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Quarterly Presentation Q2 2023

August 10, 2023

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Q2 highlights and key areas of focus

Transformation on track

- Successful transformation conducted with new lean organization delivering strong tangible results – continuous improvements going forward
- Continued focus on core markets to enhance market and technology leadership

Revenue and ARR development

- Q2 revenue of NOK 233 million, up 19% y-o-y
- Total ARR at USD 98.7 million, up 0.4 million q-o-q

Results and cash

- Q2 EBITDA of NOK 8 million, up 105 million¹ y-o-y
- Q2 cash flow of NOK 42 million, with a resulting cash position of NOK 508 million out of Q2

Partnership with Poly/HP

- Good start of the Poly partnership, with high joint sales and marketing activity across regions
- Strong pipeline development and the first sales already won, although limited conversion to date with only three months operation

Technology innovations

- Launched direct calling (SIP P2P) for Microsoft Teams Rooms
- Launched SIP Guest Join for Microsoft Teams to enhance CVI
- Piloting AI-powered translation with some of our top customers

2023 Financial targets

- Flat to positive development in full year recurring revenues with 20%+ growth in ARR in Secure & custom spaces
- NOK 100-150 million EBITDA
- Revised full year cash-flow target of NOK 85-100 million

1) Excluding restructuring costs in Q2 2022

Powering video everywhere with unique multi-platform video technology

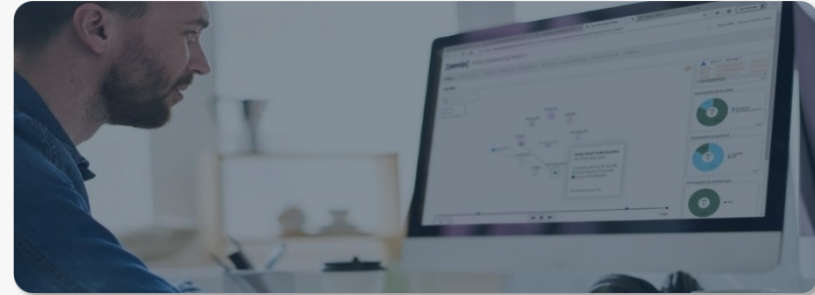
Patented **transcoding** architecture



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

Strategic partnership with Poly powering Poly's new video infrastructure solutions

 poly
PrivateConnect
Powered by Pexip

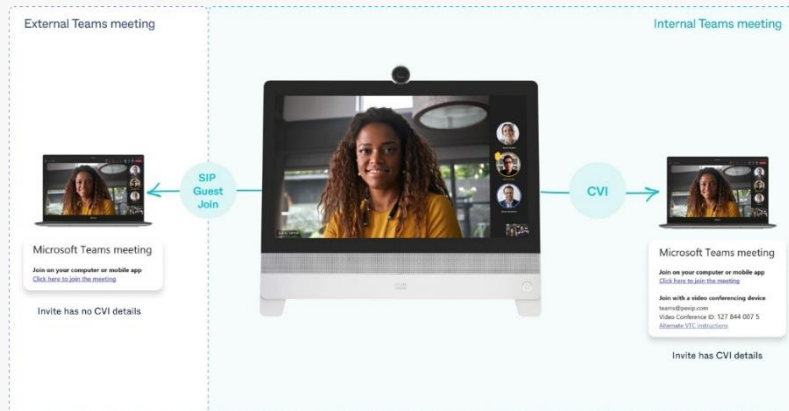
 poly
CloudConnect
Powered by Pexip

 poly
FedConnect
Powered by Pexip

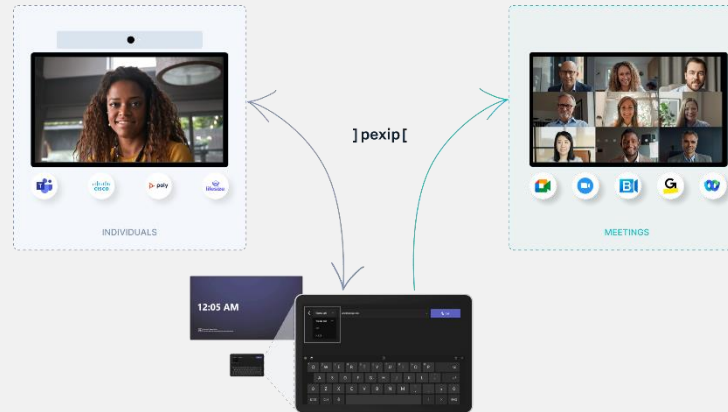
- Poly|HP partners have been enabled to order Pexip through Poly
- Several joint tradeshow events, with Pexip supporting the Poly booth
- High activity level on sales training and opportunity generation
- Strong pipeline development, and the first sale was completed already in Q2 (2 months after launch), although still limited conversion due to sales cycle

New products and features

SIP Guest Join.
Join any Teams meeting.
Even external ones.



Launched direct calling for Microsoft Teams Rooms



Enable direct one-to-one calls between Microsoft Teams Rooms and other meeting room devices (SIP P2P). Call anyone when you want.

AI translation



The Pexip and Nvidia partnership focuses on bringing the benefit of AI to secure deployments.

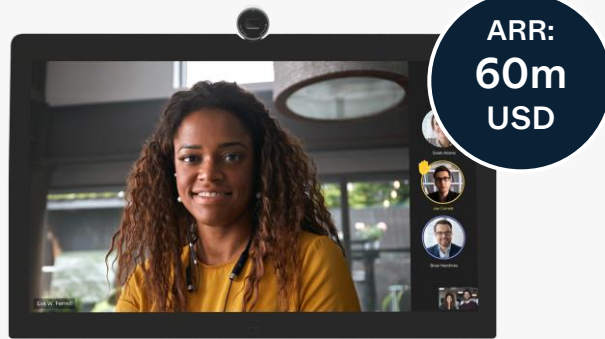
Pilot feature. Co-developing live translation with several large customers.

