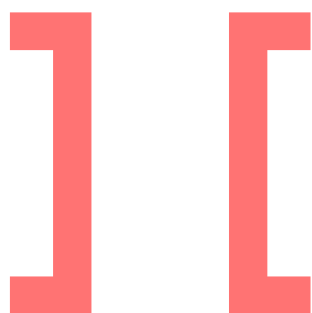


]pexip[

Interim Report

# Q2 and First Half 2021



# Q2 Highlights

- Solid growth in ARR, driven by sales to new customers, despite continued uncertainties around office openings due to Covid-19 restrictions
- ARR reached USD 92.7 million, 41% growth year-on-year, driven by 62% growth from Pexip as-a-Service and 29% growth from Pexip self-hosted software
- Revenues at NOK 177 million, 9% growth year-on-year, driven by strong growth from Pexip as-a-Service and impacted by lower revenue recognition on Pexip self-hosted software and negative USD/NOK currency development
- Several new technology innovations including the launch of Pexip Control Center and enablement of registration with Avaya videoconferencing
- EBITDA at negative NOK 41 million, developing as expected, and in line with investment plan and growth strategy
- Sales pipeline for the second half of 2021 is strong, and the Company is on track to reach USD 300 million in ARR by 2024

“Organizations all over the world are preparing for post-pandemic hybrid working, and our salesforce and partners are working closely with customers to get ready for the new normal. Uncertainty around office openings resulted in somewhat delayed sales opportunities and bookings in Q2 2021 as customers postpone their purchase decisions. The underlying momentum in the market remains firm. We see significant demand and a strong sales pipeline for the second half of 2021. Our continued increase capacity within sales will also be a positive driver for growth in the quarters to come, together with a continuous launch of new product features. In Q2, we saw solid year-on-year growth, with especially strong sales to public sector organizations as well as first phase deals with some of the largest companies in the world within key verticals, including business to consumer (B2C) retail and business consultancy providers. These are examples of customer segments seeking high degree of robustness, service quality, security and ease of use, which are at the core of Pexip’s unique offering. All in all, we are progressing well on our growth strategy as communicated at the time of the IPO, including ramp-up of sales and technology staff and our work with strategic partners, and we are on track to reach our ARR target of USD 300 million by 2024”

**Odd Sverre Østlie**  
CEO, Pexip

## Key Figures

		Q2 2021	Q2 2020	1H 2021	1H 2020
Revenue	NOK million	177.1	163.1	356.8	313.1
Cost of goods sold	NOK million	20.9	10.1	36.0	15.0
Salary and personnel expenses	NOK million	148.6	79.8	324.1	152.4
Other operating expenses	NOK million	48.2	79.1	90.6	115.9
Other operating expenses adjusted for IPO expenses	NOK million	48.2	32.8	90.6	68.1
EBITDA	NOK million	-40.6	-5.9	-93.7	29.9
EBITDA adjusted for IPO expenses	NOK million	-40.6	40.4	-93.7	77.6
EBITDA margin	%	-22.9%	-3.6%	-26.3%	9.5%
EBITDA margin adjusted for IPO expenses	%	-22.9%	24.8%	-26.3%	24.8%
Reported profit for the period	NOK million	-36.8	-63.6	-92.5	-25.9
Earnings per share	NOK per share	-0.35	-0.68	-0.89	-0.3
ARR	USD million	92.7	65.8		
Number of employees end of period	#	451	250		

# Q2 Operational review

## Q2 Summary

In Q2, Pexip Holding ASA (“Pexip” or “The Company”) demonstrated solid year-on-year growth despite delays in sales as a result of continued uncertainty around office openings. Pexip’s subscription base measured in Annual Recurring Revenue (ARR) reached USD 92.7 million in Q2 2021, up from USD 65.8 million in Q2 2020, representing a year-on-year increase of 41%. This was driven by strong sales to public sector organizations across all geographies, as well as first phase deals with some of the largest companies in the world. Within the public sector, Pexip extended its contract with the UK Foreign, Commonwealth & Development Office, and within the private sector, a 3-year contract was signed with NVIDIA, a Fortune 500 company and the largest Graphics Processing Unit (GPU) manufacturer in the world. On the innovation front, Q2 saw the launch of the Pexip Control Center, for better data monitoring and device management, as well as the possibility to register Avaya videoconferencing systems on the Pexip Service.

## Q2 Product Releases Meet the Demand for Data-Driven Videoconferencing Planning and Deployment

In Q2, Pexip released products and integrations that support the continued move to hybrid working,

providing data-driven insights, and flexibility in terms of location and devices used by customers.

## Launch of Pexip Control Center

With the combination of remote and office working, which has become more prevalent as a result of Covid-19, it is important for organizations to have a full overview of videoconferencing usage and an intuitive dashboard for device management. The Q2 launch of Pexip Control Center provided organizations with the overview they need, empowering both customers’ IT admins as well as Pexip channel partners, who often help manage customer deployments, with actionable insights and visibility into video meeting usage statistics, helping them in their strategic planning of resources and investments. The Control Center also helps organizations to identify potential technical issues and solutions in real-time, as well as giving them the ability to manage systems, rooms and users from a central point, providing their organizations with the best possible, secure and reliable video meeting experience. The Pexip Control Center is a one-stop shop for monitoring all meeting activity on the Pexip platform, including Pexip Meetings, Microsoft Cloud Video Interop (CVI) and Google Meet calls. This overview of all types of interoperable calls has been especially well received by both existing customers and prospects.



