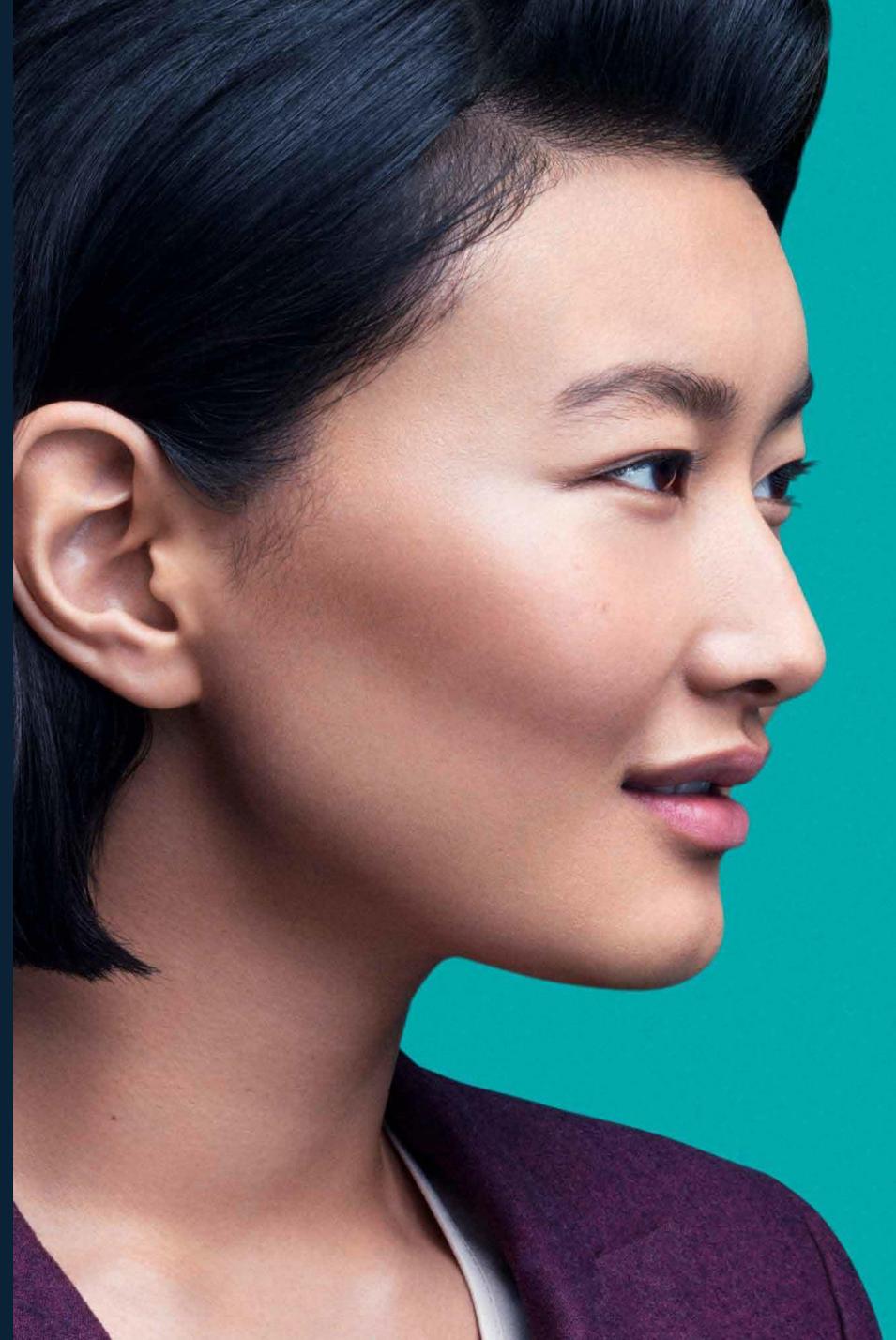


# ] pexip [

Meet the world  
with video communication as it should be

## Quarterly Presentation Q2 2020

12 August 2020



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# Business update

# Meet the world with video communication as it should be

100% software and cloud based



**Works everywhere for everyone**

- Flexible set-up, easy-to-use and manage
- Connects across multiple technologies
- Integrates with existing workflows
- A preferred provider among enterprises