Pexip combines AI functionality with best in class data privacy and control



Strengthening our position in both business areas

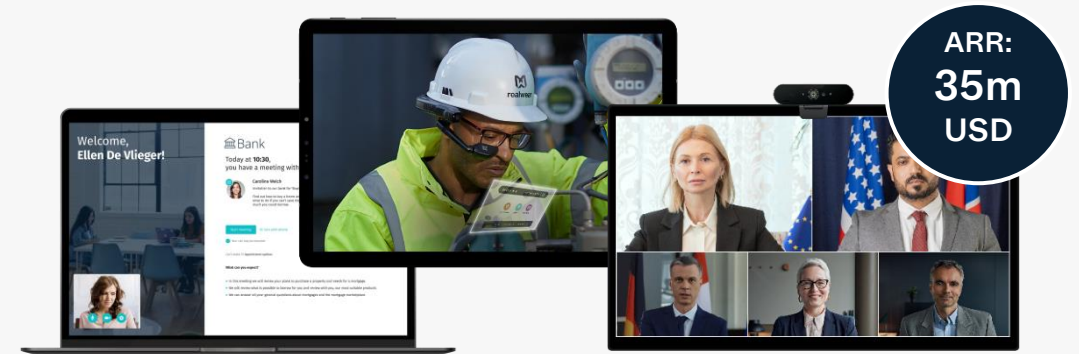
Connected Spaces



- Market and technology leadership strengthened through 2023
- Interoperable multi-platform product for meeting rooms well received in the market
- FedRAMP and Poly partnership will amplify position and increase market share



Secure, customized solutions



- Pexip offers unique solution for self-hosted and private cloud deployment—enabling complete privacy and security
- Technology alliances with Genesys, Realwear, etc broaden the solution space
- Poly partnership will increase market share within the secure segment



Secure solutions increasingly relevant

Awareness around sovereignty and privacy for Government data increasing

- Increasing awareness across countries on secure and sovereign data services for public services, with more countries issuing specific recommendations and regulations
- Pexip has a unique capability to serve this market due to our self-hosted offering, allowing customers or Pexip to easily host multiple private and sovereign solutions

Norwegian National Security Authority published their updated security recommendations on May 9th



Sensitive data in the public sector must be protected
Data centers and cloud services for sensitive information, functions, and infrastructure of national security interest should be established in Norway. Data capacity must be secured through distributed cloud services in regional and local data centers in Norway, along with emergency agreements with close allies in case of crisis.



NSM

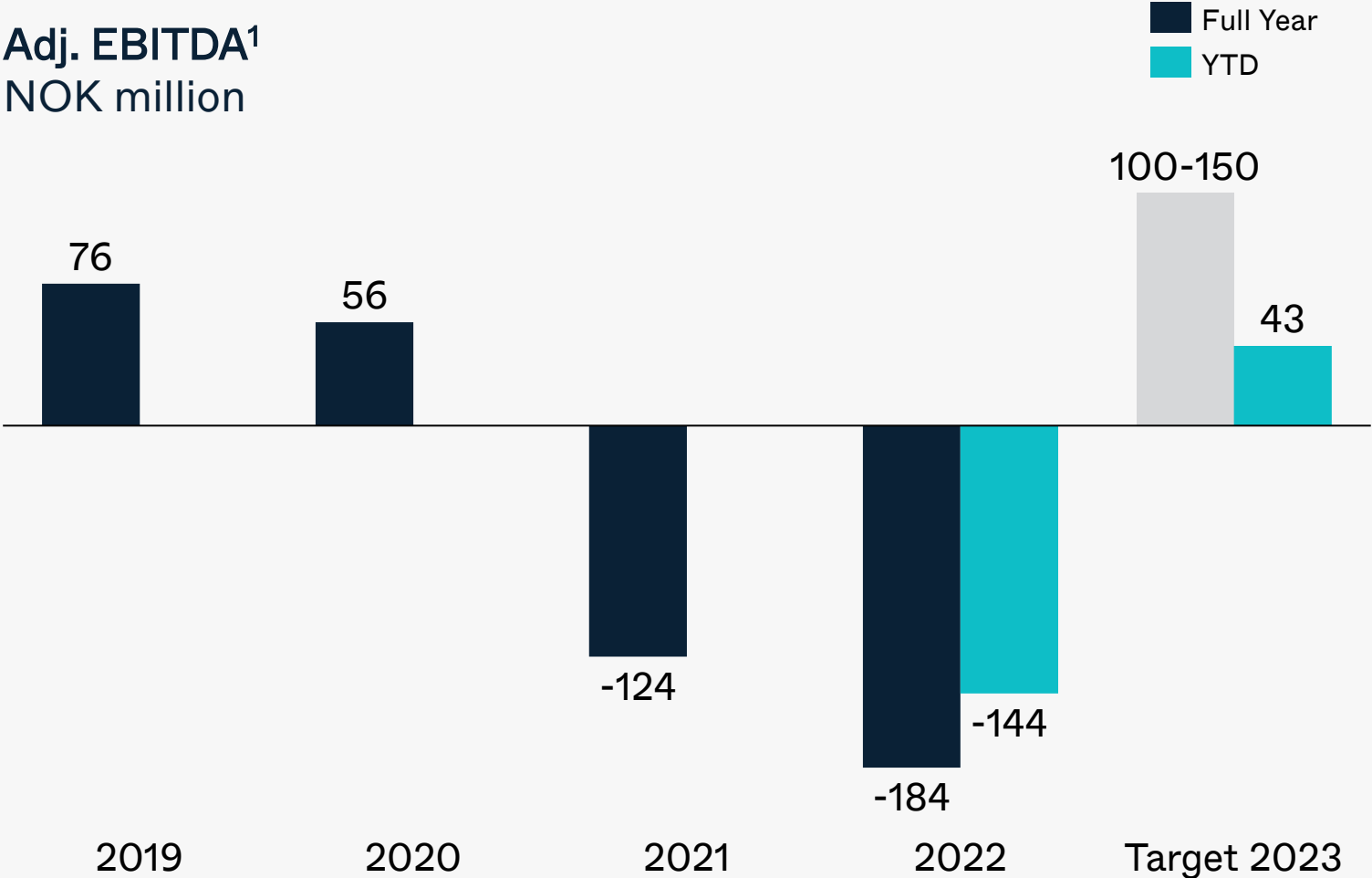
Strong progress on our US Government Cloud solution after 3 months in operation