## Support for Avaya Videoconferencing Systems

In the drive to create flexibility and interconnectivity for users across the globe, whether working at home or in the office, Pexip announced in Q2 that Avaya videoconferencing systems can now register to the Pexip Service. This enables Avaya customers to use their video hardware to place and receive point-to-point calls with other video systems internally and externally, as well as join meetings from providers such as Pexip, Cisco, Microsoft, Google, Zoom and BlueJeans, without the need to deploy additional videoconferencing infrastructure. Registering Avaya endpoints to Pexip's global quality of service network helps Avaya users to maximize the ROI of video conference rooms, modernize video conference call control management, and reduce the need for large investments in new hardware. Avaya is an American multi-national technology company and has large deployments of videoconferencing systems especially in North America and Central and Southern Europe.



## Joint Marketing and Sales Efforts with Logitech for Global Launch of Pexip Room

In Q2, Pexip also continued its partnership with Logitech, announced in January 2021, with global promotion through joint marketing events and campaigns. Pexip Room is designed to support organizations that are facilitating a hybrid workforce where multiple solutions are being used to connect employees in offices and home offices around the globe. Pexip Room is a software application to be run on meeting room devices, delivering a seamless end-to-end meeting experience, improving usability and simplifying the job of the IT admin. This solution expands the existing offering of meeting room cloud services for video devices from amongst others Cisco and Polycom. Pexip Room natively integrates with

Logitech's new Rally family of devices of all-in-one video bars and modular conference camera solutions.

## Recognition of Pexip Health as “Best Telehealth Platform”

With a diverse set of Application Programming Interfaces (APIs), Pexip can be customized to fit customers' unique needs in, for example, healthcare, government, and financial services. Specifically in the field of healthcare, Pexip cemented its commitment to delivering Pexip as a platform by launching Pexip Health in January 2021. This allows healthcare providers to extend the reach of their practice by providing secure, easy-to-join telehealth visits for patients from any device or location. Through the Pexip APIs, caregivers can use the technologies they already own to meet with patients, with no need to buy additional hardware or new tools. Pexip offers a native integration with Epic EHR and APIs to integrate with other electronic health records like Cerner, Allscripts, eClinicalWorks, Practice Fusion etc. Pexip Health is already powering more than 600,000 virtual visits a week in North America alone, including the U.S. Department of Veterans Affairs, and the Defense Health Agency, meaning that all active US military and veterans receive telehealth powered by Pexip.

Pexip's commitment to healthcare was recognized in Q2 through the “Best Telehealth Platform” award in the annual MedTech Breakthrough Awards conducted by MedTech Breakthrough, an independent market intelligence organization that recognizes the top companies, technologies and products in the global health and medical technology market.

“Telehealth has been in the spotlight like never before and many organizations and patients are seeing how complex these healthcare video deployments can be. Pexip Health simplifies complex videoconferencing to empower individuals to meet, regardless of location or technology”

**James Johnson**  
Managing Director, MedTech Breakthrough

## Key Wins Demonstrate Strong Traction in both the Public and Private Sectors

In Q2, Pexip added five new Fortune 500 customers, meaning that the Company now has approximately 15% of the Fortune 500 on its customer list.

Despite delays to purchasing decisions caused by the uncertainty around the return to the office for many organizations, Pexip delivered solid growth in Q2 2021, with an increase in ARR of 41% year-on-year to USD 92.7 million. Of the 41% year-on-year growth in ARR, 40 percentage points (pp) were from new customers and 1 pp was from existing customers. Net revenue retention rate, reflecting the percent of retained revenue from existing customers, was 101% year-on-year, including churn of 10% year-on-year. Pexip generated new ARR (delta ARR) of USD 5.5 million in Q2 2021, compared to USD 9.1 million in Q2 2020, and USD 2.4 million in Q2 2019. Q2 2020 was heavily supported by companies putting in place solutions to Covid-19 driven home office requirements at the start of the pandemic. ARR from Pexip's Self-hosted Software reached USD 54.6 million in Q2 2021, up 29% year-on-year, while ARR from Pexip as-a-Service reached USD 38.1 million, up 62% year-on-year.

### Key wins included:

#### **NVIDIA**

Pexip secured a 3-year contract with NVIDIA, a Fortune 500 company and the largest Graphics Processing Unit (GPU) manufacturer in the world. The contract is for Pexip as-a-Service Enterprise Room Connector for Microsoft Teams. The solution will replace NVIDIA's existing video call-control, while also delivering Microsoft Teams CVI.

#### **Global Retailer**

Pexip has secured a contract expansion with a global retailer for Pexip's self-hosted software. Pexip's platform will enable remote advisory calls between this global retailer and its customers. The customer has more than two billion website visitors per year, and the Pexip solution is part of the customer's digital strategy. The solution is expected to be rolled out from 17 countries to all global locations.

#### **Global Consulting Group**

Pexip secured a contract with one of the largest consulting firms in the world with more than 22,000 employees and offices across more

than 90 cities. The contract is for Pexip as-a-Service Enterprise Room Connector for Microsoft Teams. With multiple locations and various videoconferencing solutions across their offices around the world, Pexip's One Touch Join and interoperability capabilities enable the customer to solve the challenge of coherent collaboration between locations, without the need to engage with multiple videoconferencing technology providers. Pexip was chosen for its reliability, deployment architecture and strict privacy and security features.

#### **Global Oil & Gas Exploration and Production Company**

Pexip secured a contract with one of the largest oil & gas exploration and production firms in the world, a Fortune 500 company with more than 87,000 employees. The contract was signed for Pexip's self-hosted software, including One Touch Join and CVI for Microsoft Teams interoperability, supporting approximately 350 dedicated videoconferencing systems. The Pexip solution will provide the new call control system including Outlook scheduling, One Touch Join, Microsoft Teams interoperability and self-hosted control of calendar data. Because of the nature of the business, including a high degree of confidentiality of information across the world, the customer has strict security and data privacy requirements. Pexip was chosen for its secure and reliable product offering.

