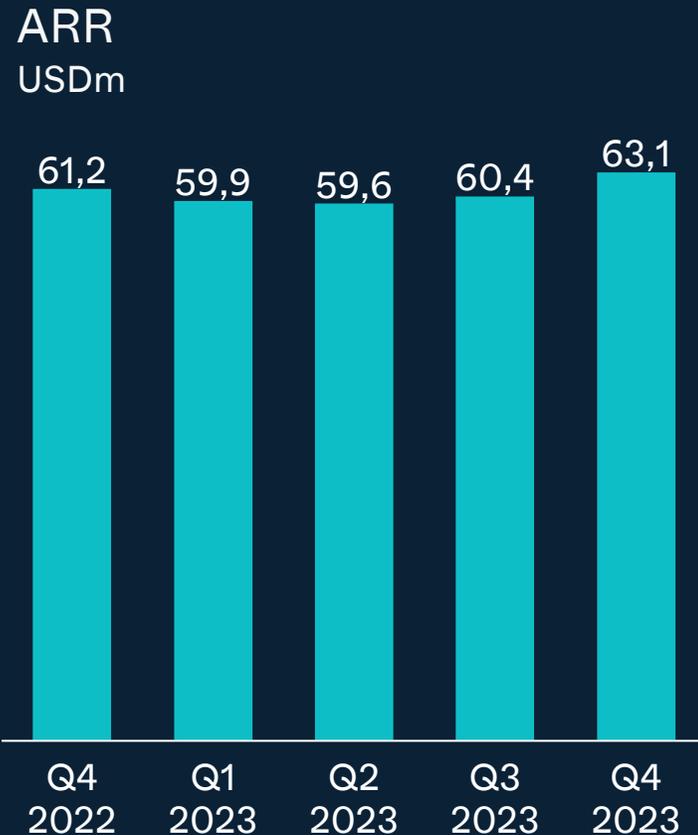
**NOK 105 million in free cash flow**

**3% growth in ARR to USD 102.8 million (7% growth excluding legacy areas)**

1) Cash flow from operating and investing activities excluding acquisitions, including principal lease payments

# Sales update

# Connected Spaces



- Growth in Connected Spaces in Q4 benefiting from improved product differentiation, increasing momentum in Poly|HP partnership and BlueJeans sunsetting their CVI solution
- All regions contributing positively to Connected Spaces growth
- Positive feedback on SIP Point to Point for Microsoft Teams Rooms – opens a new market opportunity for Pexip for the next generation of video interoperability
- In Q4, Pexip signed several large customers in Connected spaces, including:
  - Pexip Connect to a major pharmaceutical company
  - Pexip Connect to a major luxury brand
  - A large upsell to a Big Four Audit and advisory firm
  - A large expansion to a Western Government

# Big Four Audit and Consulting firm

- Complex internal UC setup using both Google Meet and Microsoft Teams internally
- Wide range of video systems internally
- High number of interactions with clients using a range of UC tools
- Pexip is providing the full Pexip Connect offering, with interop to Teams and Google Meet, One-touch-join automation and direct support to the customer

# Secure and custom solutions



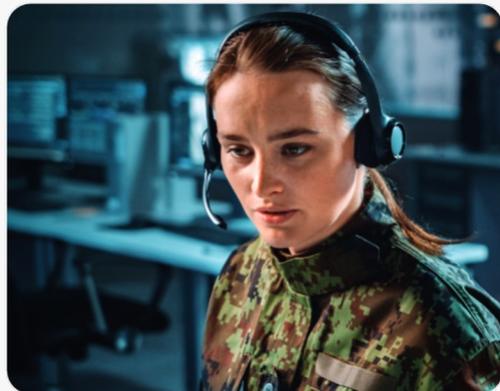
- Secure and custom solutions growing 2.4% in Q4 and 13% y-o-y, driven largely by strong upsell across several accounts in Secure and Custom
- Secure spaces was the main source of growth, with 22% growth y-o-y. Large wins include:
  - Secure meetings to a defence contractor
  - Secure meetings to a Middle Eastern government
  - Secure meetings to several Swedish government entities

# Seeing solid traction in the defense space

## Defence classified meetings

For SECRET and above, its 100% on prem, or private cloud.

