



Meet the world
with video communication as it should be

Quarterly Presentation Q3 2021

November 11, 2021



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Presenters



Øystein Dahl Hem
Interim CEO and CFO



Åsmund Fodstad
President Global Sales
& Marketing

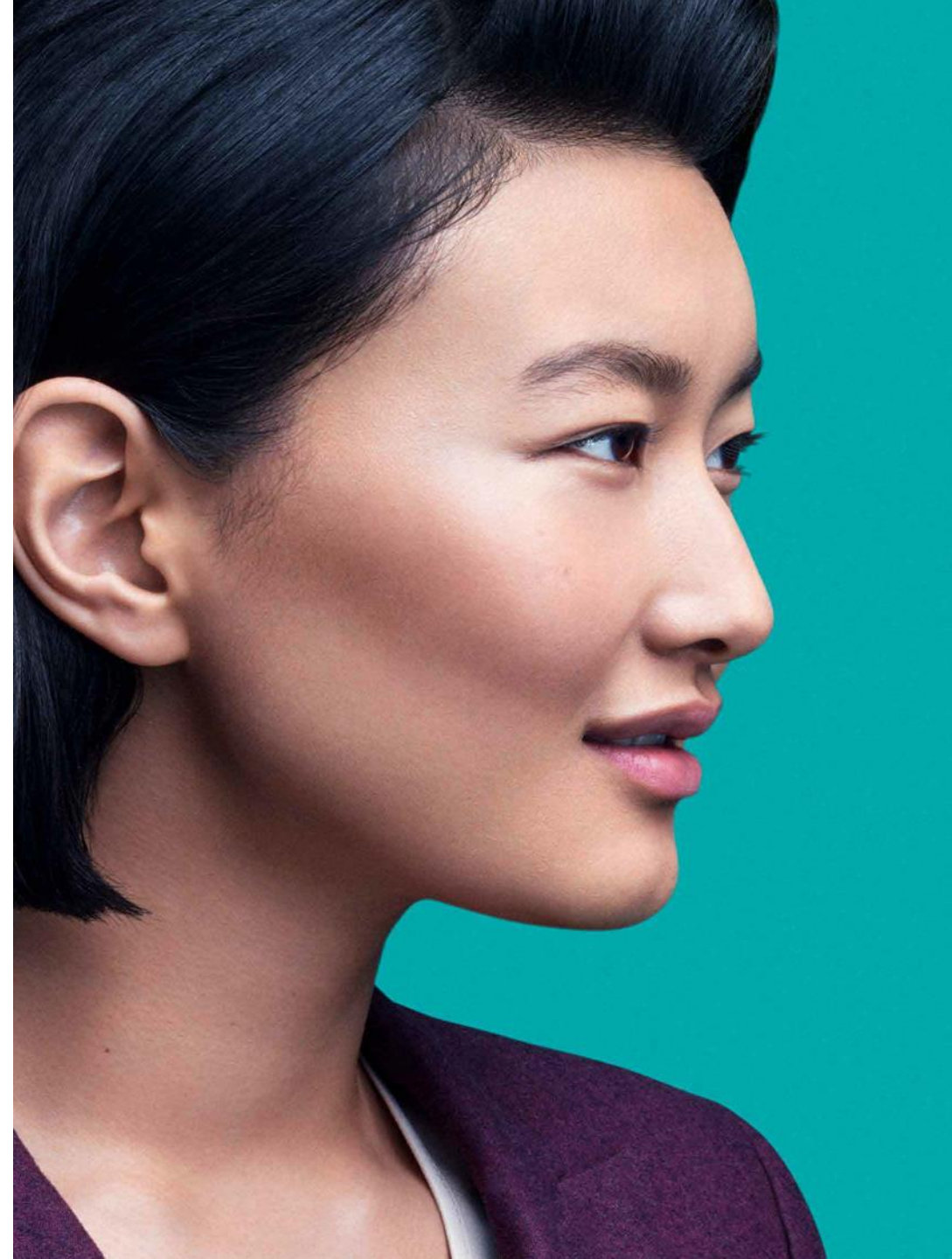


Michel Sagen
Chair of Board



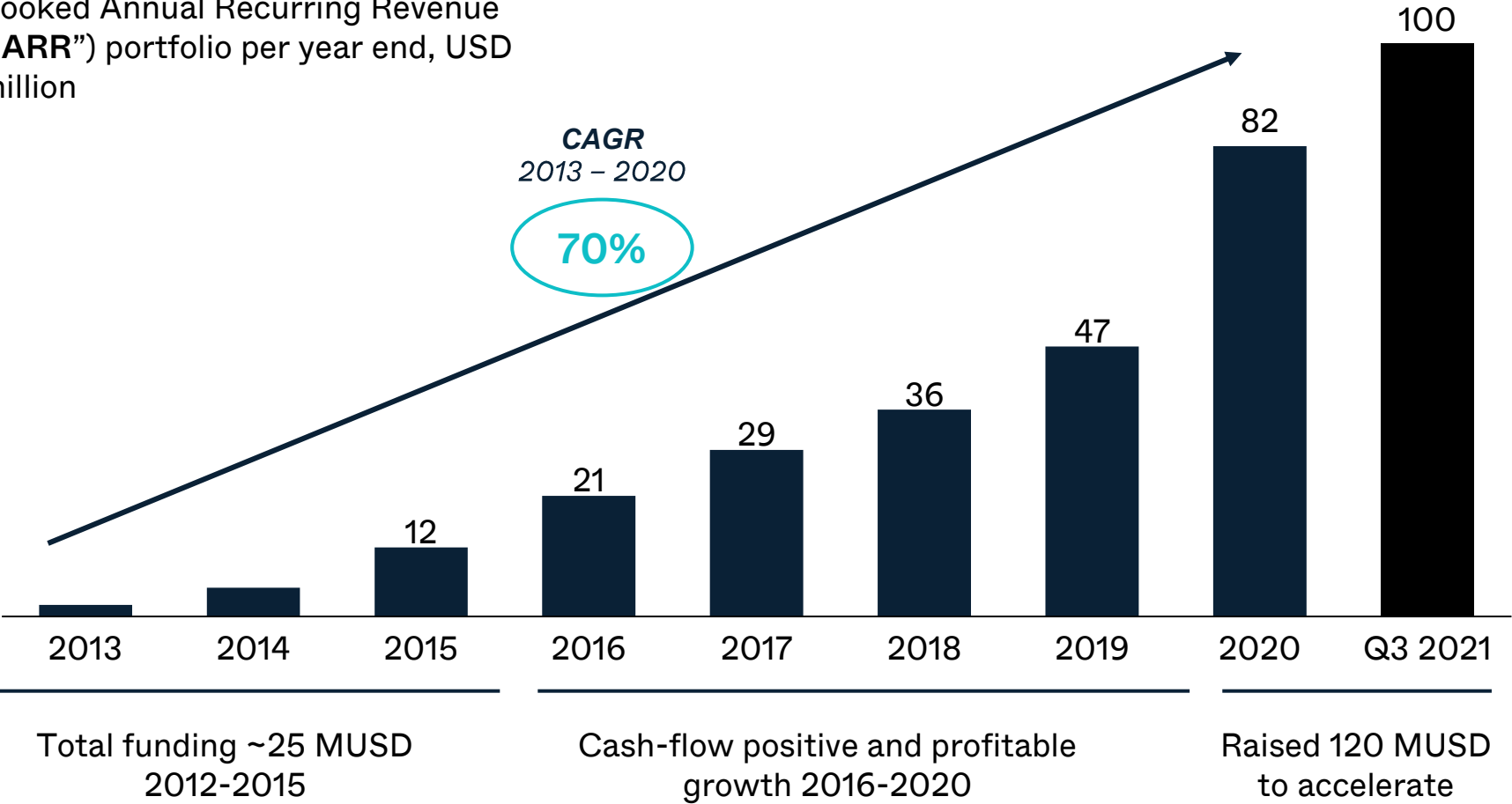
Tom-Erik Lia
Chief Strategy Officer

Q&A: IR@pexip.com



Pexip has successfully solved the complex video needs of large organizations since its inception

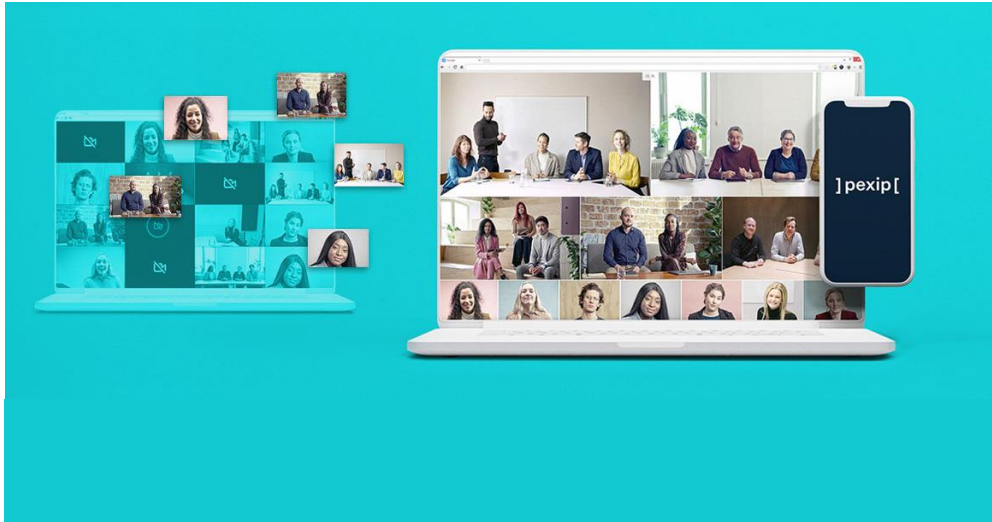
Booked Annual Recurring Revenue
("ARR") portfolio per year end, USD
million



- Investing raised capital for growth in 2020 and 2021
- Accelerated ARR growth and normalized investment level in 2022 improving profitability
- Return to profitable growth from 2023+

