



Meet the world
with video communication as it should be

Quarterly Presentation Q2 2021

August 12, 2021



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Recent highlights

**41% y-o-y
growth in ARR to
USD 93 million**

**NOK 177 million in
revenue for Q2 2021**

**Executing on growth
strategy; -23% EBITDA
margin for Q2 2021**

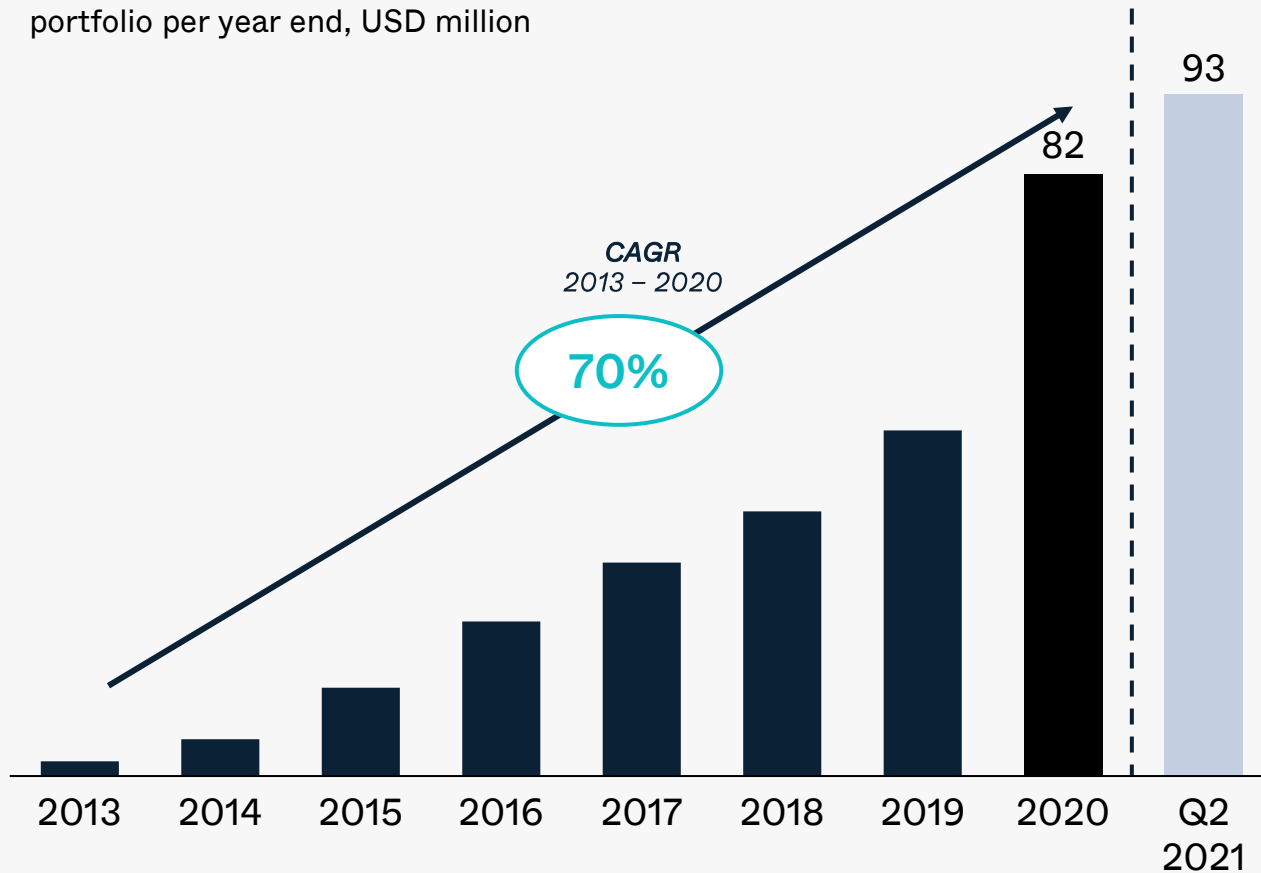
**Pexip Control Center,
Direct Peering and Avaya
Videoconferencing
Registration**

**“Best Telehealth
Platform” award in the
annual MedTech
Breakthrough Awards**

**Continued to add several
new Fortune 500
companies as customers**

Addressing a global market with a recurring revenue business model

Booked Annual Recurring Revenue (“ARR”) portfolio per year end, USD million



- Users in ~190 countries
- Over 300 partners in 70+ countries
- Over 451 employees in 20+ countries
- ~97% of revenue from subscriptions

	EMEA	Americas	APAC
Share of ARR	56%	34%	10%



[pexip]

Video communications as it should be



- ✓ A better way to meet with business-quality audio/video
- ✓ Securely join from anywhere across multiple technologies
- ✓ Customize the platform to meet the unique needs for the organization and IT
- ✓ Full control of data privacy and sovereignty, and compliance with data security standards

Large organizations choose Pexip for three main use cases

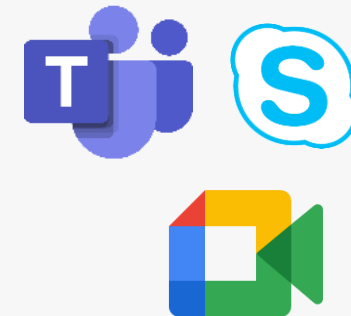
High-quality video **meetings** with focus on privacy and security



Vertical market applications and integrations



Expanding **access** to Microsoft Teams and Google Meet



Pexip's differentiated customer offering is underpinned by unique technology

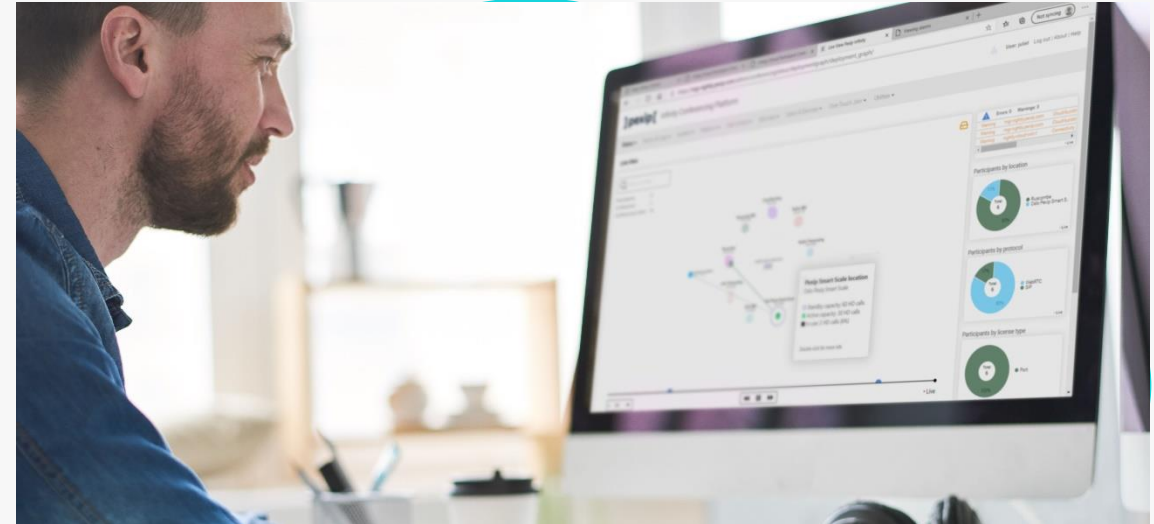
Smart transcoding



- Proprietary real time media engine
- Unique interoperability
- Unique AI capabilities in the cloud