- Pexip's US Government cloud solution was FedRamp authorized on April 19 and StateRamp authorized on June 19, 2023.
- This allows US Government customers to use a Pexip provided cloud service as a supplement to our Self-hosted offering
- The initial offering is focused on Microsoft CVI interop in Connected Spaces
 - Robust roadmap to further development based on customer feedback
- Solid results so far after three months in operation, with USD 600 thousand in new ARR in a long buy cycle segment and a growing pipeline



Have returned to being a profitable company in 2023

Adj. EBITDA¹
NOK million



Transformation highlights

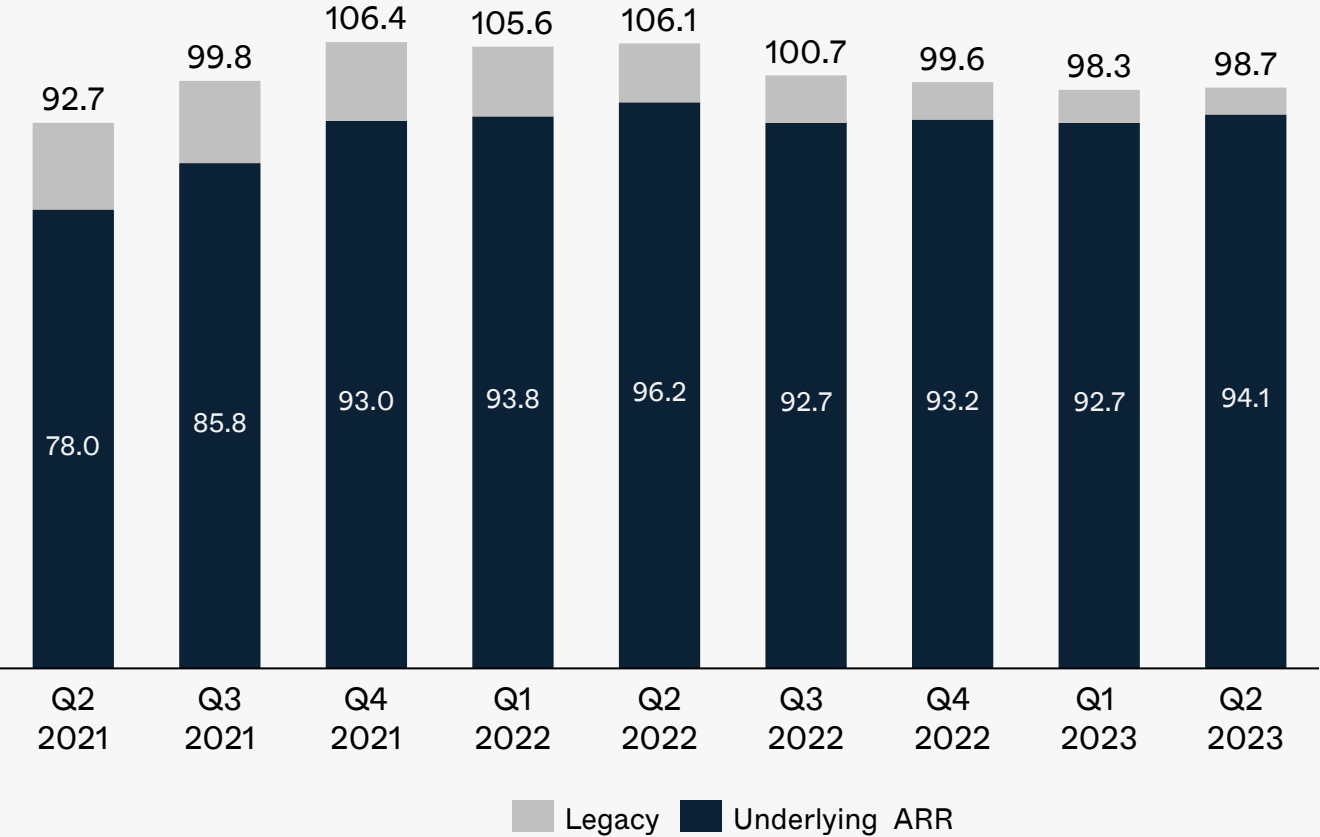
- Have adapted cost base to current revenues, giving positive EBITDA and cash flow
- More focused strategy has enabled Pexip to strengthen differentiators in core markets, and strengthen strategic partnerships
- On track to reach 2023 EBITDA target