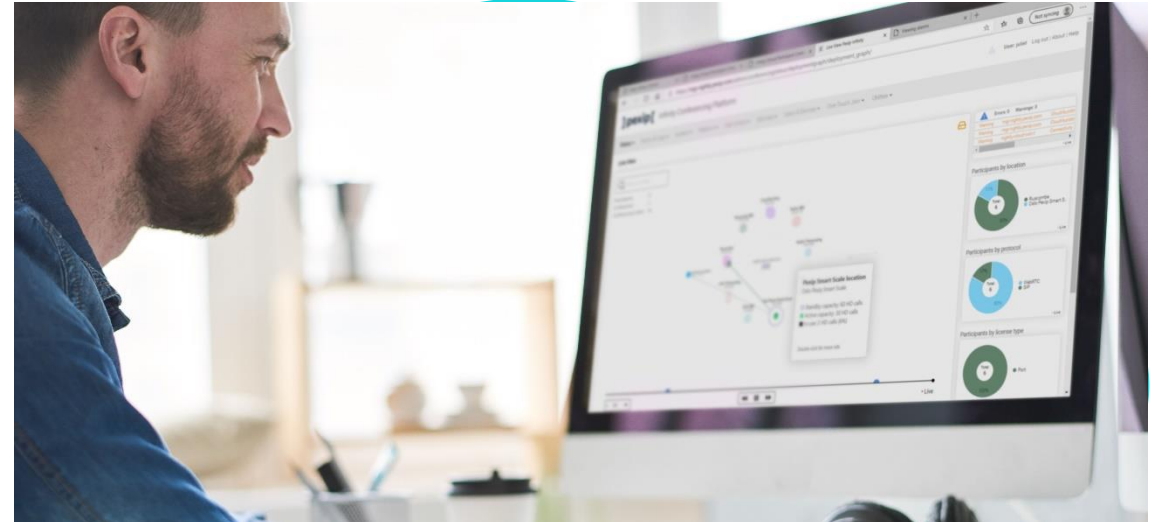
Pexip's differentiated customer offering is underpinned by unique technology

Core transcoding



- All compute heavy operations done in Pexip nodes
- Unique patented architecture
- Benefits:
 - Unique interoperability & no download experience
 - AI in the cloud with Nvidia
 - More environmentally sustainable

Run on any compute platform



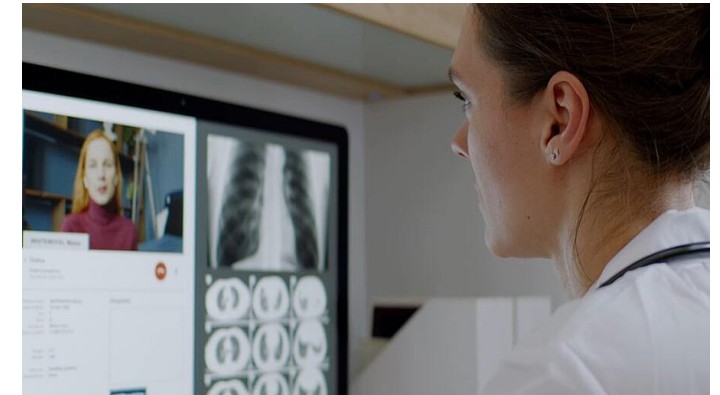
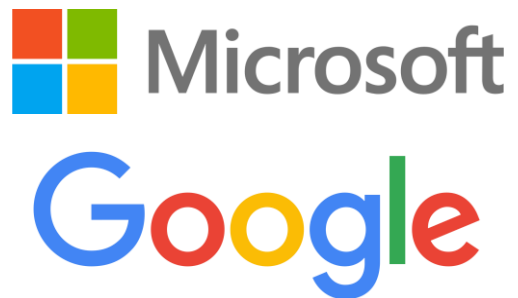
- Pexip can run on all cloud providers and on-prem
- Unique patented technology
- Benefits:
 - Total data privacy and control
 - Full customization capabilities
 - Unique position in sovereign video services

Unique technology powers our success in three core markets

Video infrastructure
with interoperability to
Microsoft Teams and
Google Meet

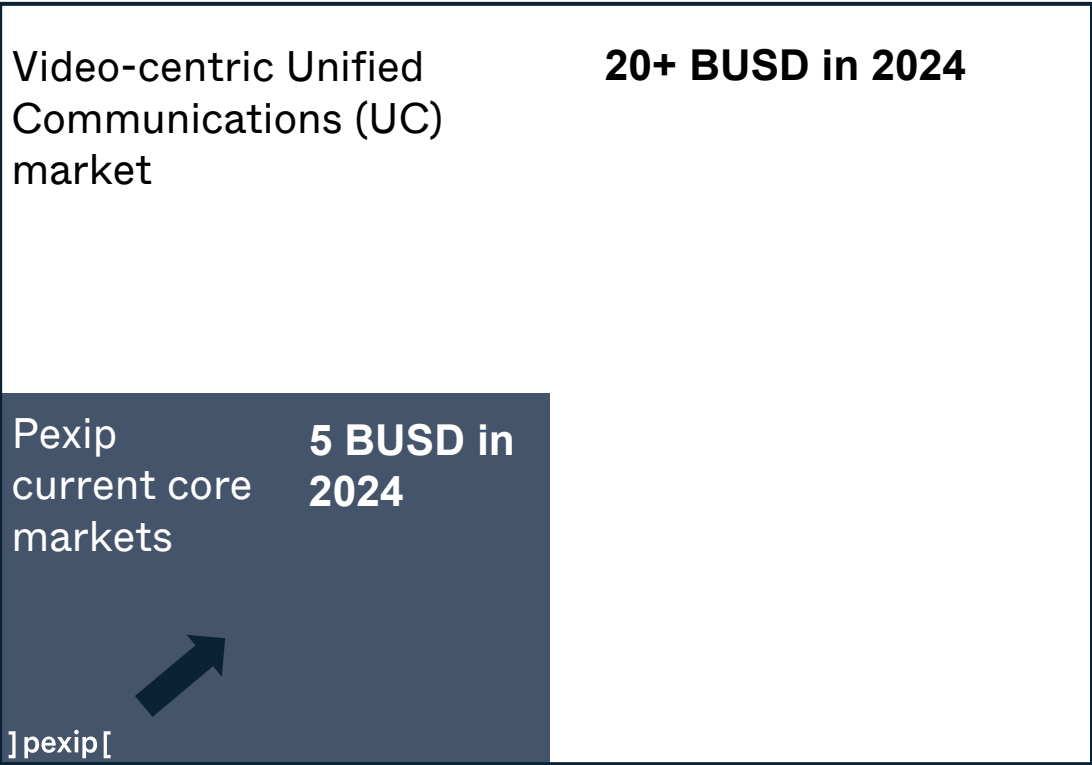
Critical video meetings
for private and secure
environments

