



Meet the world  
with video communication as it should be

# Quarterly Presentation Q4 2021

February 10, 2022



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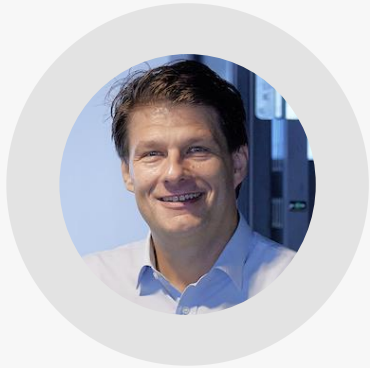
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# Presenters



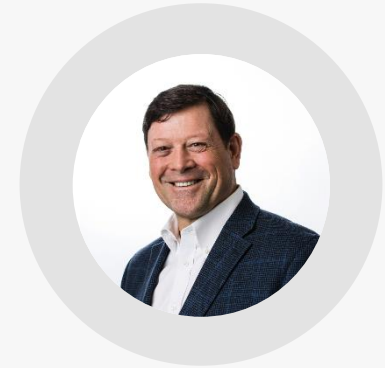
**Michel Sagen**  
Chair of the Board



**Øystein Dahl Hem**  
Interim CEO and CFO



**John Thorneycroft**  
SVP of Business Management



**Karl Hantho**  
President Americas

# Trond K. Johannessen

CEO from May 2022

Extensive experience in scaling and commercializing complex technology globally, organically & through M&A

Background from top management and board positions in Embron Group, Tomra, McKinsey and Webstep

Strong cultural fit with the Pexip values and philosophy

Unique experience that will strengthen the Pexip executive management team





# Pexip is a global technology company

535+ Employees in 35 countries

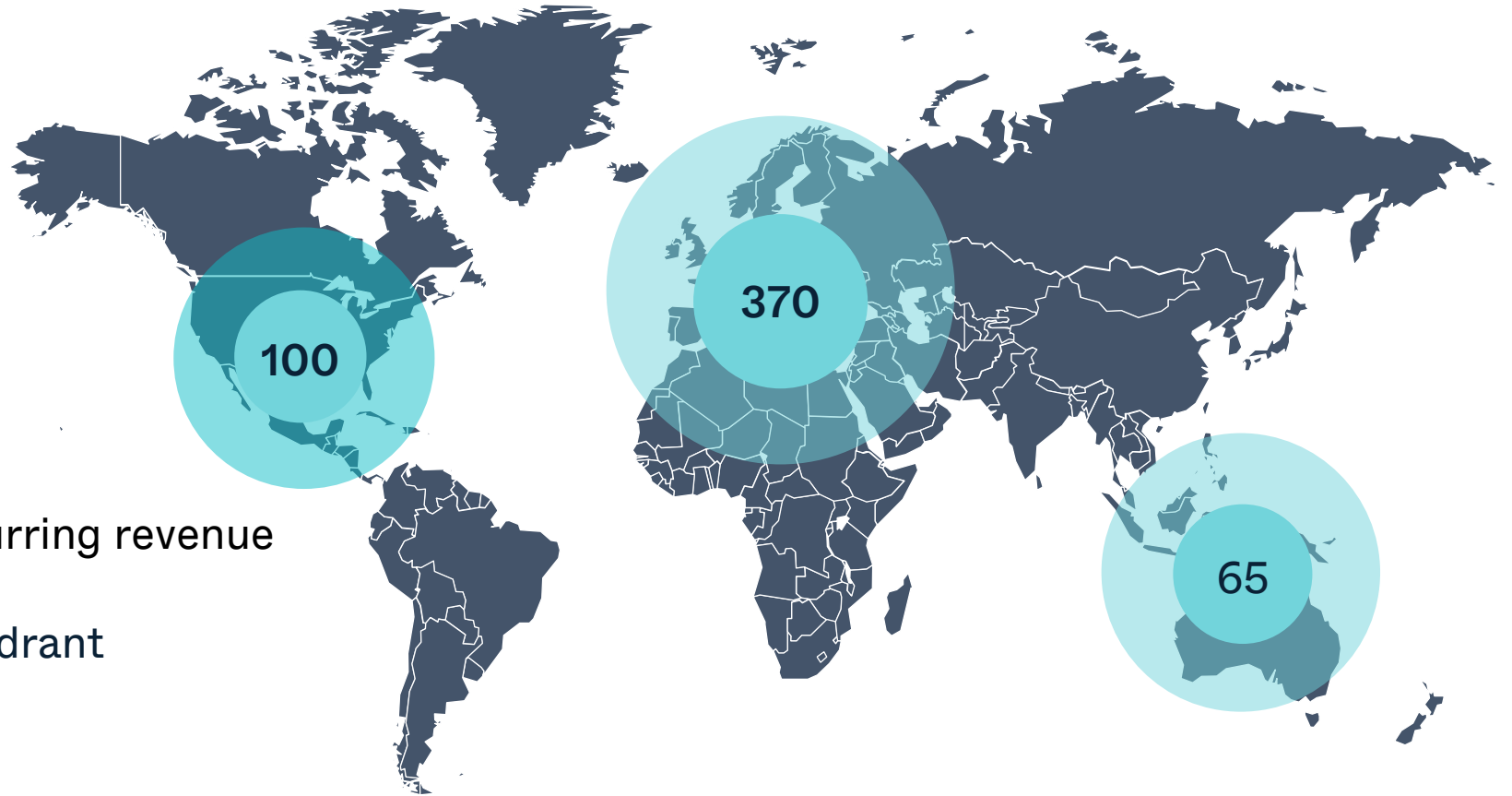
4,400 Enterprise and public sector customers