#### **Public Sector Organizations**

Pexip is experiencing increased attention and confidence from key public service providers. Pexip works closely with these organizations to build scalable solutions for secure, reliable and flexible video communication. In Q2, Pexip signed contracts with several public sector organizations including the UK Foreign, Commonwealth & Development Office for Pexip as-a-Service, The Swedish Government Offices (Regeringskansliet), a US civilian department, and a US military department for Pexip self-hosted Software, among others.

## Committed to Sustainable Growth

Pexip released its first Sustainability Report (for 2020) in Q2. The report documents Pexip's Environmental, Social, and Governance (ESG) initiatives and performance in 2020 and solidifies the Company's commitment to systematically addressing and reporting on the core ESG risks and opportunities that are material to Pexip.



The Company has long championed the power of videoconferencing to contribute to a sustainable future, from reducing carbon emissions from travel, e-waste and network usage, to providing a better work life balance for employees, partners and customers. Pexip believes that reducing emissions by increasing the use of videoconferencing represents a significant opportunity for customers and the Company will continue to work to systematically demonstrate that value.

Pexip has established baseline measures for material topics and the Company is actively addressing the most important areas where there is more work to be done. Both the management and Board of Pexip are committed to sustainability and see ESG measurement, management and reporting as a long-term value creation strategy that will help the Company to build resilience in all aspects of the business.

Following the release of the report, Pexip was awarded first place in the category of

Best Newcomer, chosen among 360 listed companies in the Nordic markets analyzed by the Nordic investment bank, Carnegie. The Carnegie Sustainability Awards are presented in the categories Large-cap, Small-cap and Best Newcomer, to companies driving sustainable growth. According to Carnegie, companies that contribute to a more sustainable world are also the winners in the market.

## Continued Organizational Expansion to Fuel Second Half Growth

A key enabler to deliver on Pexip's long term ambitions is growing the team. By the end of Q2, the Company had 451 employees. Sales and Marketing account for 276 of these employees, up from 135 at the end of Q2 2020, reflecting the strong focus on increasing sales capacity. The Company continues to focus on training, enablement and effective onboarding of new employees and believes that the expanded sales force will have a positive effect on sales in Q3 and Q4 2021.

The employee turnover ratio for full time employees in the period June 2020 to June 2021 has been stable at 10.6%, which is an average of 0.8% per month, and in line with the previous twelve months.

**“ I am happy that our hard work and focus on sustainability is being appreciated and that it is now widely recognized that Pexip's videoconferencing technology can be used by organizations across the globe to reduce emissions. I am looking forward to continuing the journey to reach our internal emission targets for 2021 in line with the Paris agreement, as well as promoting diversity in the IT industry. The Pexip Board and Management Team see ESG measurement, management and reporting as a long-term value creation strategy that will help us to build resilience in all aspects of our business ”**

**Odd Sverre Østlie**  
CEO, Pexip

# Financial review

(Figures in brackets = same period prior year or relevant balance sheet date).

## Income statement Q2 2021

Pexip operates with two main product areas. Pexip self-hosted software, which mainly consists of sales from software license sales and related maintenance contracts, and Pexip as-a-Service, which consists of sales from Pexip's public cloud service.

**Consolidated revenue** was NOK 177.1 million in Q2 2021 (NOK 163.1 million). The increase of 8.5% was driven by growth in revenue from Pexip as-a-Service. Pexip did not see the same upsell volume in Q2 2021 as in 2020, which contributed to a decrease in revenue from Pexip self-hosted software. This was expected as revenue in Q2 2020 was heavily influenced by companies expanding their solutions to adapt to Covid-19 home office requirements, several of which were renewed in Q4 2020. Currency exchange differences between NOK, Pexip's reporting currency, and USD, Pexip's main invoicing currency, has had a negative impact on revenue in Q2 2021 compared to the same period last year, as the NOK appreciated significantly, about 15%, during the last twelve months. Europe, Middle-East and Africa (EMEA) continues to be the largest sales theatre, accounting for NOK 114.1 million (NOK 97.8 million) representing 64% of group revenue in Q2 (60%), followed by Americas, accounting for NOK 49.8 million (NOK 51.1 million) representing 28% (31%), and Asia-Pacific (APAC), accounting for NOK 13.1 million (NOK 14.2 million) representing 7% (9%).

Pexip self-hosted software was the largest revenue area in Q2 2021 with NOK 102.0 million (NOK 118.6 million). Revenue from Pexip as-a-Service was NOK 75.0 million in Q2 2021 (NOK 44.6 million).

**Cost of sale** consists mainly of data center and hosting for the Pexip as-a-Service, network services, commissions and software licenses, and hardware and equipment. Cost of sale amounted to NOK 20.9 million in Q2 2021 (NOK 10.1 million), reflecting a gross margin of 88% (94%). Cost of

sale increased due to higher revenues and related hosting and network cost from Pexip as-a-Service, as well as a shift towards cloud compute from investing in own hardware. This is driven by a modernization of the Pexip as-a-Service platform, intended to increase service robustness and ensure a better long-term cost structure. The Company expects Cost of sale to grow less than revenues from Pexip as-a-Service going forward, as some of the costs related to the platform modernization are fixed and not volume driven.