Video enablement
for healthcare, judiciary,
government, retail and finance

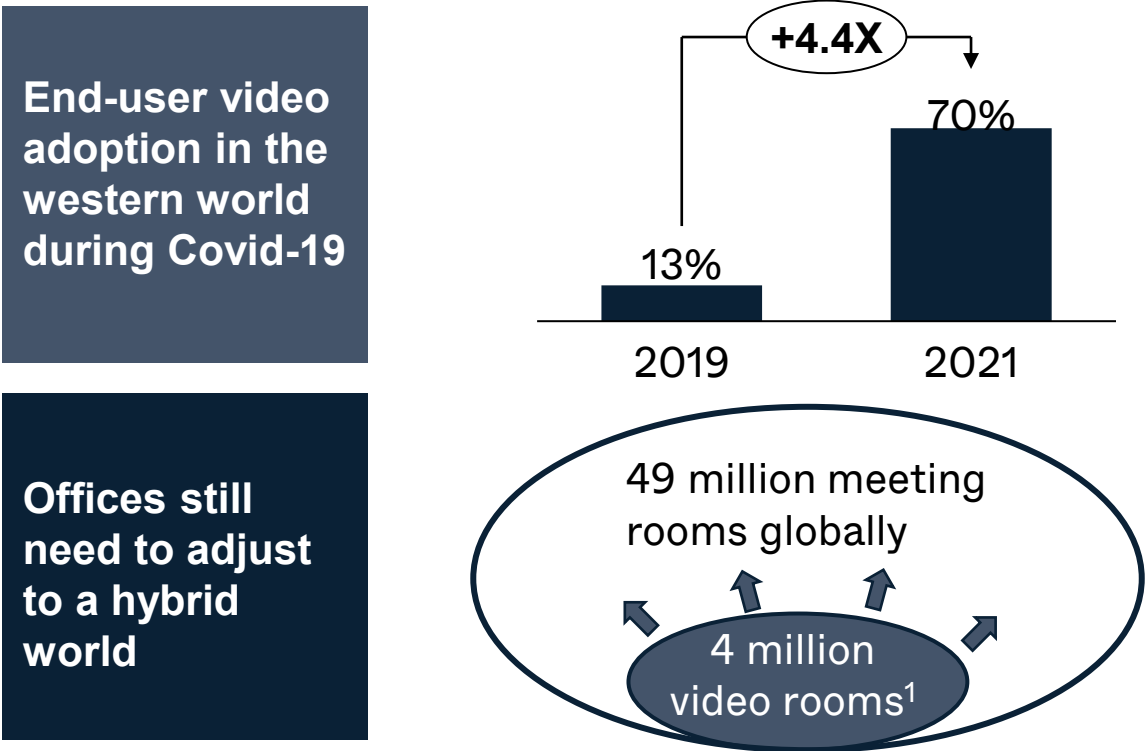


These three core markets represent a massive market opportunity

Pexip intends to have a leadership position in a 5 BUSD segment by 2024



Well-positioned to benefit from mass adoption of video communication



1) 2020 estimate
Source: McKinsey, Wainhouse, company estimates

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

Q3 Operational Update

Recent highlights

**37% y-o-y
growth in ARR to
USD 100 million**

**NOK 183 million
in Q3 2021 revenue
34% y-o-y growth**

**Executing on growth
strategy; -22% EBITDA
margin for Q3 2021**

**Starting to see impact
from investments in
sales organization**

**Named a Challenger in
Gartner's Magic
Quadrant for Meetings
Solutions**

**Acquired Skedify to
enhance Pexip's
capabilities in video
enablement**

Pexip is finding great success in our three core markets

Video infrastructure

with interoperability to Microsoft
Teams and
Google Meet



Critical video meetings

for private and secure
environments



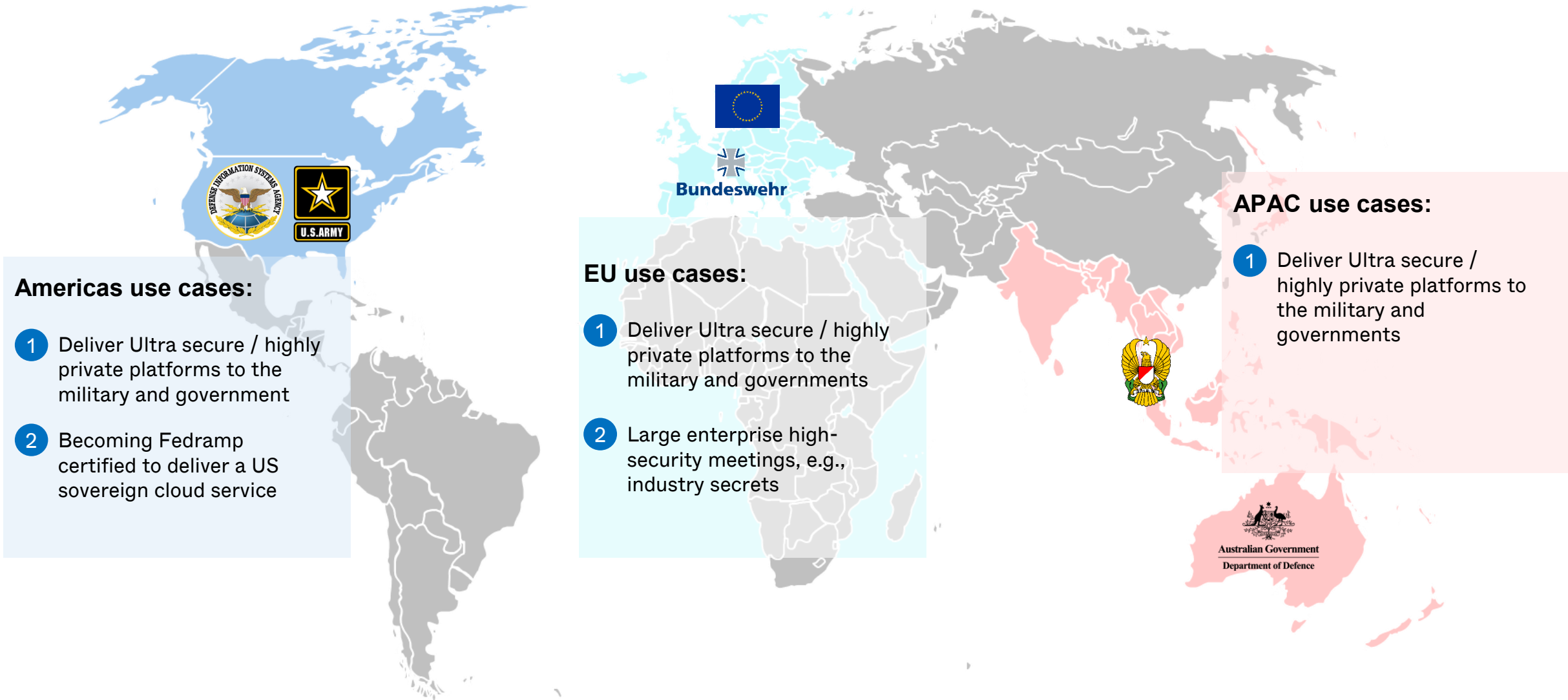
Video enablement

for healthcare, judiciary,
government, retail and finance



Queensland Government
Queensland Health

Pexip is finding great success in ultra secure meetings segment



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

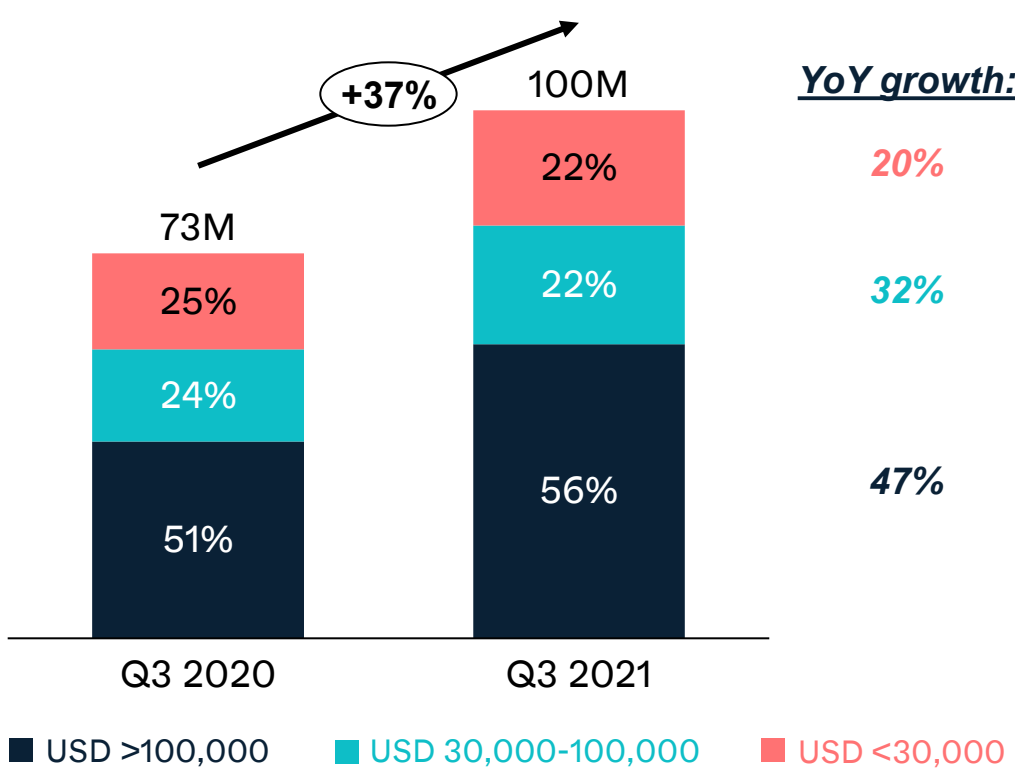
Selected by a range of large organizations

Selected customer wins in Q3 2021



Large organizations driving growth

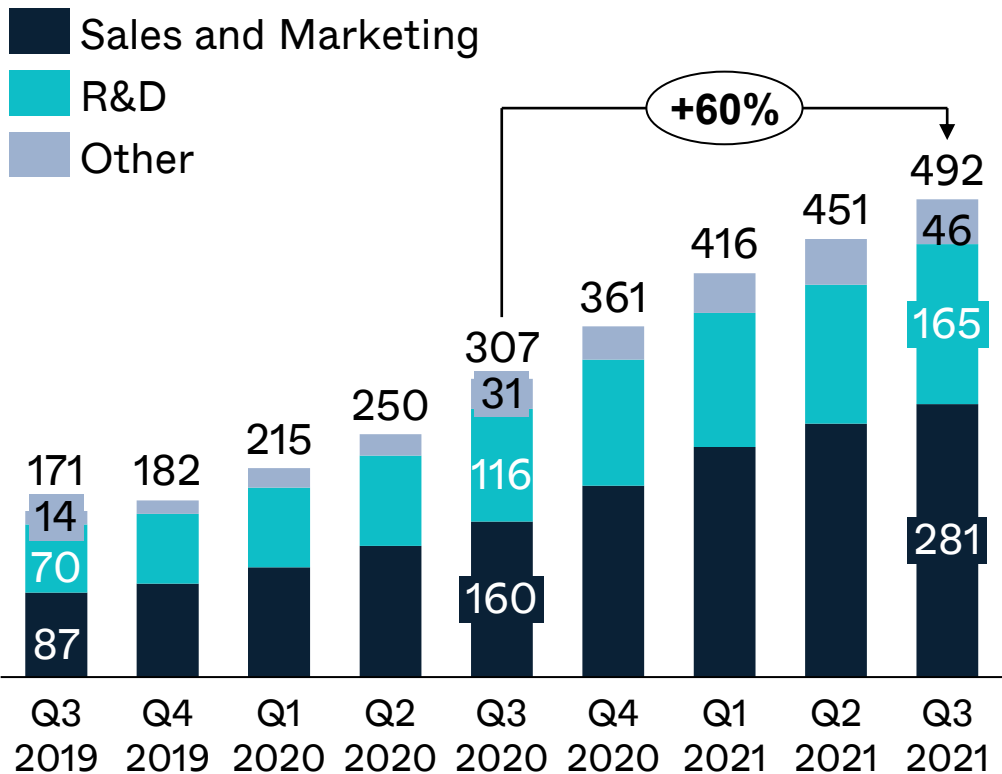
Share of ARR by account size in ARR, USD



Have substantially strengthened the team since IPO, expect employee growth below ARR growth in 2022+

Have scaled the team to drive future growth

Number of employees



Nearing the end of the aggressive expansion – expect employee growth below ARR growth in 2022

- Expect to add net 100-150 new employees in 2022 (implied 18%-25% growth)
- From start of 2022, growth in employees/cost expected to be substantially lower than expected growth in ARR going forward, supporting return to profitable growth
 - Target return to profitability in 2023

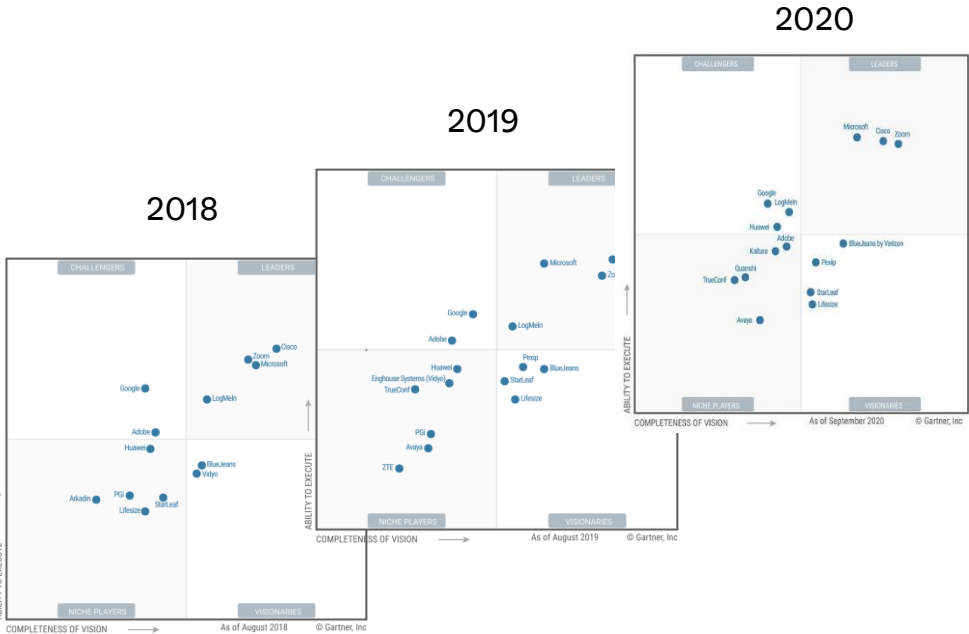
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Pexip named a
Challenger in the 2021
Gartner® Magic Quadrant™
for Meeting Solutions

Gartner.