300+ Channel partners

101% Net revenue retention rate

2021 \$106.4 million in annual recurring revenue

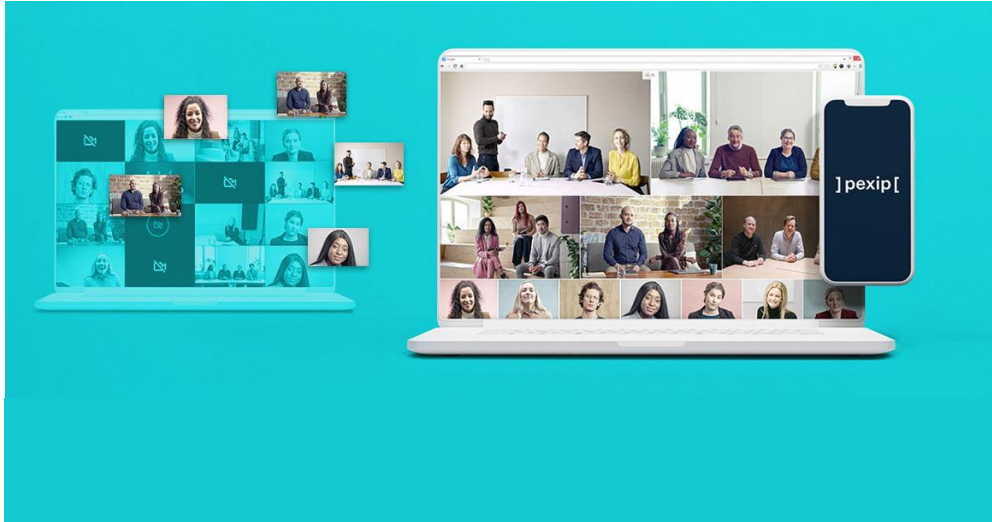
Challenger in Gartner Magic Quadrant



# Pexip's differentiated customer offering is underpinned by unique technology

## Patented transcoding architecture

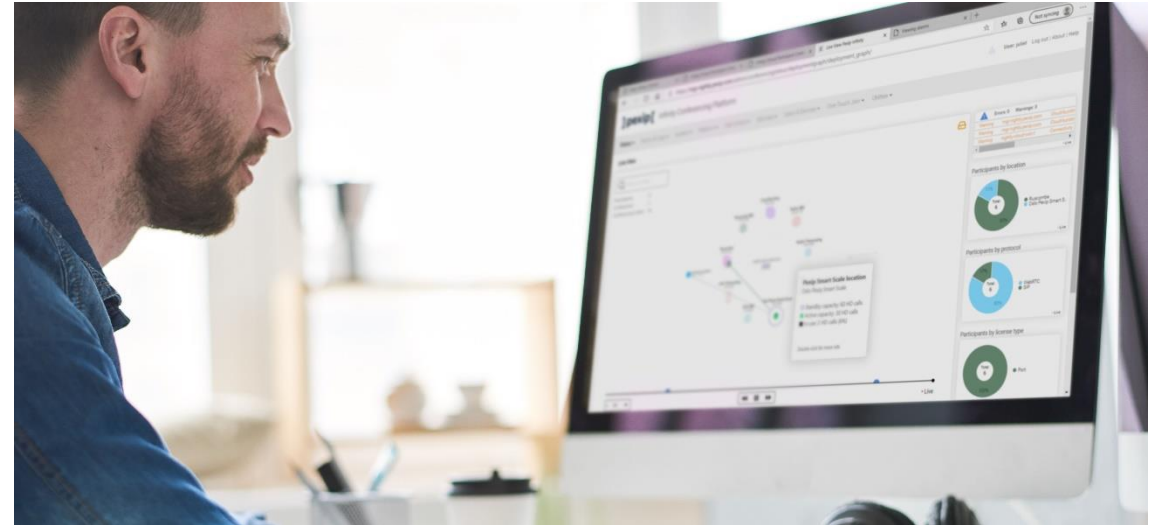
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- Unique interoperability & no download experience
- AI using cloud compute
- More environmentally sustainable

## Run on any compute platform

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- Total data privacy and control
- Full customization capabilities
- Unique position in sovereign video services

# Unique technology drives our success in three core markets



## Video infrastructure

including interoperability to Microsoft Teams and Google Meet



## Critical video meetings

for secure environments



## Video enablement

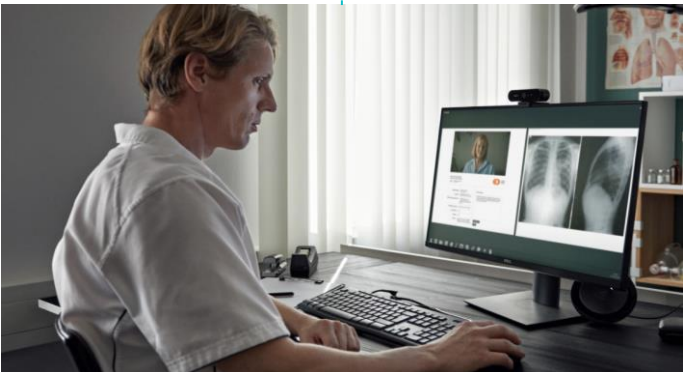
for healthcare, judiciary, government, retail and finance



**MUSD 63 in ARR**  
**+40% y-o-y**



**MUSD 11 in ARR**  
**+109% y-o-y**

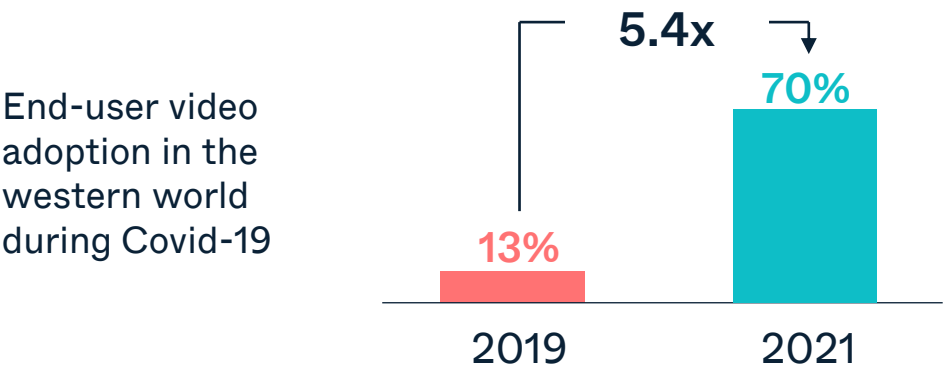


**MUSD 19 in ARR**  
**+42% y-o-y**

1) By end-of-Q4 2021

# Mass-adoption of video will transform our offices and our economy

End-user adoption in video has exploded, still to impact “old world”



Offices still need to adjust to a hybrid world



Mass-adoption of video will transform our offices and our economy

- 1 Transformation of offices** in order to enable organizations to retain the best of remote and in-person work through enabling meeting spaces with video
- 2 A new video economy** as organizations leverage video to deliver personalized services and human interaction in a more flexible, sustainable and efficient way, benefiting from mass video adoption
- 3 Enhanced security requirements** as critical processes increasingly depend on video, increasing requirements and regulation





# Q4 Operational Update

# Recent highlights

**30% y-o-y  
growth in ARR to  
USD 106 million**

**NOK 266 million  
in Q4 2021 revenue**

**Strong revenue driving Q4  
EBITDA of NOK 10 million;  
4% margin**

**Pexip is now available in  
Microsoft Azure  
marketplace**

**Launched Enhanced Room  
Management**

**Announced FedRamp  
“In process” and  
compatibility with  
Microsoft Government  
Community Cloud High**

# Launched several important innovations in our new focus areas



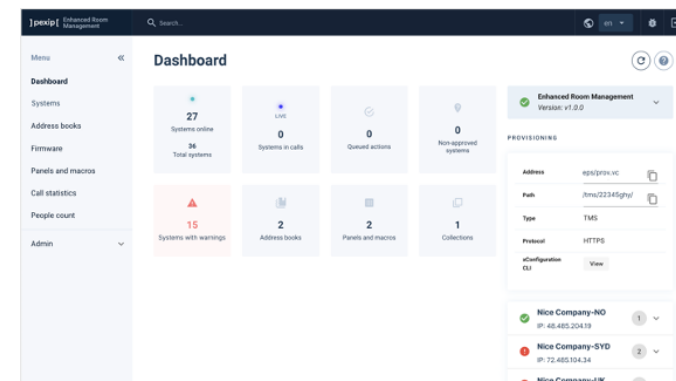
## Video infrastructure

including interoperability to  
Microsoft Teams and Google Meet

## Enhanced Room Management

Launched Jan 2022

Completes our capability to fully  
manage and support video room  
equipment



# Launched several important innovations in our new focus areas



## Critical video meetings

for secure environments

## Deeper authentication options with SAML ID

Launched Jan 2022

Allows for access restrictions based on common technologies like BankID



Azure  
Active Directory  
& ADFS (on prem)