Rich end-user experience

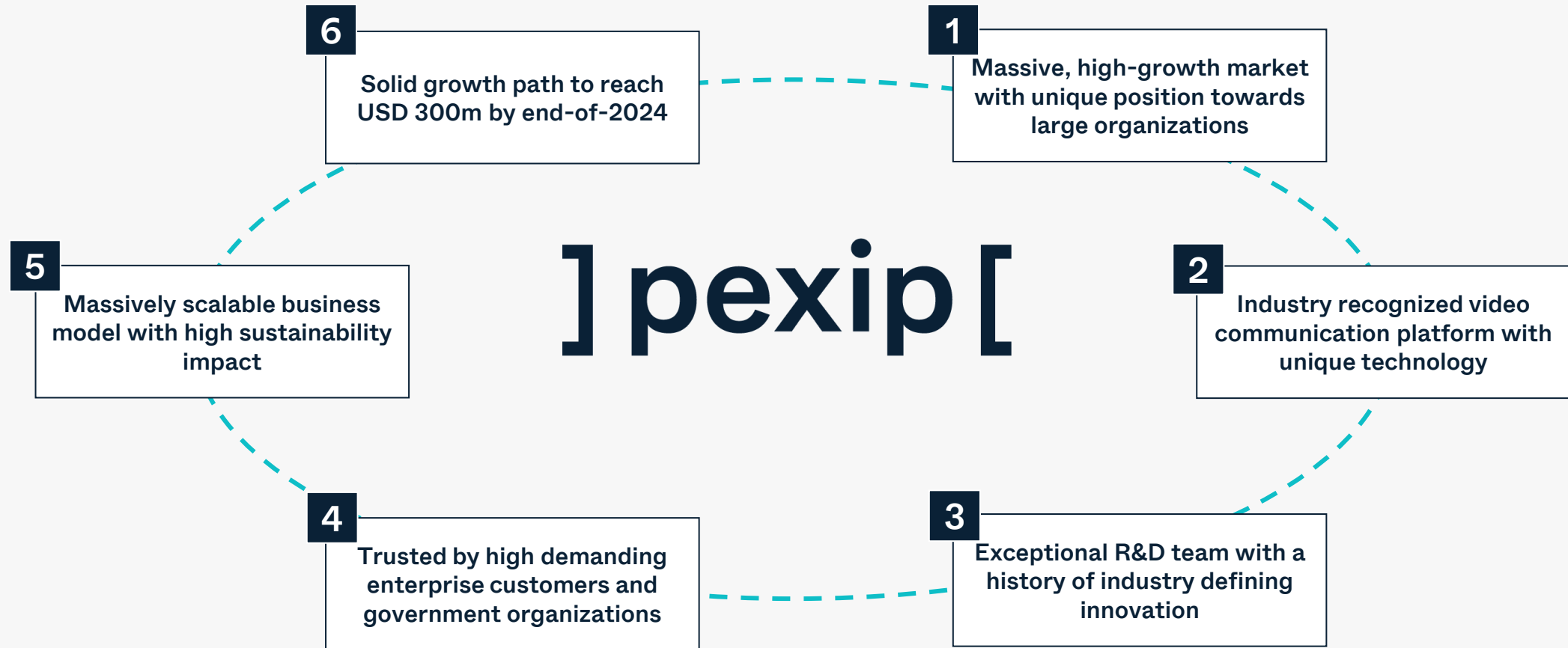
Cloud agnostic deployment flexibility



- Proprietary technology allows Pexip's experience to be delivered on any existing platform or cloud provider (On-premise, GCP, Azure++)
- Unique data privacy and control
- Unique security capability through by-passing the internet
- Unique customization capabilities

Flexible IT admin experience

Solid growth path to long-term value creation



Pexip is targeting USD 300 million in ARR by end of 2024

Revenue growth

ARR of USD 300 million by end-of-2024

Long-term profitability

2025 EBITDA of +25% with +25% revenue growth

Plan for negative 25-35% EBITDA margin in 2021/2022, neutral to positive EBITDA in 2023

Market recognition

Recognized leader position in the Meeting Solutions market within 3-4 years

A woman with dark hair, wearing a maroon top, is on the left side of the frame, looking towards the center with her hand near her chin in a thoughtful pose. A man with dark hair, wearing a white shirt and a dark suit jacket, is on the right side of the frame, smiling and looking towards the center. The background is a solid, vibrant red color.

Q2 Operational Update

Recent market developments

Broad adoption of video in knowledge worker organizations – early adoption in frontline customer care

Increased **competitiveness on cloud-based meetings** from large known brands, with customers mainly focused on **PC-to-PC meetings** during pandemic

Return to the office has taken longer time than expected at the start of 2021

Market impact on Pexip's main use cases

- exemplified with recent customer wins

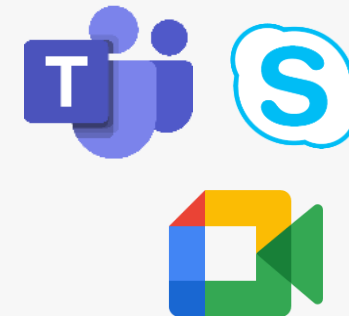
High-quality video **meetings** with focus on privacy and security



Vertical market applications and integrations



Expanding **access** to Microsoft Teams and Google Meet



Pexip continues to win the trust of new large enterprises and public organizations