**Operating expenses** consist mainly of salary and personnel expenses and other operating expenses. Salary and personnel expenses amounted to NOK 148.6 million in Q2 2021 (NOK 79.8 million), which is 84% of the quarterly revenue (49%). The increase in the total level of salary and personnel expenses is mainly due to high growth in employees over the last twelve months, in line with Pexip's growth strategy. In Q2 2021 the cost related to employee options and related employer tax costs was NOK 1.1 million compared to NOK 32.6 million in Q1 2021 and NOK 15.5 million in Q2 2020, due to the fluctuation in the Pexip share price. Pexip had 451 employees at the end of Q2 2021 (250 at the end of Q2 2020).

**Other operating expenses** amounted to NOK 48.2 million (NOK 79.1 million), which reflects a lower level at 27% of revenue (48%). The decrease from the same period last year is mainly due to one-time costs related to Pexip's listing on Oslo Børs in Q2 2020, where NOK 46.3 million were related to the secondary offering and professional advisors and other related fees during the IPO process. Adjusted for these one-time costs in Q2 2020, other operating expenses in Q2 2021 increased in line with overall activity growth in the business, as well as investments in marketing to raise the awareness of Pexip amongst potential customers.

**Earnings before interest, tax, depreciation and amortization (EBITDA)** amounted to negative NOK 40.6 million in Q2 2021 (negative NOK 5.9 million), reflecting a negative 23% EBITDA margin (negative 4% EBITDA margin). EBITDA adjusted for IPO expenses in the same period last year was NOK 40.4 million, reflecting a 25% margin. The development in the EBITDA margin is as expected, as the Company invests into growth initiatives where the expected increase in revenue will trail the increase in operating expenses by 9-12 months due to ramp-up time, according to strategy.

**Depreciation and amortization** costs were NOK 18.1 million in Q2 2021 (NOK 11.0 million).

**Net financial income** was NOK 2.2 million (net expense of NOK 61.6 million). The increase in Net financial income was mainly related to currency exchange losses in Q2 2020, as well as a fair value adjustment of share options realized in the IPO in Q2 2020.

**Profit before tax** was negative NOK 56.6 million for Q2 2021 (negative NOK 78.5 million). Profit after tax was negative NOK 36.8 million (negative NOK 63.6 million).

## First half 2021

**Consolidated revenue** was NOK 356.8 million in the first half 2021 (NOK 313.2 million). The increase of 13.9% was driven by growth in revenue from Pexip as-a-Service. Pexip did not see the same upsell volume in the first half 2021 as in first half 2020, which contributed to a decrease in revenue from Pexip self-hosted software. This was expected as revenue in Q2 2020 was heavily influenced by companies expanding their solutions to adapt to Covid-19 home office requirements, several of which were renewed in Q4 2020. Europe, Middle-East and Africa (EMEA) continues to be the largest sales theatre, accounting for NOK 206.1 million (NOK 180.3 million) representing 58% of group revenue in the period (58%), followed by Americas, accounting for NOK 120.2 million (NOK 101.3 million) representing 34% (32%), and Asia-Pacific (APAC), accounting for NOK 30.8 million (NOK 31.6 million) representing 9% (10%).

**Cost of sale** amounted to NOK 36.0 million in the first half 2021 (NOK 15.0 million), reflecting a gross margin of 90% (95%). Cost of sale increased due to higher hosting and network cost related to higher usage of Pexip as-a-Service, as well as a shift towards cloud compute from investing in own

hardware. This is driven by a modernization of the Pexip as-a-Service platform, intended to increase service robustness and ensure a better long-term cost structure.

**Operating expenses** consist mainly of salary and personnel expenses and other operating expenses. Salary and personnel expenses amounted to NOK 324.1 million in the first half 2021 (NOK 152.4 million), which is 91% of revenue in the period (49%). The increase is mainly due to high growth in employees over the last twelve months, in line with Pexip's growth strategy.

**Other operating expenses** amounted to NOK 90.6 million (NOK 115.9 million) in the first half 2021, which reflects 25% of revenue (37%). The decrease from the same period last year is mainly due to one-time costs related to Pexip's listing on Oslo Børs in Q2 2020, where NOK 47.8 million were related to the secondary offering and professional advisors and other related fees during the IPO process. Adjusted for these one-time costs in Q2 2020, other operating expenses in the period increased in line with overall activity growth in the business, as well as investments in marketing to raise the awareness of Pexip amongst potential customers.

**Earnings before interest, tax, depreciation and amortization (EBITDA)** amounted to negative NOK 93.8 million in the first half 2021 (positive NOK 29.9 million), reflecting a negative 26% EBITDA margin (positive 10% EBITDA margin). EBITDA adjusted for IPO expenses in the same period last year was NOK 77.6 million, reflecting a 25% margin. The development in the EBITDA margin is as expected, as the Company invests into growth initiatives where the expected increase in revenue will trail the increase in operating expenses due to ramp-up time, according to strategy.

**Depreciation and amortization** costs were NOK 35.0 million in the first half 2021 (NOK 21.7 million).

**Net financial expenses** were NOK 6.9 million (NOK 36.8 million). Net financial expenses in Q2 2021 were mainly related to currency exchange losses.

**Profit before tax** was negative NOK 135.7 million in the first half 2021 (negative NOK 28.7 million). Profit after tax was negative NOK 92.5 million (negative NOK 25.9 million).



## Financial position

Pexip continues to have a robust balance sheet and is well capitalized to fund the planned growth investments. Total assets amounted to NOK 2,361 million (NOK 2,436 million at the end of Q4 2020), and total equity amounted to NOK 1,949 million (NOK 2,022 million at the end of Q4 2020).

