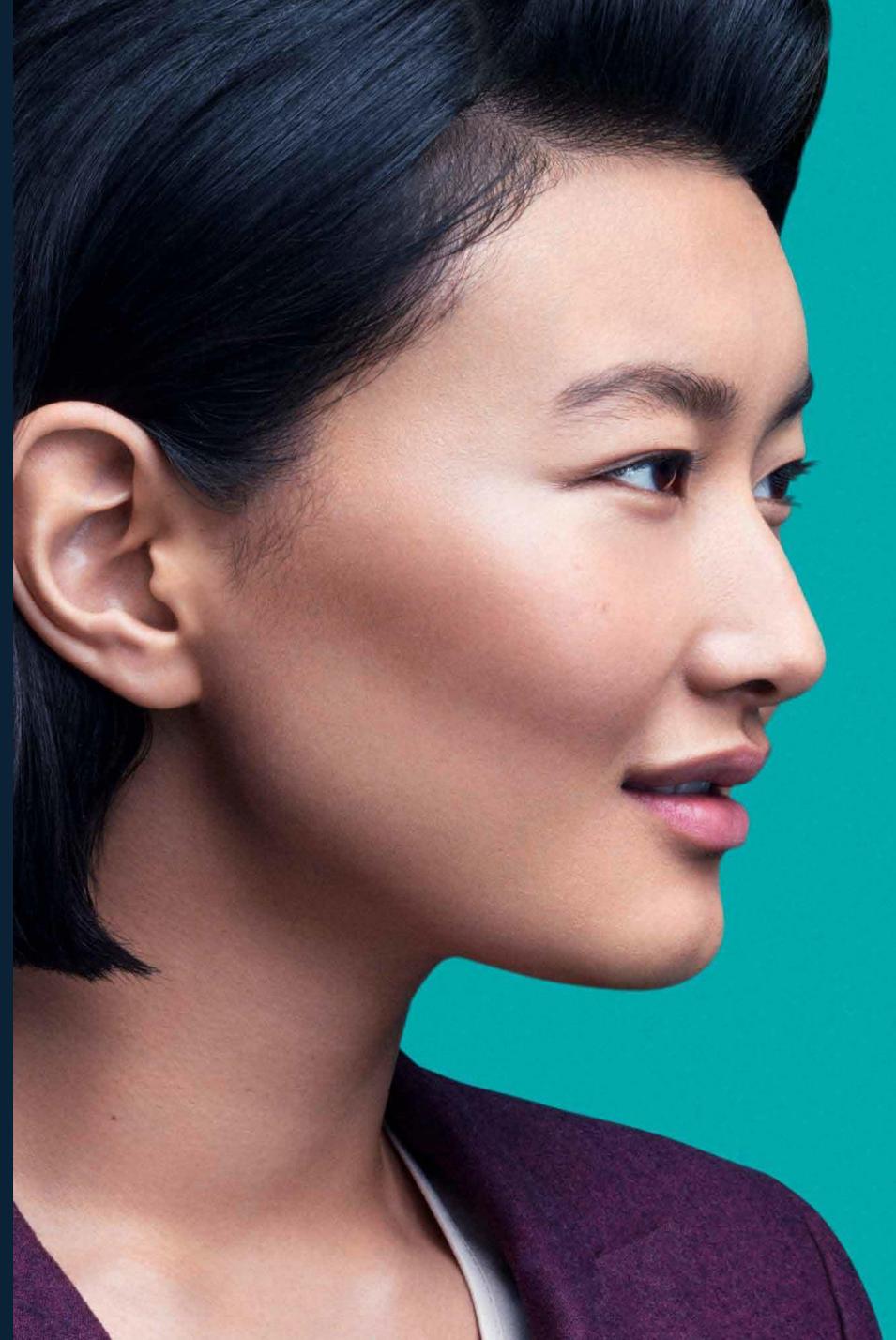


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Meet the world  
with video communication as it should be

## Quarterly Presentation Q3 2020

10 November 2020



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# Q3 highlights

70%  
growth in ARR

Accelerating long-term  
target with one year:  
300 MUSD by 2024

Added  
     
as customers  
+ 7 new F500 accounts

Visionary  
in Gartner Magic  
Quadrant

Private Cloud is ready  
to launch

307 employees  
up 80% year-on-year

# Business update



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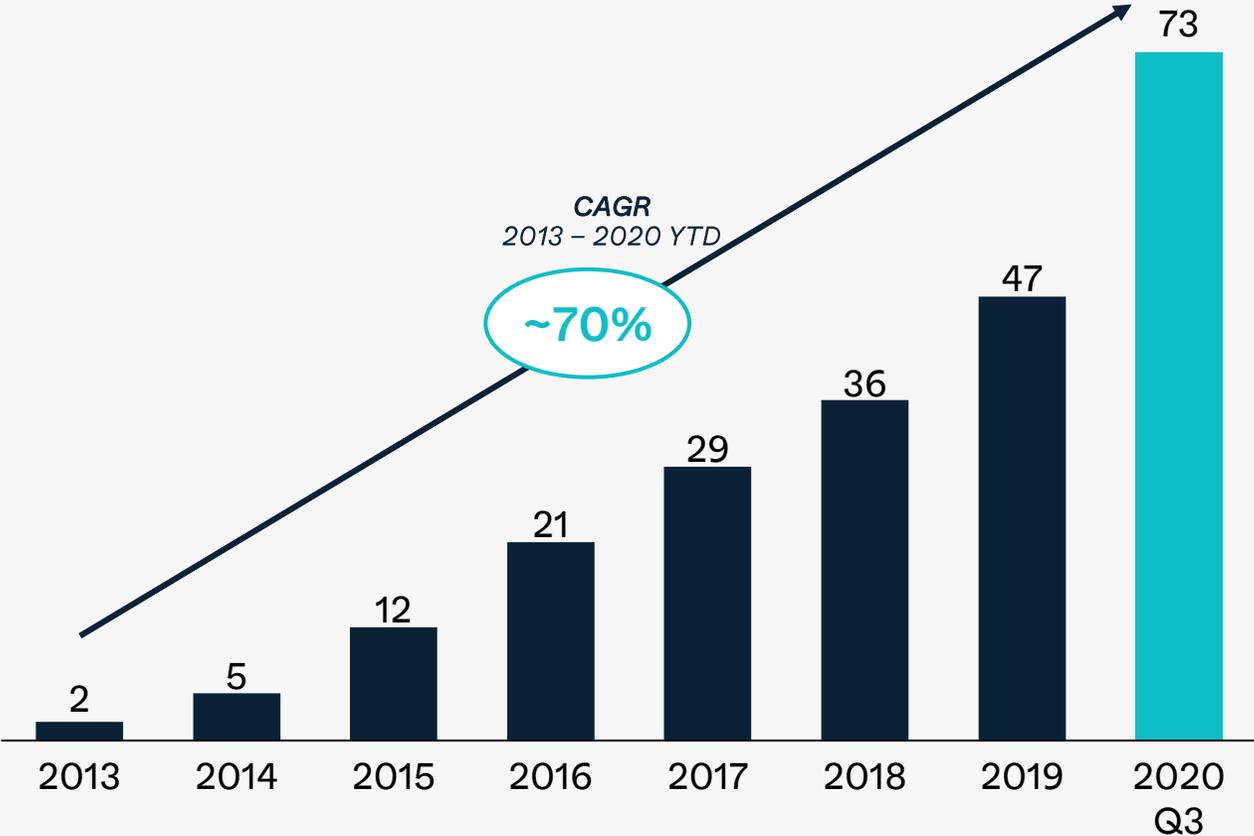
Video communications as it  
should be



- ✓ A better way to meet with business-quality audio/video
- ✓ Securely join from anywhere across multiple technologies
- ✓ Powerful administration tools and integrations to meet the requirements of IT
- ✓ Full control of data privacy and sovereignty, and compliance with data security standards