¹ Adjusted for IPO transaction costs in 2020 and restructuring costs in 2022

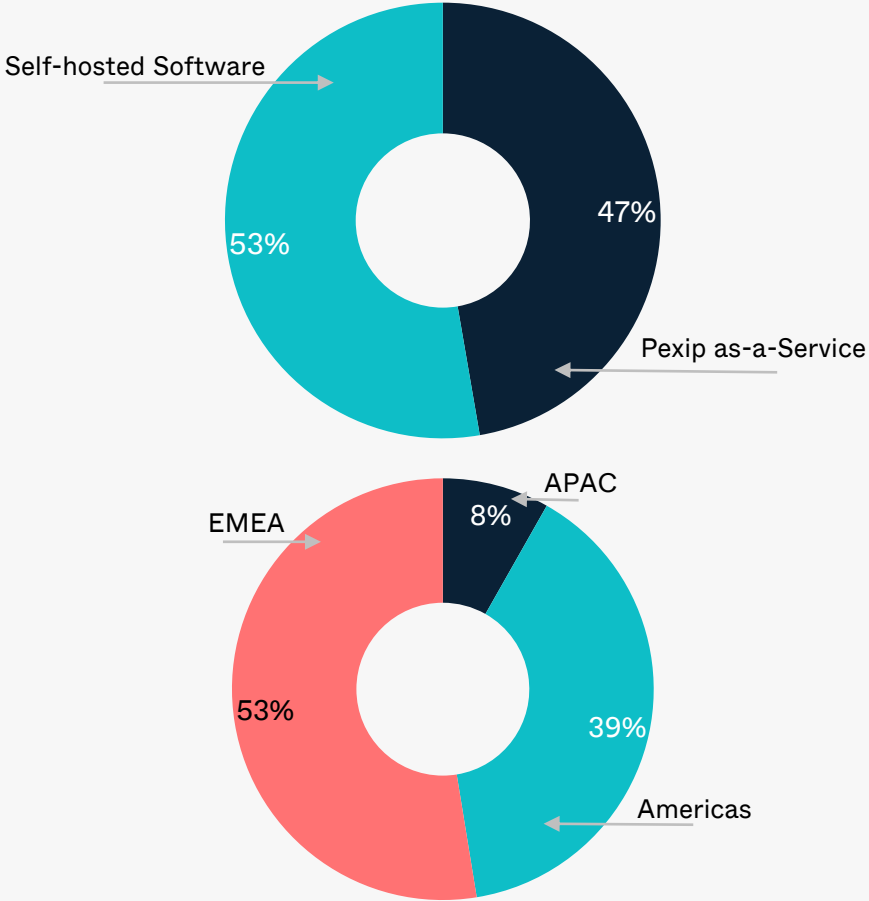
Sales update

Total ARR base at USD 99m in Q2 2023

Total ARR
USDm

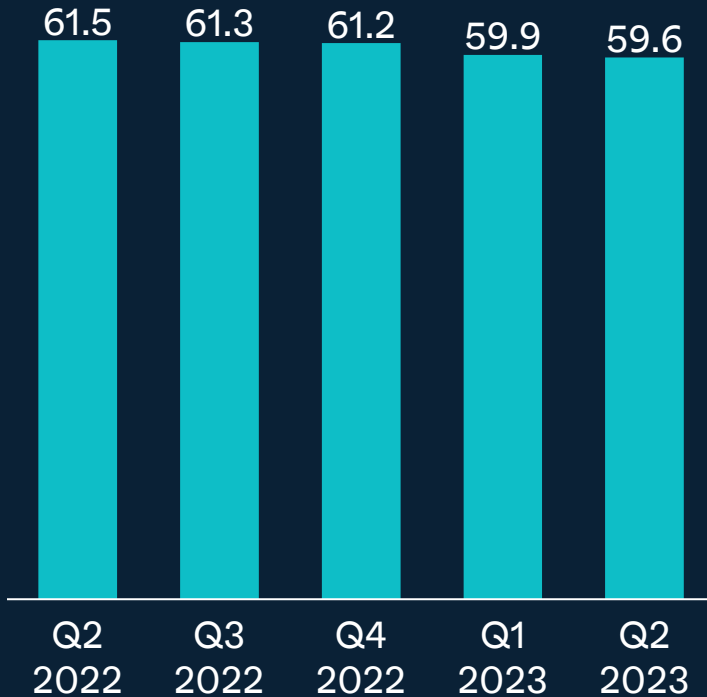


ARR split
Q2 2023



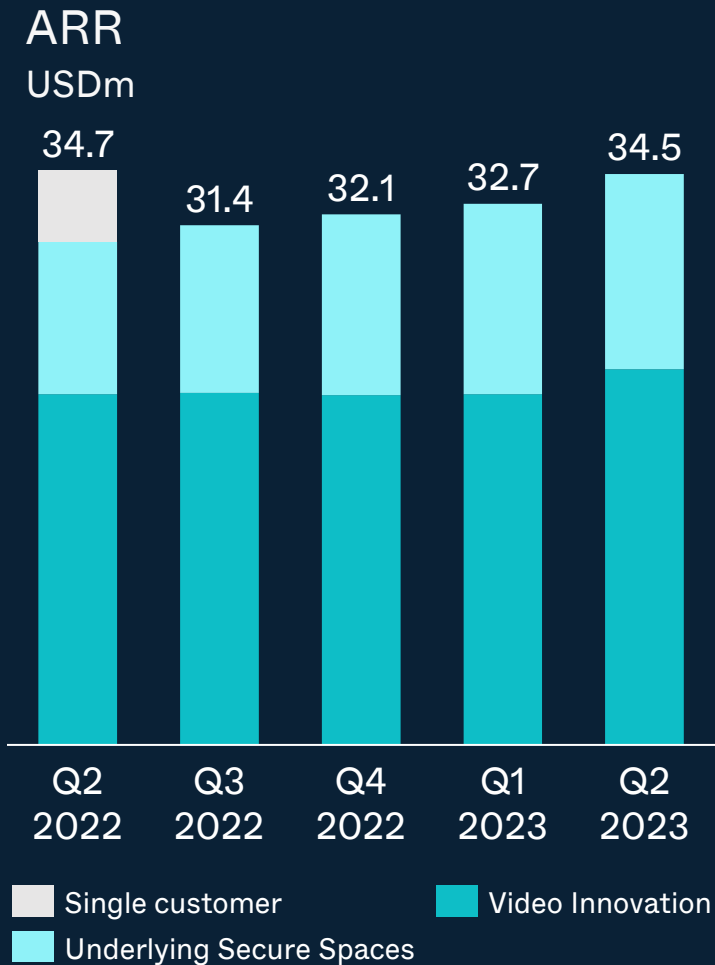
Connected Spaces

ARR
USDm



- Continue to innovate our leading technology, in particular on Teams interoperability, and have over the last quarters released several new features such as direct calling and SIP guest join to strengthen our offerings within Connected Spaces
- In Q2 we won several major new customers:
 - Signed a 3-year contract with one of the largest telecommunication providers in the US
 - Signed a contract with one of the world's largest gold mining companies