# So far in 2020, Pexip has a strengthened position as an independent, focused video provider

High-quality video meetings with focus on privacy and security



**The European Council**

Vertical market applications and integrations



**HM Courts & Tribunal Service**

Expanding access to Microsoft Teams and Google Meet



**Mattel**

# Pexip trusted for global meetings: Lebanon emergency relief conference



**Scott Morrison** • Following  
Prime Minister of Australia  
19h • 🌐

Last night, I joined leaders and ministers from over 30 countries in a virtual conference to discuss what support can be given to Beirut and the ...see more



**Charles Michel**   
@eucopresident

The EU has already mobilised 33 million euros and is offering 30 millions more for the most urgent needs in [#Lebanon](#) 🇱🇧.

My speech at the international conference on assistance and support to [#Beirut](#) 🇱🇧: [europa.eu/!TR89wc](https://europa.eu/!TR89wc)

4:33 pm · 9 Aug 2020 · Twitter for iPhone

192 Retweets and comments 531 Likes



**Charles Michel** @euc... · 16h   
Replying to @eucopresident

People in [#Lebanon](#) 🇱🇧 want to know the truth, they deserve transparency and justice. An independent and credible inquiry into the cause of this tragedy is therefore crucial.

14 48 144

**Charles Michel** @euc... · 16h

I called on the Lebanese political authorities to work together, overcome their differences and drive reforms for the good of the people.



# Pexip has strengthened differentiators during 2020

	<i>Real-time media engine</i>	<i>Multi-cloud native architecture</i>	<i>High-touch sales</i>	<i>Strategic partners</i>	<i>“The Pexip way”</i>	
<i>What?</i>	 <p><i>Transcoding &amp; switching infrastructure</i></p>	 <p><i>Virtualized and distributed cloud architecture</i></p>	 <p><i>Leveraging channel partners for scalability</i></p>	 <p><i>Partnering with co-opetition</i></p>	<p><b>] pexip [</b></p> <p><i>Unique culture and agile organization</i></p>	
<i>Why?</i>	<ul style="list-style-type: none"> <li>✓ Client agnostic interoperability</li> <li>✓ Superior immersive experience (look, feel, quality)</li> </ul>	<ul style="list-style-type: none"> <li>✓ Run on any x86-based virtual machine in a highly distributed architecture (such as cloud compute)</li> <li>✓ Enables unprecedented deployment flexibility and scalability</li> </ul>	<ul style="list-style-type: none"> <li>✓ Significantly increased end-customer coverage</li> <li>✓ Scale fulfilment and support - provide multi-vendor capabilities</li> <li>✓ Pexip sales ensures direct customer relationship and partner focus</li> </ul>	<ul style="list-style-type: none"> <li>✓ Accelerated market awareness and customer reach through joint partner go-to-market</li> <li>✓ Multiple points of customer entry beyond Pexip stand-alone offering</li> </ul>	<ul style="list-style-type: none"> <li>✓ High innovation and productivity in product development</li> <li>✓ Closeness to customers and partners</li> <li>✓ Low turn-over</li> </ul>	
<i>Efforts in 2020</i>	<p><b>New unique features being introduced</b></p> <ul style="list-style-type: none"> <li>✓ Launched next level user experience with Adaptive Composition</li> <li>✓ IT-buyers given flexibility of deployment - Pexip Private Cloud pilots in progress</li> </ul>		<p><b>Significant up-scaling underway</b></p> <ul style="list-style-type: none"> <li>✓ Accelerated growth in Pexip sales and marketing capacity</li> <li>✓ Continued strengthening of core channel partner base</li> </ul>		<p><b>Continued close partnerships</b></p> <ul style="list-style-type: none"> <li>✓ New offering on One-Touch-Join and Enterprise Room Connector</li> <li>✓ Solid in-field co-operation due to strategic fit with partners</li> </ul>	<p><b>Strong organizational growth</b></p> <ul style="list-style-type: none"> <li>✓ 59% y-o-y growth in employees – strengthened training capabilities</li> <li>✓ Strong pipeline of new hires</li> <li>✓ Monthly turn-over at ~0.5%</li> </ul>
	<i>Technology</i>		<i>Go-to-market</i>		<i>Organization</i>	

# Introducing Pexip Private Cloud

## COVID-19's **impact**

- + pandemic showed the value of video
- + business continuity
- + supported via cloud services & self-hosted software
- + exposed weaknesses and bad practices from vendors