okta



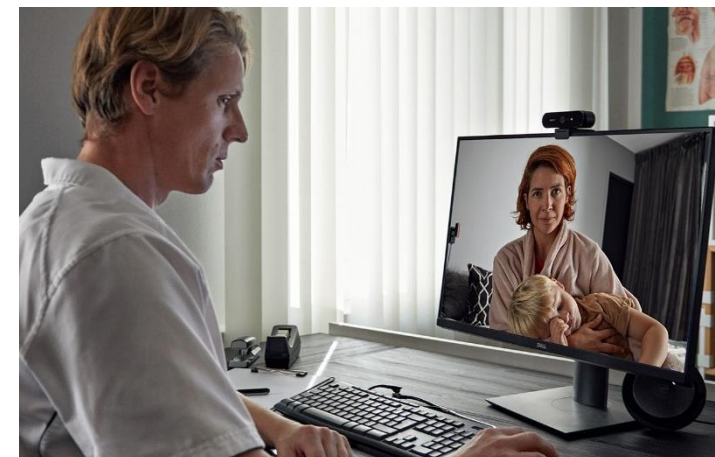
## Video enablement

for healthcare, judiciary, government, retail and finance

## Pexip Health – Far end Camera Control

Launched Jan 2022

Allows medical personnel to control camera to maximize understanding of patient case



# Pexip is now available in Microsoft Azure Marketplace, enhancing our reach to Large Organizations

## Existing Go-to-Market

Who leads the sale?

Who delivers?

End customer

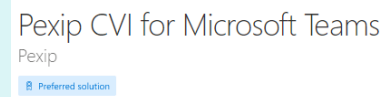
Channel ]pexip[



## New in 2022



]pexip[



- Microsoft Azure Marketplace is the most comprehensive software marketplace globally
- Pexip is now available
- Enable better cooperation with Microsoft in the field
- Enable easier access to customers through Microsoft frame agreements, significantly simplifying procurement process



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

## Selected by a range of large organizations

Selected customer wins in Q4 2021



Shared Services  
Canada



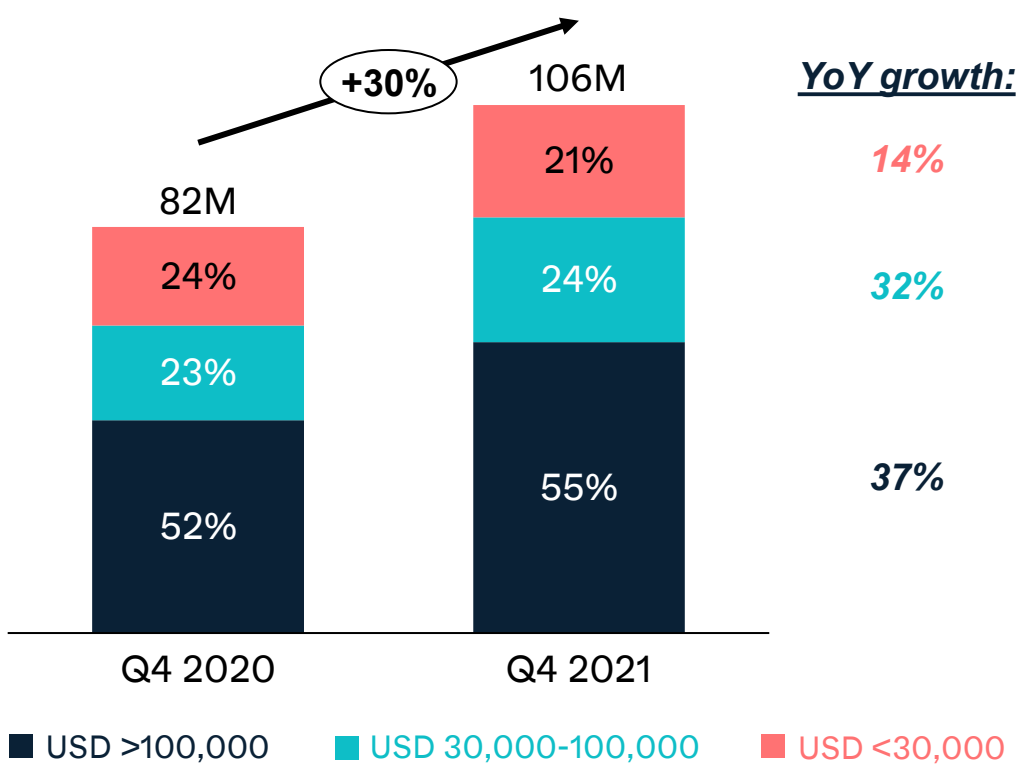
TECHNIP  
ENERGIES



GM FINANCIAL

## Large organizations driving growth

Share of ARR by account size in ARR, USD



# Continued strong growth in Americas across all business areas



## Video infrastructure

including interoperability to Microsoft Teams and Google Meet



## Critical video meetings

for secure environments



## Video enablement

for healthcare, judiciary, government, retail and finance



Shared Services  
Canada



Trinity Health

# Pexip Achieves FedRAMP "In Process" Designation opening a new market for Pexip

FedRAMP will extend Pexip's reach into Federal, State & Local Governments, and in particular US civilian agencies, that prefer a Cloud Service