# Pexip is a high-growth subscription-based video communication company

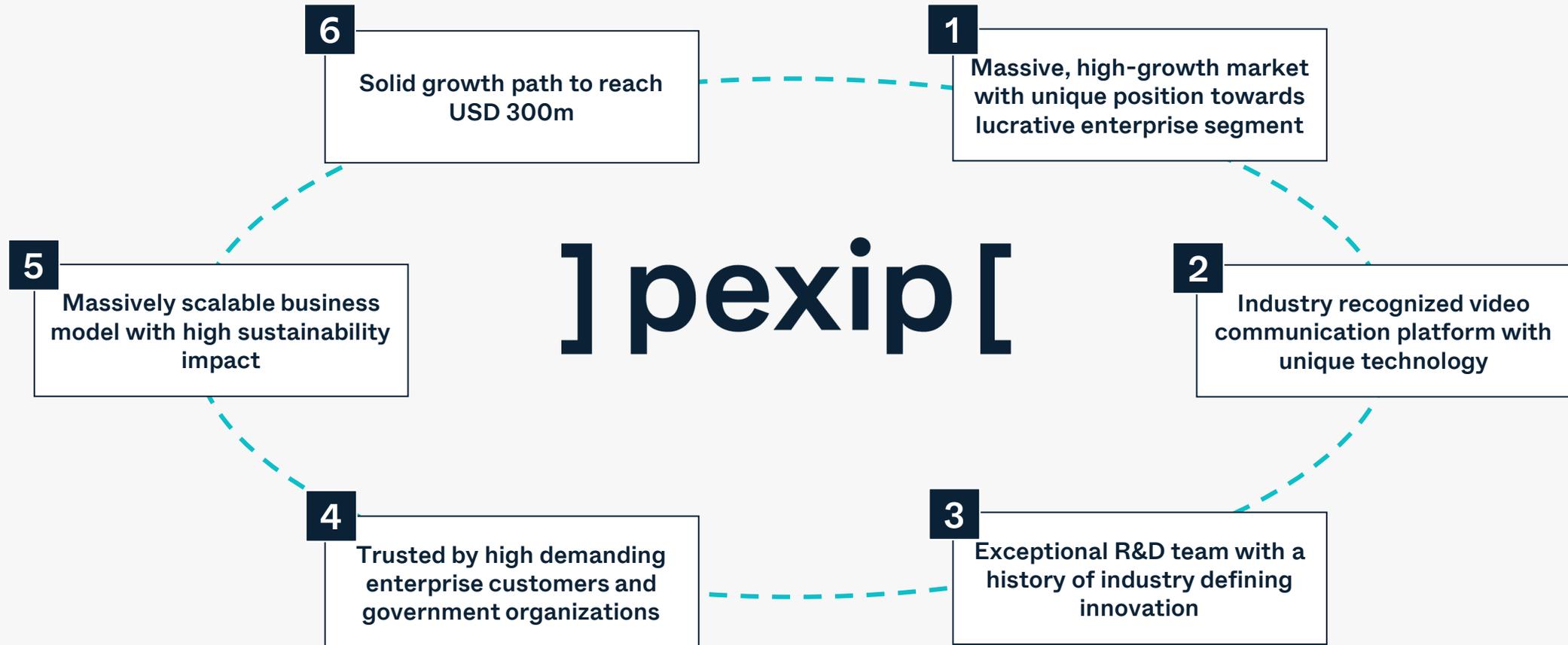
Booked Annual Recurring Revenue (“ARR”) portfolio per year end, USDm



- Users in ~190 countries
- ~300 partners in 75 countries
- +300 employees in 20+ countries
- 97% of revenue from subscriptions

	EMEA	Americas	APAC
Share of ARR	55%	35%	10%

# Solid growth path to USD 300 million



# Pexip accelerates long-term target of reaching USD 300 million

## Revenue growth

ARR of USD 300m by end-of-2024, one year earlier than previously communicated

## Long-term profitability

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

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

## Market recognition

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

# Enterprise IT will re-assess video strategy post-Covid



“Everybody” has started using video in 2020



PC-to-PC has been the primary use case



As Organizations plan their return to the office, many will need to re-evaluate their existing solution



## Key questions to be asked by customers

Do we have the features we need?

Given we use video so much, are we having the right meeting quality and experience?

Is data about our conversations protected?

Is our current solution in line with our security policies?

**Pexip will be more relevant than ever, both as stand-alone and add-on solution to others**

# Pexip ideally positioned for enterprises' reality as organizations return to the office

Conference rooms



]pexip[

## The new normal will be hybrid working

- People combining working from home and the office
- “Every” room in the office will have a video device
- “Every” meeting will be a video meeting
- Need to connect everything from the browser to the board room – internally and externally