Replace existing solutions with Pexip & Rocket.chat, and ensure business continuity.



## Deployed video tools

Wearables, mobile and application integration for the battlefield.

Pexip works better across poor network conditions.



## Mission partner collaboration

Federate & plan with partner orgs, with unique Pexip capabilities based on Data Centric Security.

Relevant for multinational organisations.



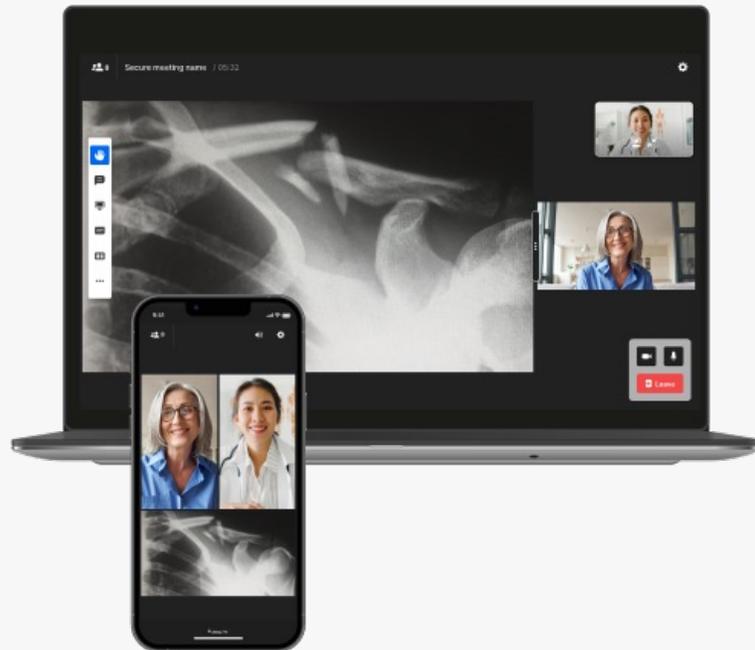
## Collaboration for development

Protect advanced engineering development programmes.

Lever Pexip's partners' collaboration technologies to foster creativity for dispersed teams.



# Launched Video platform as a Service (VPaaS) beta



## Unique value proposition built on core Pexip strengths

---



### Private and compliant

- No Personal Identifiable Information is obtained or stored on the service at any time
- You choose **where** your tenant operates without sacrificing features or functions
- Built with compliance in mind



### Unique features targeted at vertical use cases

- Multi-stream video/content for advanced collaboration
- Switching/composable video; each user can create a unique experience
- Audio & video codec built from the ground up will protect quality in sub optimal conditions