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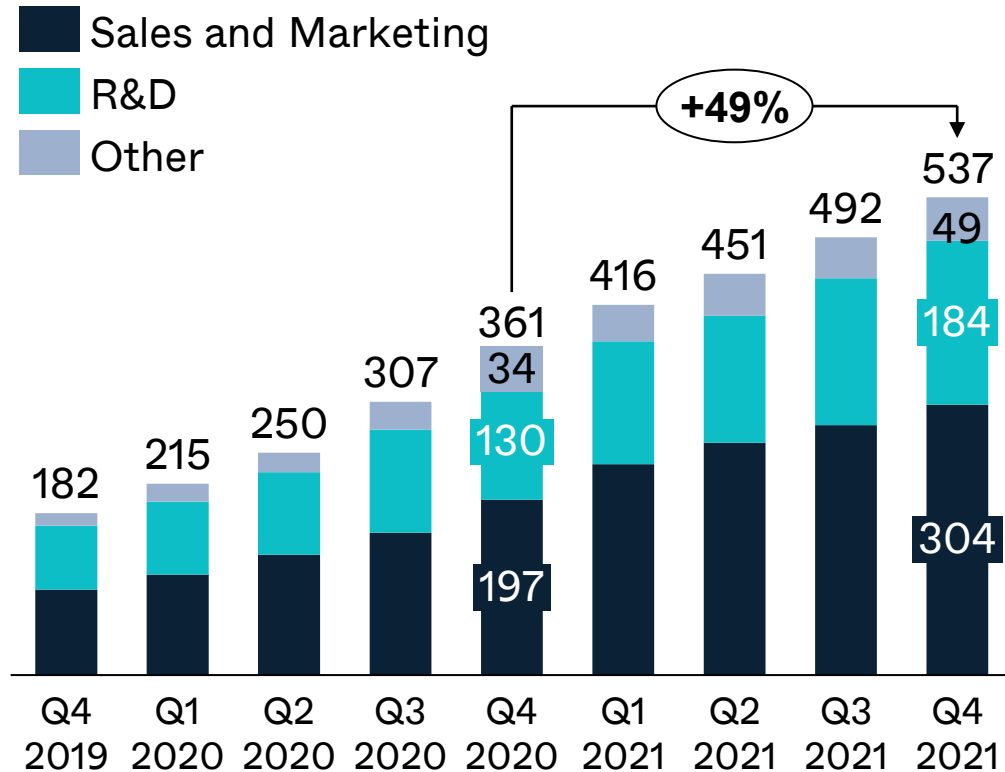
- FedRAMP is a US Government program that standardizes security assessment and authorization for cloud products and services used by U.S. federal agencies.
- FedRAMP is mandatory for all executive agency cloud deployments
- Pexip is the first Microsoft Teams Interop solution to achieve FedRAMP "In Process" status.
- Compliments Pexip's strength in the Defense community with our Self-Hosted solution
- Expect "Authorization" by Q4 2022; Customer discussions being initiated to be ready when approval status is secured



# Have substantially strengthened the team since IPO, expect ARR growth substantially above people 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

- Slower organic team growth in Q4 with 30 of 45 of the growth relating to the Skedify acquisition
- Have built a powerful team, and expect a more normal growth going forward - expect to add net 80-120 new employees in 2022 (15-22%)
- In 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



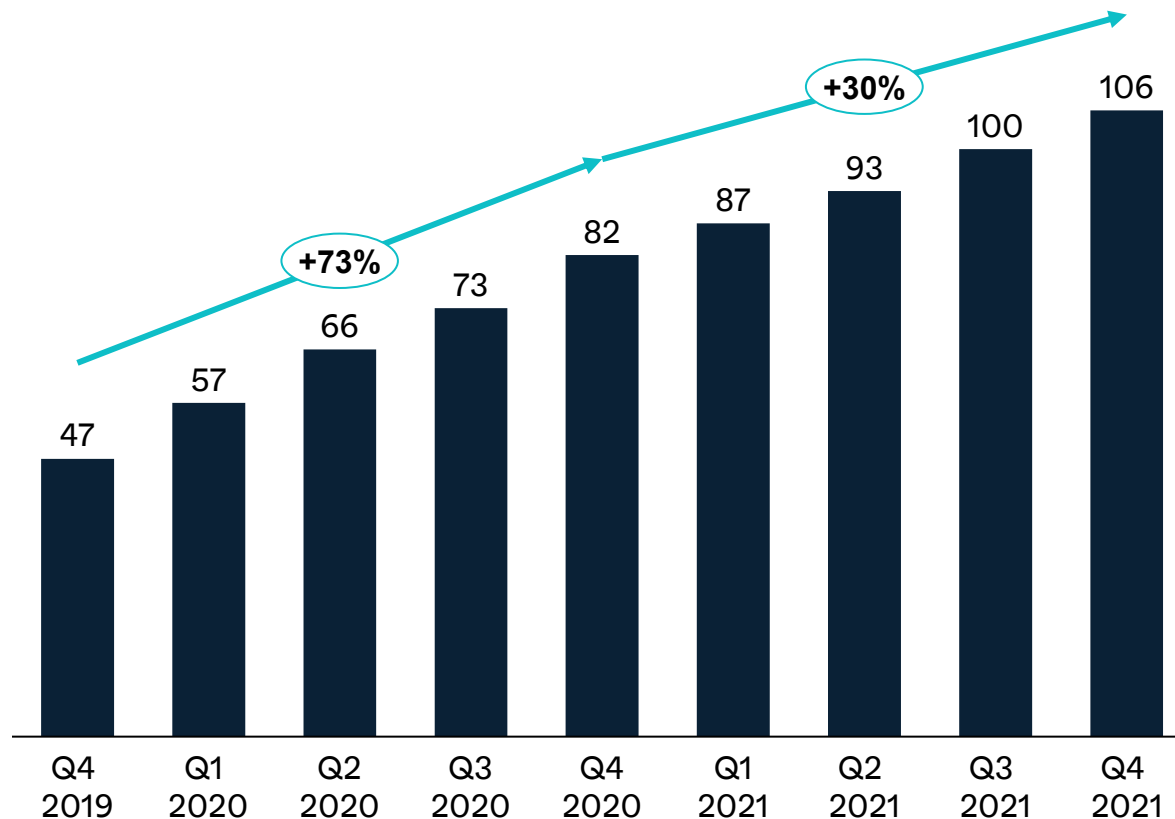
# Sales and Financial Performance



# 30% growth in Annual Recurring Revenue – Added 6.6 million in Q4 2021

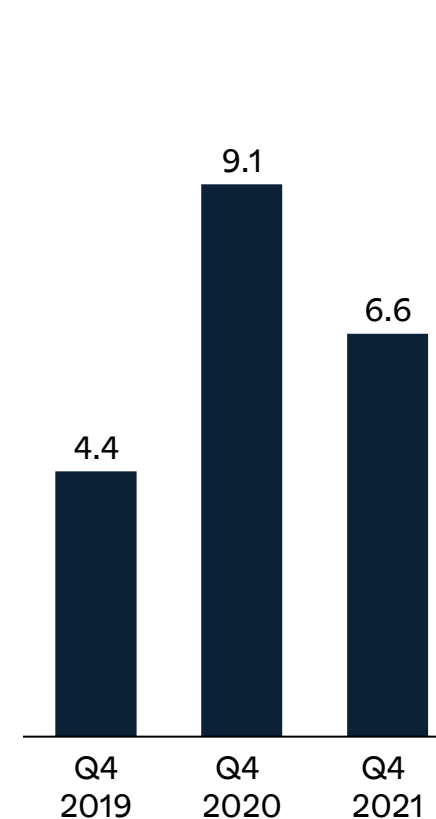
## Booked Annual Recurring Revenue (ARR) development