Small huddle rooms

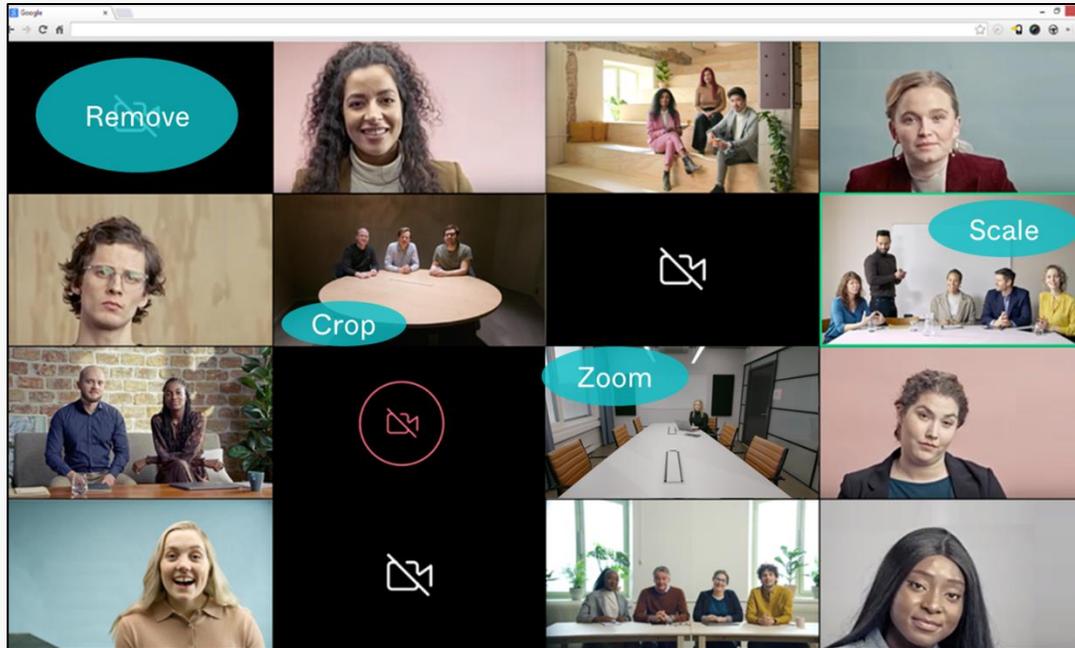


Working from home



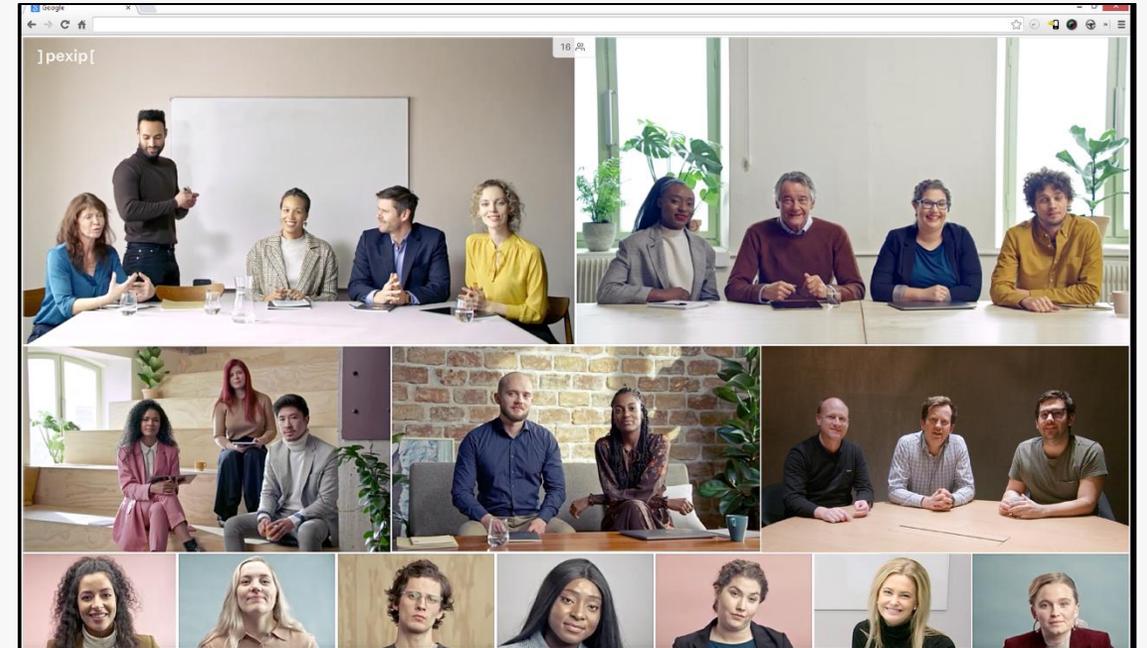
# Bring meetings to life

A natural, engaging meeting experience provided by AI-driven adaptive experience



## Bring meetings to life

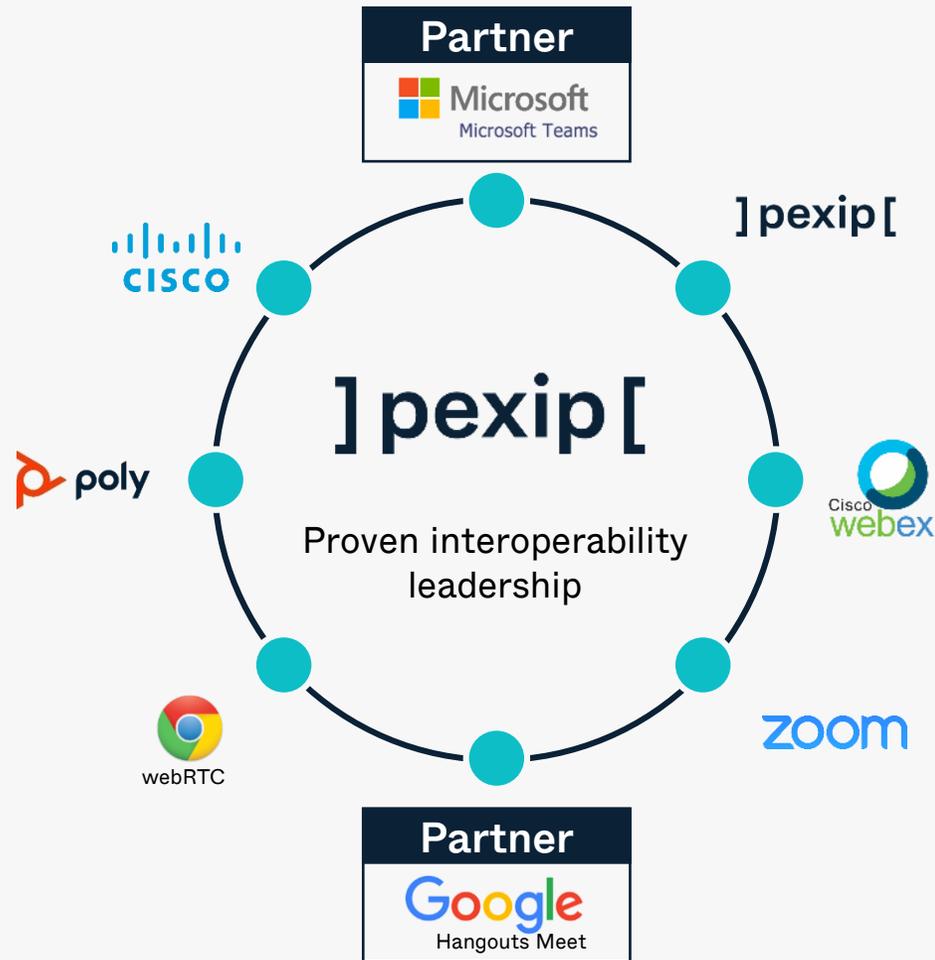
Say goodbye to black screens and hard-to-see faces. Naturally arranges your screen layout to elevate large groups and active speakers, creating a more immersive meeting experience. Enjoy super-wideband audio for a natural experience.



## Focus on your conversation

With real-time image framing that automatically crops, pans, and tilts, you can maintain better eye contact and focus on your conversation for more productive, engaging meetings.

# Pexip is the leader on interoperability



- 62% of organizations use more than three video communication solutions<sup>1</sup>
- Deep technology and GTM partnerships with collaboration giants
- Allows solutions from Microsoft and Google to immediately connect with a range of non-compatible systems
- Maintains the video system's full capabilities
- Pexip is the only solution in the market that is available both as a cloud service and as a self-hosted software

# Customers choose Pexip for three main use cases

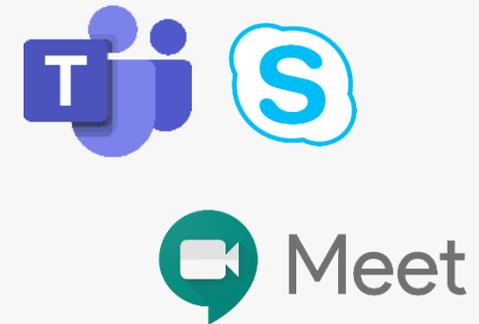
High-quality video meetings with focus on privacy and security



Vertical market applications and integrations

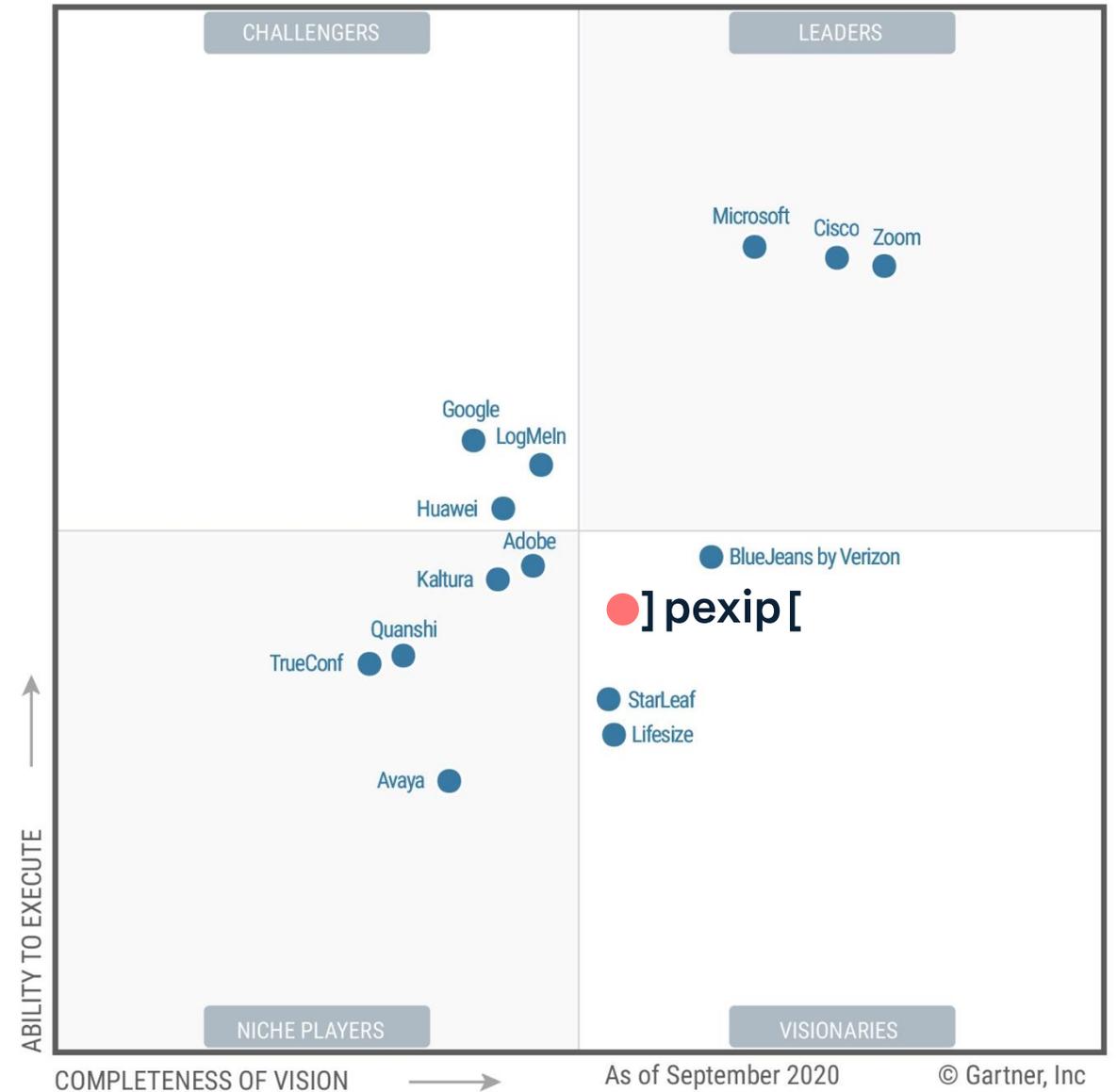


Expanding access to Microsoft Teams and Google Meet



# Pexip is for the second time named a **Visionary** in the recent Gartner Magic Quadrant

- Gartner MQ is a key IT buyer awareness driver and decision support
- Gartner highlights Pexip's strengths in:
  - Expansive APIs
  - Interoperability leadership
  - Vertical industry expertise



