



Meet the world  
with video communication as it should be

# Quarterly Presentation Q1 2021

May 6, 2021



# Recent highlights

**54% y-o-y  
growth in ARR to  
USD 87 million**

**NOK 180 million in  
revenue for Q1 2021**

**Executing on growth  
strategy; resulting in  
-30% EBITDA margin -  
NOK 13 million in positive  
operating cash flow**

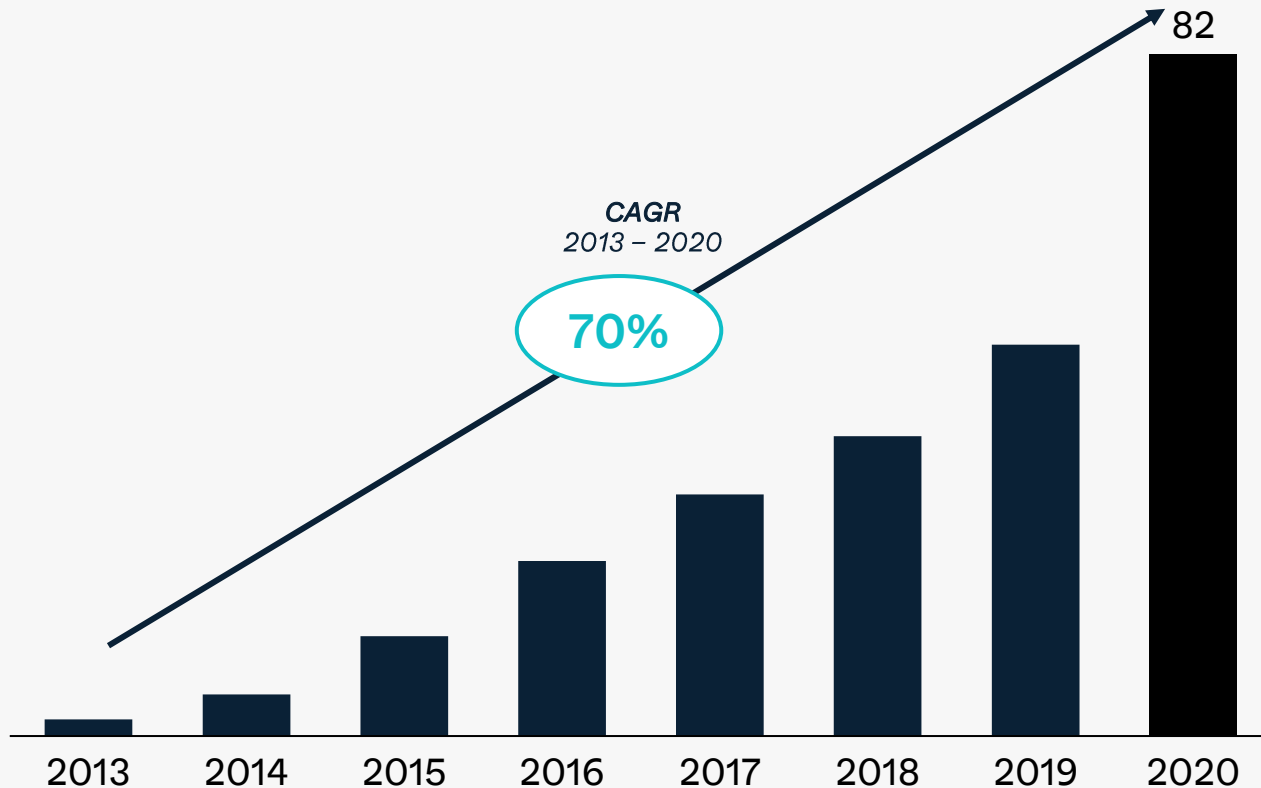
**Launch and commercial  
success of Pexip Health**

**Recognition from Frost &  
Sullivan,  
Announced Nvidia  
collaboration**

**Increased sales and R&D  
capacity, won Best Place  
to Work award**

# 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 400 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

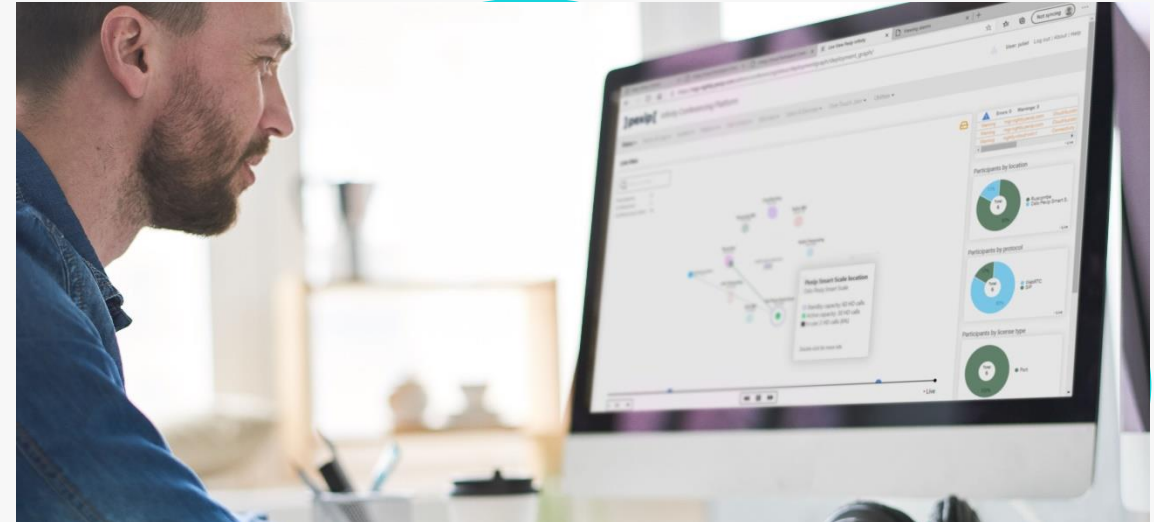
## Smart transcoding



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

Rich end-user experience

## Cloud agnostic



- 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



# Customers need for video will continue and evolve as they return to the office

Conference rooms



**]pexip[**



Small huddle rooms



Working from home

## The new normal will be hybrid working

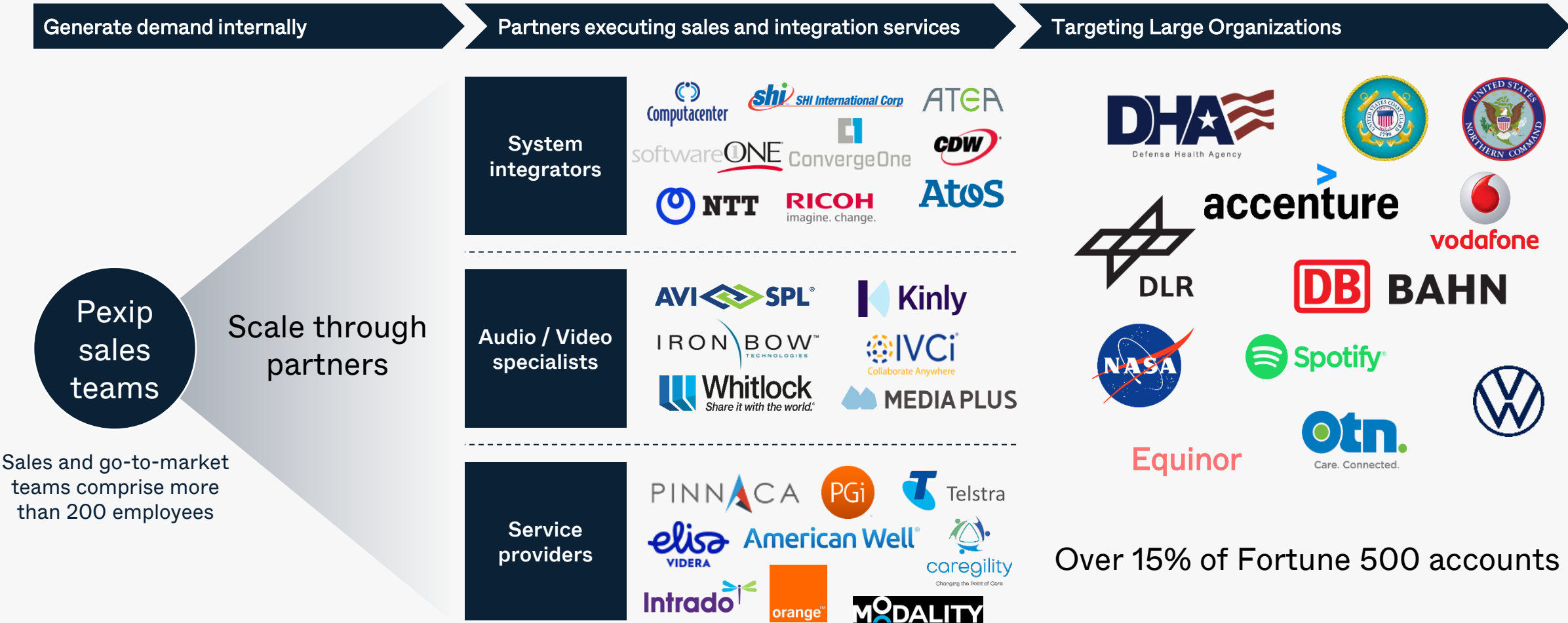
- People combining working from home and the office
- “Every” meeting will be a video meeting
- “Every” room in the office will have a video device
- Need to connect everything from the browser to the board room – internally and externally