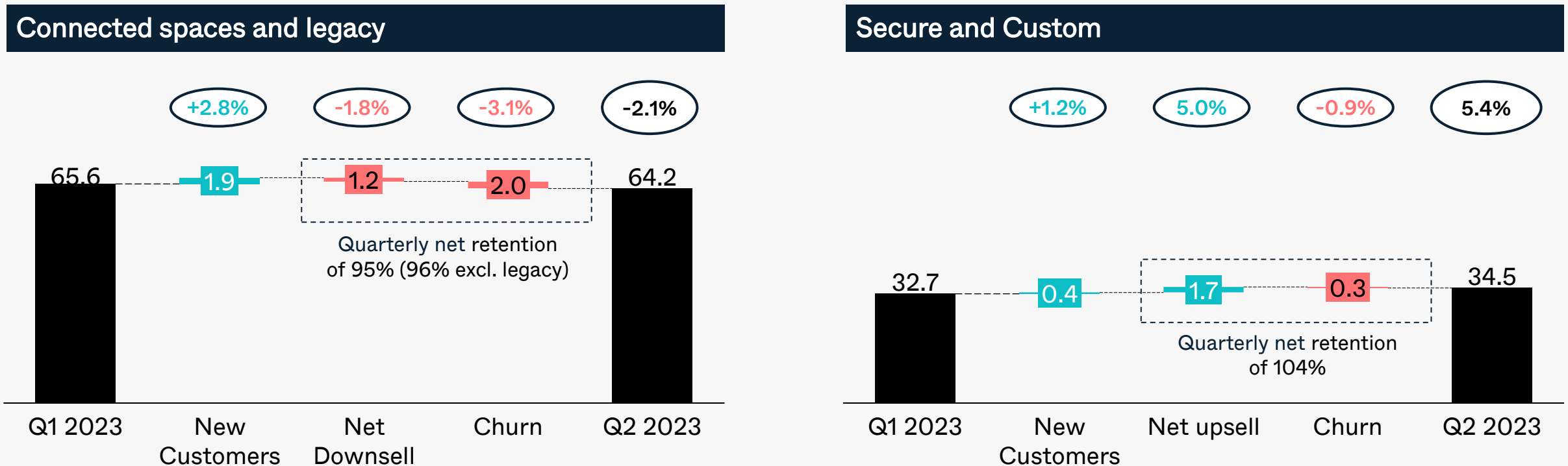
Secure and custom solutions



- Secure and custom solutions growing 5% in Q2 and 14% y-o-y, driven largely by strong upsell across several accounts in Secure and Custom
- Video Innovation is driving the majority of growth in Q2, with 7% growth in the quarter, with increasing traction in the market both amongst existing and new customers:
 - A new service provider within TeleHealth
 - Significant upsell on a large UK government agency
 - Significant upsell on an existing US customer within healthcare

Breakdown of ARR development

USD million, quarter-over-quarter

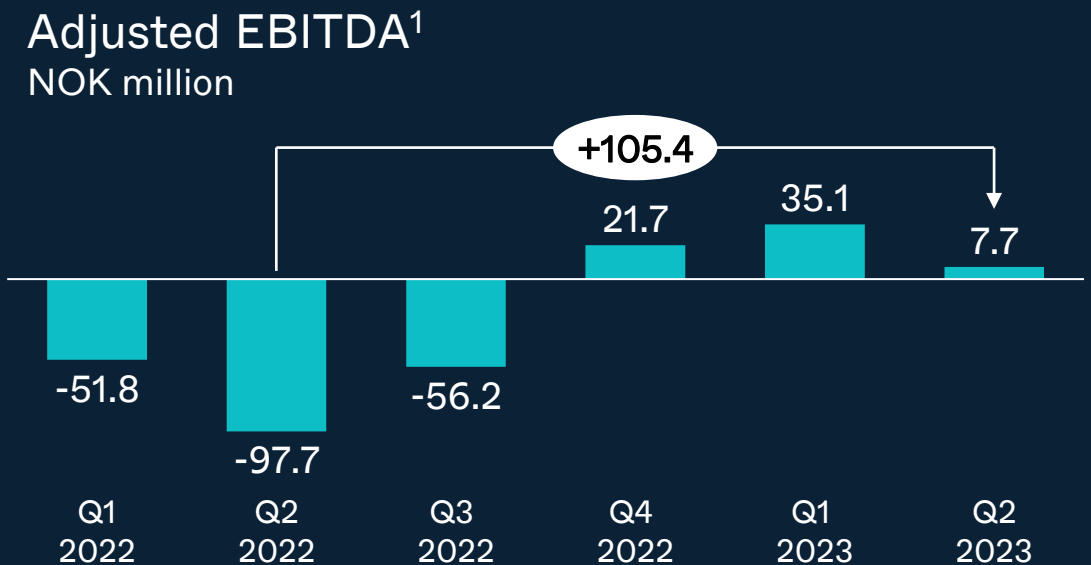
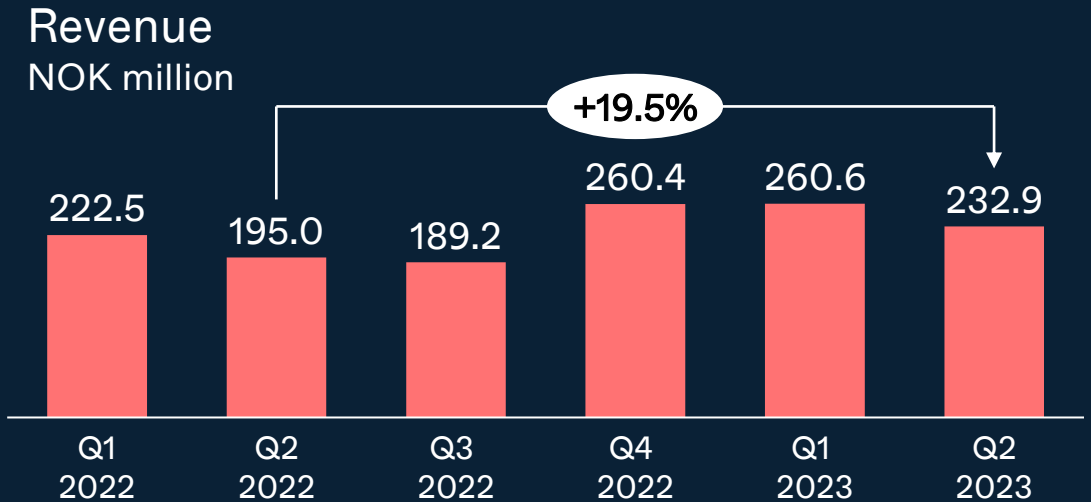