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

## Selected by a range of large organizations

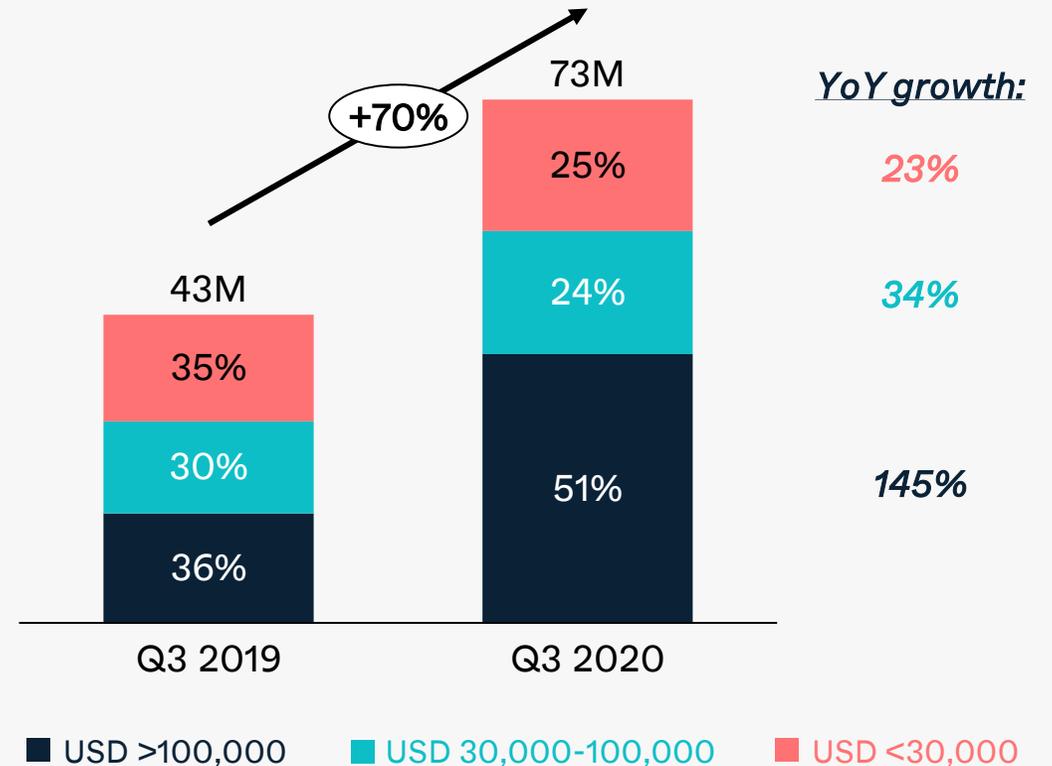
Selected new customers in Q3 2020



+ 7 new Fortune 500<sup>1</sup> customers

## Large organizations driving growth

Share of ARR by account size in ARR, USD



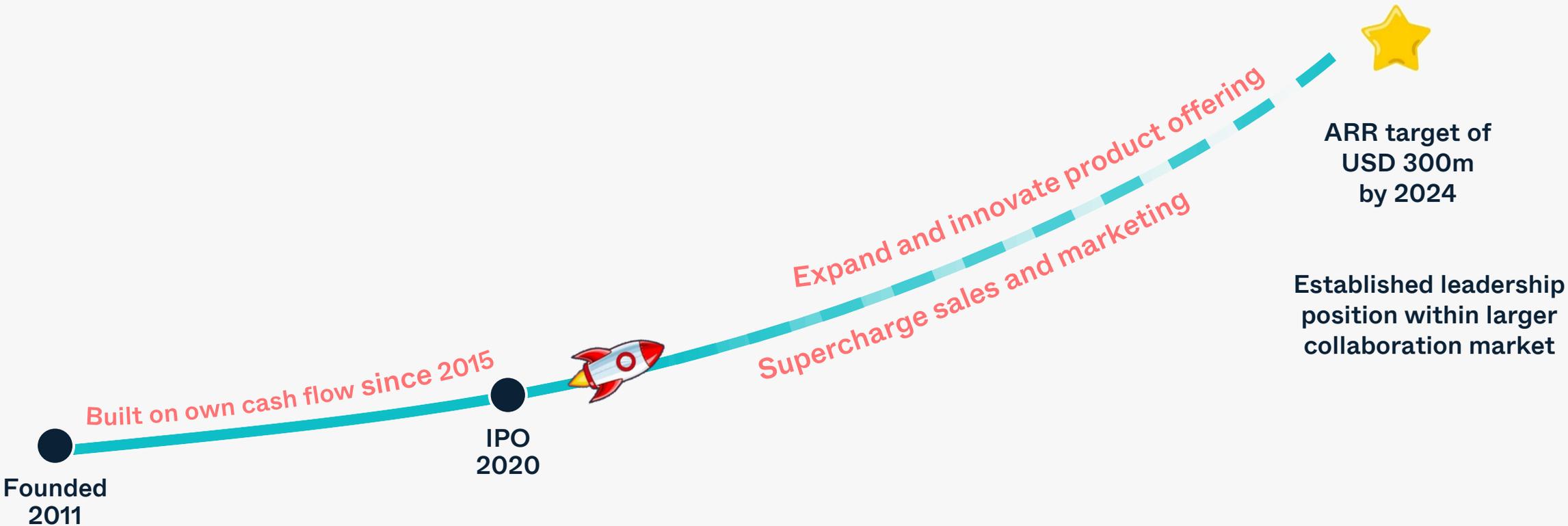
# Enabling sustainable development for our customers and users



## Pexip contributes to the green economy

- Pexip is committed to supporting our customers in making their business processes more sustainable
  - Enabling vital healthcare service delivery despite severe Covid-19 disruption
  - Enabling significant reductions in travel and commuting
- Pexip has initiated a project to deliver a separate sustainability report outlining Pexip’s ESG impact due Q2 2021

# Pexip has started on the next phase of our video communication adventure



\*Equity of USD 25m<sup>1</sup> turned into ARR of USD 57m at time of IPO

1) NOK 225m, USDNOK 9.00

**Product update**

# Solid progress on Pexip Private Cloud pilots – commercial launch in Q4 2020



*The launch of the Pexip Private Cloud comes at an ideal time to address a real market demand that Frost & Sullivan has been tracking. There has been a reticence among large organizations to move to the cloud due to data privacy and control concerns. The new Pexip Private Cloud meets this heads-on.*



FROST & SULLIVAN

*Rob Arnold, Program Manager,  
Unified Communications and  
Collaboration*

# Continue to make virtual meetings even better than in-person meetings

Service features released last three months



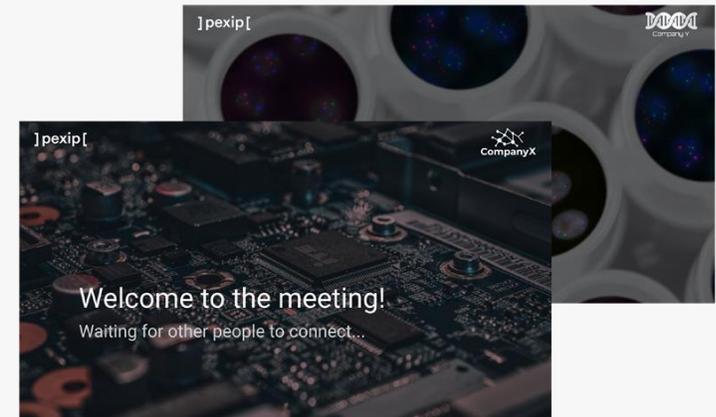
## 1080p on GW/VMRs

- Higher resolution improving meeting experience



## Adaptive Composition

- Bring your meetings to life
- Initiated Tech preview on Service



## Custom Branding

- Customised, branded background images and logos

**Americas**

# 10 new US Fortune 1000 companies chose Pexip in Q3 across several industries

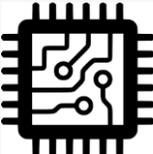
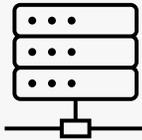
2 Food Service and Food Products