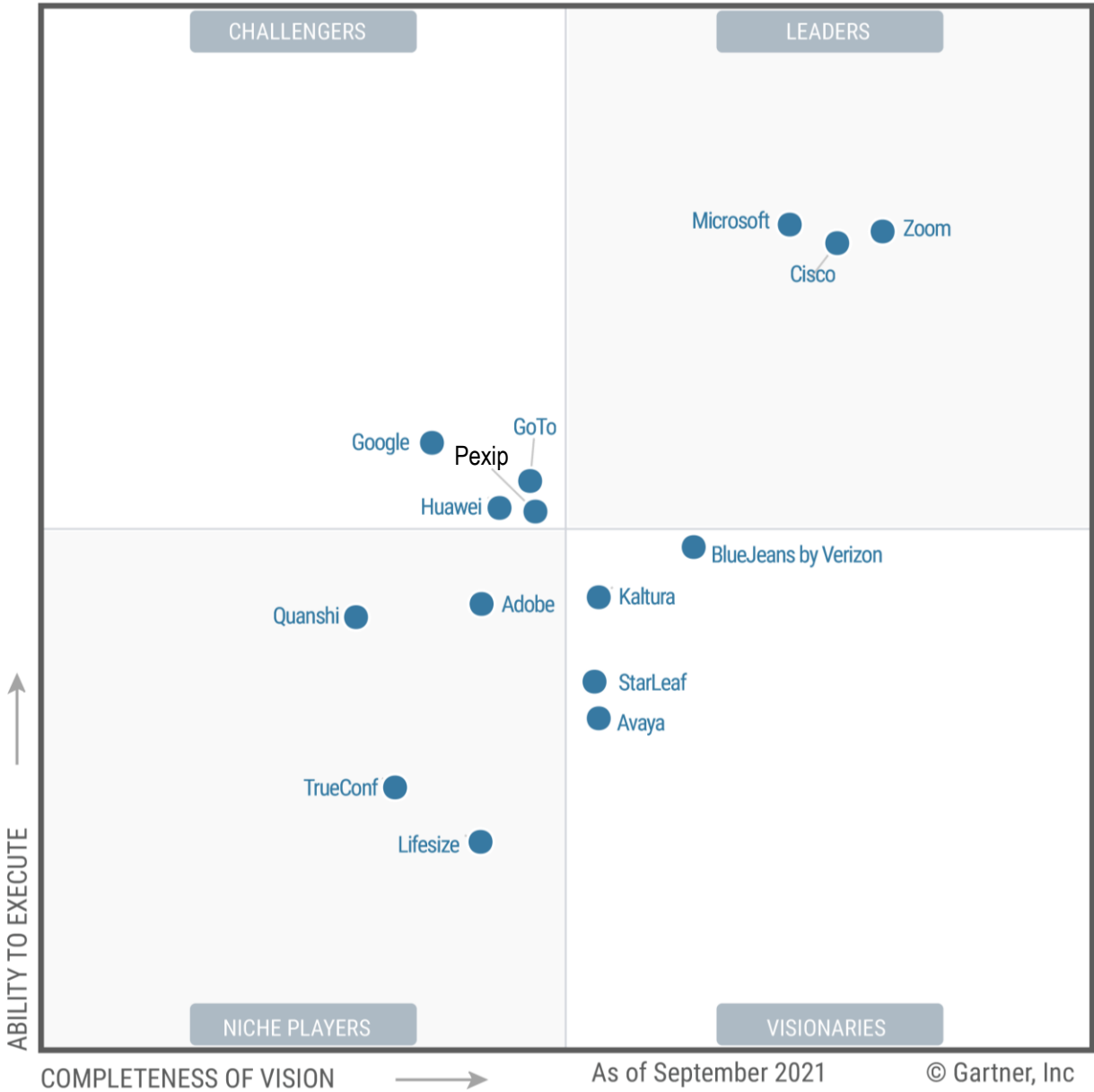


Pexip is continuing to gain industry recognition



Source: 1) Gartner Magic Quadrant for Meeting Solutions, October 2021

A challenger in the Gartner Magic Quadrant for Meeting Solutions¹



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acquires

§ skedify.me

Skedify strengthens Pexip's offering in Video Enablement pillar

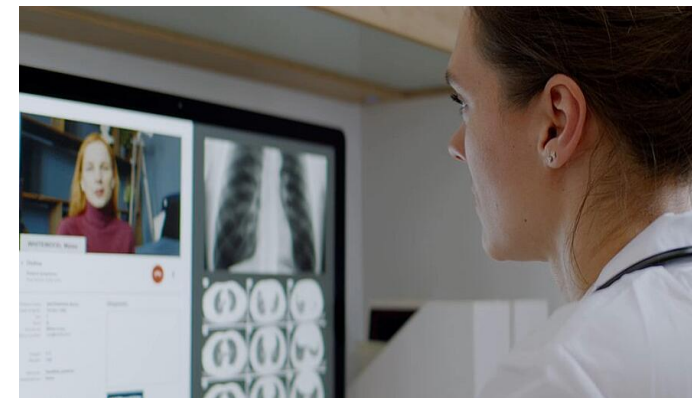
Video infrastructure
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Critical video meetings
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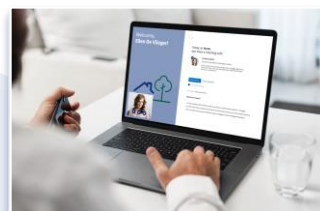


Skedify offer the next-generation scheduling technology for hybrid customer engagements

Phone



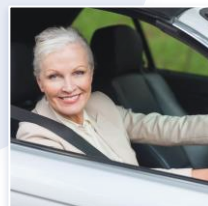
Video



Branch



On location



“ Skedify is the bridge between the digital customer journey and the face-to-face conversation with our personal advisors.



“ Skedify have helped us transform our customer-facing function, giving us a preeminent edge against our competitors.

parentia

“ We see the number of appointments coming in, and it's phenomenal. Within a week of implementation, our clients had scheduled a record number of meetings.



“ After implementing Skedify we clearly saw huge efficiency gains on both sides, customers and advisors.

TYLES

“ We could have never dreamed of it in the current climate, but Brilart's May 2020 revenue was higher than May 2019. That was only possible thanks to Skedify.

BRILART

The Skedify solution is highly complementary to Pexip

Pre-meeting

Lead
Qualification &
Enhancement

Scheduling

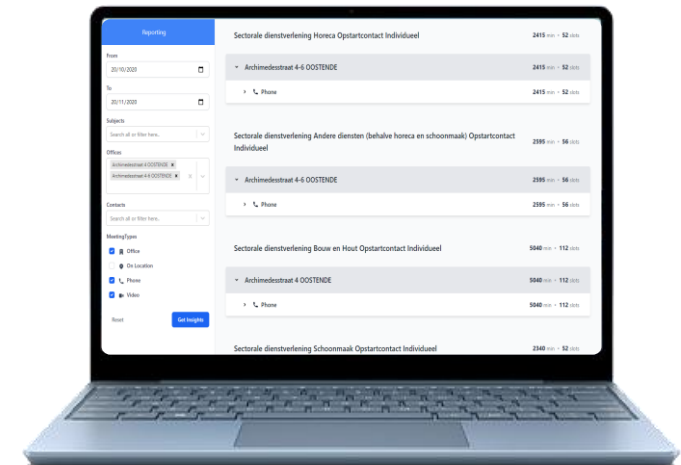
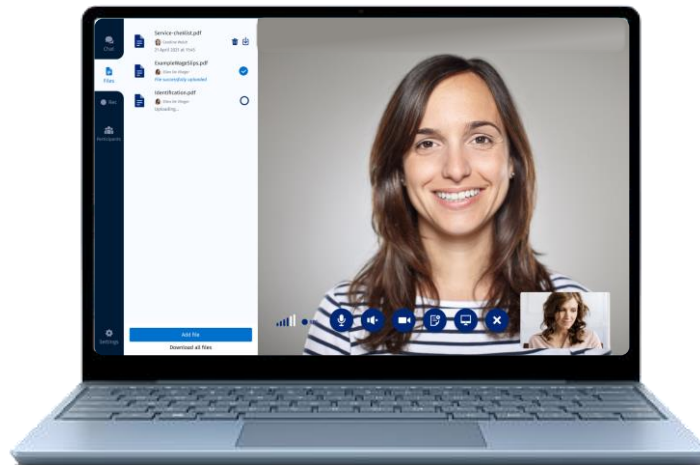
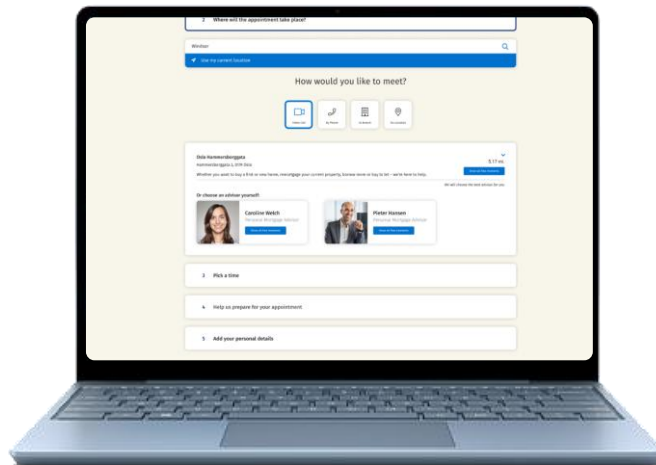
In-meeting