Current assets amounted to NOK 1,174 (NOK 1,321 million at the end of Q4 2020). Trade and other receivables decreased to NOK 111 million (NOK 193 million at the end of Q4 2020). Cash and cash equivalents decreased to NOK 1,030 million (NOK 1,101 million at the end of Q4 2020).

Non-current assets increased to NOK 1,187 million (NOK 1,114 million at the end of Q4 2020). Contract costs increased to NOK 230 million (NOK 211 million at the end of Q4 2020).

Total liabilities were at NOK 411 million (NOK 413 million at the end of Q4 2020). Of this, NOK 7.3 million are borrowings (NOK 9 million at the end of Q4 2020).

Current liabilities increased to NOK 328 million (NOK 327 million at the end of Q4 2020).

Non-current liabilities decreased to NOK 83 million (NOK 87 million at the end of Q4 2020).

## Cash flow Q2 2021

**Cash flow from operating activities** was negative NOK 34.7 million for Q2 2021 (positive NOK 64.7 million for Q2 2020). The negative cash flow reflects the investments the Company is making into strengthening its growth capacity by increasing its sales and R&D capacity, resulting in a negative EBITDA.

**Cash flow from investing activities** was negative NOK 12.0 million in Q2 2021 (Negative NOK 14.7 million in Q2 2020). The decrease in cash flow from investing activities is related to somewhat lower investments in Property Plant and Equipment (PPE), mainly related to office fittings and IT equipment.

**Cash flow from financing activities** was negative NOK 76.9 million for Q2 2021 (positive NOK 1,102.2 million for Q2 2020). In Q2 2021 Pexip performed a share buyback of NOK 88.0 million, equal to the cash amount raised in employee share exercises in H1 2021. Following the transactions, Pexip holds 1,198,020 of its own shares, and

expects to use the shares acquired in this buyback program to fulfil its obligations in future share option exercises. The significant decrease in cash flow from financing activities compared to Q2 2020 is related to the listing on the Norwegian stock exchange May 14, 2020 with the issuance of new shares giving Pexip new funding of NOK 1,100 million, net of transaction costs.

In total, Pexip had a negative cash flow of NOK 123.6 million in Q2 2021 (positive NOK 1,152.1 million in Q2 2020).

## First half 2021

**Cash flow from operating activities** was negative NOK 22.1 million in the first half of 2021 (positive NOK 84.2 million). The negative cash flow reflects the investments the Company is making into strengthening its growth capacity by increasing its sales and R&D capacity, resulting in a negative EBITDA.

**Cash flow from investing activities** was negative NOK 38.7 million in the first half of 2021 (Negative NOK 24.0 million). The decrease in cash flow from investing activities is related to higher investments in PPE, mainly related to office fittings and IT equipment.

**Cash flow from financing activities** was negative NOK 8.9 million in the first half of 2021 (positive NOK 1,098.9 million). The significant decrease in cash flow from financing activities is related to the listing on the Norwegian stock exchange May 14, 2020 with the issuance of new shares giving Pexip new funding of NOK 1,100 million, net of transaction costs.

In total, Pexip had a negative cash flow of NOK 69.8 million in the first half of 2021 (positive NOK 1,159.2 million)

## Risk and uncertainty

Risk management in Pexip is based on the principle that risk evaluation is an integral part of all business activities, and is a part of the annual strategy review. In 2020, Pexip has especially developed its approach to risk assessment and risk mitigation within financial reporting in preparation for the listing, and within information security, where Pexip holds an ISO 27001 certification as an external recognition of its approach.

Pexip has not identified significant additional risk exposures beyond the ones described in the 2020 Annual Report.

Pexip is exposed to a number of risk factors related to: operational and market activities, customer relationships and third parties, laws, regulations and third parties, financial and market, among others. The Risk and Risk Management section in the 2020 Annual Report contains detailed description and mitigating actions.

Covid-19 has created disruption to the global economy, and continues to impact the usage of videoconferencing, usage of office meeting rooms and enterprise buying behavior.

Own operations have pivoted to an all-digital workflow, and most Pexip locations have been in various lockdown situations since the pandemic outbreak in 2020. Moreover, Pexip employees' expertise within videoconferencing and hybrid-working solutions has contributed to a smooth transition for the Pexip workforce to the required changes in ways of working that the pandemic has caused. The pandemic has required extraordinary efforts from the organization to support existing and new customers as demand and usage of videoconferencing spiked. This has enabled many of Pexip's customers to maintain business continuity and deliver vital services in industries such as healthcare, public services and pharmaceuticals.

## Outlook

In the long-term, Pexip believes that the growth of enterprise-grade video communication will increase due to the explosive adoption and usage of video communication following Covid-19, and implementation of sustainability measures. Many enterprises plan to adopt hybrid working models as they return to the office, combining office and remote working, that will provide benefits far beyond the need for social distancing, such as reducing travel and related emissions, enabling work flexibility and increasing productivity. Furthermore, Pexip believes in increased use of video in organizations' workflows with their clients/customers, creating additional new and significant market opportunities.

To accelerate growth Pexip has invested in increasing the Company's sales and marketing presence as well as R&D capabilities, and expects to continue to do so. Pexip intends to deploy up

to 70% of the net proceeds from the IPO over the next two to three years. This implies returning to a neutral EBITDA in 2023, and an estimated negative EBITDA-rate in 2021 and 2022 in the range of negative 25-35%. As Pexip exits the investment period, the Company expects above 25% EBITDA-rate in 2025 together with revenue growth above 25%. The key enabler for all these initiatives is strengthening the Pexip team, and Pexip is targeting 550-600 employees by the end of 2021.