Selected by a range of large organizations

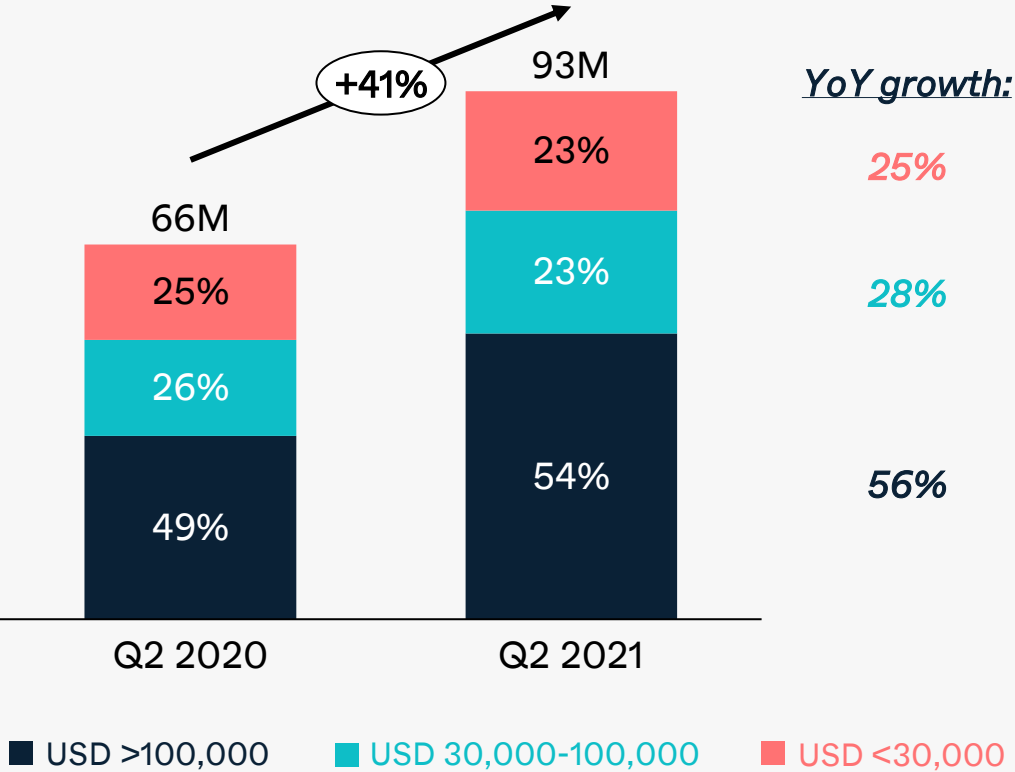
Selected customer wins in Q2 2021



Added 5 new Fortune 500* customers in Q2
Currently ~15% of Fortune 500* as customers

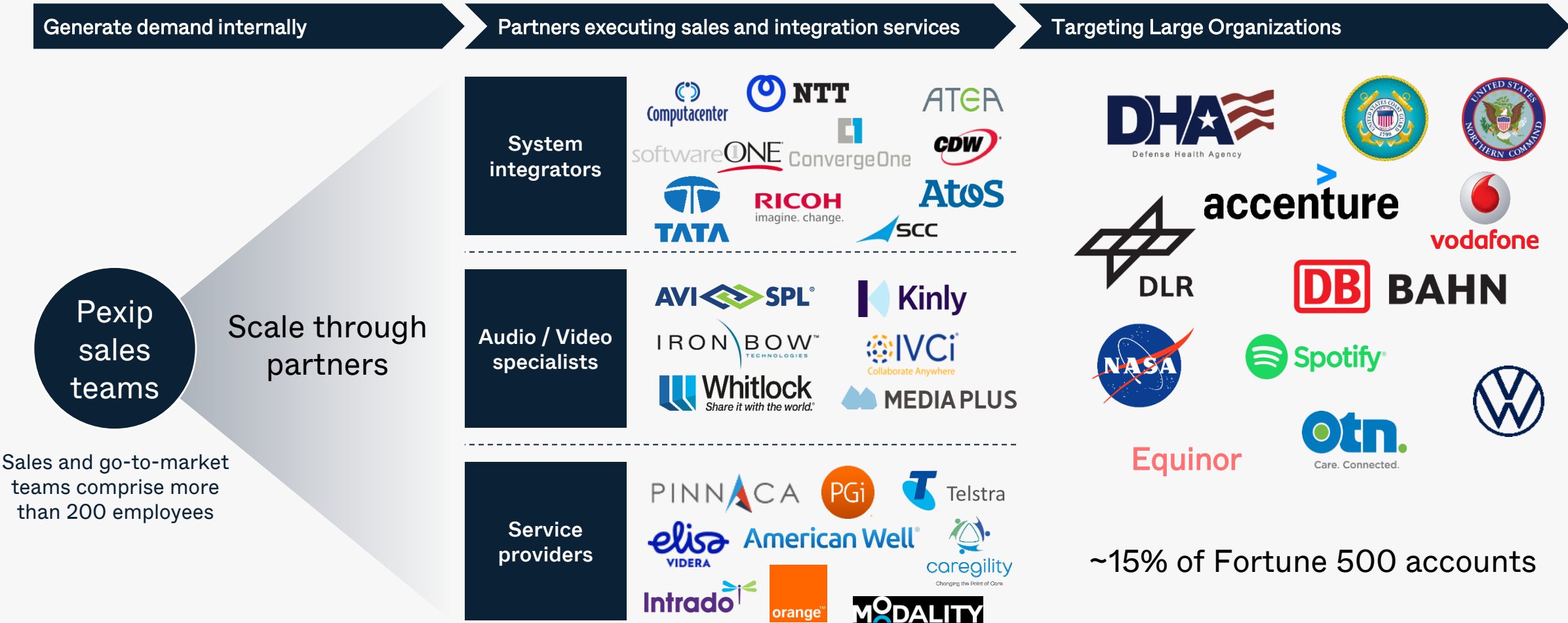
Large organizations driving growth

Share of ARR by account size in ARR, USD



*Fortune 500 and Global 500

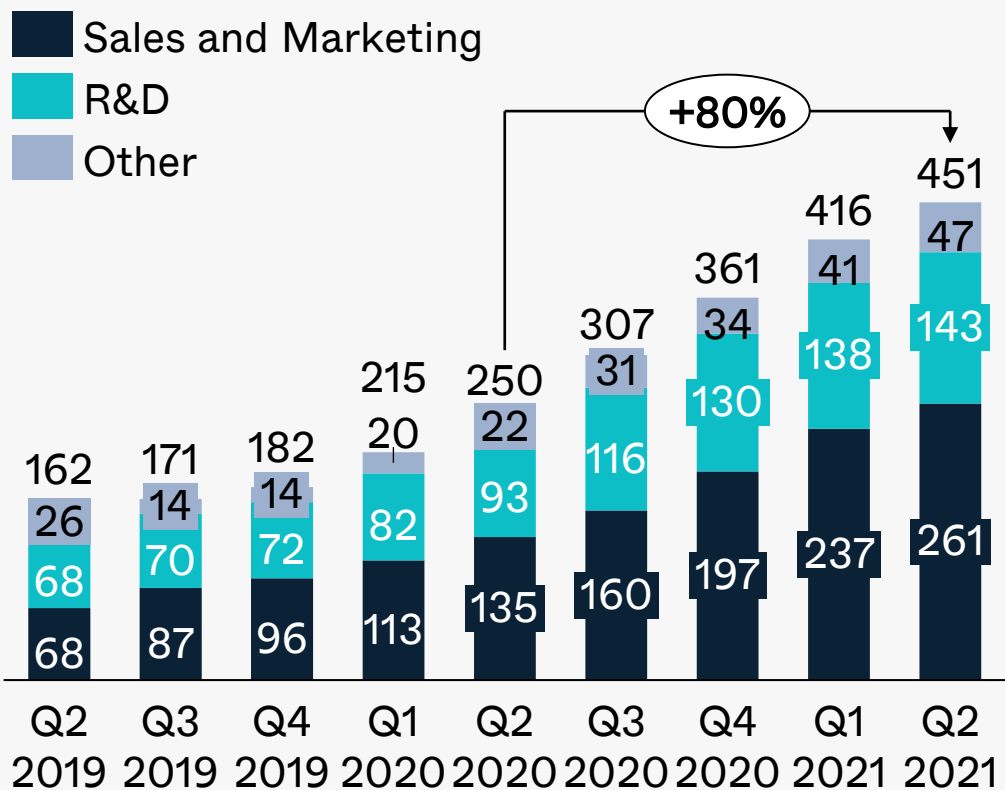
Pexip's product and go-to-market model designed for large organizations