Pexip Video +
Meetings

Post-meeting

Performance,
Operational &
CX insights

Future
opportunity to
take advantage
of Pexip in-
meeting AI



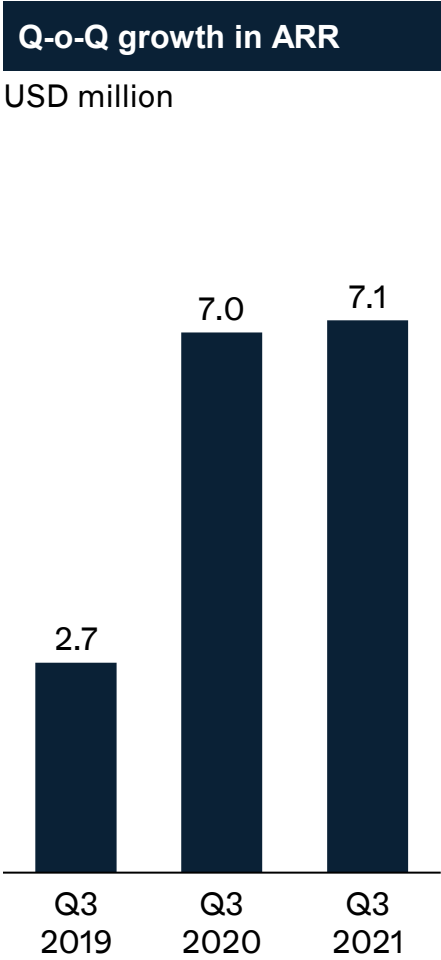
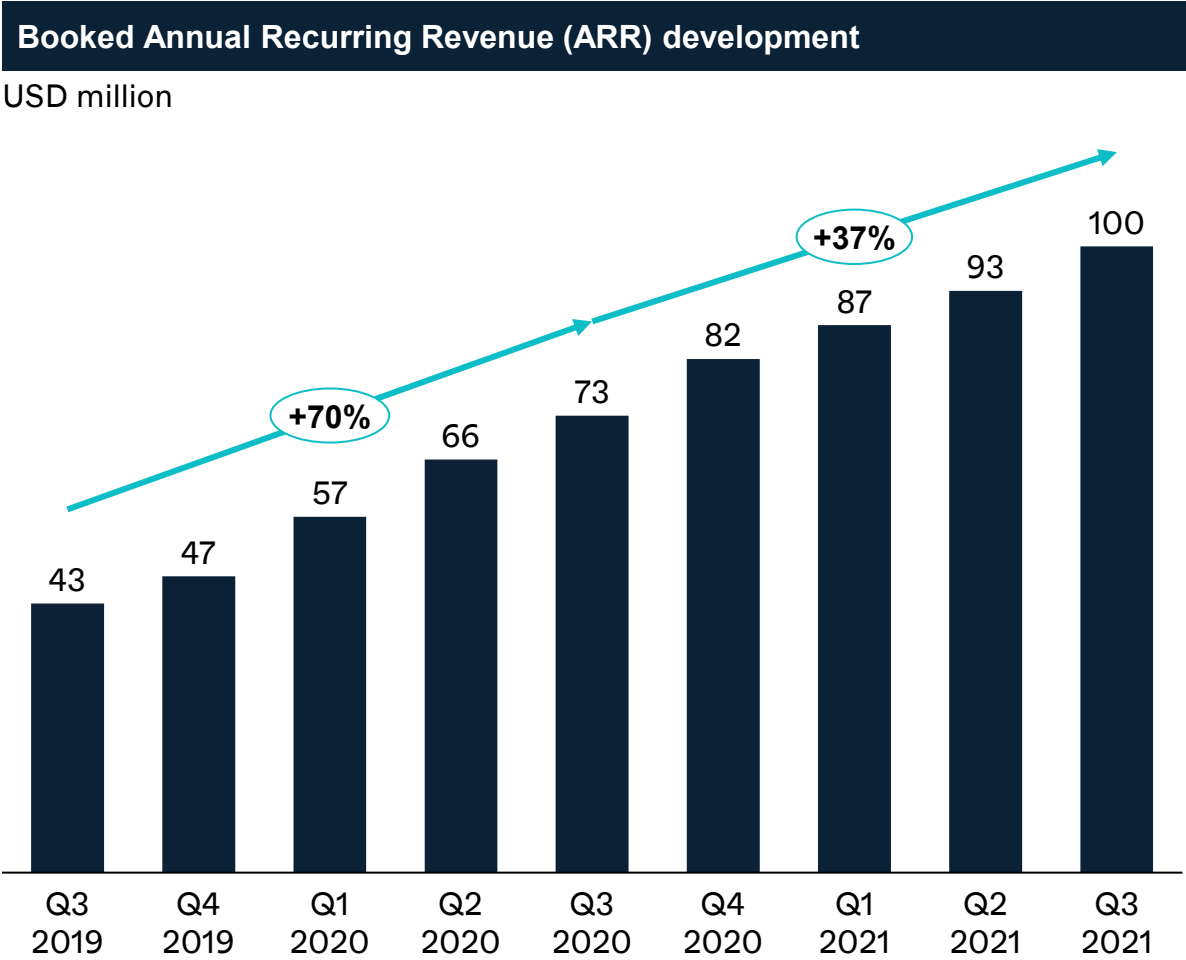
Skedify transaction

- Pexip have acquired 100% of the shares in Skedify B.V. for an Enterprise Value of EUR 8.0 million on a cash and debt-free basis
 - Equity value of:
 - EUR 1.59 million in cash settlement
 - 275,917 Pexip shares valued at NOK 85
 - Net financial debt including working capital adjustments of EUR 4.04 million
- The main owners of Skedify are the founders of the Company, for which 66% of the Equity Value will be settled in shares. They will be key leaders for Pexip in the Video Enablement business area. The founders have a 3 year lock-up on their shares depending on continued employment in Pexip.
- Skedify B.V. has 30 employees at the time of transaction, of which 14 are in Engineering, 15 in Sales and marketing and 1 in Administration
- The estimated revenue for 2021 is EUR 1.3 million of which a substantial share is non-recurring and EUR -0.7 million in EBITDA on a stand-alone basis.
- SPA is signed, and completion is expected to happen during November 2021



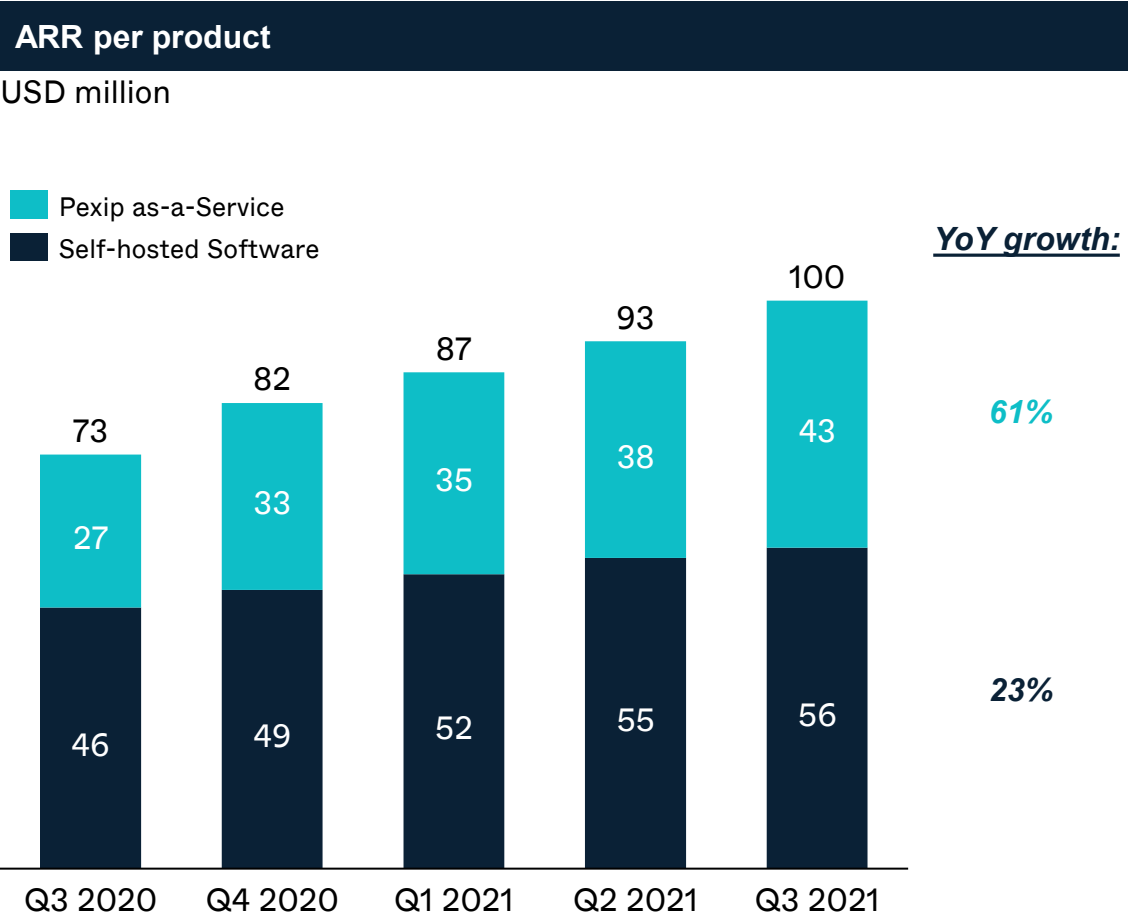
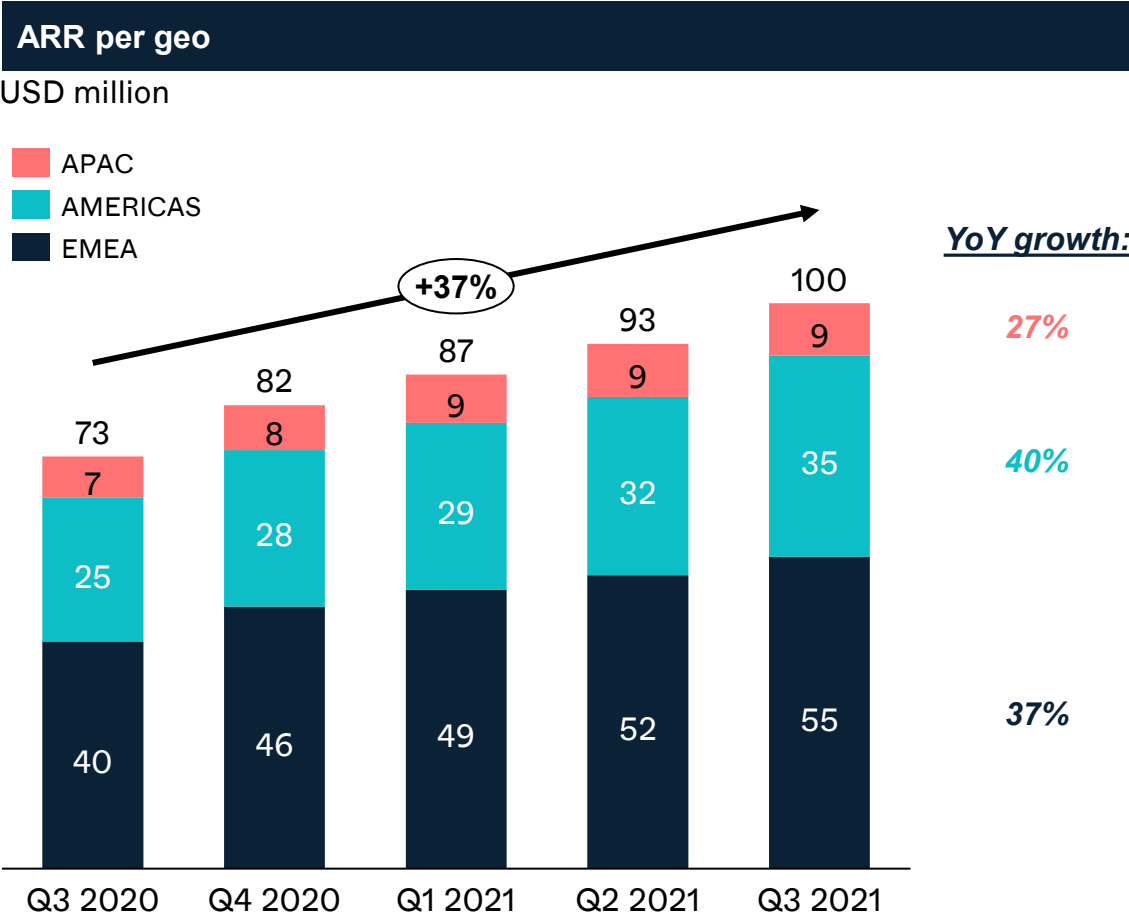
Sales and Financial Performance