2 Energy



2 Technology



1 Insurance



1 Retail



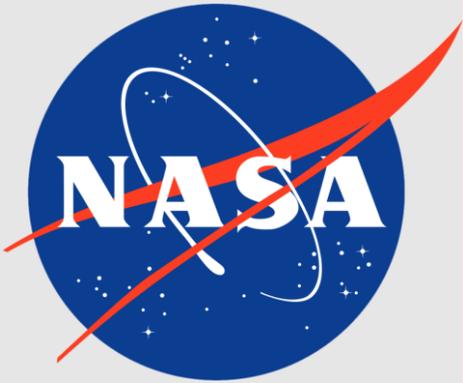
1 Healthcare



1 Furnishings



# Recent sales successes demonstrate Pexip's appeal to security-conscious organizations



- The National Aeronautics and Space Administration is an independent agency of the U.S. Federal Government responsible for the civilian space program, as well as aeronautics and space research



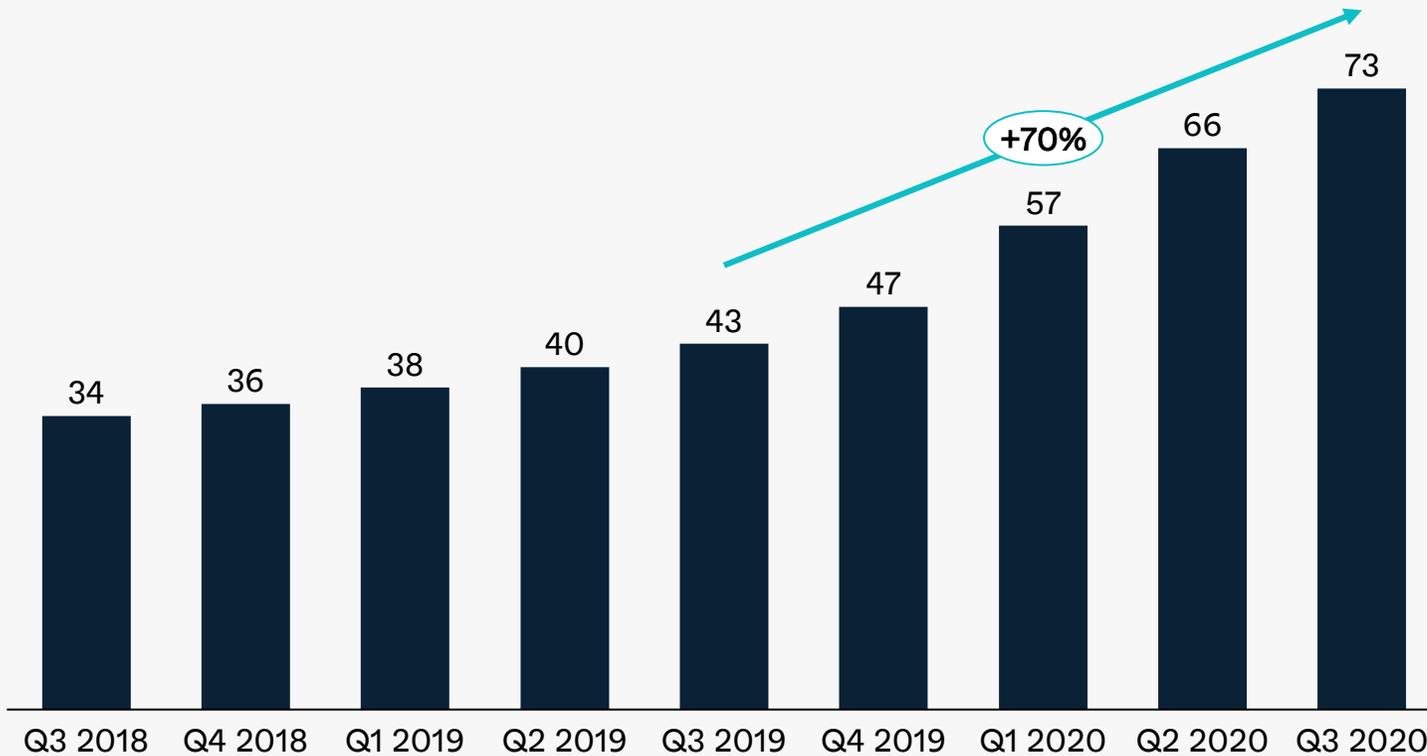
- One of the eleven unified combatant commands in the United States Department of Defense
- USNORTHCOM partners to conduct Homeland Defense and Civil Support operations within the assigned area of responsibility to defend, protect, and secure the United States and its interests

# Sales results and financials

# Strong development in Annual Recurring Revenue with 70% growth YoY

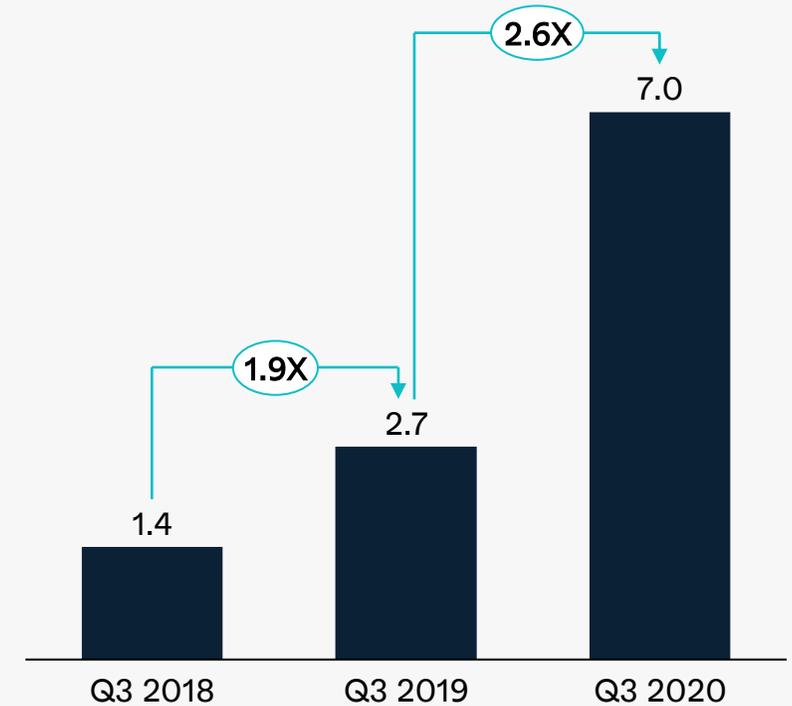
Booked Annual Recurring Revenue (ARR) development