USD million



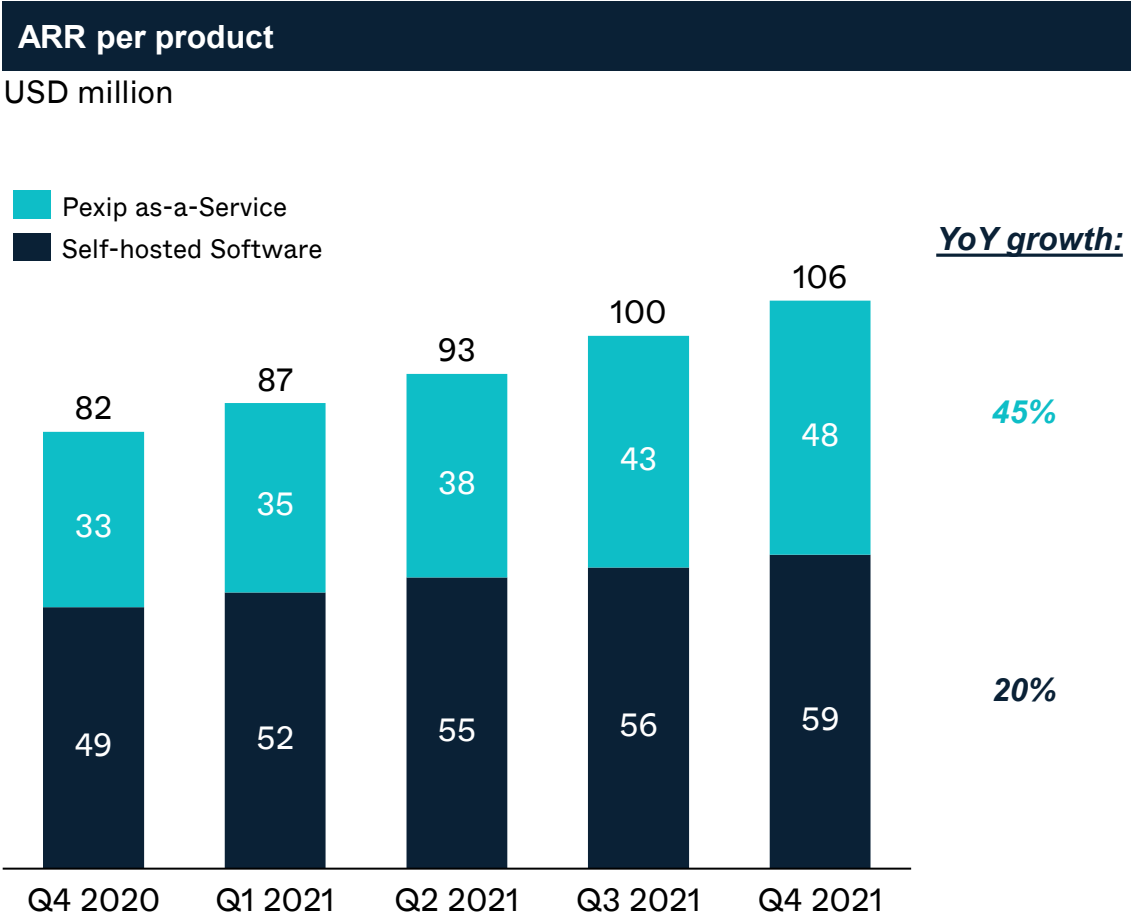
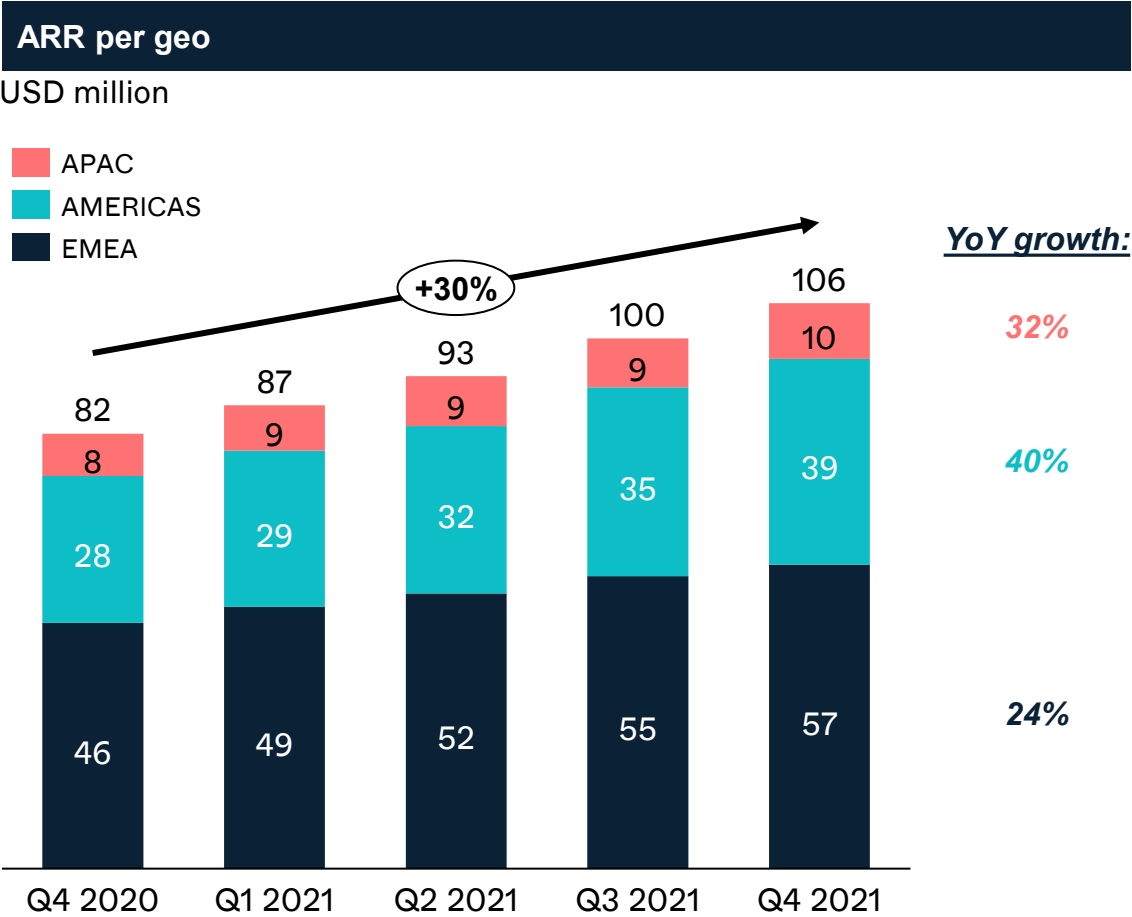
## Q-o-Q growth in ARR