## IT organizations will re-evaluate their video solutions

- Given the new normal, are our new needs covered?
- With video being business critical, do we have the right solution(s) relative to our use cases and need for quality, privacy and security?
- Are there opportunities to further digitalize and video enable workflows with our customers or partner?

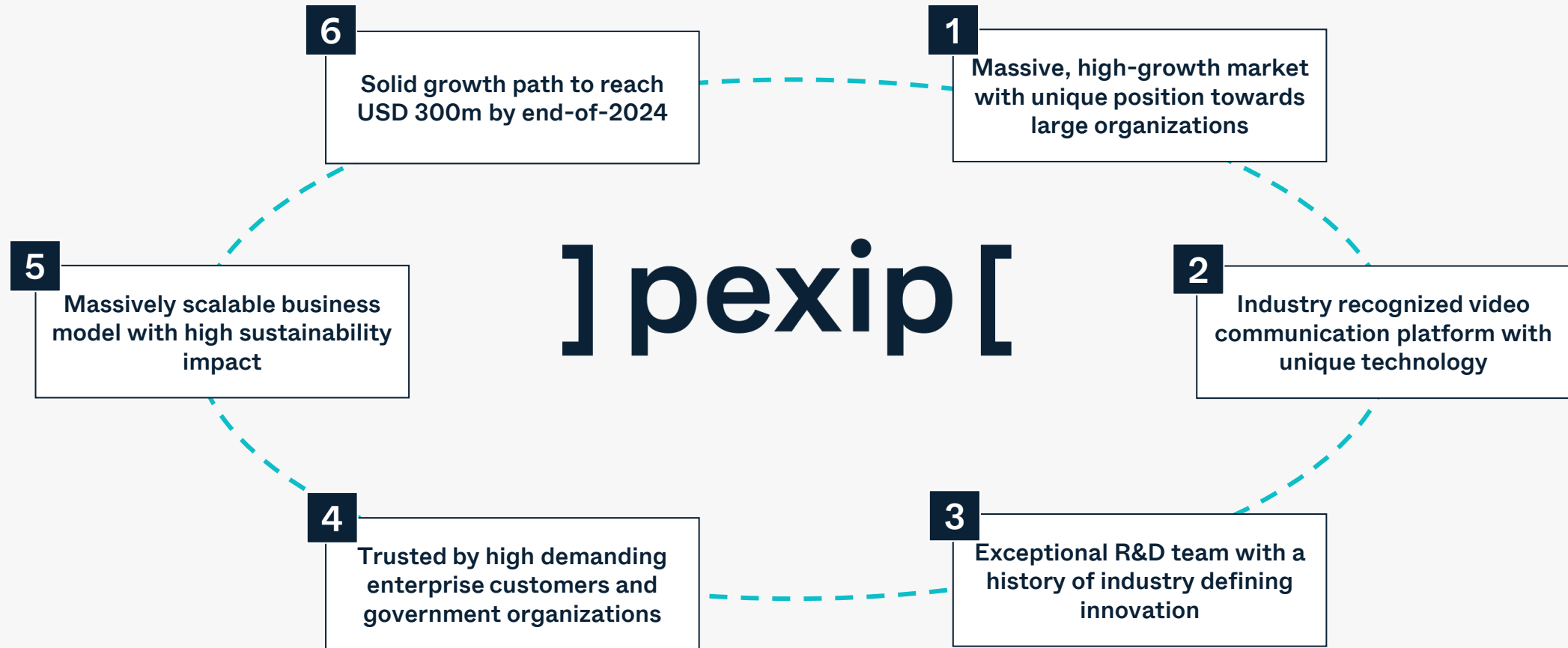
**Pexip’s technology is uniquely positioned to meet these new customer needs**

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





# 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

# Clear commitment to ESG

## - Pexip achieves carbon neutrality in Scope 1 and 2



### Pexip is proud to submit its first sustainability report

- Pexip has identified material topics using the GRI standards and met the Sustainability Accounting Standards Board (SASB) disclosure requirements for Software and IT Services
- Greenhouse gas emissions and energy use is one of the material topics which is key to both customers and other stakeholders,
  - Important driver for adoption of videoconferencing solutions
  - Important criteria in assessing Pexip as a vendor

### Pexip achieves carbon neutrality and commits to Paris agreement

- Pexip has through reviewing existing business and suppliers documented its scope 1 and scope 2 emissions and is proud to announce that Pexip through purchased carbon credits has become carbon neutral in Scope 1 and Scope 2.
- Building on this first step, Pexip will further set a GHG emission reduction target covering all direct and indirect emissions in 2021 in line with the Paris agreement and ICT industry commitments.

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.