Continue to build growth capacity and culture

Scaling the team

Number of employees



Strong team and culture is key for future growth

- Plan for 550-600 employees year end 2021
- Approx 100-150 new employees in 2022
- 50-100 new employees in 2023 and 2024
- Investing 60% in sales and marketing, 30% in R&D and 10% in other

- Strengthening the team is a key enabler for building stronger growth capacity

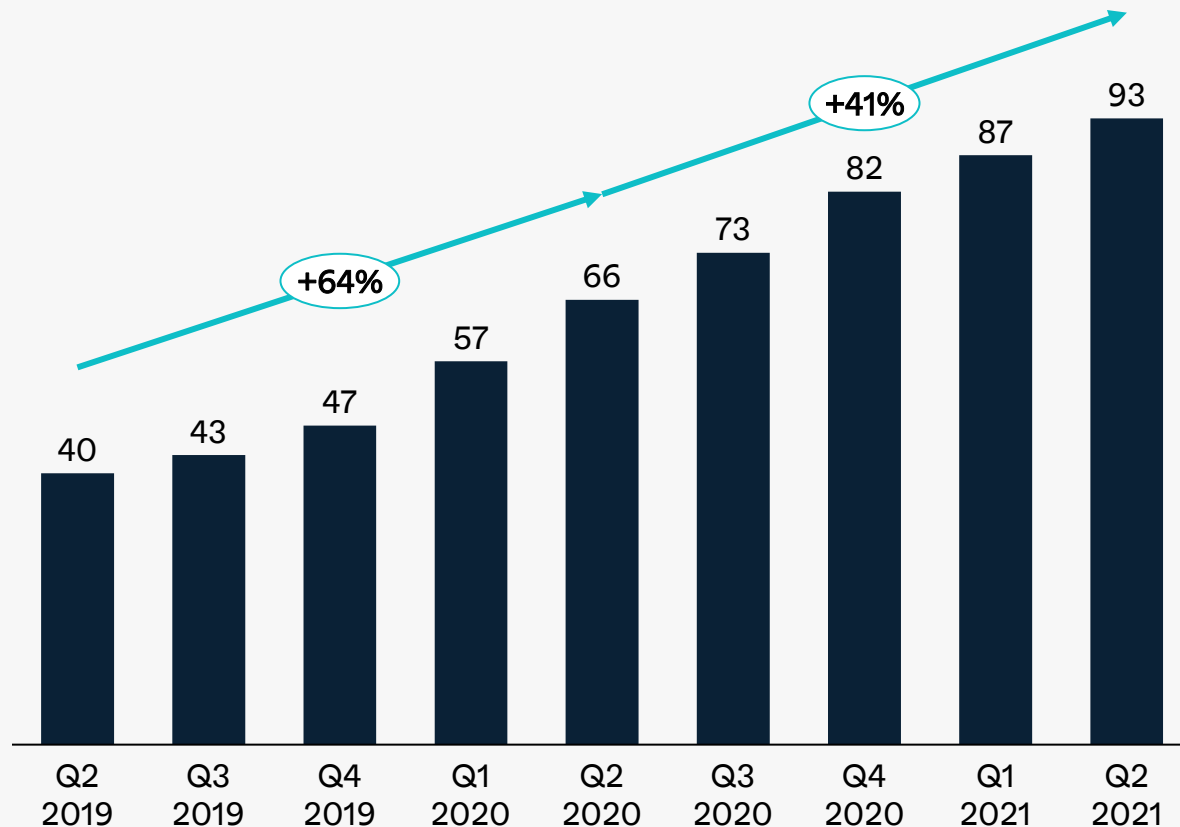


Sales and Financial Performance

41% growth in Annual Recurring Revenue – Added 5.5 million in Q2 2021

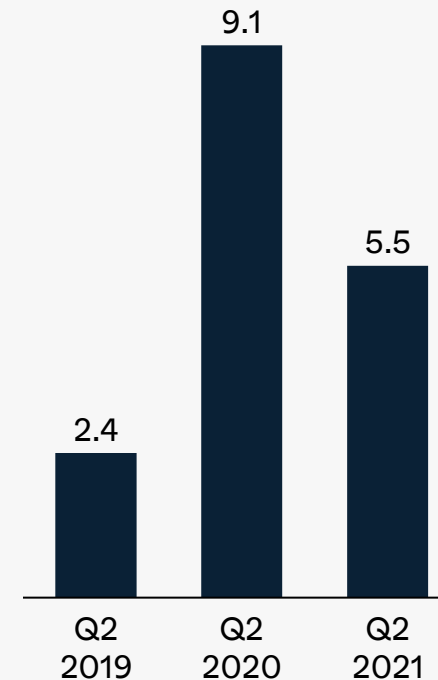
Booked Annual Recurring Revenue (ARR) development

USD million



Q-o-Q growth in ARR

USD million

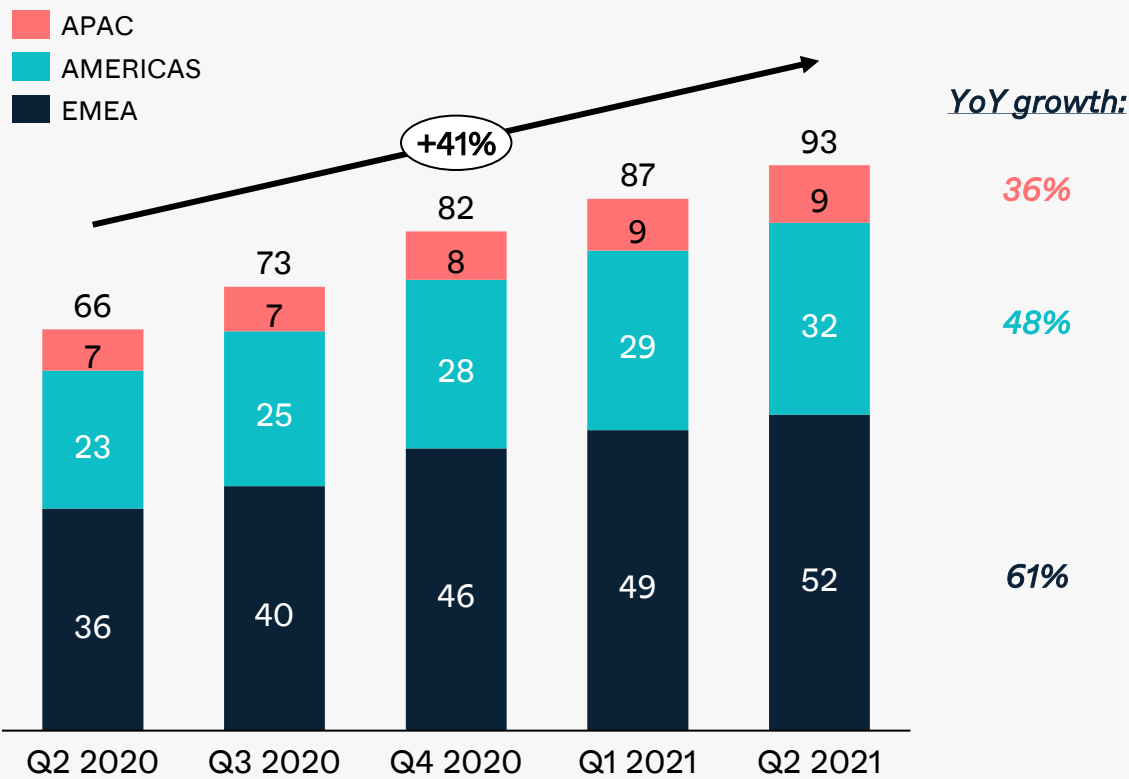


- Q2 2021 growth in ARR of USD 5.5 million, compared to USD 9.1 million in Q2 2020 and USD 2.4 million in Q2 2019
- Strong development in new Fortune 500 logos