Going forward, **every meeting** will have a **video** dimension

# Today's Industry Choice

## Self-Hosted

- + IT administrators manage every component
- + IT's responsibility to grow/expand
- + control over information flow and storage

## Shared Cloud

- + IT administrators manage only config
- + vendor's responsibility to grow/expand
- + trust vendor with all personal information storage and procedures

# Introducing Pexip Private Cloud

## Control of self-hosted

- + control where data flows
- + control where data is stored
- + control change management

## Ease of Shared Cloud

- + scales as needed
- + automatically deploy new geographies
- + simple billing





With more than 83,000 employees, Queensland Health operates and manages hundreds of hospitals and healthcare facilities in Queensland, Australia

## The challenge

- Mirroring the real-life scenario of visiting a doctor
- Solution (hardware) agnostic for hospitals and
- simple to use for patients

## The solution

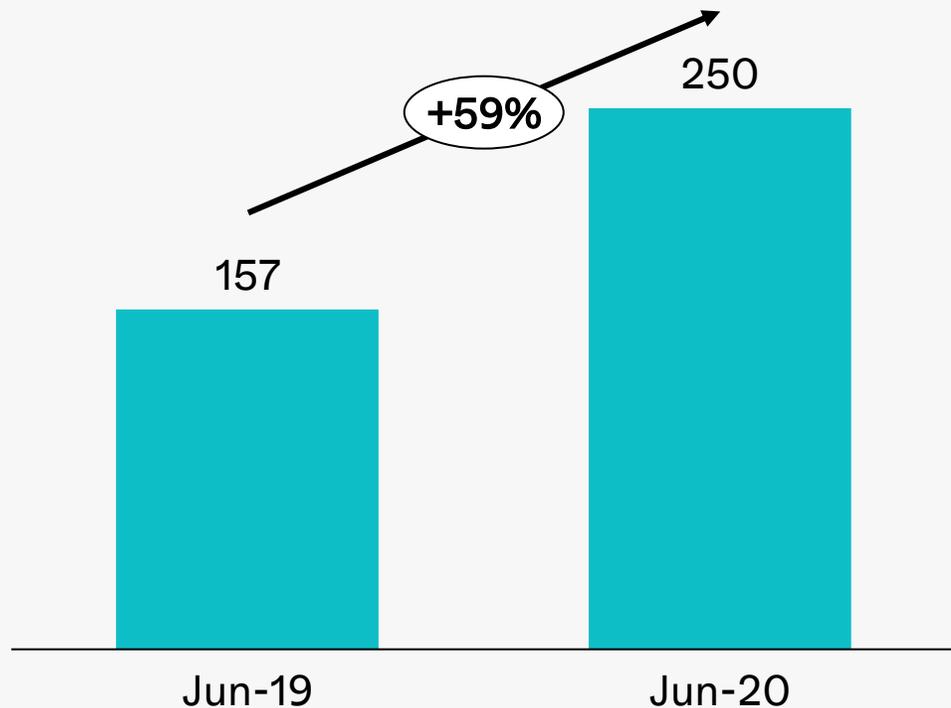
- Pexip Software deployed in a private cloud
- Customized branding
- Secure and private, Health Insurance Portability and Accountability Act (HIPAA) compliance

## The result

- *Moving telehealth from hospitals to the home*
- *Saving time and cost for doctors and patients*