# Q1 Operational update



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

## Selected by a range of large organizations

Selected customer wins in Q1 2021



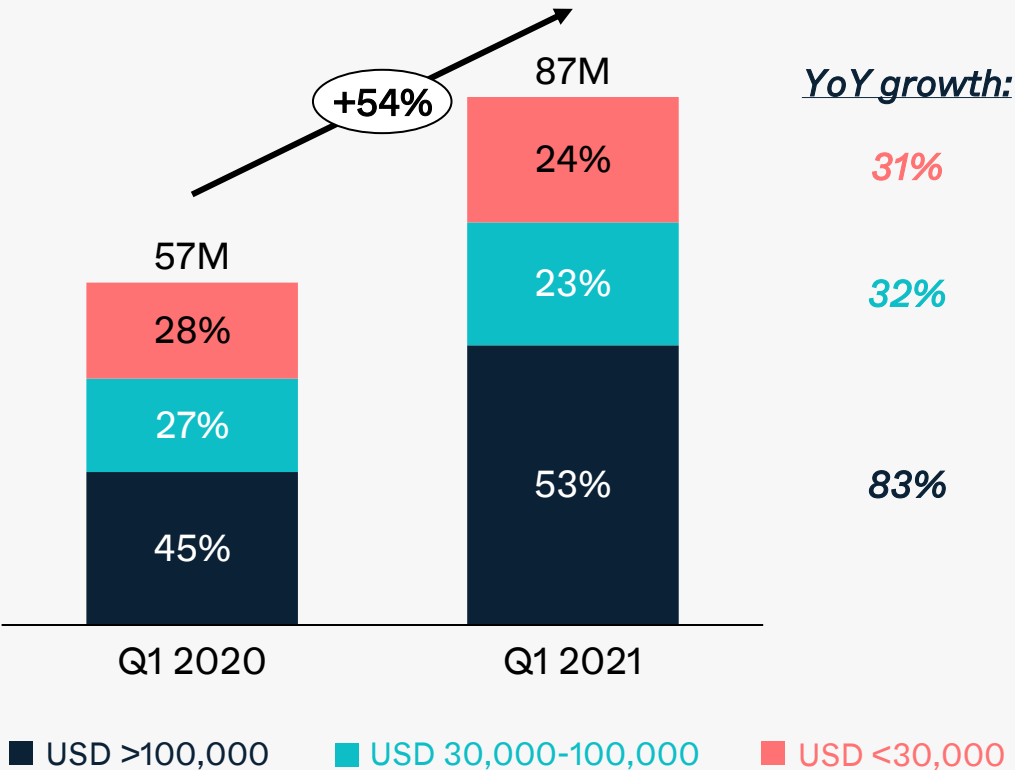
Honeywell



Foreign & Commonwealth Office

## Large organizations driving growth

Share of ARR by account size in ARR, USD



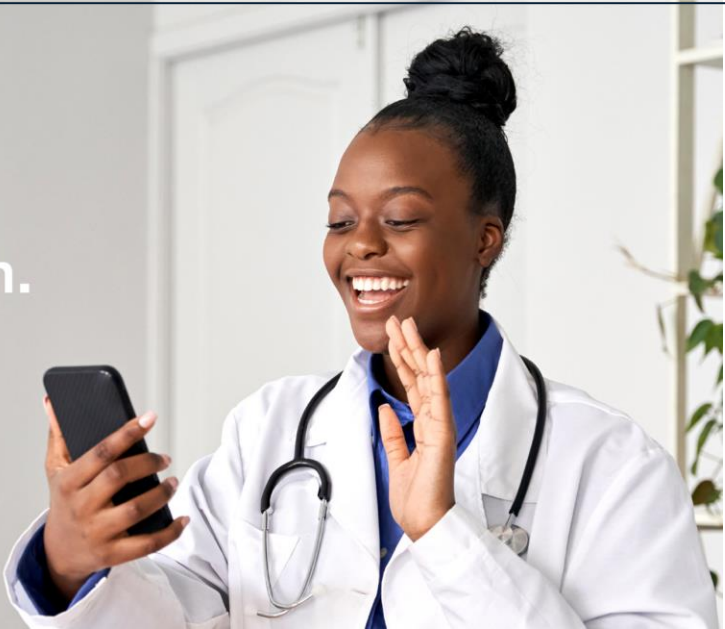
# Good customer traction for key product updates

## EPIC integration and Best Telehealth Platform Award

] pexip[ health


Meet  
Pexip Health.

Secure, easy to use  
video visits that work  
how you do.



30%  
virtual in 2022<sup>1</sup>

600.000  
visits per week<sup>2</sup>



## First Pexip Private Cloud Customer Closed in Q1



Pexip Private Cloud

Control  
your data  
and privacy

Manage  
easily,  
scale quickly

Customize  
for your  
needs

1) Gartner: Predicts 2021: Healthcare providers Must Accelerate Digital Transformation to Address Disruption, 25 Nov. 2020  
2) Average virtual visits hosted on the Pexip platform reported by healthcare providers in North America in Q4 2020

# Pexip recognized as a leading challenger in the Frost Radar for Cloud meetings and Team Collaboration Services

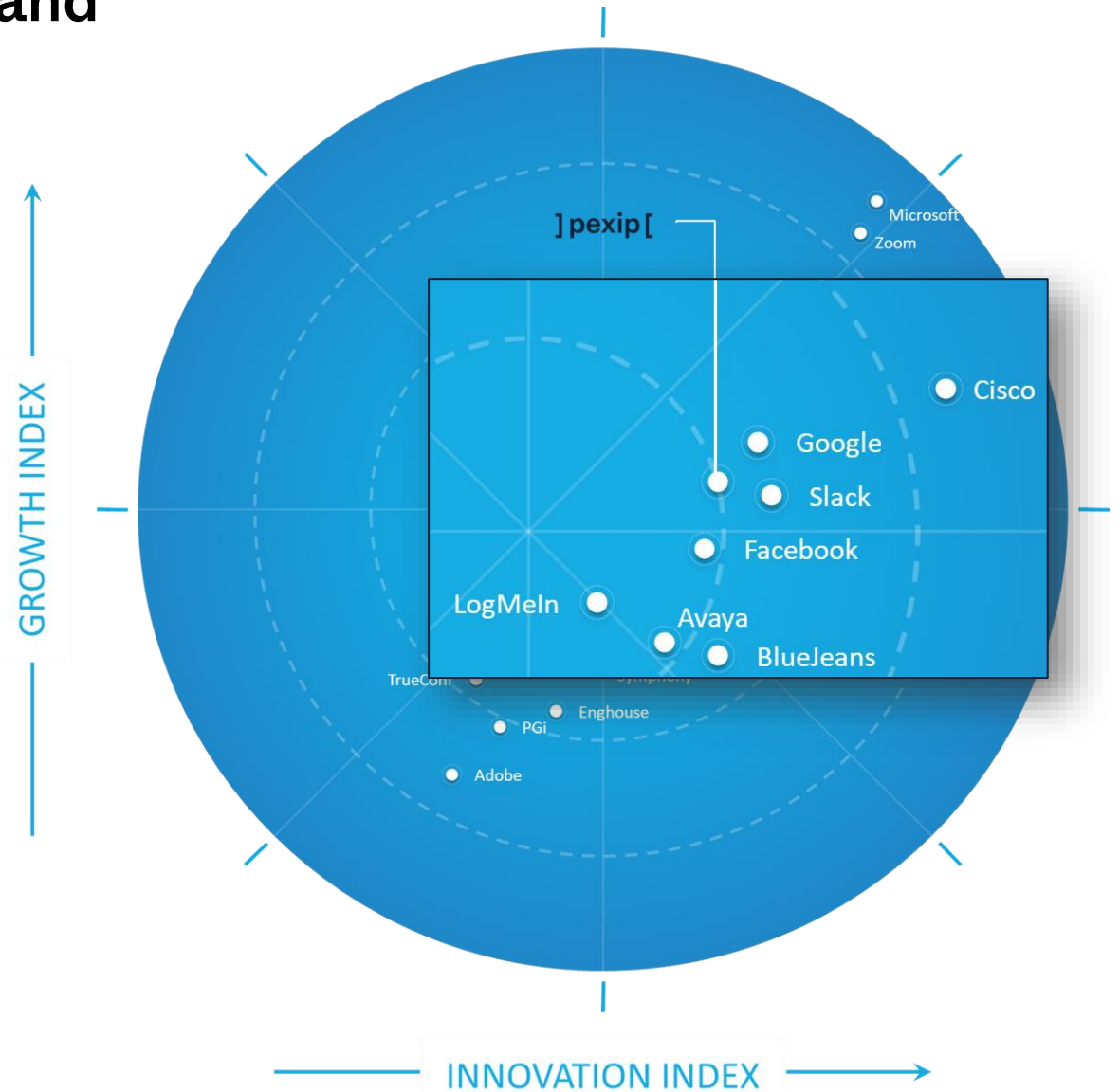
Frost perspective:

## INNOVATION INDEX

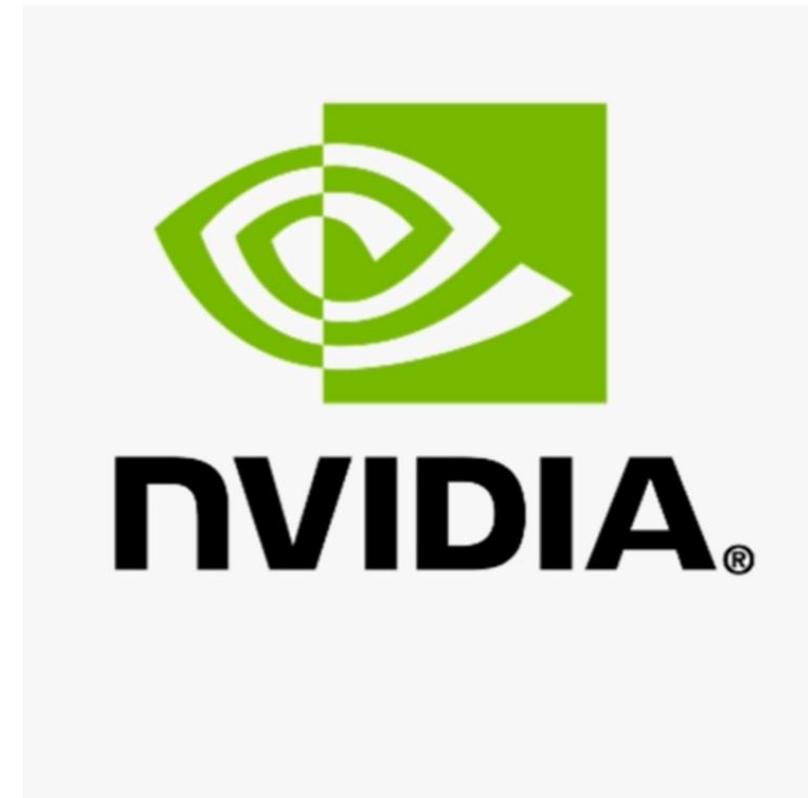
Deployment flexibility, AI-based meeting experience and integrations into workflows

## GROWTH INDEX

Strong and consistent growth of usage and recurring revenue



# Expanding our technology collaboration with NVIDIA

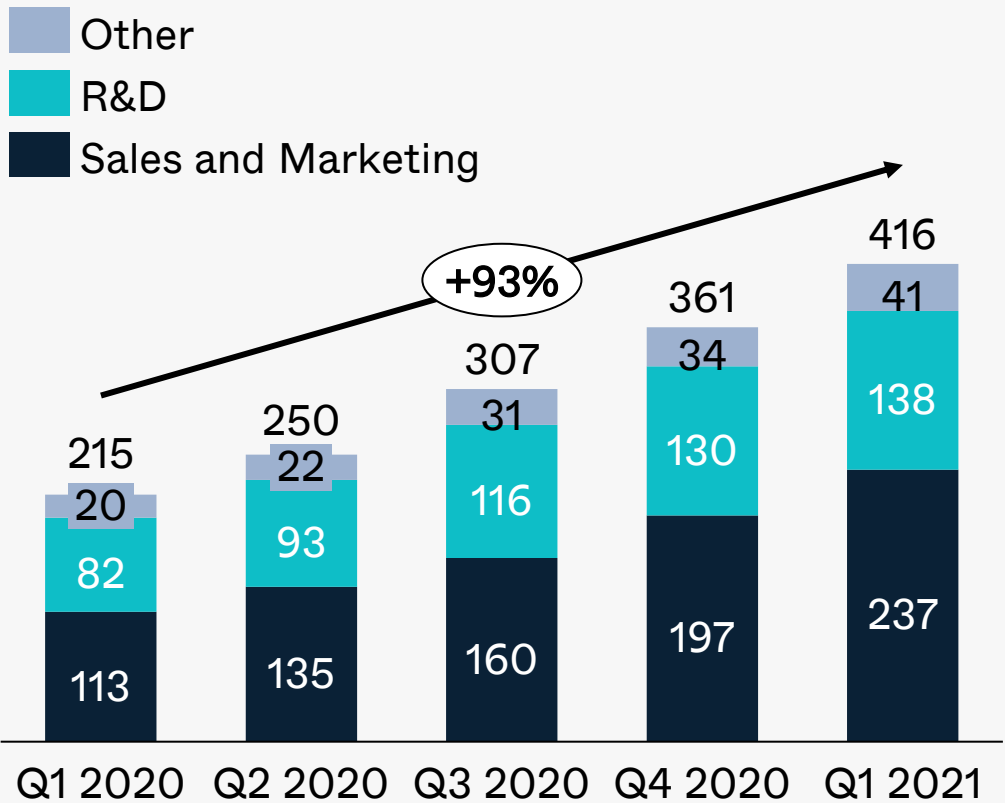




# Continue to build growth capacity and culture

## Scaling the team

Number of employees



Strong team and culture is key for future growth

- Strengthening the team is a key enabler for building stronger growth capacity
- Main focus continue to be on investing in additional sales and marketing capacity to build growth capacity, followed by R&D
- Pexip won the Best Place to Work award for the second year in a row in Q1, recognized by the Washington Business Journal