In an environment that is adapting to a more decentralized working environment with focus on sustainability, Pexip believes that it is uniquely positioned to address the new technology needs of customers, with our ability to provide a great meeting experience regardless of the device or platform in use. This is reflected in Pexip's long-term ambition to reach an ARR of USD 300 million by 2024.

*These forward-looking statements are not guarantees or predictions of future performance, and involve known and unknown risks, uncertainties and other factors, many of which are beyond our control, and which may cause actual results to differ materially from those expressed in the statements contained in this section. Readers are cautioned not to put undue reliance on forward-looking statements.*

Oslo, August 12, 2021

**For the Board of Pexip Holding ASA:**



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**Michel Sagen**  
Chair of the Board



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**Per Haug Kogstad**  
Board Member



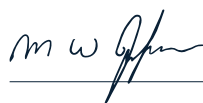
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**Irene Kristiansen**  
Board Member



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**Kjell Skappel**  
Board Member



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**Marianne Wergeland Jenssen**  
Board Member



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**Odd Sverre Østlie**  
CEO

## Consolidated statement of profit or loss

(NOK 1.000)	Second Quarter		YTD	
	Q2 2021	Q2 2020	YTD 2021	YTD 2020
Revenue	3 177 077	163 132	356 801	313 184
Cost of sale	20 935	10 126	35 953	15 006
Salary and personnel expenses	148 556	79 848	324 121	152 401
Other operating expenses	48 201	79 085	90 615	115 911
Other gains (losses)		-14	-124	-15
EBITDA	-40 615	-5 914	-93 763	29 880
Depreciation and amortization	18 135	11 035	35 010	21 710
<b>Operating profit or loss</b>	<b>-58 750</b>	<b>-16 949</b>	<b>-128 774</b>	<b>8 170</b>
Financial income	6	7 370	48	7 393
Financial expenses	-1 354	-27 051	-3 240	-33 929
Net gain and loss on foreign exchange differences	3 511	-41 906	-3 739	-10 293
<b>Financial income/(expenses) - net</b>	<b>2 163</b>	<b>-61 586</b>	<b>-6 931</b>	<b>-36 829</b>
<b>Profit or loss before income tax</b>	<b>-56 587</b>	<b>-78 535</b>	<b>-135 704</b>	<b>-28 660</b>
Income tax expense	-19 741	-14 922	-43 217	-2 761
<b>Profit or loss for the year</b>	<b>-36 846</b>	<b>-63 613</b>	<b>-92 487</b>	<b>-25 899</b>
<b>Profit or loss is attributable to:</b>				
Owners of Pexip Holding ASA	-36 846	-63 613	-92 487	-25 899
<b>Earnings per share</b>				
Basic earnings per share	-0,35	-0,68	-0,90	-0,30
Diluted earnings per share	-0,35	-0,68	-0,90	-0,30

## Consolidated statement of comprehensive income

(NOK 1.000)	Second Quarter		YTD	
	Q2 2021	Q2 2020	YTD 2021	YTD 2020
<b>Profit or loss for the year</b>	<b>-36 846</b>	-63 613	<b>-92 487</b>	-25 899
<i>Items that may be reclassified to profit or loss:</i>				
Exchange difference on translation of foreign operations	<b>958</b>	-577	<b>1 192</b>	849
<b>Total comprehensive income for the year</b>	<b>-35 888</b>	<b>-64 190</b>	<b>-91 295</b>	<b>-25 050</b>
<b>Total comprehensive income is attributable to:</b>				
Owners of Pexip Holding ASA	<b>-35 888</b>	-64 190	<b>-91 295</b>	-25 050

# Consolidated statement of financial position

(NOK 1.000)	6/30/2021	12/31/2020
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	36 266	25 177
Right-of-use assets	83 547	87 765
Goodwill	598 998	598 998
Other intangible assets	131 042	133 709
Deferred tax asset	102 158	54 615
Contract costs	230 157	211 077
Receivables	4 385	2 919
<b>Total non-current assets</b>	<b>1 186 553</b>	<b>1 114 261</b>
<b>Current assets</b>		
Trade and other receivables	111 092	192 916
Contract assets	9 184	9 069
Other current assets	24 247	18 680
Cash and cash equivalents	1 029 636	1 100 656
<b>Total current assets</b>	<b>1 174 159</b>	<b>1 321 322</b>
<b>TOTAL ASSETS</b>	<b>2 360 713</b>	<b>2 435 582</b>

(NOK 1.000)	6/30/2021	12/31/2020
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>		
Share capital	1 549	1 523
Share premium	2 027 779	2 027 206
Paid in equity	100 776	100 776
Other equity	-180 801	-107 380
<b>Total equity</b>	<b>1 949 303</b>	<b>2 022 125</b>
<b>Non-current liabilities</b>		
Borrowings	4 875	6 000
Lease liabilities	71 479	78 220
Deferred tax liabilities	3 658	-
Other payables	3 459	2 622
<b>Total non-current liabilities</b>	<b>83 471</b>	<b>86 842</b>
<b>Current liabilities</b>		
Trade and other payables	141 582	154 595
Contract liabilities	162 430	155 180
Current tax liabilities	1 292	209
Borrowings	2 375	2 500
Lease liabilities	20 259	14 130
<b>Total current liabilities</b>	<b>327 938</b>	<b>326 614</b>
<b>Total liabilities</b>	<b>411 409</b>	<b>413 456</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>2 360 713</b>	<b>2 435 582</b>