USD million

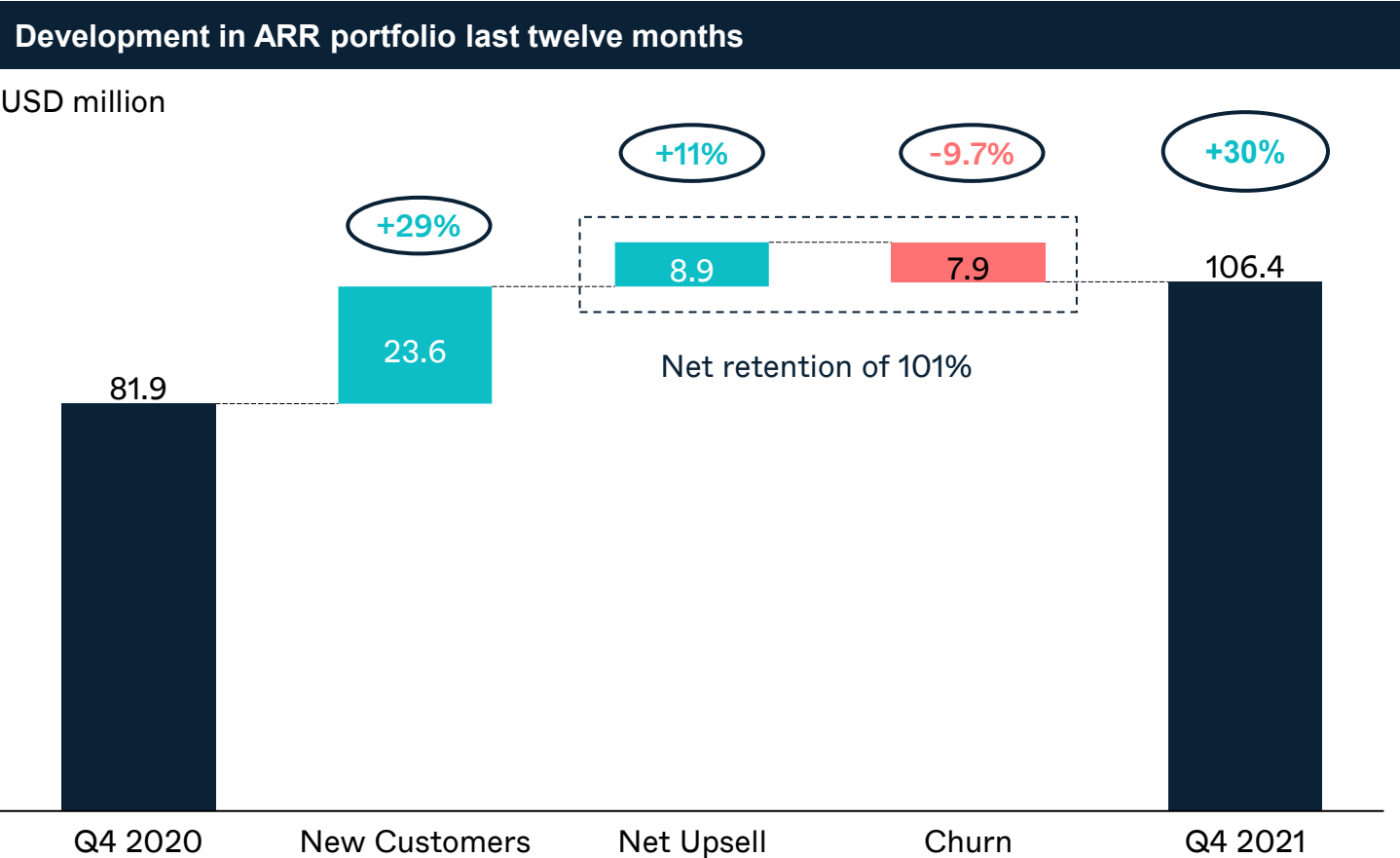


- Q4 2021 growth in ARR of USD 6.6 million, compared to USD 9.1 million in Q4 2020 and USD 4.4 million in Q4 2019
- Continue to win Fortune 500 customers
- Solid growth, however, negatively impacted by renewed Covid-19 restrictions impacting video infrastructure
- Positive impact from Skedify acquisition announced in Q4

# Solid growth contributions from all geographies and products



# New customers represent the main driver for ARR growth

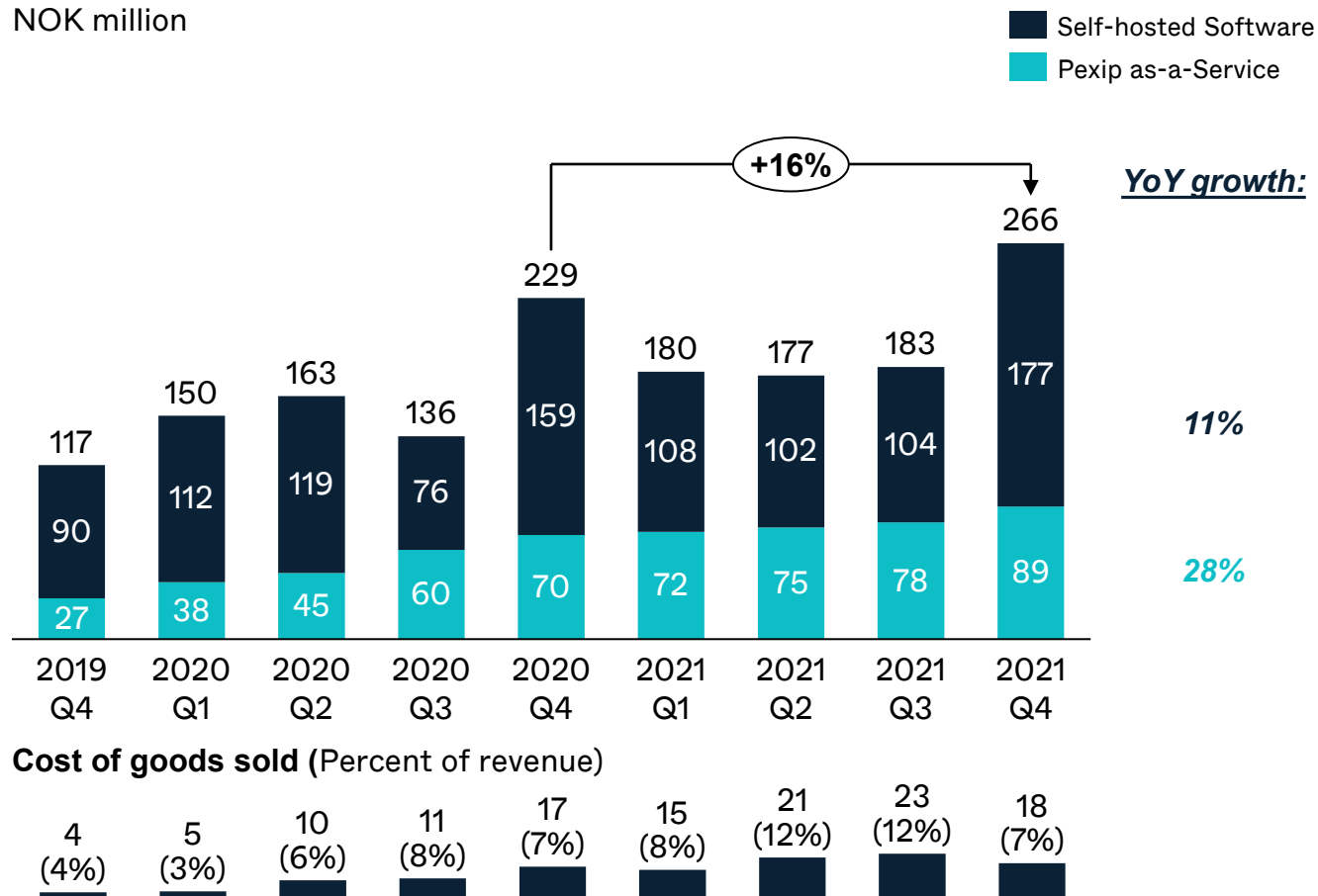


- Sales to new customers continue to be main driver behind growth
- ARR net retention is at a normal level at 101%
- Churn in line with 2020 at 9.7%, and somewhat lower than end of Q3 2021
- Lowest churn with customers above USD 100k in ARR of 3% vs 9.7% overall

# ARR growth driving revenue growth

## Quarterly revenue development

NOK million



## Comments

### Operating revenues – Pexip as-a-Service

- Overall growth of 28% year-on-year to NOK 89 million, of which NOK 1.8 million is related to Skedify

### Operating revenues – Self-hosted Software

- Overall increase of 11% year-on-year to NOK 177 million
- Software revenue mainly recognized at time of delivery, which leads to quarterly variations in revenue recognition. This drives high revenue in Q4, as a large share of renewals are executed in Q4.