- Strong upsell across several accounts in Secure and Custom for Q2, however, lower level of new sales
- Continue to capture new accounts in Connected Spaces, although overall decline due to churn and capacity reductions from legacy and Connected Spaces

Financial update

Continued improvement in y-o-y EBITDA

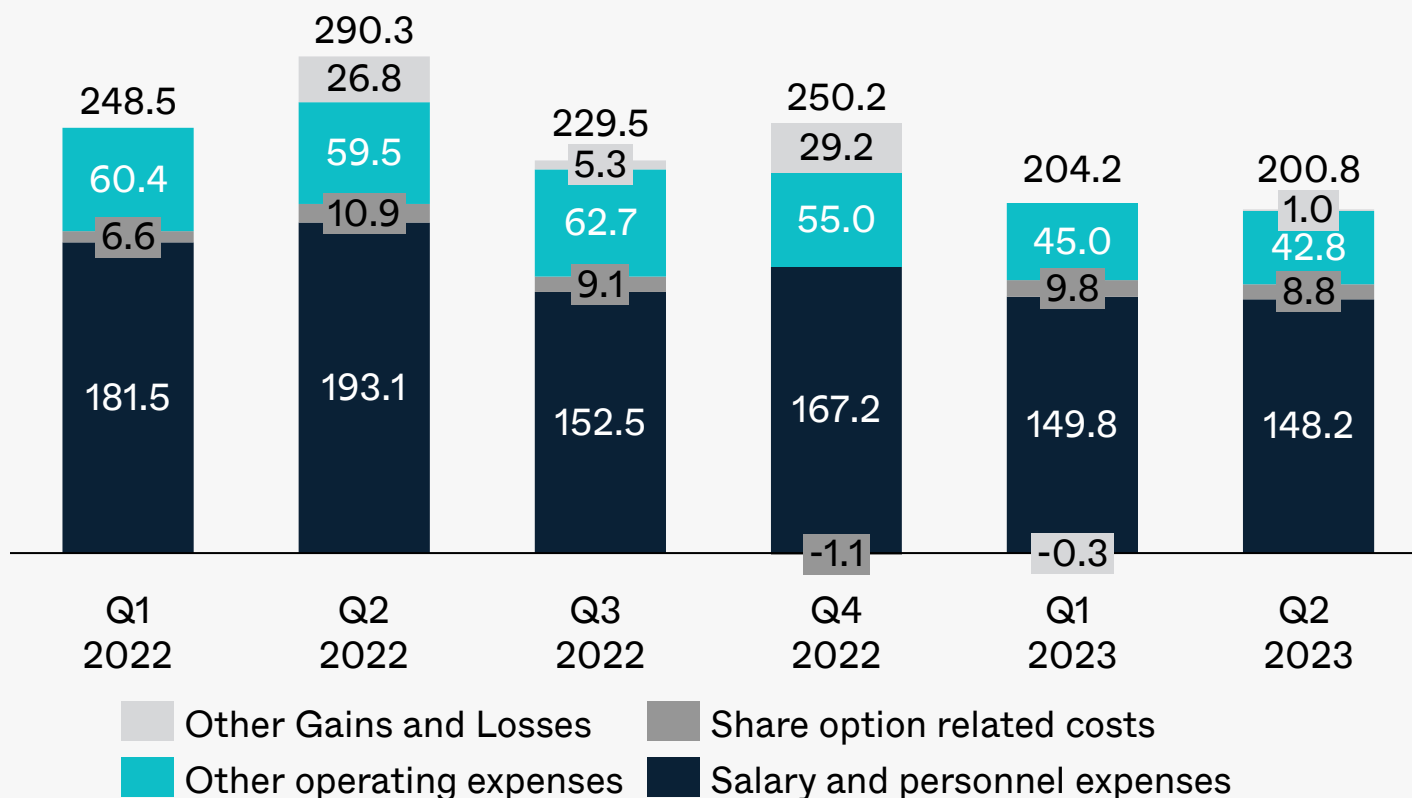
- Positive revenue increase of 19% compared to Q2'22, of which 14 p.p. are driven by currency effects
- Continued positive EBITDA development, driven by realized effects of the cost reduction program and revenue growth
- Rightsizing program have given good results and a significantly lower cost base



1) EBITDA in 2022 adjusted for restructuring costs

Improvement in OPEX from cost reductions

Quarterly OPEX development
NOKm



Salary and personnel expenses

- Reduction of 23% compared to 2022 excluding share option costs, and -1% from Q1 2023. Some underlying cost reductions from Q1, however, these were balanced out by currency effects from entities outside of Norway.