USDm



Q-o-Q growth in ARR

USDm

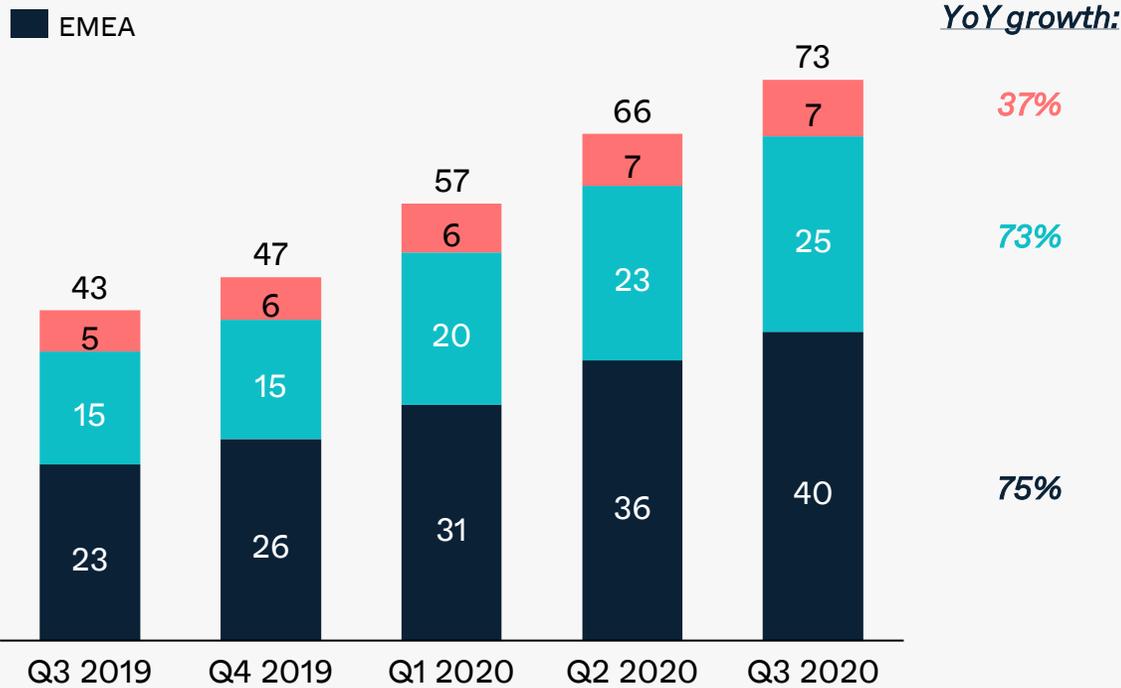


# Growth across all main product lines and geographies

## ARR per geo

USDm

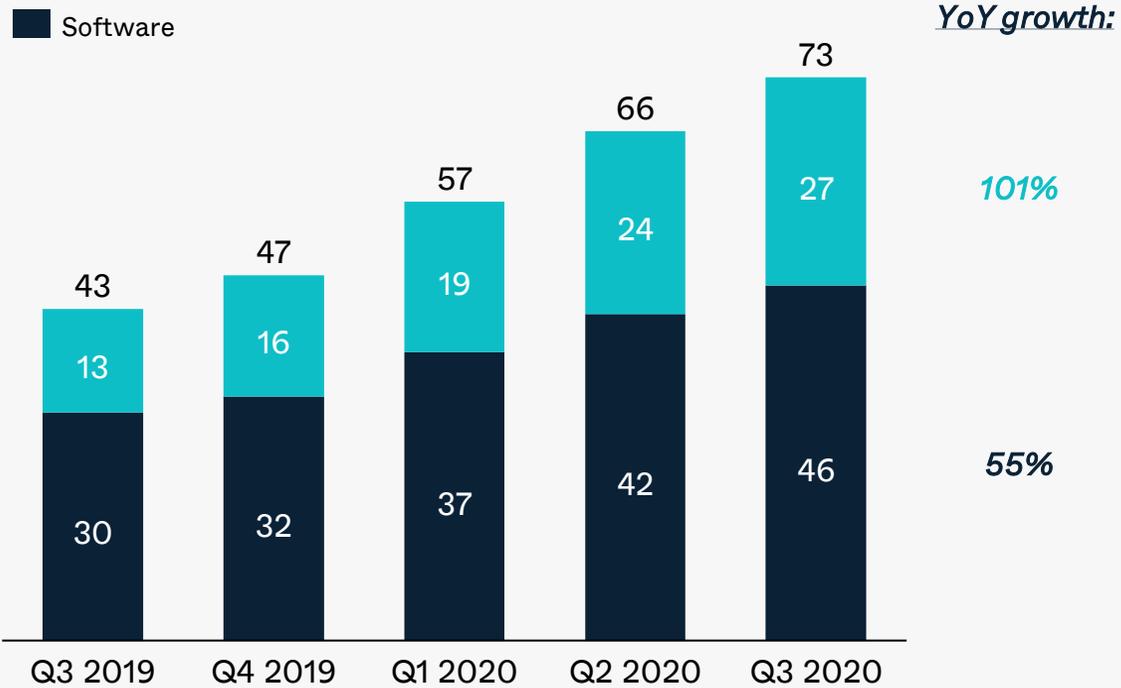
- APAC
- AMERICAS
- EMEA



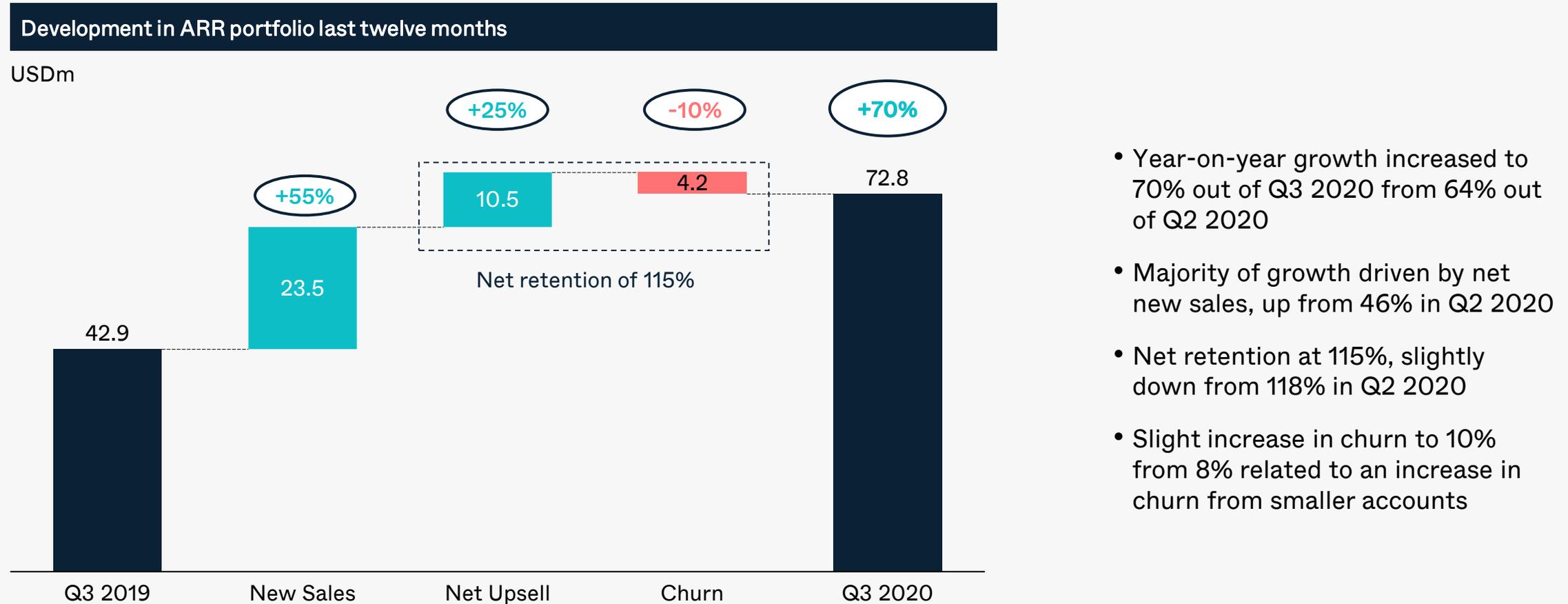
## ARR per product

USDm

- Cloud Service
- Software

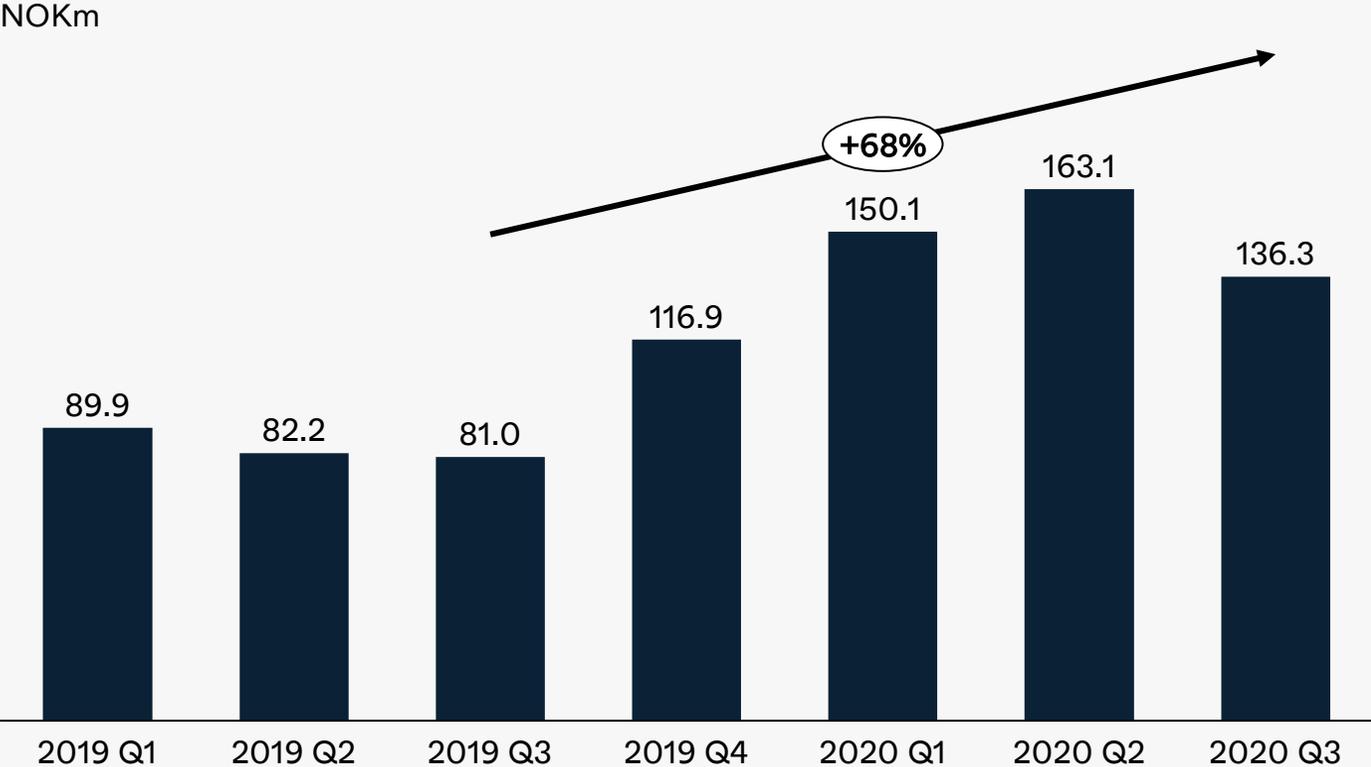


# Significant improvement in new sales in Q3 2020



# NOK 136 million in Q3 revenue with 68% revenue growth

## Quarterly revenue development Q1 2019 – Q3 2020



### Gross margin, Percent of revenue



## Comments

### Operating revenues – Cloud service

- Overall year-on-year growth of 133% to NOK 60 million due to strong sales across a number of accounts, especially driven by a large account in Americas. Benefit from higher USD/NOK exchange rate last twelve months
- Cloud service revenues are recognized over the lifetime of the subscription contract