### Easy to adopt

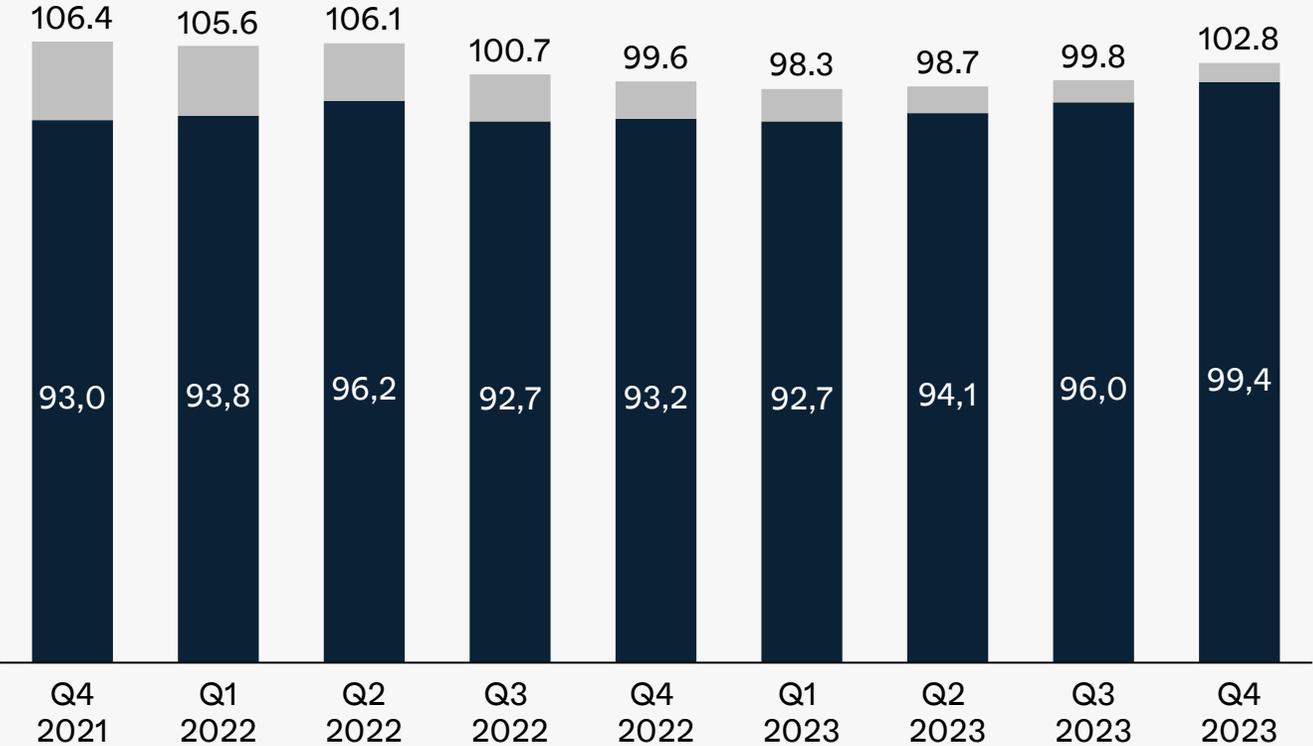
- Published sample apps make migrating easier
- Unified APIs (future) will make adoption of service & self hosted seamless