Other Operating expenses

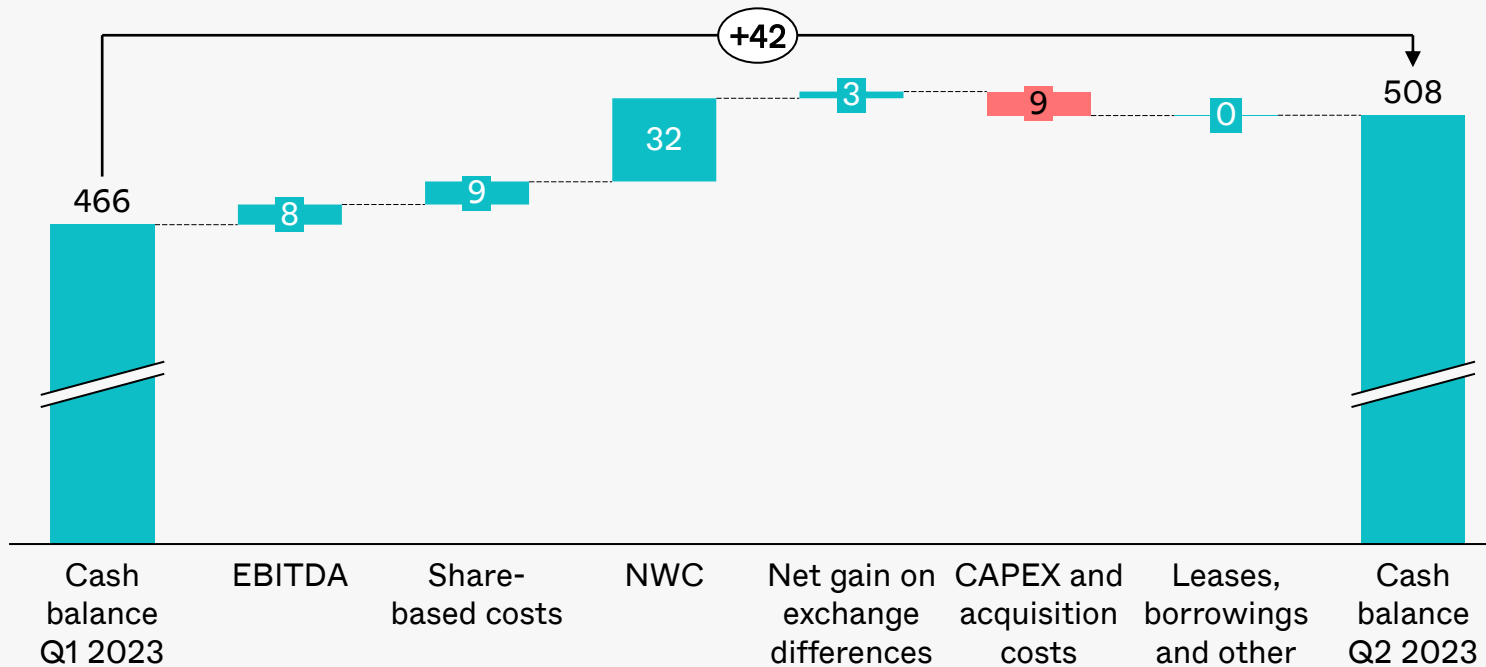
- Positive development with a 29% reduction compared to Q2 2022, mainly from reductions in Sales and Marketing and external services

Currency effects

- Approximately 6 p.p. cost increase driven by currency effects

NOK 42 million in positive cash flow in Q2 – YTD positive NOK 88.4 million

Cash flow bridge Q2 2023
NOKm



- Positive EBITDA excluding non-cash share-based costs contributing to cash flow
- Improvement in net working capital a major contributor in Q2
- YTD, Pexip has NOK 10 million from exchange difference of foreign exchange cash holdings

Q2 2023 Financial results

Profit and loss

NOKm

	Q2 2023	Q2 2022
Revenue	232.9	195.0
Cost of goods sold	24.4	29.1
Gross Profit	208.5	165.9
Salary and personnel exp.	157.0	204.0
Other operating exp.	42.8	59.5
Other gains and losses	(1.0)	(26.8)
EBITDA	7.7	(124.4)
D&A	42.8	24.4
Operating profit	(35.1)	(148.8)
Net financial income / (expenses)	10.1	34.3
Profit/loss before income tax	(25.0)	(114.5)

- 19% increase in year-on-year Q1 revenue, driven by currency exchange changes and stronger Software and Software-as-Service revenues
- COGS is mainly relating to sale of Pexip-as-a-Service and is lower year-on-year despite higher revenue. This is mainly due to underlying efficiency improvements.
- Reported EBITDA NOK 132 million higher to positive NOK 8 million from higher revenues and lower operating expenses, up from negative NOK 98 million in Q2 2022 excluding restructuring costs in 2022.
- Higher D&A in Q2 2023 due to a write down of intangible assets tied to a single defocused product area of NOK 15 million

Outlook and 2023 targets

Generally positive market outlook across the business areas

Poly partnership and FedRAMP/StateRAMP Authorizations provide additional momentum into H2 2023

Continue to be on track with EBITDA and revenue targets

FY cash flow target exceeded in 1H – revised target in place

Q3 2023 ARR expected 98-101 million

Target 2023 EBITDA of NOK 100-150 million

Pexip is a profitable business, with targets supported by the solid progress on the cost reduction program

Progress after Q2: On track

Increased: Target 2023 free cash flow¹ of NOK 85-100 million

Progress after Q2: On track with free cash flow of NOK 82 million YTD. Target increased from NOK 40-60 million.