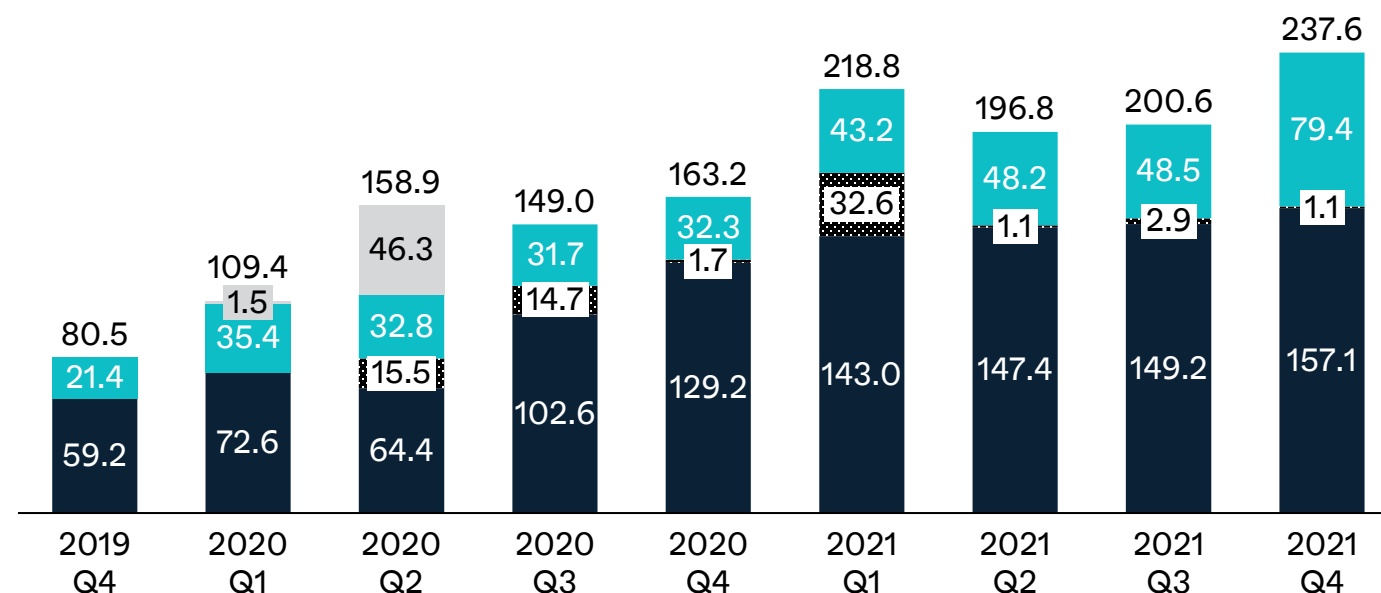
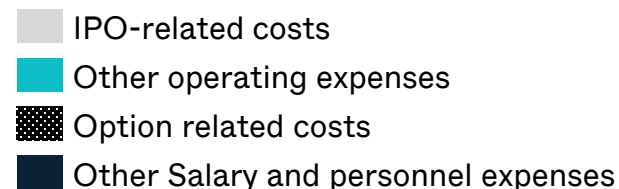
### Gross margin

- Gross margin in line with Q4 2020, and increasing due to higher revenue/usage
- Improved gross margin in Q4 due to higher software revenues in line with expected seasonality
- 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



## Comments

### Other Operating expenses

- Increased external services related to M&A as well as R&D development for the quarter account for ~40% of the q-o-q increase
- Overall increased activity level due to relaxed Covid-19 restrictions early Q4, with high activity level on marketing events increasing marketing and travel cost for the quarter

### Salary and personnel expenses

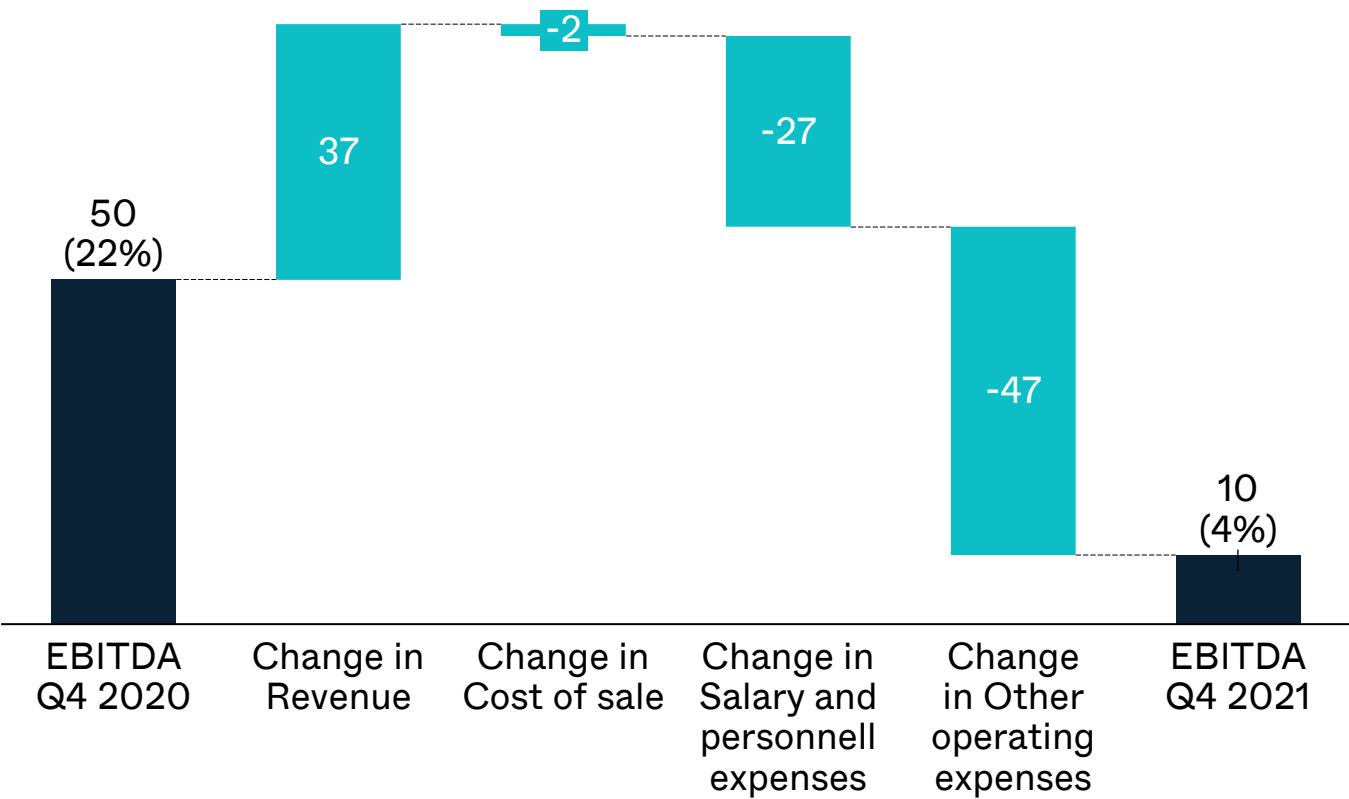
- Increased headcount main driver of increase in salary and personnel expenses
- Fluctuation in share price giving variation in accrued employer tax costs, resulting in low share option costs for Q4
- Share option costs of NOK 1.1 million for the Q4