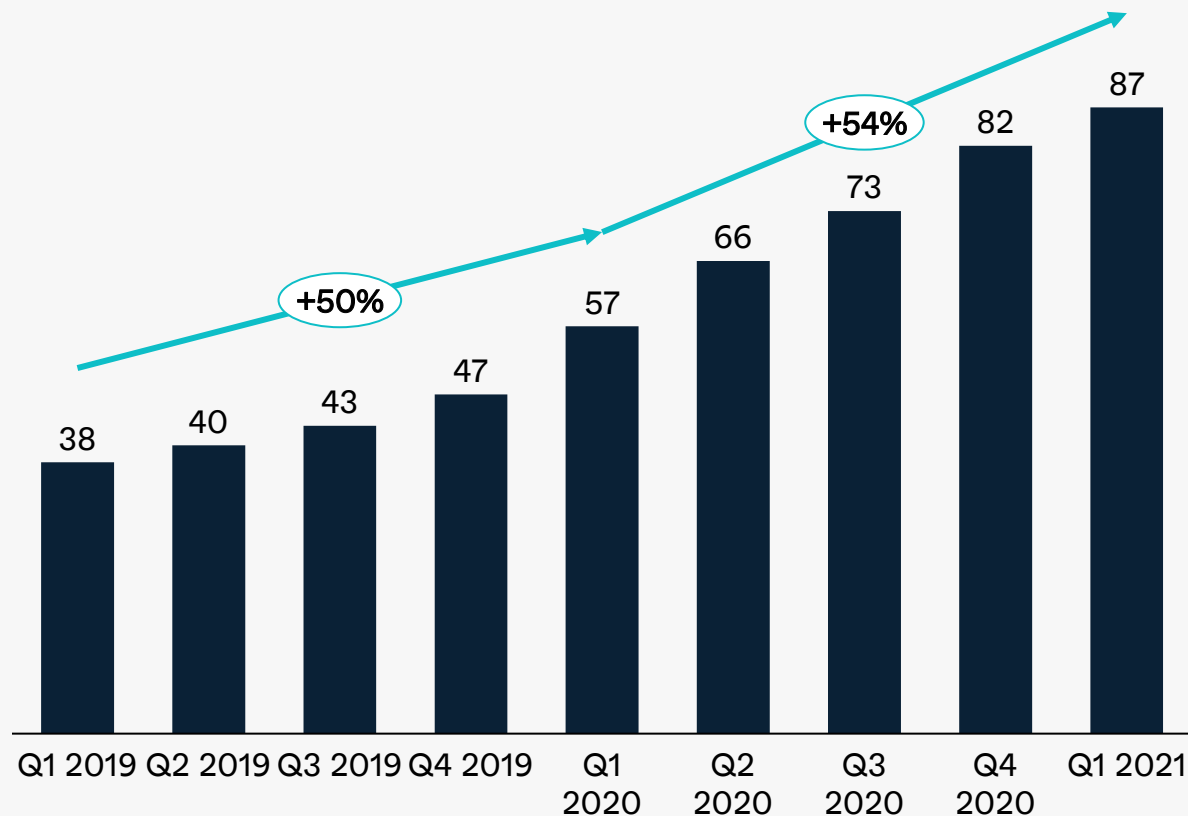


# Sales and financial performance

# 54% growth in Annual Recurring Revenue – Added 5.4 million in Q1 2021

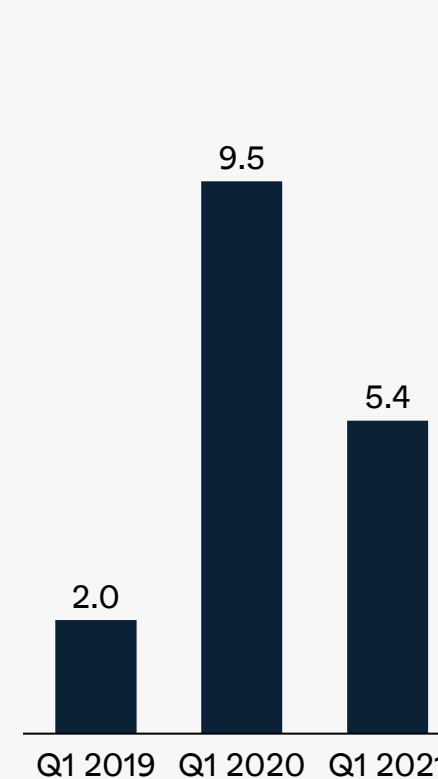
## Booked Annual Recurring Revenue (ARR) development

USD million



## Q-o-Q growth in ARR

USD million

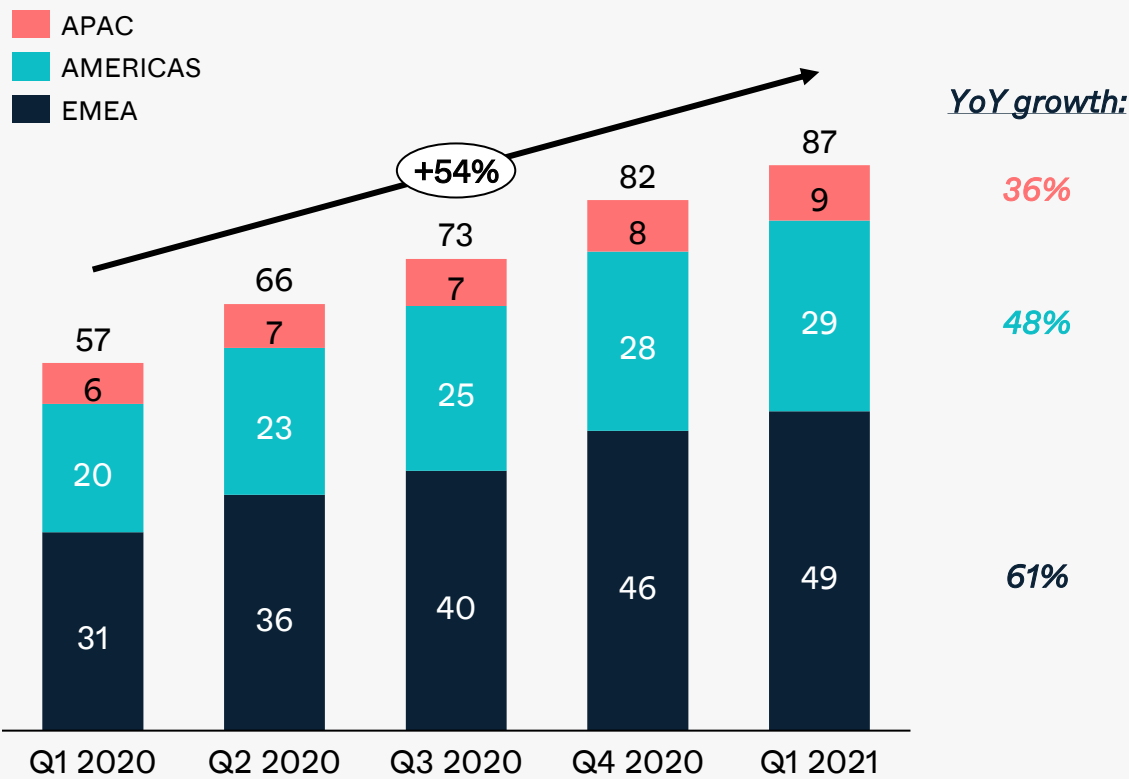


- Q1 2021 growth in ARR of USD 5.4 million, compared to USD 9.5 million in Q1 2020 and USD 2.0 million in Q1 2019
  - Q1 2020 saw growth of 4 to 5 million dollars from Covid-triggered upsell, as well as an extraordinary partner contract of 2 million dollars, in addition to 2.5 – 3.5 million dollars growth in other accounts.