### Operating revenues - Software

- Overall growth of 38% to NOK 76 million. Strong sales in Americas across private and public sector growing 99% y-o-y. APAC sales impacted by delayed renewal of a single large customer where the renewal was executed in October 2020 (Difference of NOK -6.1 million in Q3 2020 vs Q3 2019 from this account).
- Software revenue mainly recognized at time of delivery
- Seasonally Q3 has a lower sales volume than Q2, similar to 2019

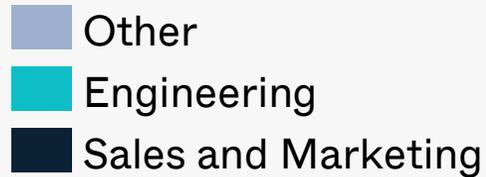
28

### Gross margin

- Gross margin somewhat down due to high Cloud Service share in Q3 2020. Cost of Sales in line with Q2 following the scale-up of our infrastructure in Q1/Q2.

# Strong progress on acceleration plan

## Number of employees

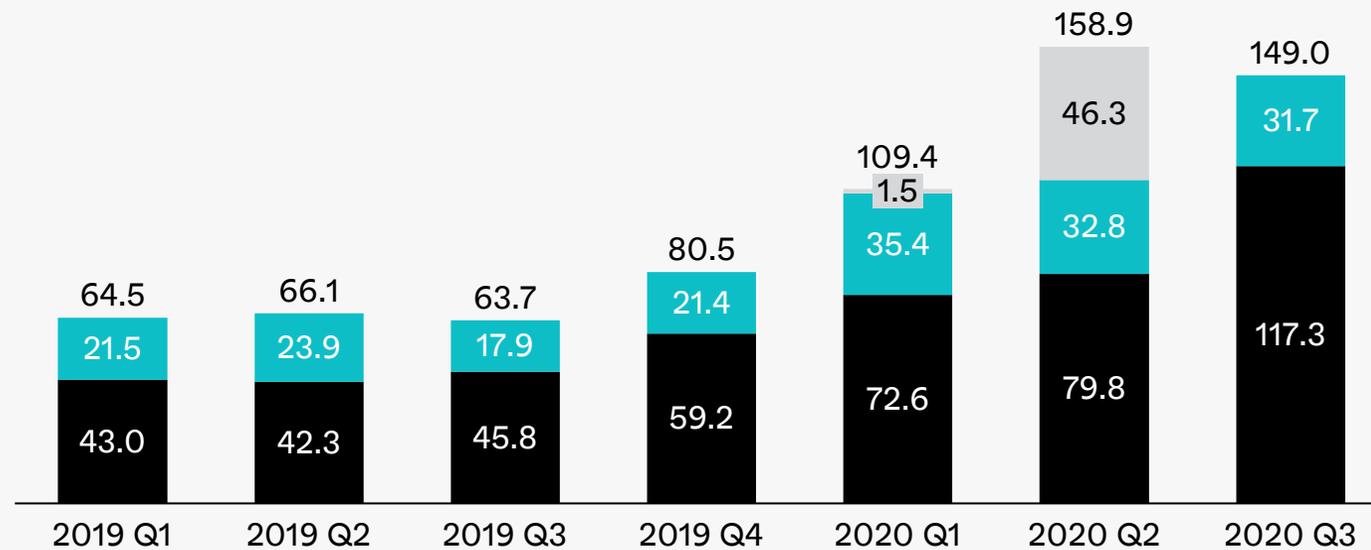
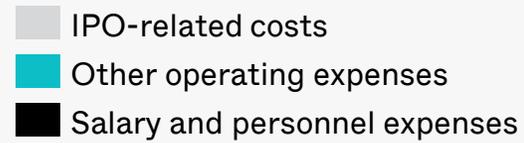


- Increased sales capacity key element of supercharging existing sales model
- Continuing to add high-quality software engineers to deliver on roadmap
- Have also strengthened corporate functions within HR, Accounting and Operations
- Continue to invest in building and strengthening the Pexip Way culture

# Increase in operating expenses from higher headcount

## Quarterly OPEX development Q1 2019 – Q3 2020

NOKm



## Comments

### Other Operating expenses

- Have increased investments in marketing in order to capitalize on the increased demand for video collaboration technology
- Overall increased activity level

### Salary and personnel expenses

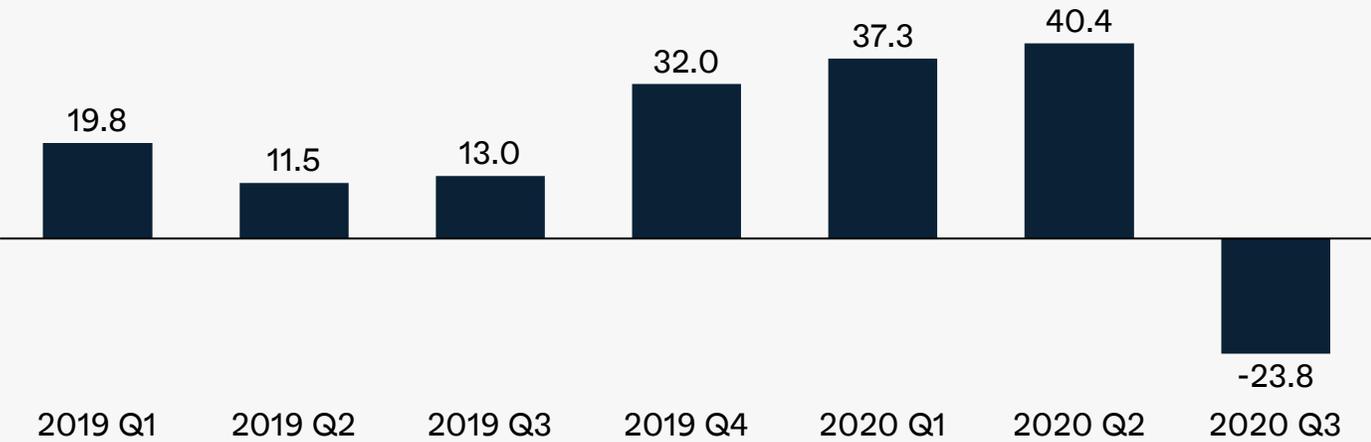
- Increase in costs from significantly increased headcount throughout 2019 and in YTD 2020
- Q-o-Q increase also in part related to periodization of holiday pay reducing Q2 Salary and personnel expenses