## Consolidated statement of changes in equity

(NOK 1.000)	Share capital	Share premium	Other reserves	Translation differences	Other Equity	Total equity
Balance at January 1st, 2020	1 198	860 073	-	-1 078	-36 116	824 077
Profit or loss for the year					-89 009	-89 009
Other comprehensive income for the year				-5 463		-5 463
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-5 463</b>	<b>-89 009</b>	<b>-94 472</b>
Contribution of equity net of transaction costs	325	1 167 133	100 776		399	1 268 634
Share-based payments					23 887	23 887
Balance at December 31st, 2020	1 523	2 027 206	100 776	-6 541	-100 839	2 022 125
Balance at January 1st, 2021	1 523	2 027 206	100 776	-6 541	-100 839	2 022 125
Profit or loss for the period					-92 487	-92 487
Other comprehensive income for the year				1 192		1 192
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1 192</b>	<b>-92 487</b>	<b>-91 295</b>
Capital increase/share issue	43	88 732				88 775
By/sell treasury share	-18	-88 159				-88 177
Share-based payments					17 875	17 875
<b>Balance at June 30th, 2021</b>	<b>1 549</b>	<b>2 027 779</b>	<b>100 776</b>	<b>-5 349</b>	<b>-175 451</b>	<b>1 949 303</b>
Balance at January 1st, 2020	1 198	860 073	-	-1 078	-36 116	824 077
Profit or loss for the period					-25 899	-25 899
Currency translation differences				849		849
Contribution of equity net of transaction costs	317	1 158 293	100 776			1 259 386
Share-based payments					7 844	7 844
<b>Balance at June 30th, 2020</b>	<b>1 515</b>	<b>2 018 366</b>	<b>100 776</b>	<b>-229</b>	<b>-54 171</b>	<b>2 066 257</b>

# Consolidated statement of cash flows

	Second quarter		YTD	
	Q2 6/30/2021	Q2 6/30/2020	YTD Q2 6/30/2021	YTD Q2 6/30/2020
(NOK 1.000)				
<b>Cash flow from operating activities</b>				
Profit or loss before income tax	-56 587	-78 535	-135 704	-28 660
<i>Adjustments for</i>				
Depreciation, amortization and net impairment losses	18 135	11 035	35 010	21 710
Non-cash - share based payments	6 467	4 300	17 875	7 844
Fair value adjustment to derivatives	-	18 792	-	23 992
Interest income/expenses - net	1 248	700	2 501	1 596
Net exchange differences	-4 805	25 909	2 481	14 045
IPO cost adjustment	-	43 155		43 155
<i>Change in operating assets and liabilities</i>				
Change in trade, other receivables and other assets	-959	21 703	60 764	-95 124
Change in trade, other payables and contract liabilities	1 845	17 588	-5 049	95 662
Interest received	3	2	12	27
<b>Net cash inflow/outflow from operating activities</b>	<b>-34 652</b>	<b>64 650</b>	<b>-22 110</b>	<b>84 249</b>
<b>Cash flow from investing activities</b>				
Payment for property, plant and equipment	-4 491	-7 188	-18 990	-8 976
Payment of software development cost	-7 500	-7 500	-19 750	-15 000
<b>Net cash inflow/outflow from investing activities</b>	<b>-11 991</b>	<b>-14 688</b>	<b>-38 740</b>	<b>-23 976</b>
<b>Cash flow from financing activities</b>				
Proceeds from issuance of ordinary shares	16 454	1 201 024	88 775	1 201 025
Repayment of borrowings	-625	-625	-1 250	-1 250
Principal element of lease payments	-3 345	-514	-5 752	-2 219
Interest paid	-1 251	-703	-2 513	-1 623
Transaction cost IPO	-	-97 020	-	-97 020
Sale/(purchase) of treasury shares	-88 177		-88 177	
<b>Net cash inflow/outflow from financing activities</b>	<b>-76 944</b>	<b>1 102 162</b>	<b>-8 917</b>	<b>1 098 912</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>-123 587</b>	<b>1 152 124</b>	<b>-69 767</b>	<b>1 159 185</b>
Cash and cash equivalents start of the period	1 147 387	91 723	1 100 656	75 515
Effects of exchange rate changes on cash and cash equivalents	5 836	-26 387	-1 253	-17 239
<b>Cash and cash equivalents end of the period</b>	<b>1 029 636</b>	<b>1 217 460</b>	<b>1 029 636</b>	<b>1 217 460</b>



## Note 1 - General

Pexip Holding ASA is the parent company in the Pexip Group. The Group includes the parent company Pexip Holding ASA and its wholly owned subsidiary Pexip AS, which have the wholly owned subsidiaries Pexip Inc, Pexip Ltd, Pexip Australia Pty Ltd, Pexip Japan GK, Pexip Singapore Pte Ltd, Pexip Germany GmbH, Pexip France SAS and Videxio Asia Pacific Ltd. The Group`s head office is located at Lilleakerveien 2a, 0283 OSLO, Norway. Pexip Holding ASA is listed on the Oslo Stock Exchange (Norway) under the ticker PEXIP.

The consolidated condensed interim financial statements comprise the financial statements of the Parent Company and its subsidiaries as of June 30, 2021, authorised for issue by the board of directors on August 12, 2021.

The condensed interim financial statements are unaudited.

## Note 2 - Basis of preparation

The condensed interim financial statements for the three months period ending on June 30, 2021 has been prepared in accordance with IAS 34 Interim Financial reporting. This quarterly report does not include the complete set of accounting principles and disclosures and should hence be read in conjunction with the Annual Financial Statement for 2020. All accounting principles applied in preparing this interim financial statement are consistent with the annual report as of 2020. The Group has not early adopted any new standards, interpretations or amendments issued but not yet effective.