# Strong growth contributions from all geographies and product lines

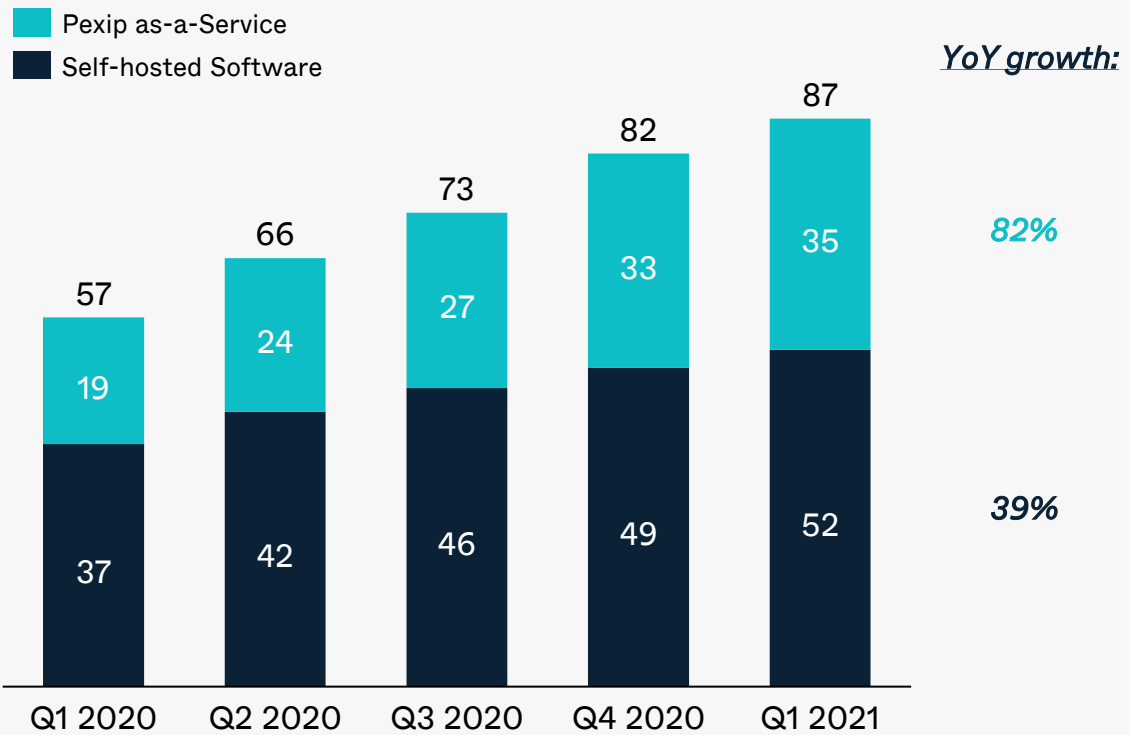
ARR per geo

USD million



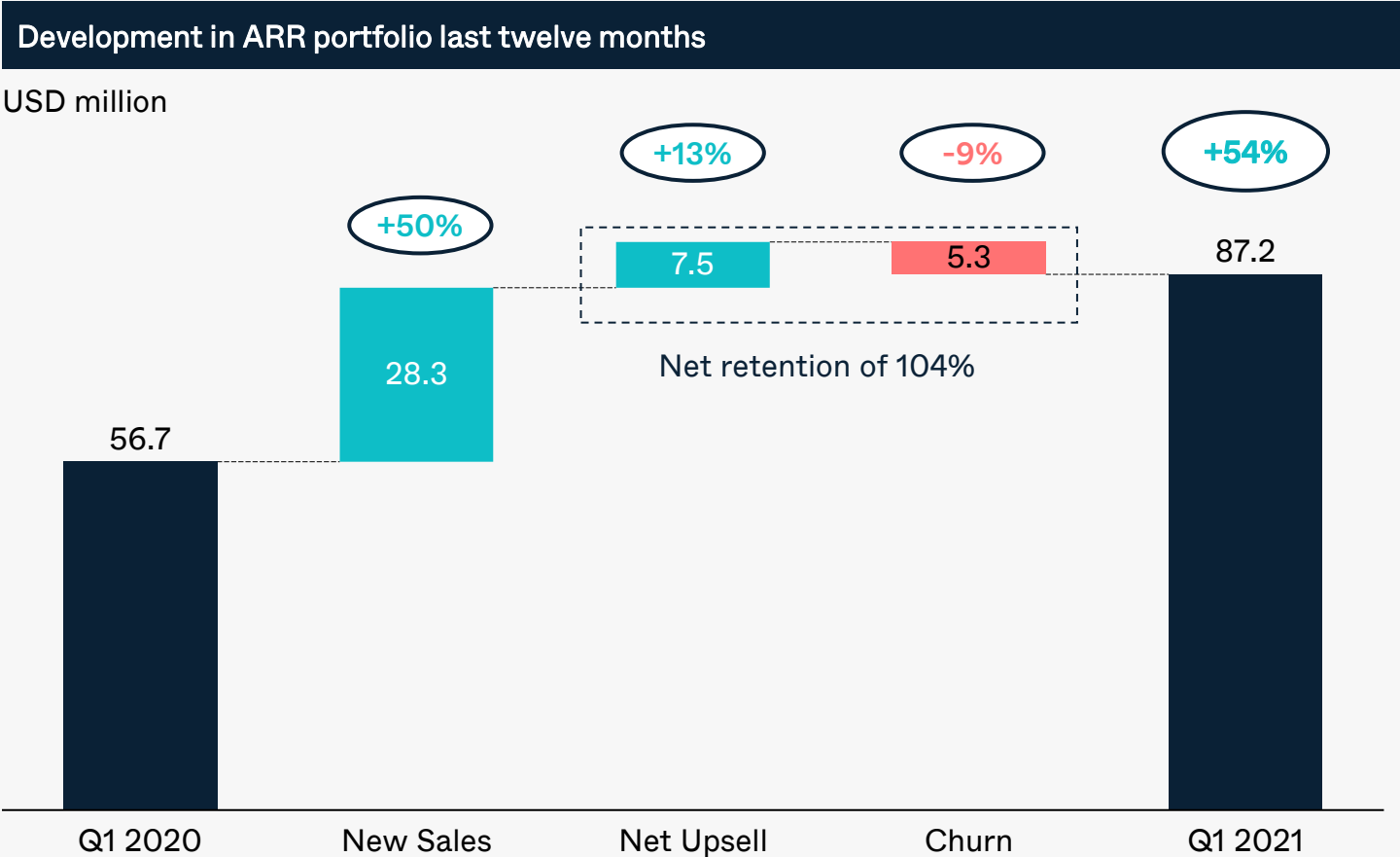
ARR per product

USD million





# New sales is the main driver for ARR growth with 50% in the last twelve months

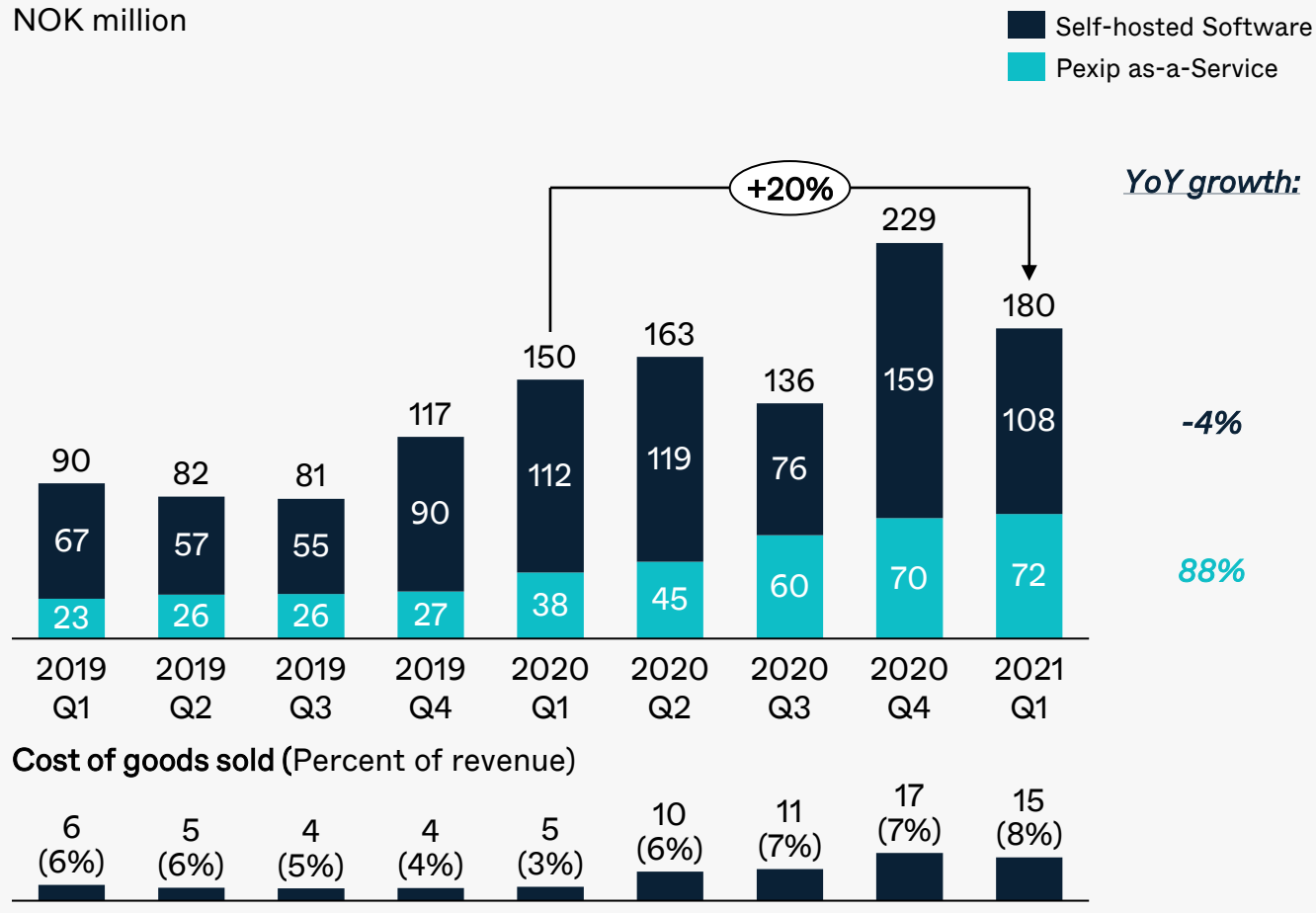


- Continue to increase last twelve months new sales
  - New sales increased with USD 2.3 million compared to Q1 2021 excluding an extraordinary USD 2 million partner deal in Q1 2020
- ARR net retention is now at 104%, down from 114% in 2020 and up from 99% in 2019 due to strong Covid-19 upsell in 2020

# ARR growth driving revenue growth

## Quarterly revenue development

NOK million



## Comments

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

- Overall growth of 88% Q1 2021 over Q1 2020 to NOK 72 million due to strong ARR growth. Some negative impact from NOK/USD exchange rate.