# Reduction in EBITDA in line with acceleration plan

## Quarterly Adjusted<sup>1</sup> EBITDA development Q1 2019 – Q3 2020

## Comments

NOKm



Adjusted<sup>1</sup> EBITDA margin, Percent of revenue



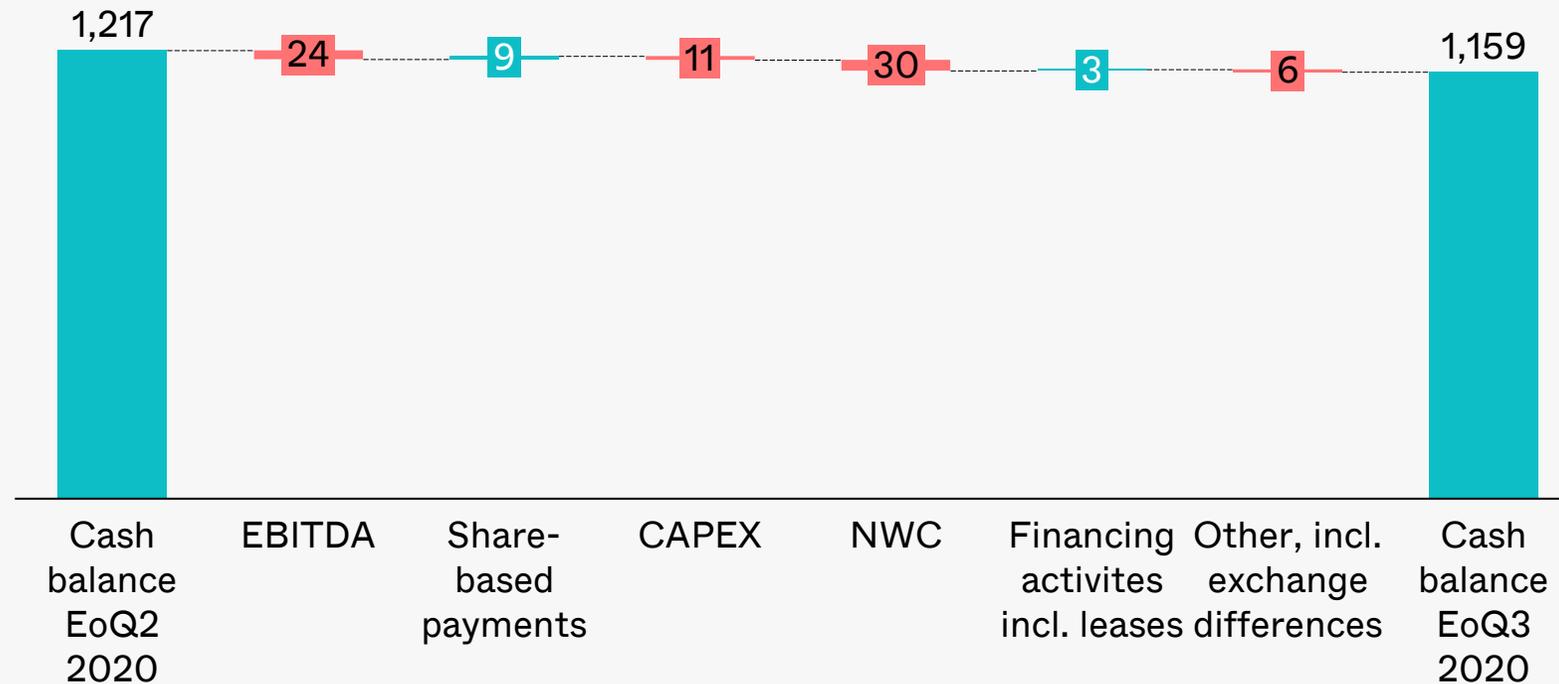
- Reduction in EBITDA due to planned acceleration investments in Sales and R&D capacity increasing Employee Benefit Expenses
  - 45% of employees (which is majority of cost base) are net new employees with less than 12 months history
  - 30% with less than 6 months history
- Full revenue impact of a new role in a recurring revenue business model will accumulate over several years
- In addition, seasonally lower software sales in Q3 impacts EBITDA for the quarter

<sup>1</sup> Less of IPO transaction costs in Q1 and Q2 2020

# Cash flow bridge

## Cash flow bridge Q3 2020

NOKm



## Comments

- Have a solid cash position to fund our acceleration plan, which is also impacting cash flow
- Increase in net working capital driven by an increase in trade receivables and contract cost assets
- CAPEX is 25% higher than in Q3 2019, and lower than Q2 2020 due to lower IT infrastructure spend
- Cash position of NOK 1,159 million out of Q3 2020

# Summary



# Third quarter in brief

## **Strong top line growth**

- Added a range of new high-profile Fortune 1000 companies and large public organizations
- Outstanding quarter especially in the Americas
- Continued strong ARR growth with USD 7 million
- 68% year-on-year growth in revenue

## **Executing on the acceleration plan**

- Continue to build sales and R&D capacity
- Named a Visionary in the Gartner Magic Quadrant for Meeting Solutions for the second year in a row
- Customer base acquisition in Q3 expected to positively impact Q4 ARR
- Solid cash position to invest in further growth



# Outlook

## **Positive medium- and long-term outlook for video communication**

- Majority of enterprises shifting to a hybrid workforce
- Pexip's technology is uniquely positioned to meet these new customer needs

## **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 350-400 employees by end of 2020
- Deploy up to 70% of raised capital during the next three years

**Expect to reach long-term target of USD 300 million in ARR by 2024, from a earlier presented target of USD 300 million by 2025**

# Upcoming dates

Investor Tech Summit

December 9<sup>th</sup> 2020 at 15-17 CET

Update on Annual Recurring  
Revenue

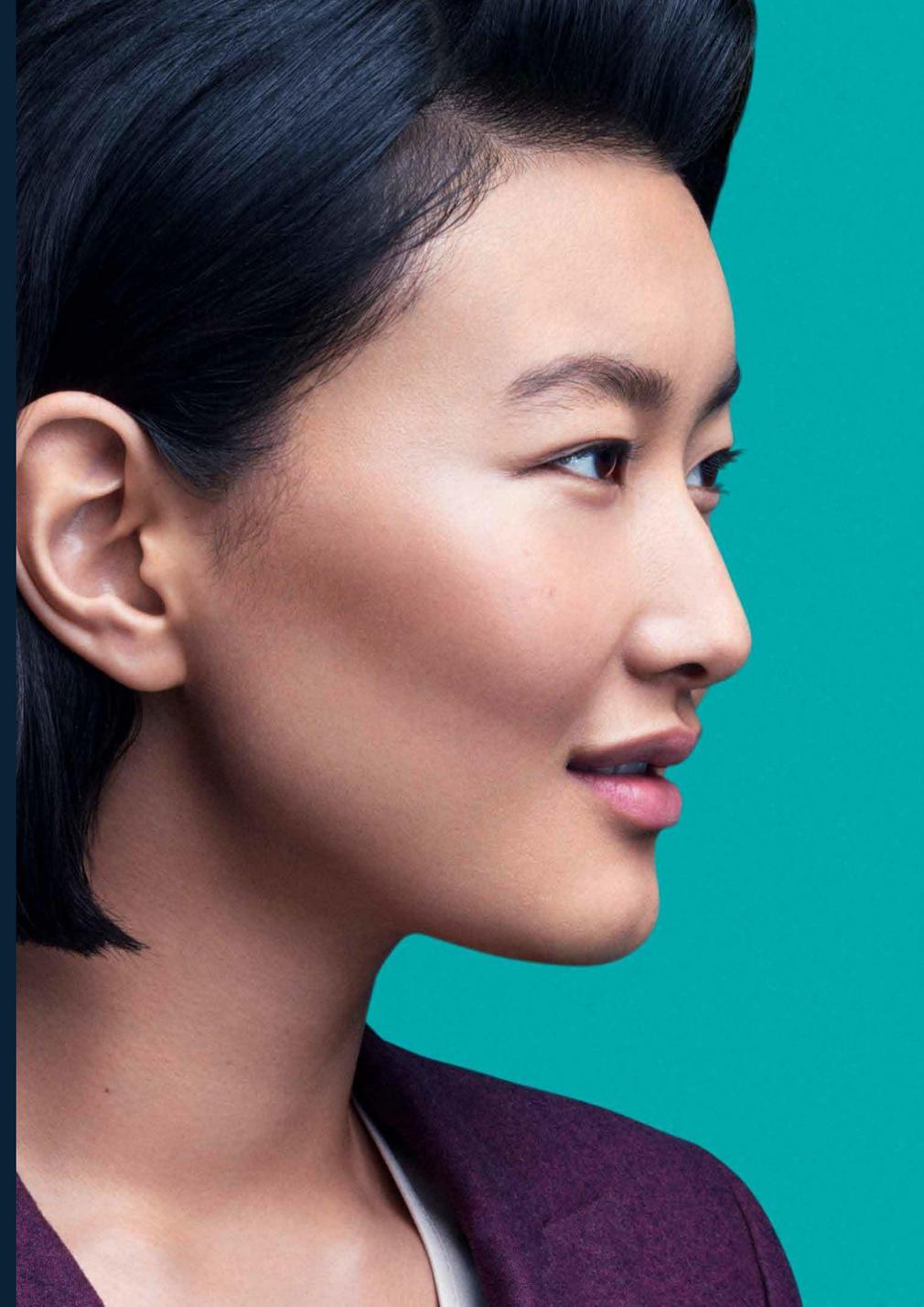
January 7<sup>th</sup> 2021

Q4 2020 quarterly  
presentation

February 11<sup>th</sup> 2021

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Q&A



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