37% growth in Annual Recurring Revenue – Added 7.1 million in Q3 2021

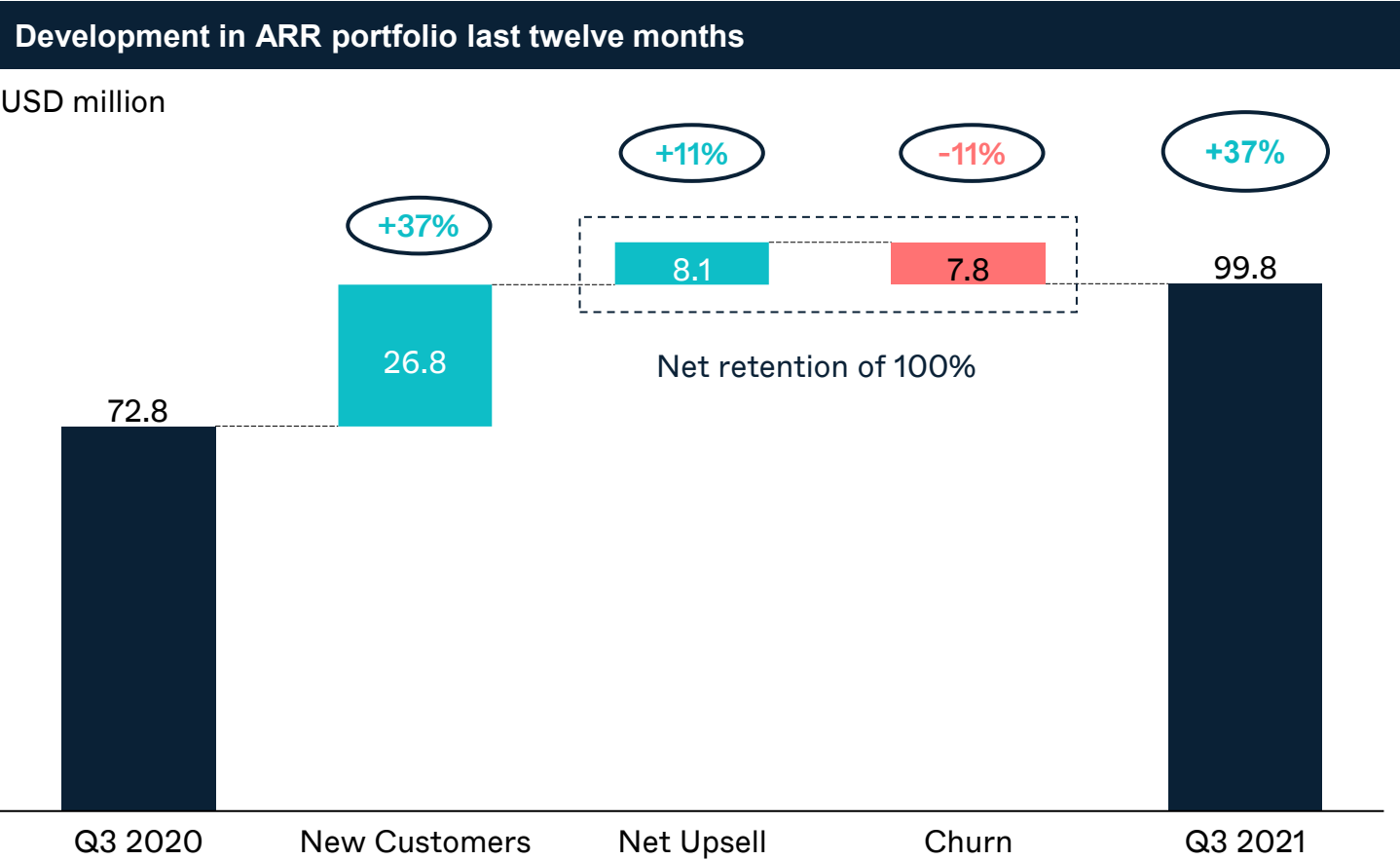


- Q3 2021 growth in ARR of USD 7.1 million, compared to USD 7.0 million in Q3 2020 and USD 2.7 million in Q3 2019
- Strong development in Federal for Q3 2021
- Higher competition on video infrastructure, impacting pipeline conversion and average deal size
- Both Q3 2020 and Q3 2021 positively impacted by Service provider portfolio conversions

Solid growth contributions from all geographies and products



New customers represent the main driver for ARR growth with 37% in the last twelve months

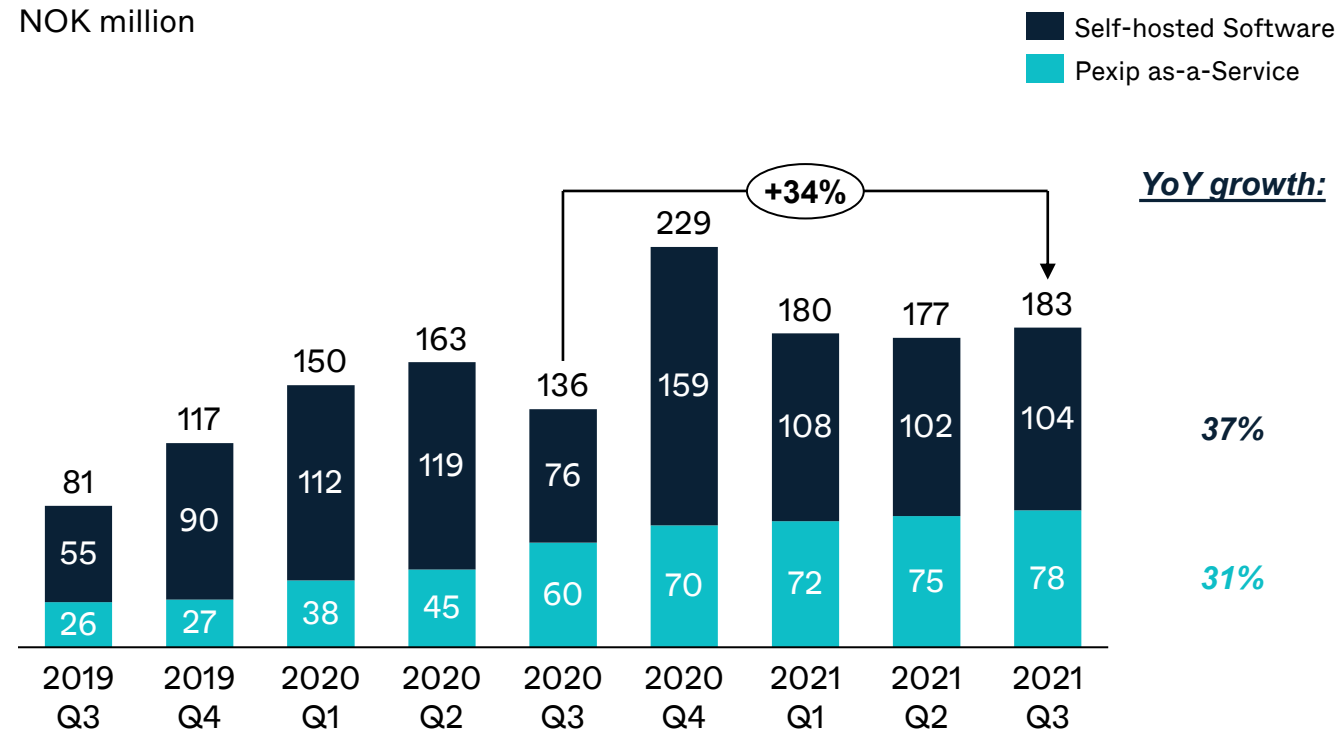


- Continue to increase last twelve months sales to new customers
 - Strong performance especially in US Federal
- ARR net retention is at a normal level at 100%, compared to 114% in 2020 benefiting from Covid upsell and 99% in 2019
- Higher churn from non-core use-cases, accounting for ~50% of total churn in Q3 2021
- Lowest churn with customers above USD 100k in ARR of 5% vs 11% overall

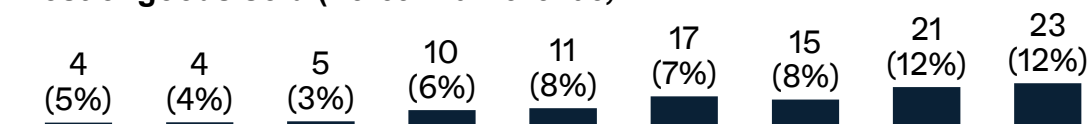
ARR growth driving revenue growth

Quarterly revenue development

NOK million



Cost of goods sold (Percent of revenue)



Comments

Operating revenues – Pexip as-a-Service

- Overall growth of 31% year-on-year to NOK 78 million, below ARR growth due to currency and high sales in Q3 2021 with delivery in Q4 2021

Operating revenues – Self-hosted Software

- Overall increase of 37% year-on-year to NOK 104 million
- No material impact of renewal timing which impacted Q1 and Q2 revenue recognition
- Software revenue mainly recognized at time of delivery, which leads to quarterly variations in revenue recognition.

Gross margin

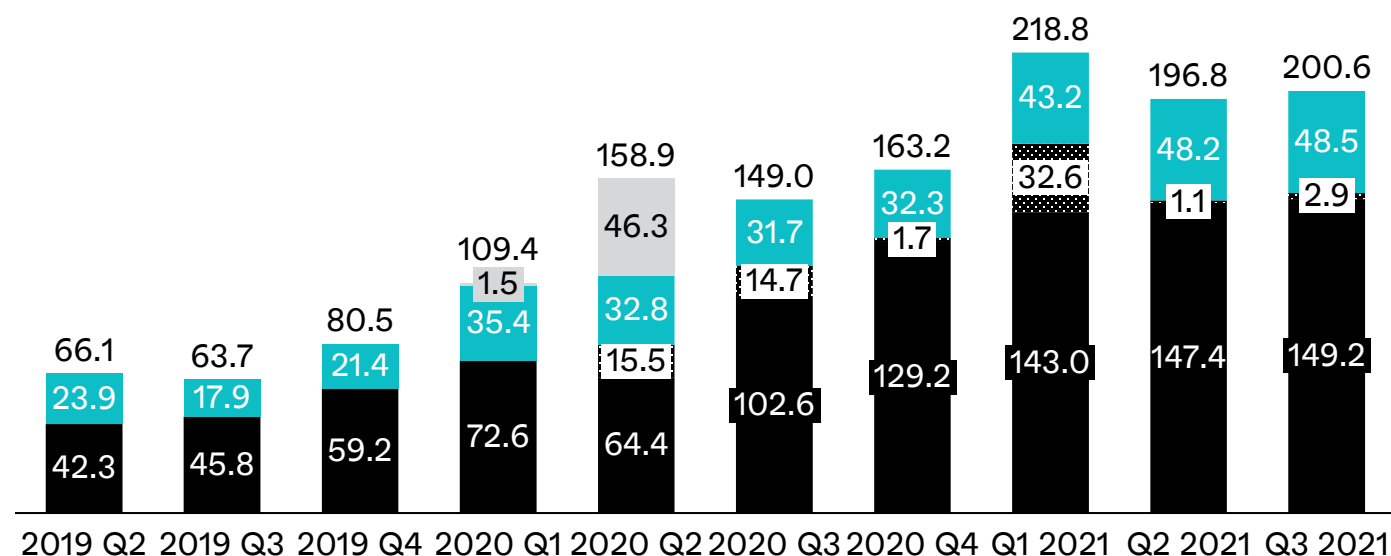
- Higher cost of goods sold mainly due to high Pexip as-a-Service revenue growth and higher usage
- Modernized service platform from own hardware to cloud compute, for better scale, resiliency and operations as well as lower investments in own hardware going forward