Rounding differences may occur.

## Note 3 - Revenue and segment information

The Group has one segment, sale of collaboration services. The market for Pexip's software and services is global. The chief decision maker will therefore follow up revenue and profitability on a global basis. This is consistent with the internal reporting submitted to the chief operating decision maker, defined as the Management Group. The Management Group is responsible for allocating resources and assessing performance as well as making strategic decisions.

Principles of revenue recognition are stated in accounting principles to consolidated financial statements, section 2.3.5 *Revenue from contracts with customers*.

### Disaggregation of revenue

In the following table, revenue is disaggregated by primary service line, geography and timing of revenue recognition. In presenting the geographic information, revenue has been based on the geographic location of customers.

#### Second quarter 2021

	EMEA <sup>1)</sup>	Americas	APAC <sup>2)</sup>	Total
Pexip as-a-Service	45 866	24 089	5 081	75 036
Self-hosted software	68 280	25 712	8 049	102 041
<b>Total revenue</b>	<b>114 146</b>	<b>49 801</b>	<b>13 130</b>	<b>177 077</b>

#### Second quarter 2020

	EMEA <sup>1)</sup>	Americas	APAC <sup>2)</sup>	Total
Pexip as-a-Service	28 991	12 786	2 777	44 554
Self-hosted software	68 852	38 349	11 377	118 578
<b>Total revenue</b>	<b>97 843</b>	<b>51 135</b>	<b>14 154</b>	<b>163 132</b>

## Year to date 2021

	EMEA <sup>1)</sup>	Americas	APAC <sup>2)</sup>	Total
Pexip as-a-Service	90 981	46 655	9 577	147 213
Self-hosted software	115 120	73 253	21 215	209 588
<b>Total revenue</b>	<b>206 101</b>	<b>120 158</b>	<b>30 792</b>	<b>356 801</b>

## Year to date 2020

	EMEA <sup>1)</sup>	Americas	APAC <sup>2)</sup>	Total
Pexip as-a-Service	51 786	25 973	5 141	82 900
Self-hosted software	128 508	75 301	26 475	230 284
<b>Total revenue</b>	<b>180 294</b>	<b>101 274</b>	<b>31 617</b>	<b>313 184</b>

## Second quarter

Timing of revenue recognition	2021	2020
Products and services transferred at a point in time	81 146	100 427
Products and services transferred over time	95 931	62 705
<b>Total revenue</b>	<b>177 077</b>	<b>163 132</b>

## Year to date

Timing of revenue recognition	2021	2020
Products and services transferred at a point in time	169 145	186 626
Products and services transferred over time	187 656	126 558
<b>Total revenue</b>	<b>356 801</b>	<b>313 184</b>

1) Europe, Middle East and Africa

2) Asia Pacific (East and South Asia, Southeast Asia and Oceania)

## Information about major customers

The Group conducts its sales through channel partners. No channel partner represent more than 10% of the Group's revenue. In Q2 2021 the 5 largest represent approximately 24% (30% in Q2 2020) of total revenue, while the 10 largest represent 35% (44% in Q2 2020). Of the Group's total channel partner base per Q2 2021, the five largest represent approximately 25% of total revenue (30% per Q2 2020), and the ten largest represent approximately 36% (43% per Q2 2020).

## Non-current assets

The following geographic information of non-current assets is based on the geographic location of the assets

	30/06/2021	31/12/2020
Norway	313 079	315 174
Europe (other than Norway)	70 309	56 555
Americas	87 137	80 573
APAC	11 144	5 426
<b>Total non-current operating assets</b>	<b>481 669</b>	<b>457 728</b>

Non-current assets for this purpose consist of property, plant and equipment, right-of-use assets, other intangible assets and contract costs.

## Appendix — Alternative performance measures (APMs)

The following terms are used by the Group in the definition of APMs in this Report:

**EBITDA:** Profit/(loss) for the period before net financial items, income tax expense, depreciation and amortization.

**Adjusted EBITDA:** EBITDA adjusted for IPO-related, non-recurring costs.

**EBITDA-margin:** EBITDA in percentage of revenue.

**Share of recurring revenues:** Recurring revenue from own products is defined as revenue from time-limited contracts where the purchase is recurring in nature. Revenue from time-limited software subscriptions and related mandatory maintenance contracts are considered recurring. Revenue from third-party software licenses, perpetual software licenses and project-based professional services, such as a customer-specific proof-of-concept project or installation projects, are considered non-recurring.

**Contracted Annual Recurring Revenue (ARR):** Annualized sales from all active subscriptions/contracts and ordered subscriptions with a future start date where the subscription is time-limited and recurring in nature.

This is corresponding to Pexip's order backlog.

**Delta Annual Recurring Revenue (DARR):** The difference in ARR from one quarter to another

## Declaration In Accordance With § 5-5 Of The Securities Trading Act

We confirm that the financial statements for the first half year of 2021 have, to the best of our knowledge, been prepared in accordance with applicable accounting standards and give a true and fair view of the assets, liabilities, financial position and profit or loss of the company and the group as a whole. The board of directors' report includes a fair review of the development and performance of the business and the position of the company and the group as a whole, together with a description of the principal risks and uncertainties that they face.

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Oslo, August 12, 2021

**For the Board of Pexip Holding ASA:**



**Michel Sagen**  
Chair of the Board



**Per Haug Kogstad**  
Board Member



**Irene Kristiansen**  
Board Member



**Kjell Skappel**  
Board Member



**Marianne Wergeland Jensen**  
Board Member



**Odd Sverre Østlie**  
CEO

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