Target flat to positive development in recurring revenues for FY 2023

We target stable to positive development in annual recurring revenues in USD

Progress after Q2: On track

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

Upcoming dates

Q3 2023 Quarterly Presentation

🕒 November 2, 2023

Q4 2023 Quarterly Presentation

🕒 February 14, 2024

Q&A

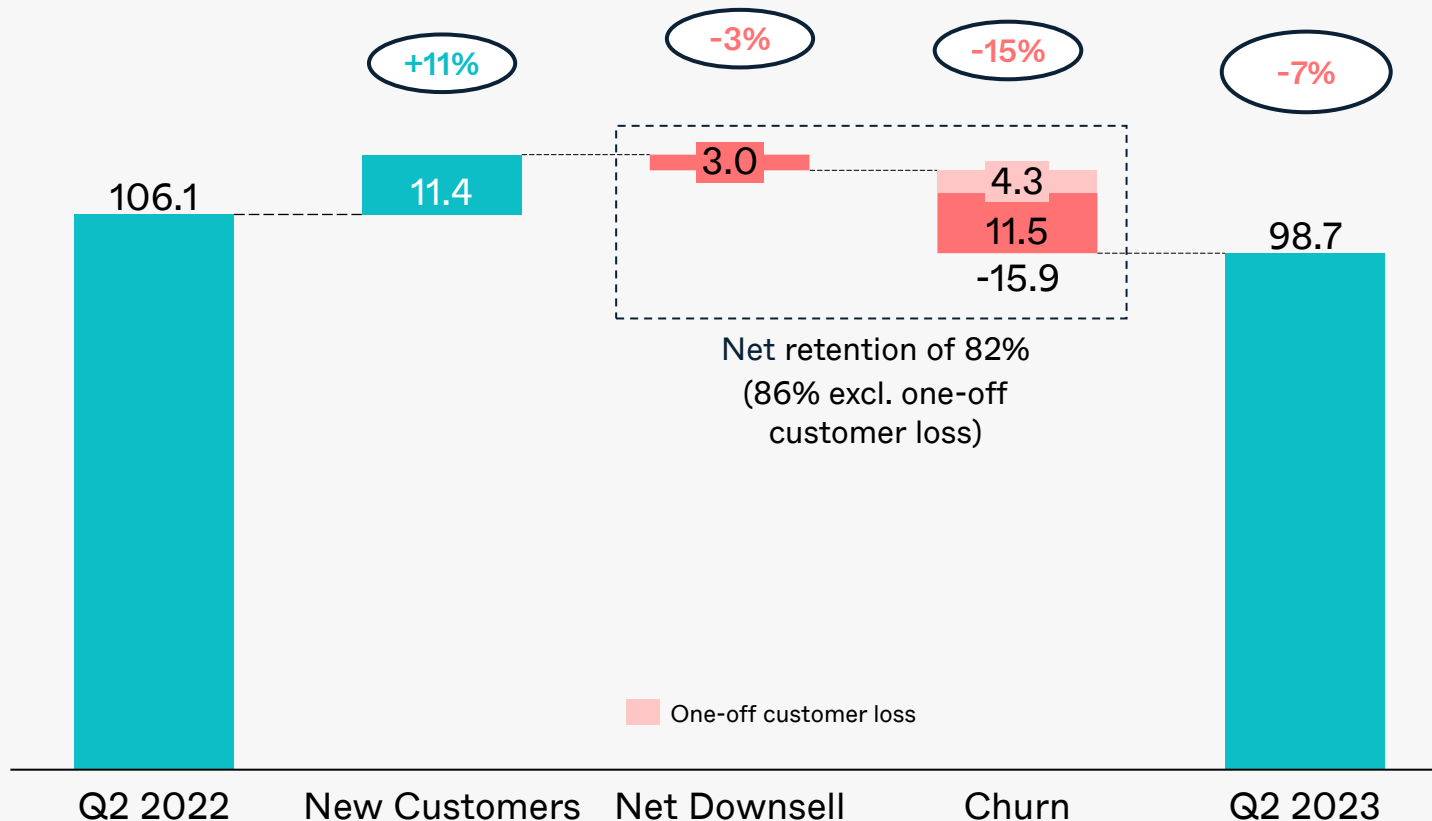
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Thank you for listening!

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Breakdown of ARR development

Development in ARR portfolio last twelve months
USDm



- Churn development continue to be impacted by the large US Government contract that was not renewed in Q3 2022. Excluding this customer, churn is somewhat up compared to the previous quarter
- Legacy continues to decline in line with expectation, contributing both churn and down-sell
- Down-sell is also impacted by a rightsizing of capacity following the pandemic
- Increased list prices from Jan 1, 2023 will continue to have a positive impact on net upsell through 2023

High gross margins across the business areas

Gross profit by segment
NOKm

	Q2 2023	Q2 2022	YoY dev.
Revenue from Connected Spaces	154	147	5%
COGS of Connected Spaces	22	26	-15%
Gross Profit from Connected Spaces	132	122	9%
<i>Gross margin Connected Spaces</i>	<i>86%</i>	<i>83%</i>	<i>3 p.p.</i>
	Q2 2023	Q2 2022	YoY dev.
Revenue from secure, custom solutions	79	48	66%
COGS of secure, custom solutions	2	3	-27%
Gross Profit from secure, custom solutions	76	44	73%
<i>Gross margin secure, custom solutions</i>	<i>97%</i>	<i>93%</i>	<i>4 p.p.</i>

- COGS are mainly related to Connected Spaces, however both business areas with high gross margins
- The gross margin in both areas are improving compared to Q2 2022, mainly due to underlying efficiency improvements