Solid growth contributions from all geographies and product lines

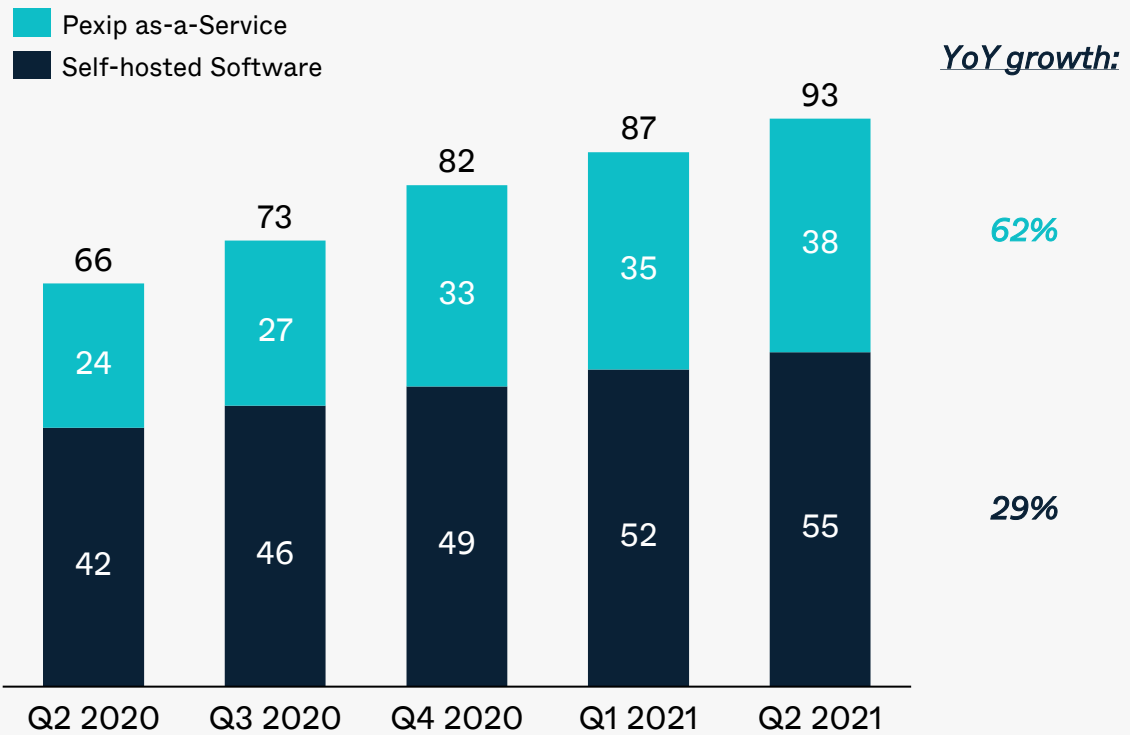
ARR per geo

USD million

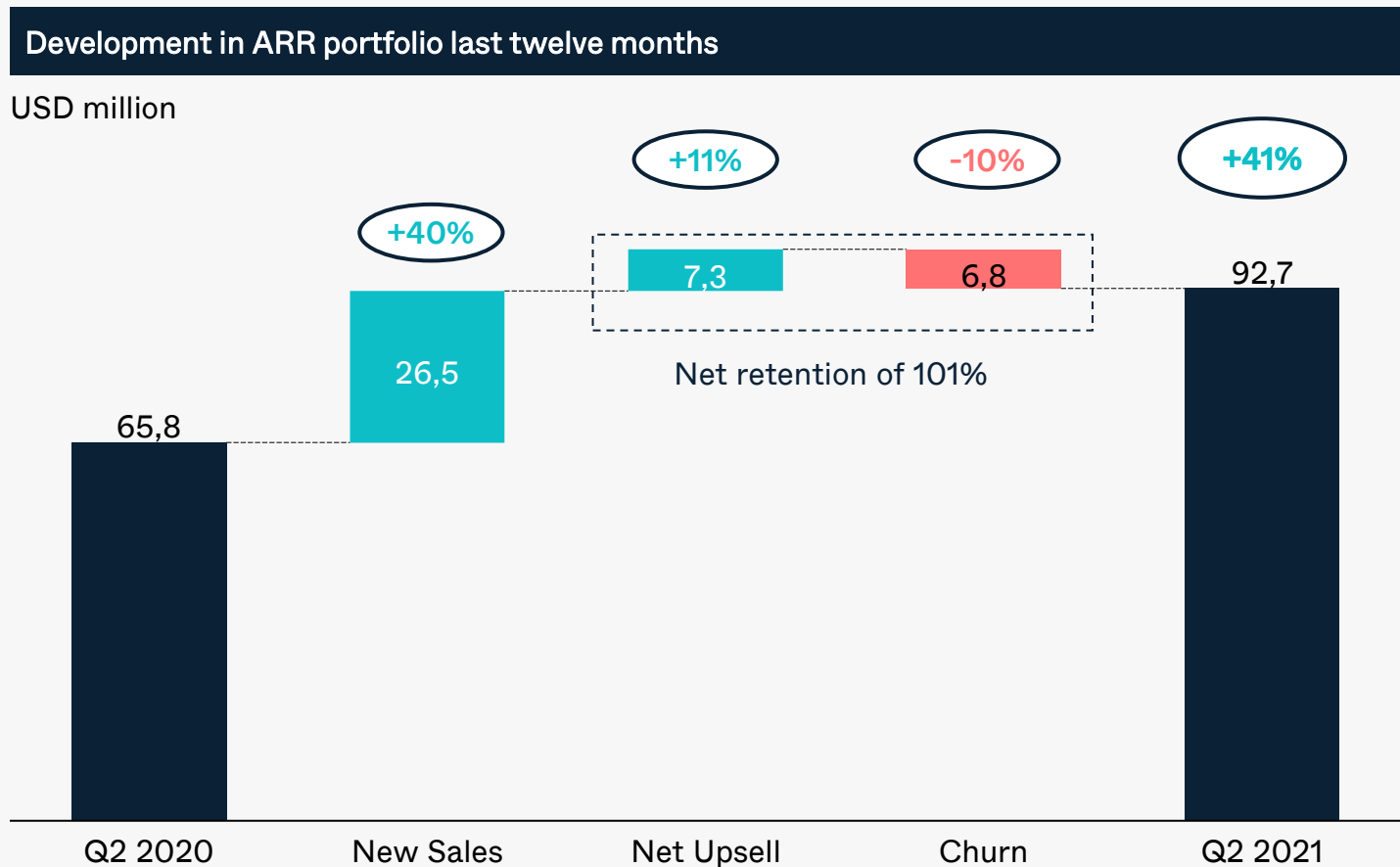


ARR per product

USD million



New sales is the main driver for ARR growth with 40% in the last twelve months

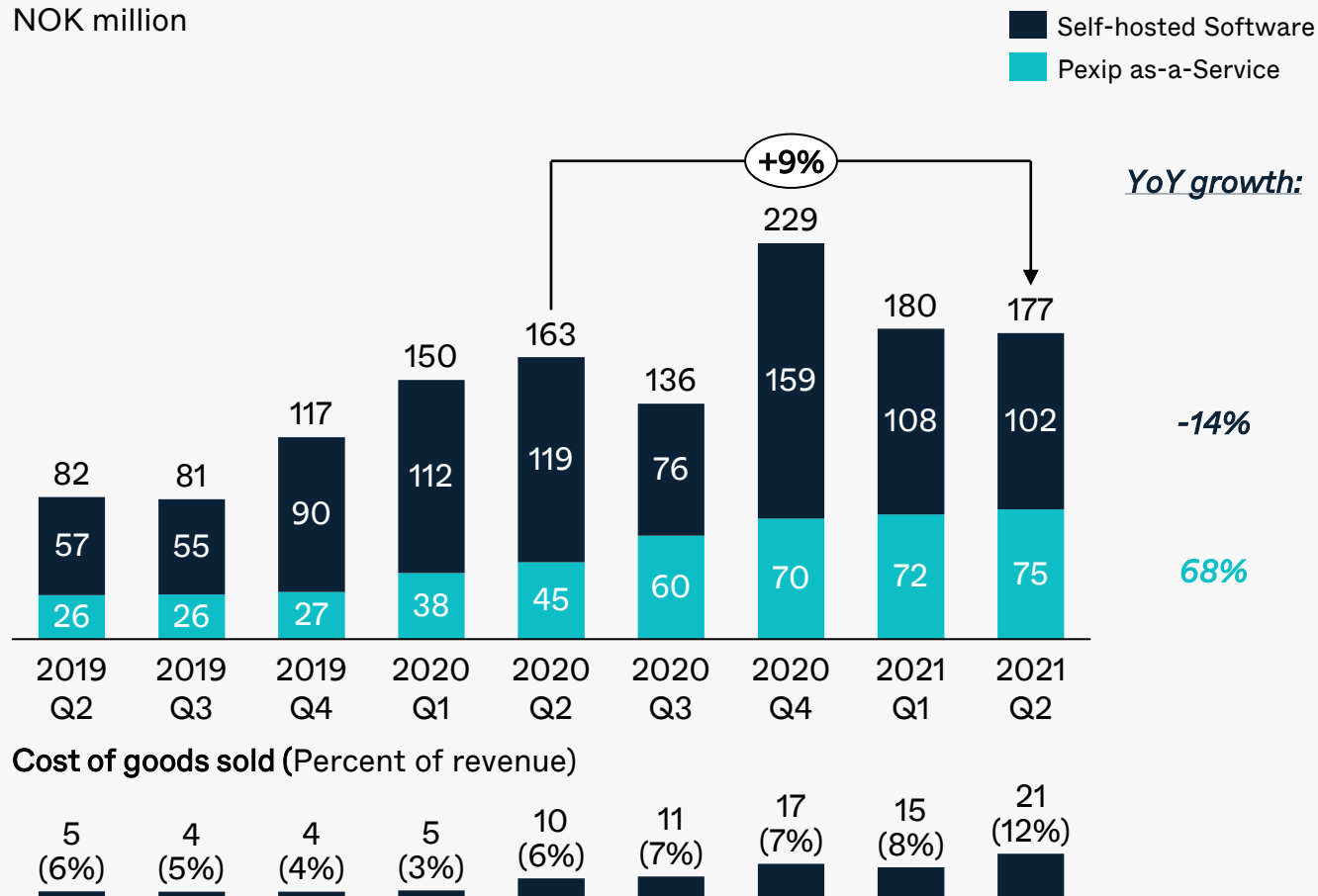


- Continue to increase last twelve months new sales
 - New sales were USD 1.8 million lower than Q1 2021, impacted by delayed returns to office
 - Strong performance in new logos and F500 additions, but on average somewhat smaller deal sizes in the quarter
- ARR net retention is at a good level at 101%, compared to 118% in 2020 and 99% in 2019

ARR growth driving revenue growth

Quarterly revenue development