### Operating revenues – Self-hosted Software

- NOK 108 million in revenue Q1 2021 compared to NOK 112 million in Q1 2020. Q1 2020 saw extraordinary upsell to existing customers, where some were renewed in Q4 2020, pulling revenue forward into Q4 2020.
- 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 Q1 2020

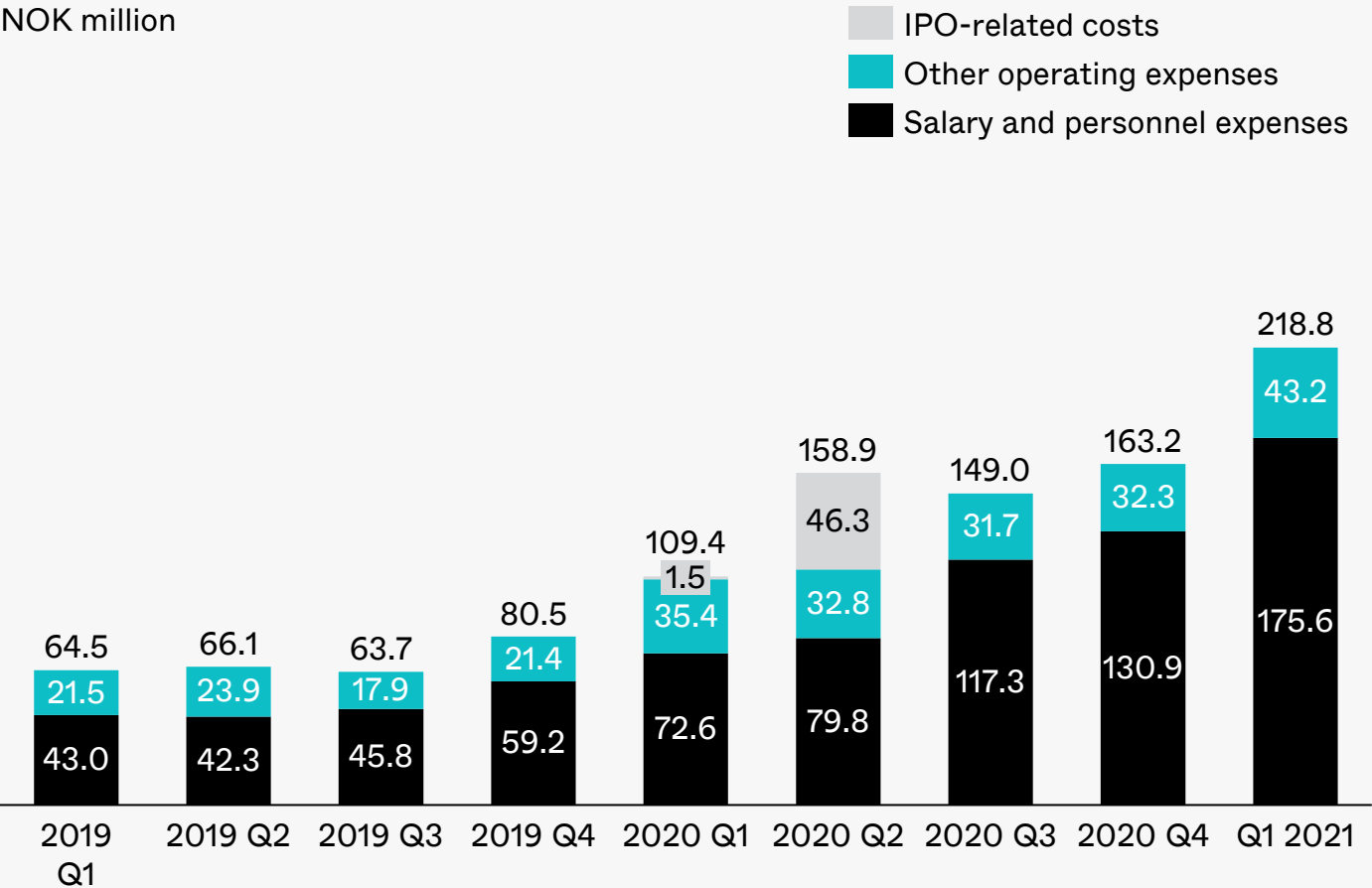
### Gross margin

- Cost of goods sold on same level as Q4 2020 due to higher Cloud Service revenue share and higher usage, as well as shift towards cloud-based hosting increasing cost of goods sold.
- Have moved several significant workloads from own hardware to cloud compute for better scale and operations as well as lower investments in own hardware

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

## Quarterly OPEX development

NOK million



## Comments

### Other Operating expenses

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

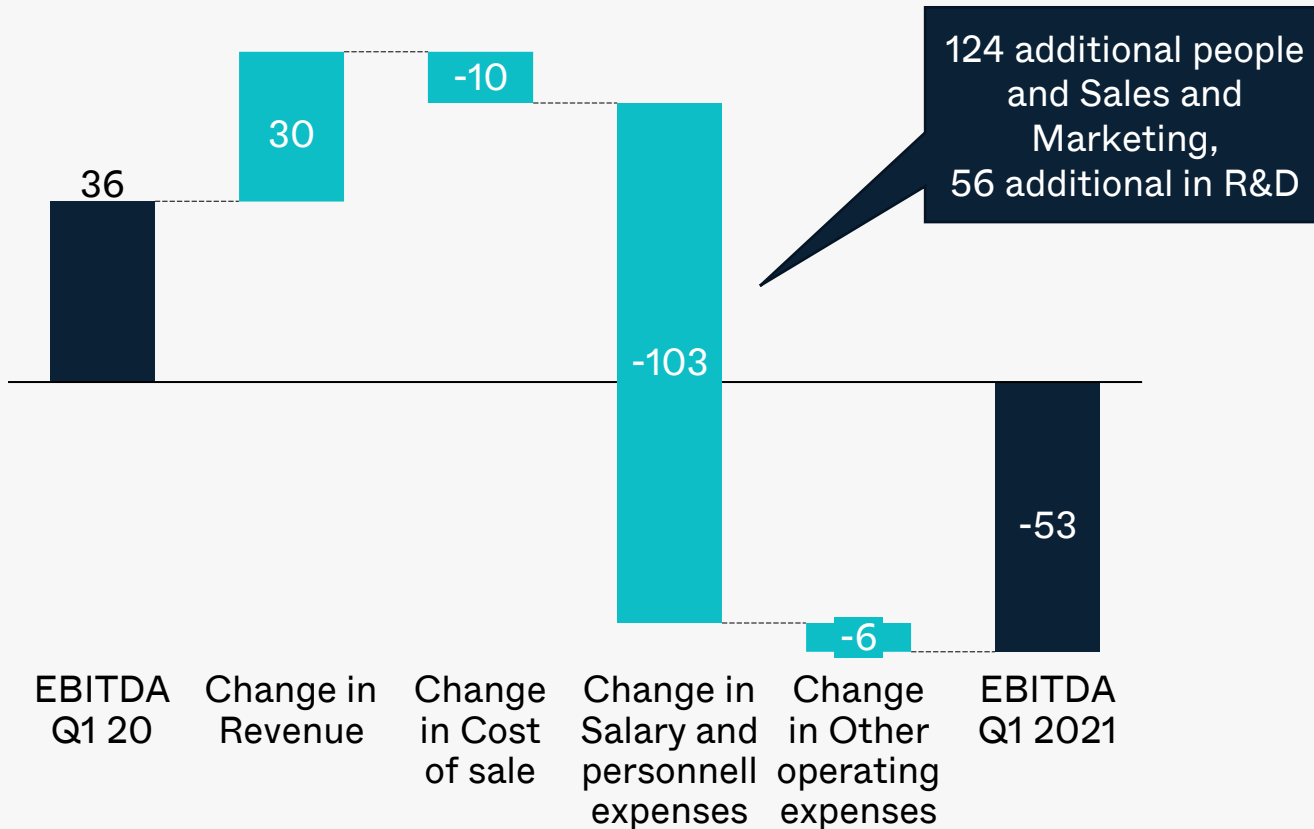
### Salary and personnel expenses

- Increased headcount main driver of increase in salary and personnel expenses
- Share option related costs of MNOK 33 million in Q1 2021, which is MNOK 28 higher than Q4 2020 to share price fluctuations in Q4 2020 and Q1 2021