# Executing on communicated growth strategy

## Significant investments in sales-related headcount, impacting EBITDA

NOK million, cash outflow



## Comments

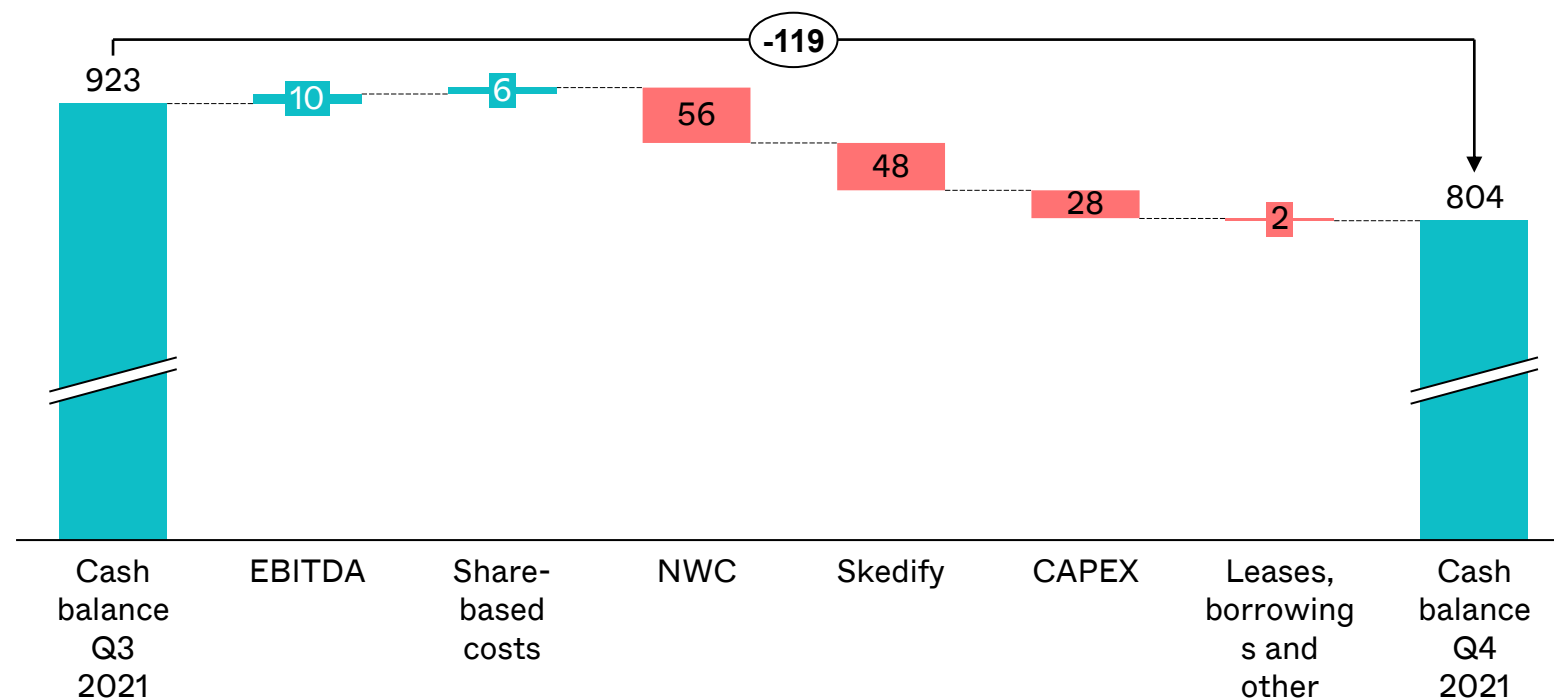
- Gross margin growth of NOK 35 million
- Growth in OPEX of NOK 75 million due to headcount growth and activity increase
- Positive EBITDA in Q4 due to strong software revenues and overall cost control despite planned growth investments

Full year negative EBITDA of NOK -124 million (-15%), which is above guidance of negative 25-35% EBITDA margin in 2021.

# Cash flow bridge

## Cash flow bridge Q4 2021

NOKm



## Comments

- Negative net working capital development main contributor to negative cash flow
  - Trade receivables increased NOK 78 million due normal seasonality due to high Q4 invoicing
- Acquisition of Skedify including debt repayments as part of the transaction contributed negative NOK 48 million for Q4 2021
- Pexip has a solid cash position to fund the acceleration plan, including the announced repurchase of shares to cover future share option obligations

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





# Q4 2021 in brief

## **Solid financial results and position**

- Continued ARR growth with USD 6.6 million in Q4 2021/30% y-o-y growth
- NOK 266 million in revenue for Q4 2021, positive EBITDA of NOK 10 million
- Solid cash position to invest in further growth

## **Strong operational momentum**

- Have built a strong team both with regards to sales and R&D capacity
- New CEO appointed - Trond Johannessen
- Acquired Skedify to enhance Video Enablement product portfolio

# Updated Financial Guiding

Old		New	
Revenue growth	ARR of USD 300 million by end of 2024	Unchanged	
Long-term profitability	2025 EBITDA of +25% with +25% revenue growth	Unchanged	
Short-term profitability	Negative 25-35% EBITDA margin in 2021/2022, neutral to positive EBITDA in 2023	Negative 15-20% full year EBITDA margin in 2022, return to positive EBITDA during 2023	





# Outlook

## **Positive outlook for the year, however, expect a challenging Q1 due to short-term uncertainties**

- Continue to see uncertainty on return to office and hardware delays impact demand
- Strengthened partnership with a key partner and change in business model will impact ARR negatively with USD 2 million in Q1, however, we expect this to have a net positive impact on ARR development in 2022
- Leading position in high-growth niches underpin mid-term revenue target of 300 million dollars in ARR by the end of 2024

## **Starting return to profitability**

- Revenue growth will improve profitability
- Will have a more balanced investment level going forward as we have a strong team in place

# Upcoming dates

Annual & Sustainability  
Reports 2021

March 31, 2022

Annual General Meeting

April 21, 2022

Q1 2022 ARR Update

April 7, 2022

Q1 2022 Quarterly  
Presentation

May 12, 2022

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## Q&A