NOK million



Comments

Operating revenues – Pexip as-a-Service

- Overall growth of 68% year-on-year to NOK 75 million, in line with ARR growth despite development in NOK/USD exchange rate.

Operating revenues – Self-hosted Software

- Overall decline of -14% year-on-year to NOK 102 million
- Q2 2020 saw extraordinary upsell to existing customers, with some contract renewals in Q4 2020, resulting in revenue recognized in Q4 2020 instead of Q2 2021
- Software revenue mainly recognized at time of delivery, which leads to quarterly variations in revenue recognition.
- Currency impacting negatively, as NOK/USD is down ~15% compared to Q2 2020

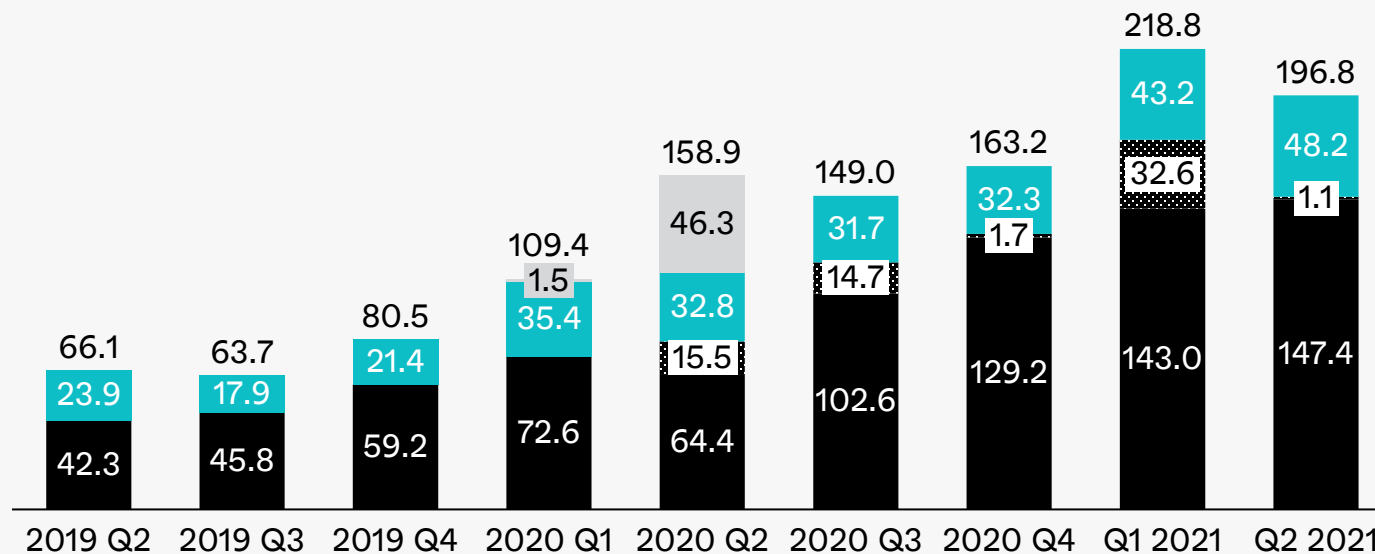
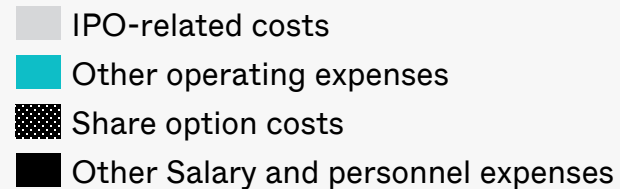
Gross margin