# Financial update

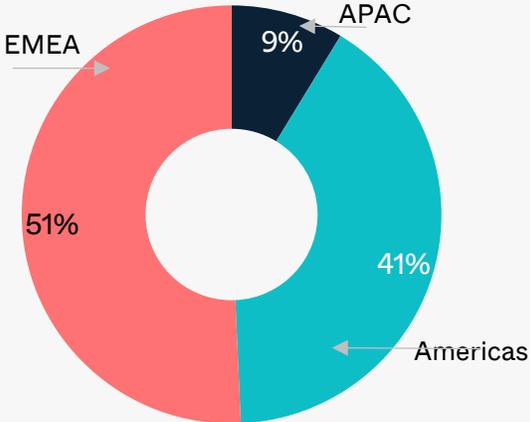
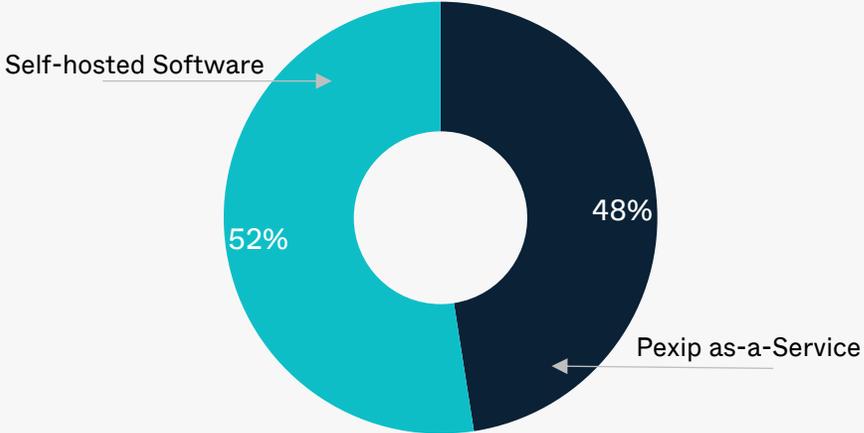
# Total ARR base at USD 103m in Q4 2023