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

Quarterly OPEX development

NOK million

- IPO-related costs
- Other operating expenses
- Share option costs
- Other Salary and personnel expenses



Comments

Other Operating expenses

- Overall increased activity level, while travel expenses remain low – expect this to pick up in Q4 2021
- Increased investments in marketing in order to capitalize on the increased demand for video collaboration technology

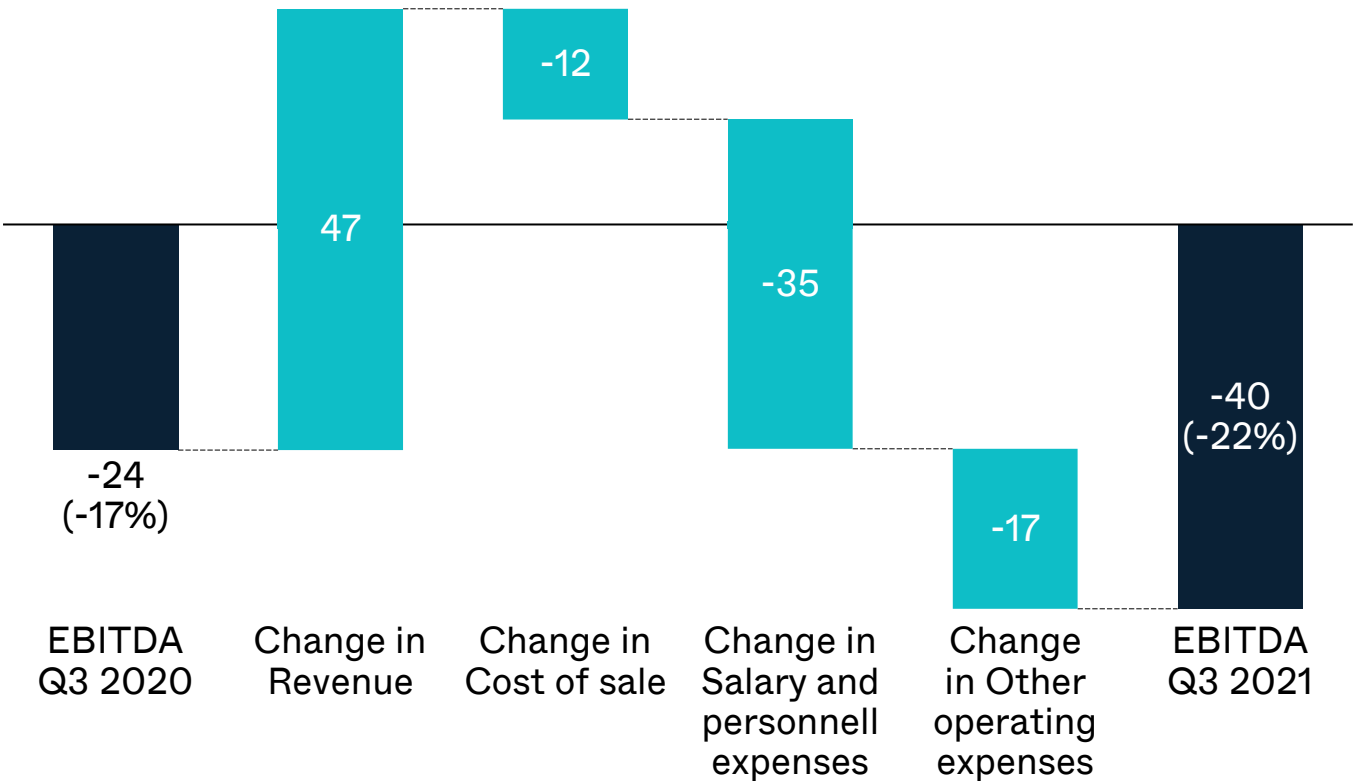
Salary and personnel expenses

- 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 in Q3 reducing Salary and personnel expenses by MNOK 10

Executing on communicated growth strategy

Significant investments in sales-related headcount, impacting EBITDA

NOK million, cash outflow



Comments

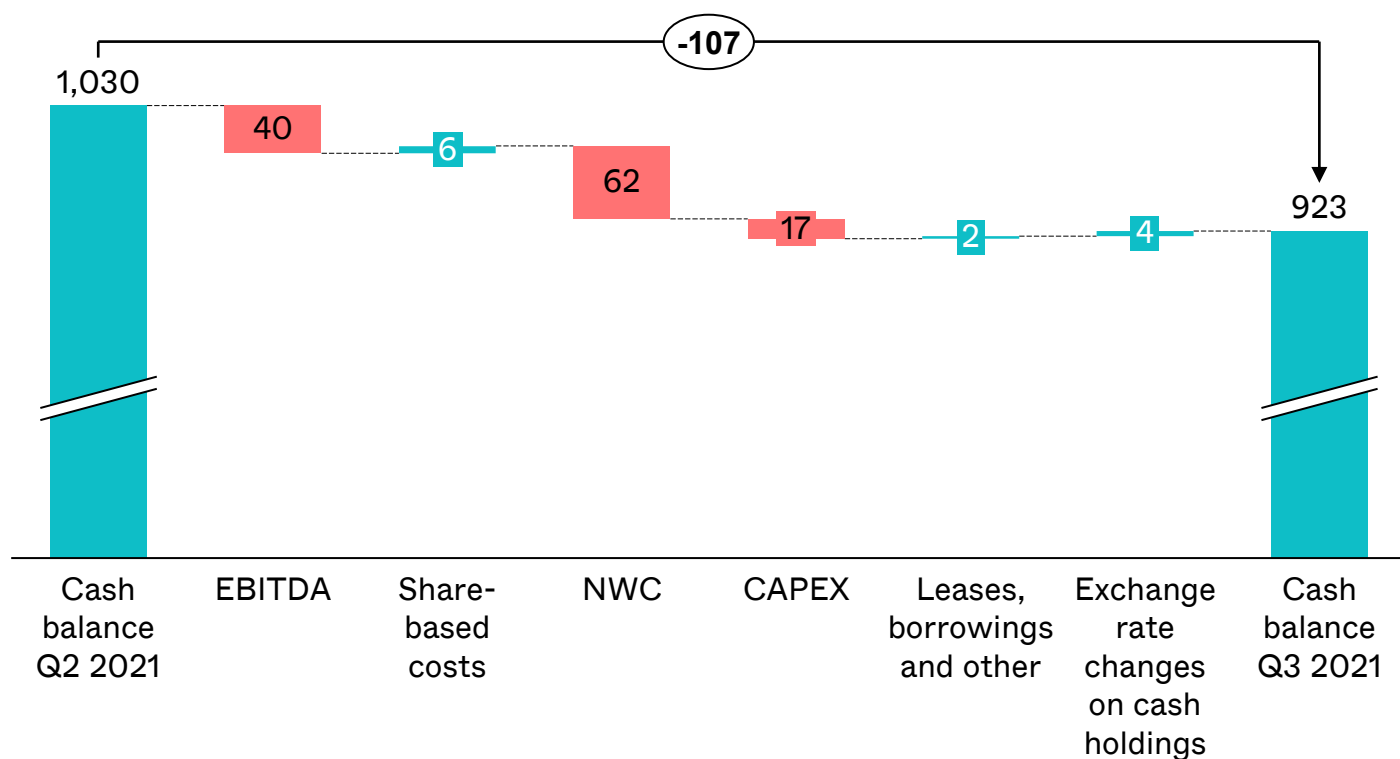
- Investments outweighing growth in revenue, leading to lower EBITDA
- YTD EBITDA-margin of -25% in line with 2021 guidance

Targeting negative 25-35% EBITDA margin in 2021/2022, profitable growth from 2023

Cash flow bridge

Cash flow bridge Q3 2021

NOKm

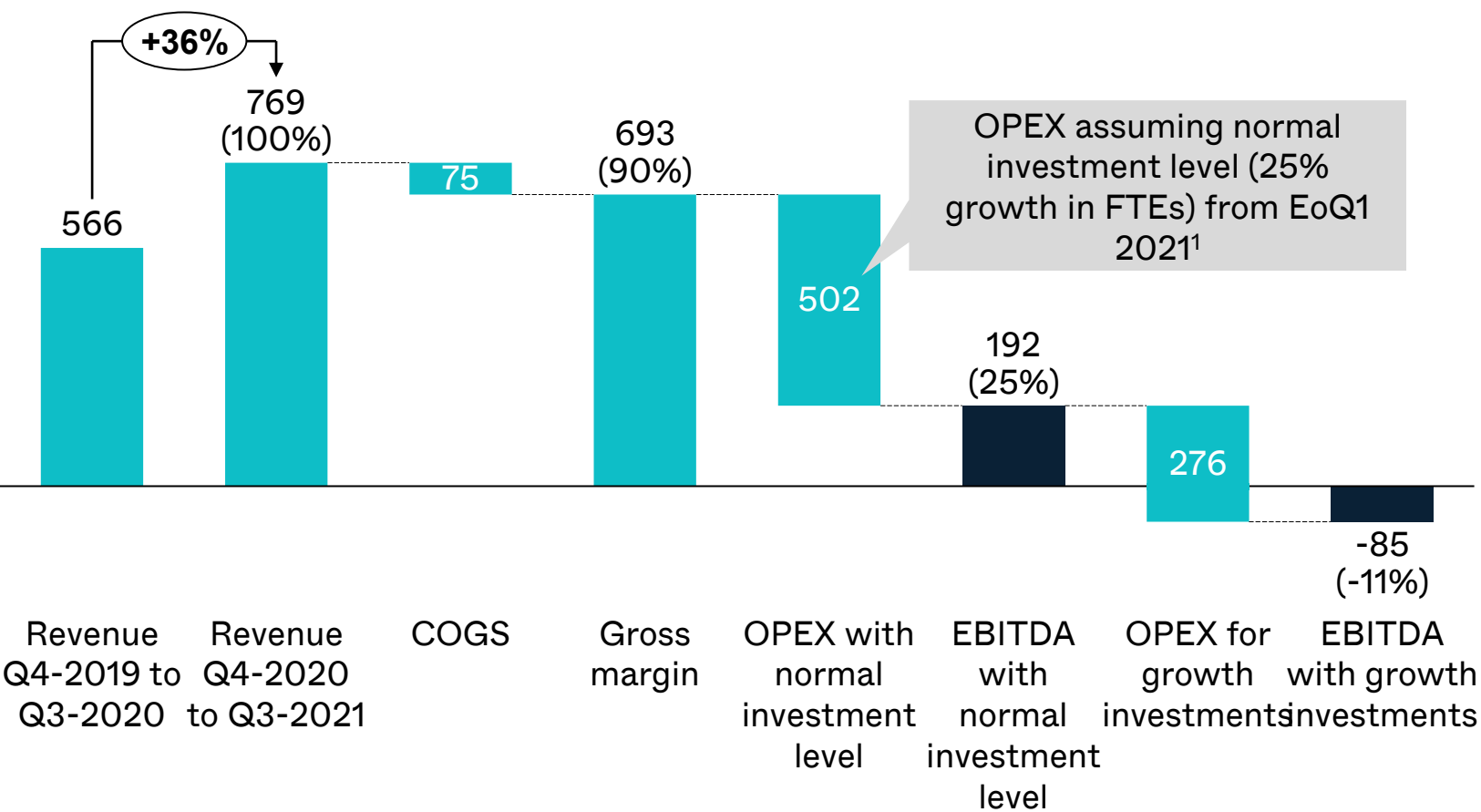


Comments

- Negative EBITDA and net working capital main contributors to cash flow
- Negative development in Net Working Capital in part related to holiday pay periodization, and high billing volume at the end of the quarter increasing accounts receivables
- Cash position of NOK 923 million out of Q3 2021, Pexip has a solid cash position to fund the acceleration plan