- Higher cost of goods sold mainly due to high Pexip as-a-Service revenue growth and higher usage, as well as lower self-hosted software revenue due to periodization
- Modernized service platform from own hardware to cloud compute, for better scale, resiliency and operations as well as lower investments in own hardware going forward
 - Expect COGS to grow less than as-a-Service revenue going forward as some of the costs related to the platform modernization are fixed and not volume driven.

Increase in operating expenses from planned investments in Sales and R&D capacity

Quarterly OPEX development

NOK million



Comments

Other Operating expenses

- Overall increased activity level, while travel expenses remain low
- Increased investments in marketing in order to capitalize on the increased demand for video collaboration technology

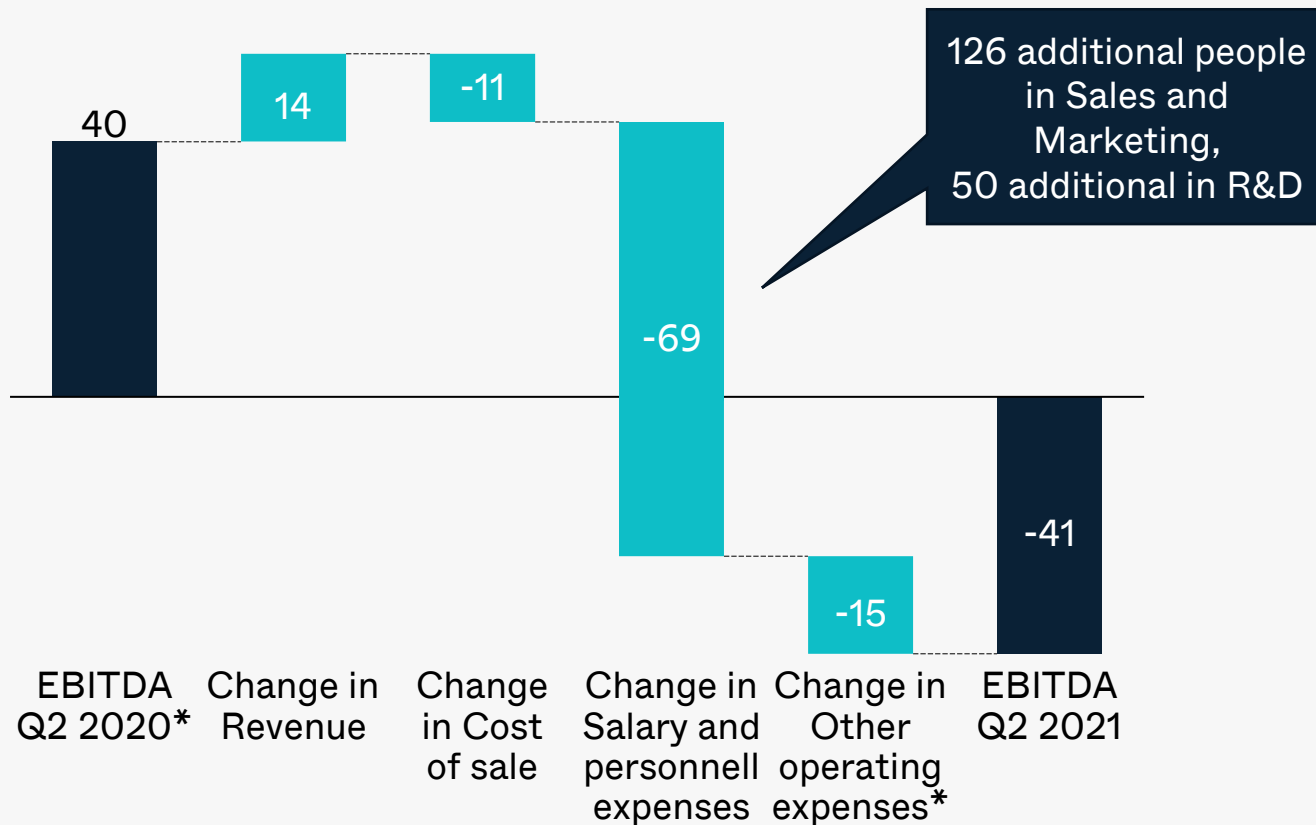
Salary and personnel expenses

- Increased headcount main driver of increase in salary and personnel expenses
- Fluctuation in share price giving variation in accrued employer tax costs
- Periodization of holiday pay shifted to Q3 (in Q2 in 2020) to harmonize with employee holidays in EMEA
- Other Salary and personnel expenses positively impacted by weaker NOK/USD exchange rate

Executing on communicated growth strategy

Significant investments in sales-related headcount, impacting EBITDA

NOK million, cash outflow



Comments

- Significant investments into growth acceleration, as indicated at the IPO
- Main investments in strengthening the global sales team as well as R&D
- Ramp-up to productivity for quarterly growth in ARR for new sellers normally 9-12 months
- Headcount increased by 80% to 451 in Q2

Targeting negative 25-35% EBITDA margin in 2021/2022, break-even in 2023 and above 25% EBITDA margin by 2025