Total ARR  
USDm

- Legacy
- Underlying ARR

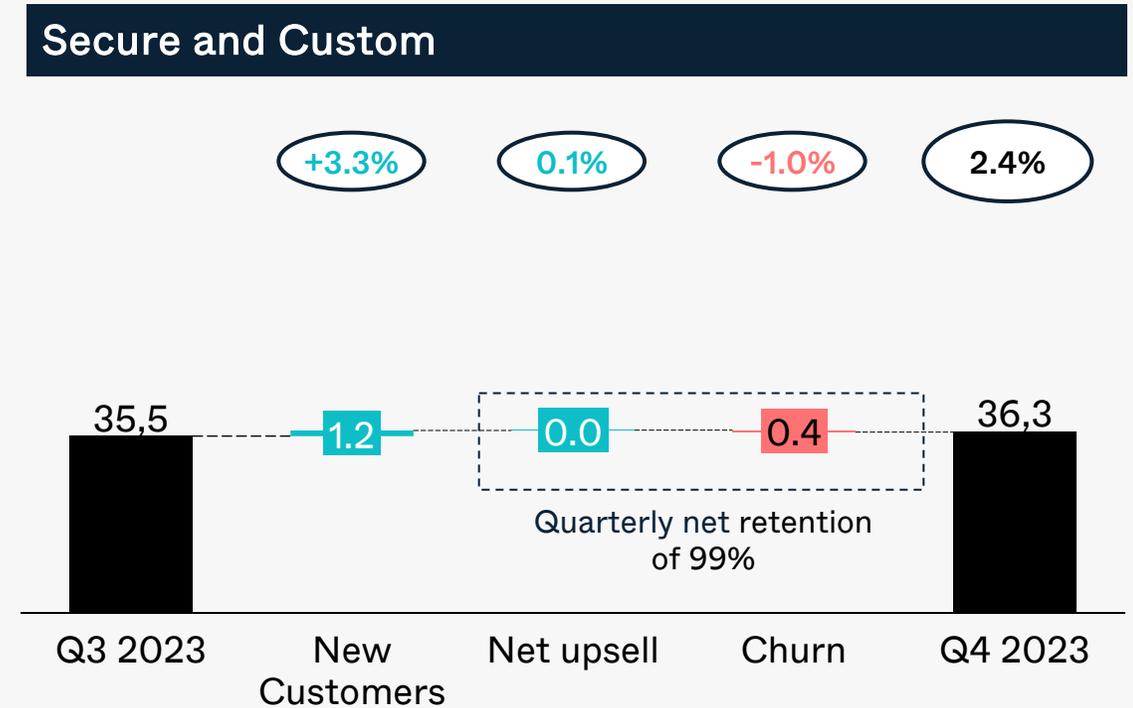
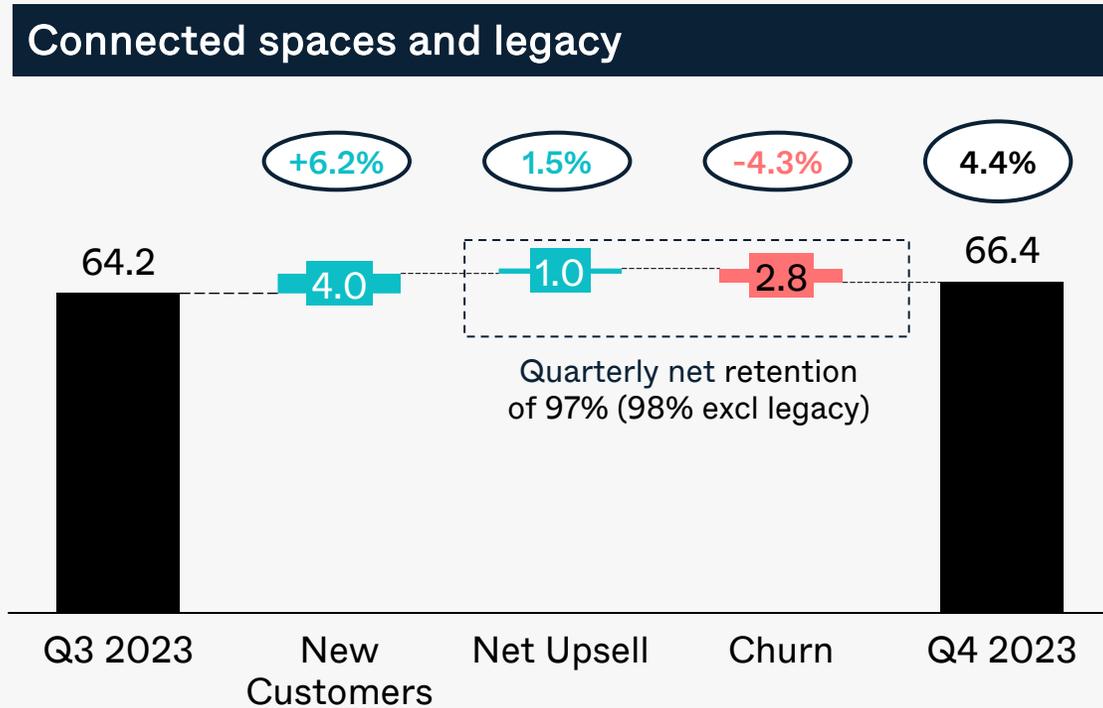