Robust underlying profitability in line with mid-term ambition of growth + EBITDA above 50%

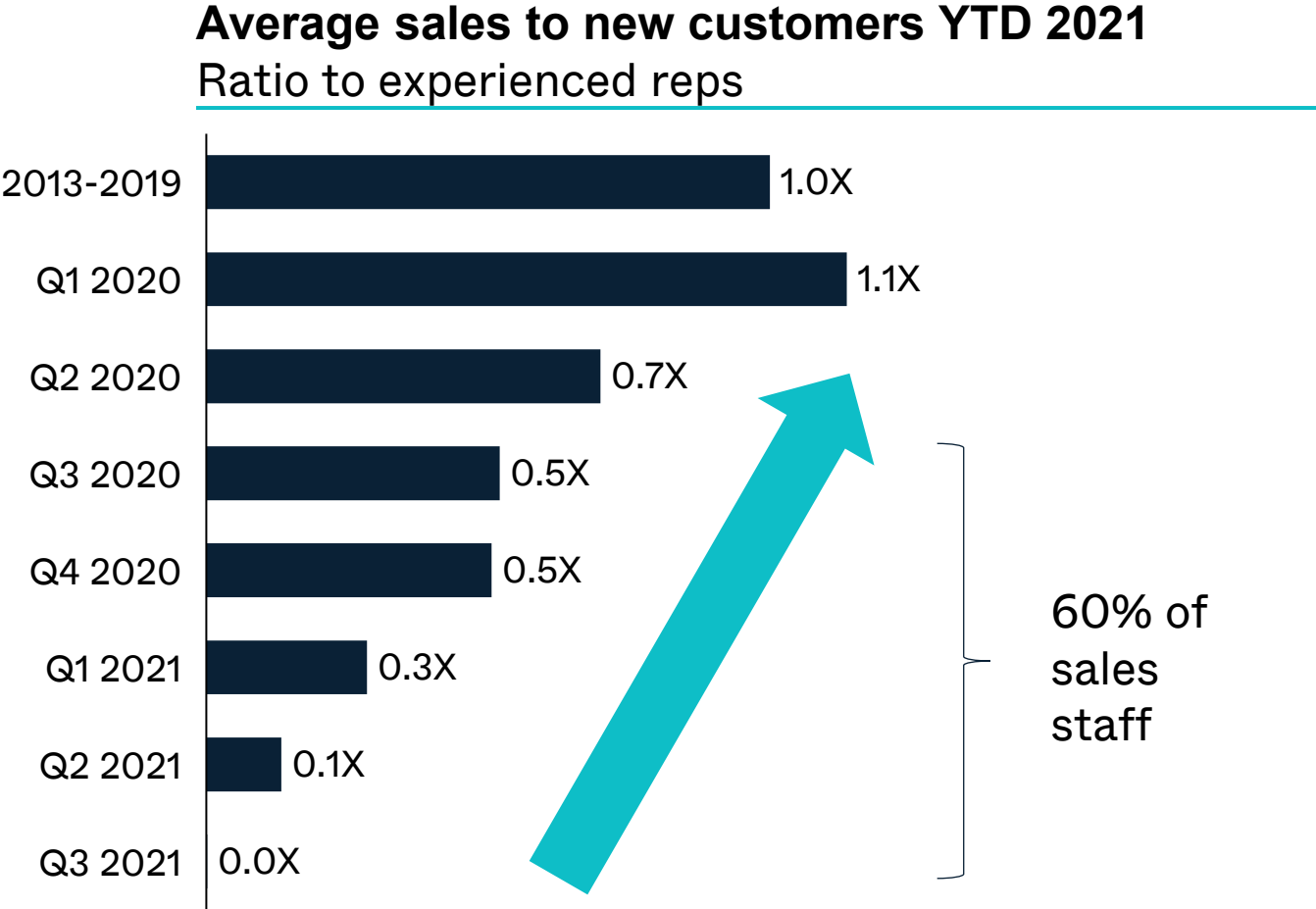
Illustrative EBITDA build-up
NOK million last twelve months (Percent of revenue)



- Last twelve months revenue growth of 36%, gross margin of 90% and EBITDA of 25% excluding accelerated growth investments
- Invested NOK 276 million in growth investments with limited revenue impact so far, that are essential to accelerate growth in a high-growth market

Note: Adjusting OPEX to employee staffing, assuming salary and other OPEX is scalable to number of employees. A normal long-term investment level would grow employees in Pexip to 300 in Q3 2021 from 215 in Q1 2020.

Starting to see impact of investment in new hires on sales to new customers

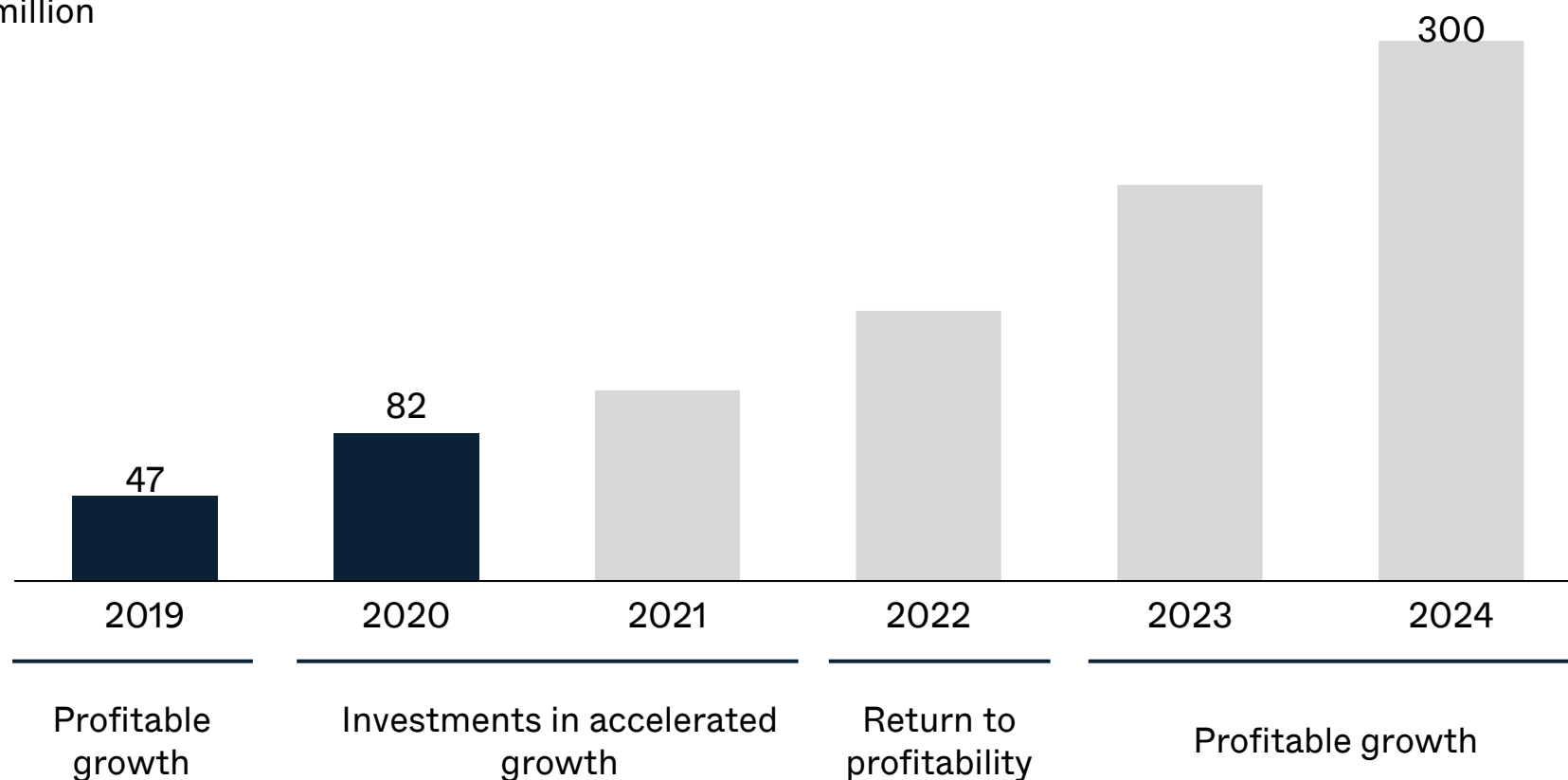


- Hires from 2020 are starting to be fully ramped with regards to new sales, in particular Q1 and Q2 cohorts
- Ramp-up time of ~4-5 quarters about one quarter more than before 2021, continue to see this in Q4

Note: New Sales from quota-carrying roles, excludes ARR from individuals that have left Pexip during 2021. Includes Sales leadership roles with a player/coach responsibility

Approaching the next phase of investment plan

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



- Investing raised capital for growth in 2020 and 2021
- Accelerated ARR growth and normalized investment level in 2022 improving profitability
- Return to profitable growth from 2023

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 shirt. They are both looking towards the center where the text is located. The background is a solid teal color.

Summary and Outlook



Q3 2021 in brief

Solid top line growth

- Continued ARR growth with USD 7.1 million in Q3 2021/37% y-o-y growth
- Continue to win major customers in our core markets
- NOK 183 million in revenue for Q3 2021, +34% compared to Q3 2020

Executing on the acceleration plan

- Continue to build sales and R&D capacity - reached 492 employees end of Q3 2021
- Acquired Skedify to enhance Video Enablement product portfolio
- -22% EBITDA in line with announced strategy
- Solid cash position to invest in further growth



Outlook

Positive outlook for video communication

Will continue to execute on growth plan

- Nearing the end of the accelerated investment phase – expect ARR growth substantially above people growth for 2022
- 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

Target reaching long-term target of USD 300 million in ARR by end-of-2024

Upcoming dates

Capital Markets Day

December 9, 2021

Q4 2021 ARR Update

January 10, 2022

Q4 2021 quarterly
presentation

February 10, 2022

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Q&A