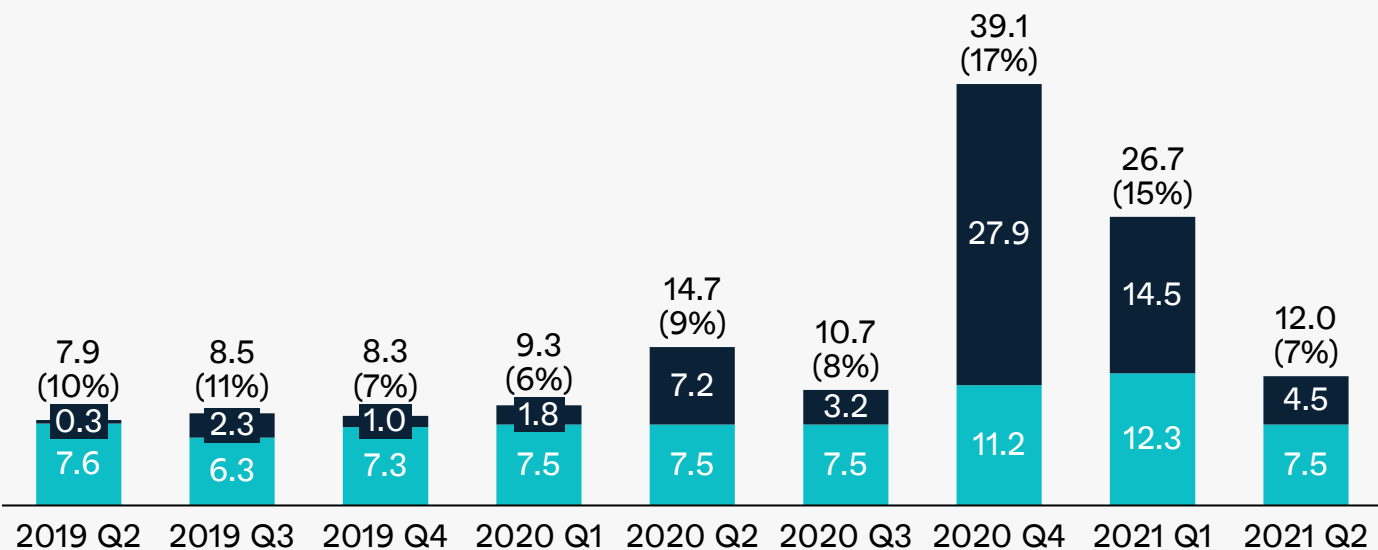
*Adjusted for IPO expenses

Capitalized investments

Cash flow from investing activities per quarter

NOK million, cash outflow

■ PPE and intangibles
■ Software dev.



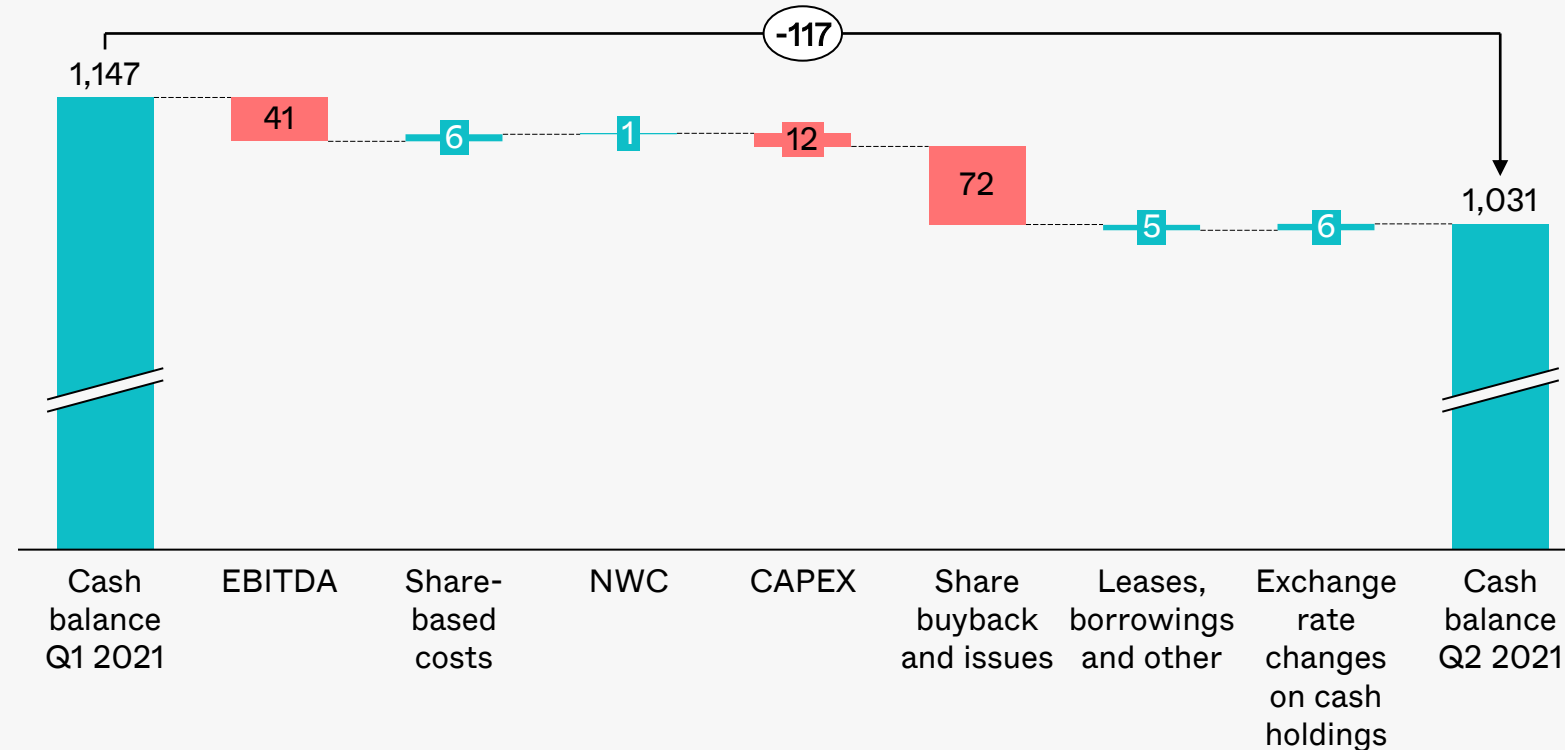
Comments

- Lower spend on PPE and intangibles compared to Q4 2020 and Q1 2021 as majority of UK office move is completed and no spend related to customer base acquisitions
- Capitalization of software development in line with previous quarters

Cash flow bridge

Cash flow bridge Q2 2021

NOKm



Comments

- Negative EBITDA and CAPEX main contributors to cash flow, in addition to share buy back
- Negative cash flow of NOK 72 million, on the same level as the net proceeds from March employee option share issue
 - Net H1 cash flow of NOK 0.6 million from share issuance and share buy backs
- Cash position of NOK 1,031 million out of Q2 2021, Pexip has a solid cash position to fund the acceleration plan

A woman with long blonde hair and a man with short dark hair are shown in profile, facing each other. The woman is on the left, wearing a dark green top, and the man is on the right, wearing a yellow polo shirt. They are both looking towards the center where the text is located. The background is a solid teal color.

Summary and Outlook



Q2 2021 in brief

Solid top line growth

- Continued ARR growth with USD 5.5 million in Q2 2021/41% y-o-y growth
- NOK 177 million in revenue for Q2 2021, +9% compared to Q2 2020

Executing on the acceleration plan

- Launch of Pexip Control Center, Direct Peering and Avaya Collaboration
- Continue to build sales and R&D capacity - reached 451 employees end of Q2 2021
- Negative EBITDA in line with announced strategy
- Solid cash position to invest in further growth



Outlook

Positive outlook for video communication

- Majority of enterprises shifting to hybrid working
- Organizations looking to embed video into their workflows towards customers
- Pexip's technology is uniquely positioned to meet these new customer needs
- Sales pipeline for 2H 2021 is strong

Will continue to execute on growth plan

- Increase investments in future growth by adding talent in sales and marketing as well as R&D – targeting 550-600 employees by end of 2021
- Plan for negative 25-35% EBITDA margin in 2021/2022, neutral to positive EBITDA in 2023
- Target 2025 EBITDA of +25% with +25% revenue growth

Expect to reach long-term target of USD 300 million in ARR by end-of-2024

Upcoming dates

Update on Annual Recurring
Revenue

October 7, 2021

Q3 2021 quarterly
presentation

November 11, 2021

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Q&A