ARR split  
Q4 2023



# Breakdown of ARR development

USD million, quarter-over-quarter



- Improved new sales in Secure and Custom
- Very strong sales for both new and existing customers in Connected Spaces

# Continued improvement in revenue and EBITDA

- Positive revenue increase of 10% compared to Q4'22
  - Strong revenue development despite delivering NOK 25 million less in pre-paid multi-year software contracts delivered in Q4 2023 compared to Q4 2022
- Continued positive EBITDA development from increased revenues and lower costs

Revenue  
NOK million



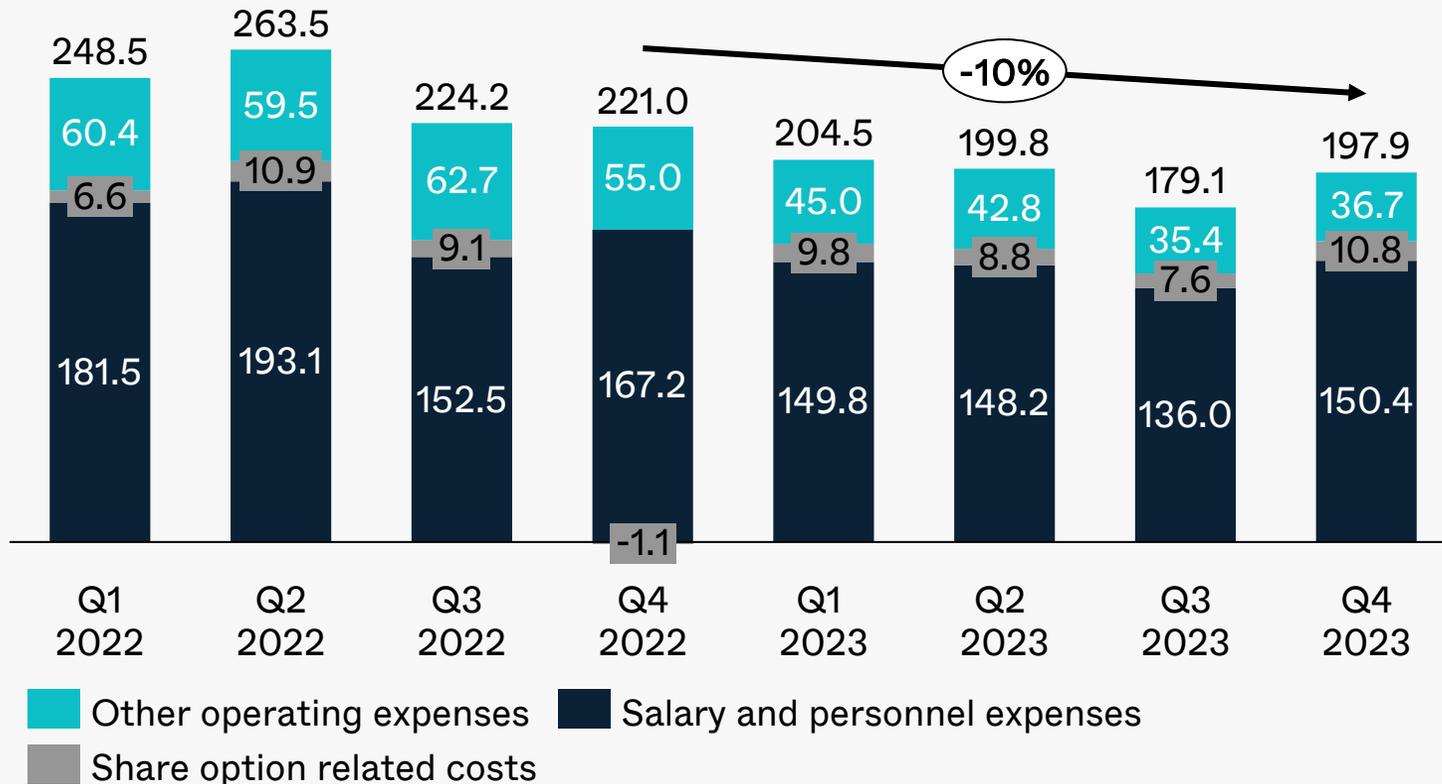
Adjusted EBITDA<sup>1</sup>  
NOK million



1) EBITDA adjusted for Other gains and losses

# Q4 2023 OPEX base 10% below Q4 2022

Quarterly OPEX development  
NOKm



## Salary and personnel expenses

- Stable salary and personnel expenses compared to Q1/Q2, with somewhat lower fixed salary and higher variable compensation achievement from stronger sales in Q4