# 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 93% to 416 in Q1

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

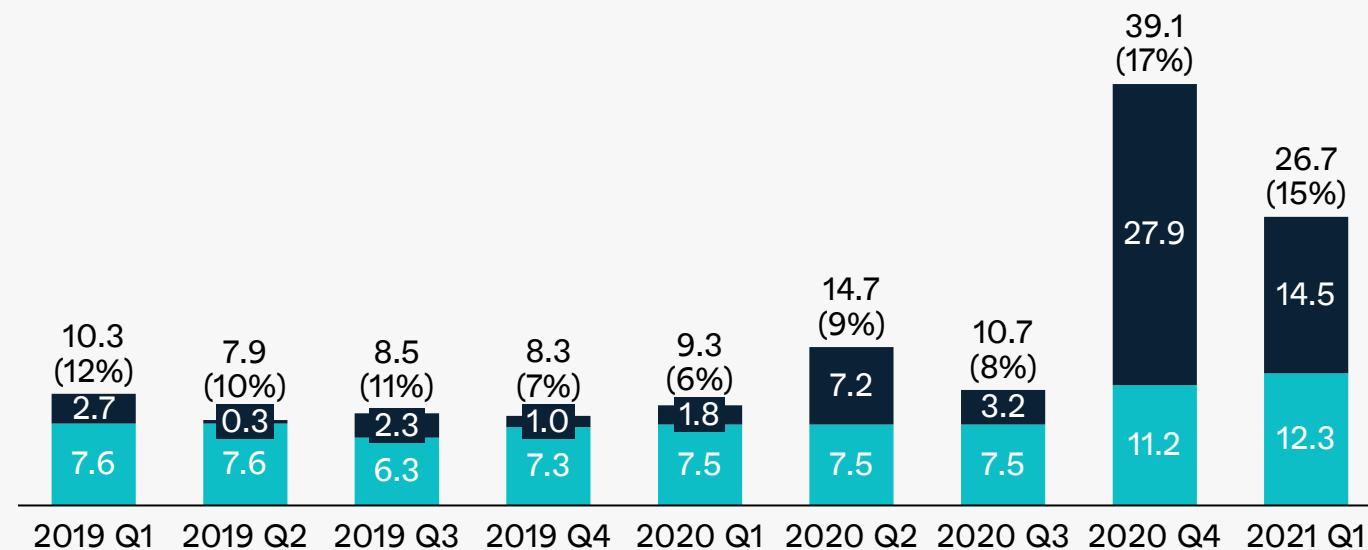


# Capitalized investments

## Cash flow from investing activities per quarter

NOK million, cash outflow

■ PPE and intangibles  
■ Software dev.



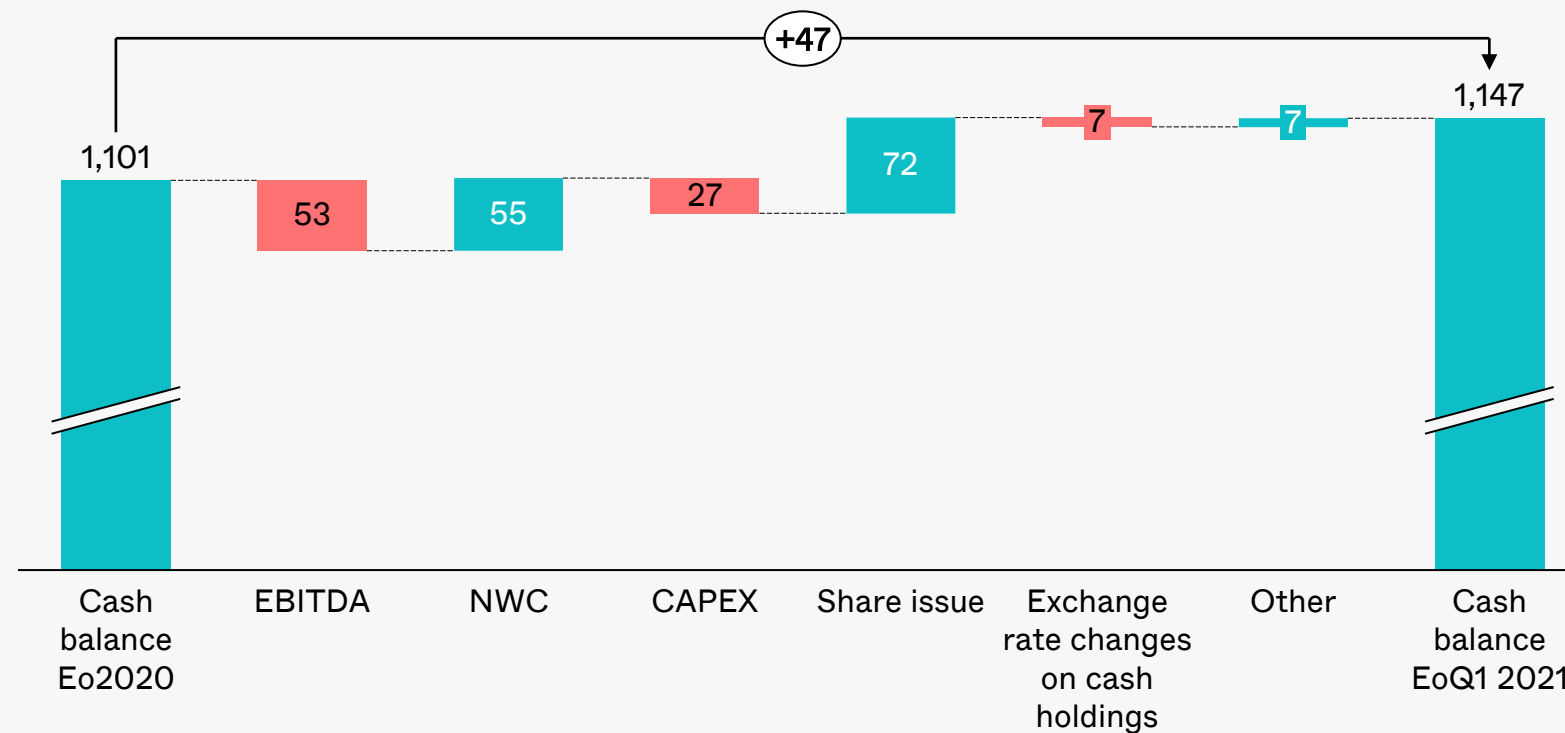
## Comments

- CAPEX on PPE and intangibles related to spend for servers and office fittings, as well as payments related to announced customer base acquisition for customers transferred in end-of-Q4.
- Capitalization of software development reflecting higher R&D activity

# Cash flow bridge

## Cash flow bridge Q4 2020

NOKm



## Comments

- Positive operational cash flow for Q1 2020 due to strong working capital development following strong sales in Q4 2020
- Positive cash flow of NOK 72 million from March employee option share issue
- Cash position of NOK 1,147 million out of Q1 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





# Q1 2021 in brief

## **Strong top line growth**

- Continued strong ARR growth with USD 5.4 million in Q1 2021/54% y-o-y growth
- NOK 180 million in revenue for Q1 2021, +20% compared to Q1 2020

## **Executing on the acceleration plan**

- Announced Pexip Health and NVIDIA collaboration
- Continue to build sales and R&D capacity - reached 416 employees end of Q1 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

## **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

Annual General Meeting

May 20, 2021

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Update on Annual Recurring  
Revenue

July 8, 2021

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Q2 2021 quarterly  
presentation

August 12, 2021

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## Q&A