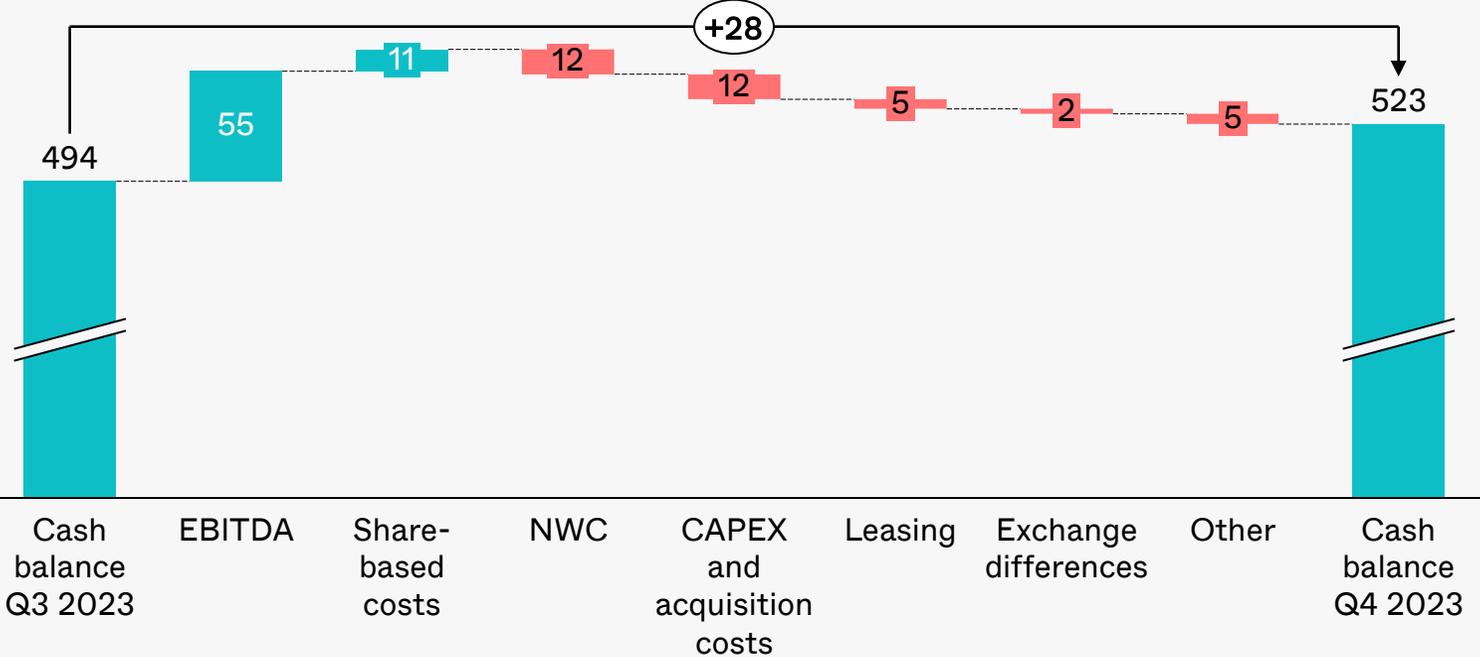
## Other Operating expenses

- Overall in line with previous quarters, and 33% lower than Q4 2022.
- Reduction mostly from lower sales and marketing costs as well as smaller reductions on all other items

# NOK 28 million in positive cash flow in Q4 – 2023

## free cash flow of NOK 105 million

Cash flow bridge Q4 2023  
NOKm



- Positive EBITDA excluding share based compensation costs contributing positively to Q4 cash flow
- Seasonal negative development on working capital due to higher invoice volume in Q4, in particular for December
- For 2023, Pexip achieved a free cash flow of NOK 105 million from NOK 178 million in operational cash flow, negative 51 million in investing cash flow and negative 22 million in lease payments

# Q4 2023 Financial results

## Profit and loss

NOKm

	Q4 2023	Q4 2022	Y-o-Y
<b>Revenue</b>	<b>285</b>	<b>260</b>	<b>25</b>
Cost of goods sold	28	18	10
<b>Gross Profit</b>	<b>257</b>	<b>243</b>	<b>14</b>
Salary and personnel exp.	161	166	(5)
Other operating exp.	37	54	(17)
<b>Adjusted EBITDA</b>	<b>59</b>	<b>22</b>	<b>37</b>
Other gains and losses	(5)	(29)	(22)
<b>EBITDA</b>	<b>55</b>	<b>(7)</b>	<b>62</b>
D&A	100	44	56
<b>Operating profit</b>	<b>(45)</b>	<b>(52)</b>	<b>7</b>
Net financials	0	(8)	8
<b>Profit/loss before income tax</b>	<b>(45)</b>	<b>(59)</b>	<b>14</b>

- 14% increase in year-on-year revenue, driven by stronger Software and Software-as-a-Service revenues and currency
- COGS is mainly relating to sale of Pexip-as-a-Service with the increase being related to increased usage as well as activation of key AI features
- EBITDA excluding other gains and losses of NOK 59 million, NOK 37 million higher than in Q4 2022.
- NOK 5 million in other gains and losses from restructuring supporting long-term cost reductions
- High D&A in Q4 2023 due to impairment of Skedify goodwill of NOK 63.6 million following cost-reductions in the business unit

# FY 2023 Financial results

## Profit and loss

NOKm

	FY 2023	FY 2022	Y-o-Y
<b>Revenue</b>	<b>994</b>	<b>867</b>	<b>127</b>
Cost of goods sold	99	94	5
<b>Gross Profit</b>	<b>895</b>	<b>773</b>	<b>121</b>
Salary and personnel exp.	621	720	-98
Other operating exp.	160	238	-78
<b>Adjusted EBITDA</b>	<b>113</b>	<b>-184</b>	<b>297</b>
Other gains and losses	11	61	-50
<b>EBITDA</b>	<b>102</b>	<b>-245</b>	<b>348</b>
D&A	199	115	84
<b>Operating profit</b>	<b>-97</b>	<b>-360</b>	<b>264</b>
Net financials	33	44	-10
<b>Profit/loss before income tax</b>	<b>-64</b>	<b>-317</b>	<b>253</b>

- For FY 2023 revenues are up 15% or NOK 127 million compared to 2022
- COGS overall in line with last year, benefiting from improved operational efficiency but impacted by higher usage and traffic
- Cost reductions on Salary and personnel expenses and other OPEX of NOK 98 million and NOK 78 million respectively
- NOK 11 million in other gains and losses for 2023, mainly related to cost reduction initiatives
- NOK 199 million in D&A in 2023, compared to NOK 73 million in investment and leasing cash cost

# Outlook and targets

# Updated financial targets and current 2024 outlook

## 2023 achievement

- 3% ARR growth (7% excluding legacy)
- 11% EBITDA<sup>1</sup>

## Current 2024 outlook

- 5 to 10% ARR growth
- 13-18% EBITDA<sup>1</sup>

## Mid-term targets

### Consistently deliver:

- Above 10% ARR growth
- Above 20% EBITDA<sup>1</sup>

<sup>1</sup>) Adjusted for other gains and losses

# Market outlook

- Continued positive market outlook across the business areas
- Key drivers for Connected Spaces is the Hybrid work mode, the HP|Poly partnership, BlueJeans' exit, Pexip's unique product and FedRAMP authorization in this space in addition to the growth in video devices
- Key drivers for Secure and Custom is the growth in private clouds, the geopolitical situation, and the HP|Poly partnership
- Q1 2024 ARR expected 103-106 USD millions

## Current 2024 outlook

- 5 to 10% ARR growth
- 13-18% EBITDA<sup>1</sup>

## Mid-term targets

### Consistently deliver:

- Above 10% ARR growth
- Above 20% EBITDA<sup>1</sup>

<sup>1</sup>) Excluding other gains and losses

# Will recommend a NOK 1.1 per share dividend to AGM 2024

## Introduced a capital distribution policy

- Distribute 50-100% of free cash flow generated to shareholders as a dividend, with the concrete recommendation to be presented and approved by the AGM
- In addition, an extraordinary dividend of NOK 0.5 per share to be paid together with the ordinary dividend

## 2023 dividend recommendation of NOK 1.1 per share

- NOK 0.6 dividend per share as an ordinary dividend
- In addition, an extraordinary dividend of NOK 0.5 per share to be paid together with the ordinary dividend

# Upcoming dates

## Q1 2024 Quarterly Presentation

🕒 May 6, 2024

## 2024 AGM

🕒 April 12, 2024

**Q&A**

[Investor.pexip.com](https://investor.pexip.com)

**Thank you for listening!**

[Investor.pexip.com](https://investor.pexip.com)

# High gross margins across the business areas

Gross profit by segment  
NOKm

	Q4 2023	Q4 2022	YoY dev.
Revenue from Connected Spaces	184	168	10%
COGS of Connected Spaces	24	18	32%
<b>Gross Profit from Connected Spaces</b>	<b>160</b>	<b>150</b>	<b>7%</b>
<i>Gross margin Connected Spaces</i>	<i>87%</i>	<i>89%</i>	<i>-2 p.p.</i>
	Q4 2023	Q4 2022	YoY dev.
Revenue from secure, custom solutions	101	93	9%
COGS of secure, custom solutions	5	4	17%
<b>Gross Profit from secure, custom solutions</b>	<b>96</b>	<b>89</b>	<b>9%</b>
<i>Gross margin secure, custom solutions</i>	<i>95%</i>	<i>96%</i>	<i>-1 p.p.</i>

- 10% and 9% revenue development in the two business areas
- Somewhat lower gross margin growth due to increased COGS