# Increasing the team is key for future growth - Continuing to execute on the acceleration plan

Number of employees

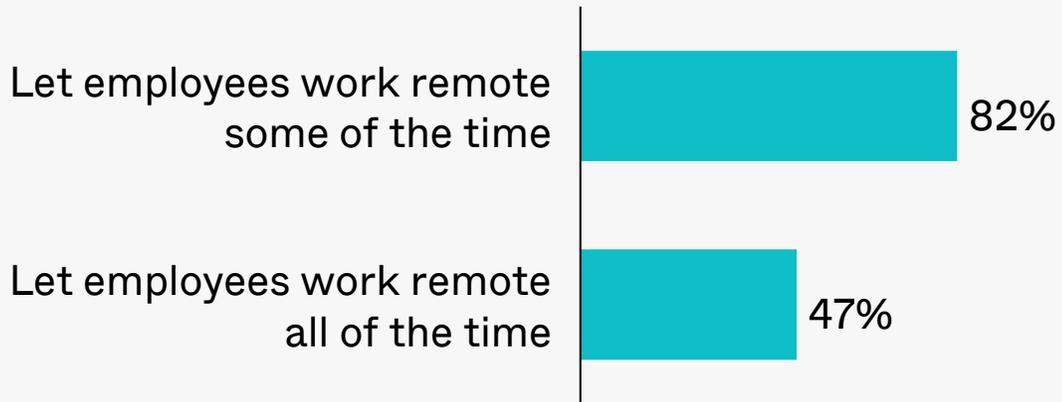


- Growth capability dependent on the size of the team
- Have increased to 280 employees as of today
- 60% of YTD growth in Sales and Marketing roles, 30% in Engineering, 10% in other functions
- Strong pipeline of quality talent, and maintaining the rigor of our recruiting process
- Continue to invest in building and strengthening the Pexip Way culture as well as training capabilities to scale well

# Covid-19 has opened Enterprise's eyes to the benefits of a hybrid workforce

The share of employees working partly remote is exploding

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Benefits from a hybrid workforce are likely to make a long-term material change in work routines

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- The need for social distancing is likely to be present for several quarters to come
- Enterprises building first-hand experience with benefits of having a hybrid workforce, such as:
  - Contribute to a range of sustainability goals, e.g., reducing travel emissions
  - Increases productivity
  - Enables work flexibility

**Pexip is uniquely positioned with its capabilities in enabling everyone to meet across all types of PC-based and meeting room video endpoints**

# Sales results and financials

# Long-term goals

**Revenue growth**

ARR of USD 300m by 2025

**Long-term profitability**

+25% EBITDA margin by 2025

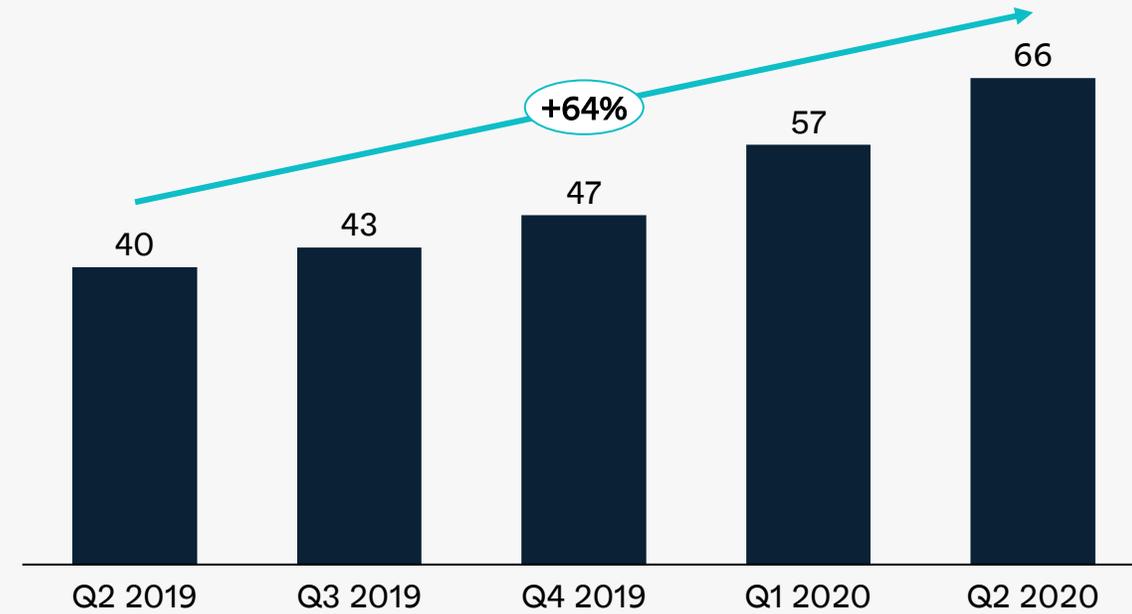
**Market recognition**

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

# Second quarter sales highlights (1/2)

*Strong development in ARR with 64% growth YoY driven by strong Q1 and Q2 growth*

**Contracted Annual Recurring Revenue (ARR) development Q2 2019 – Q2 2020**  
USDm

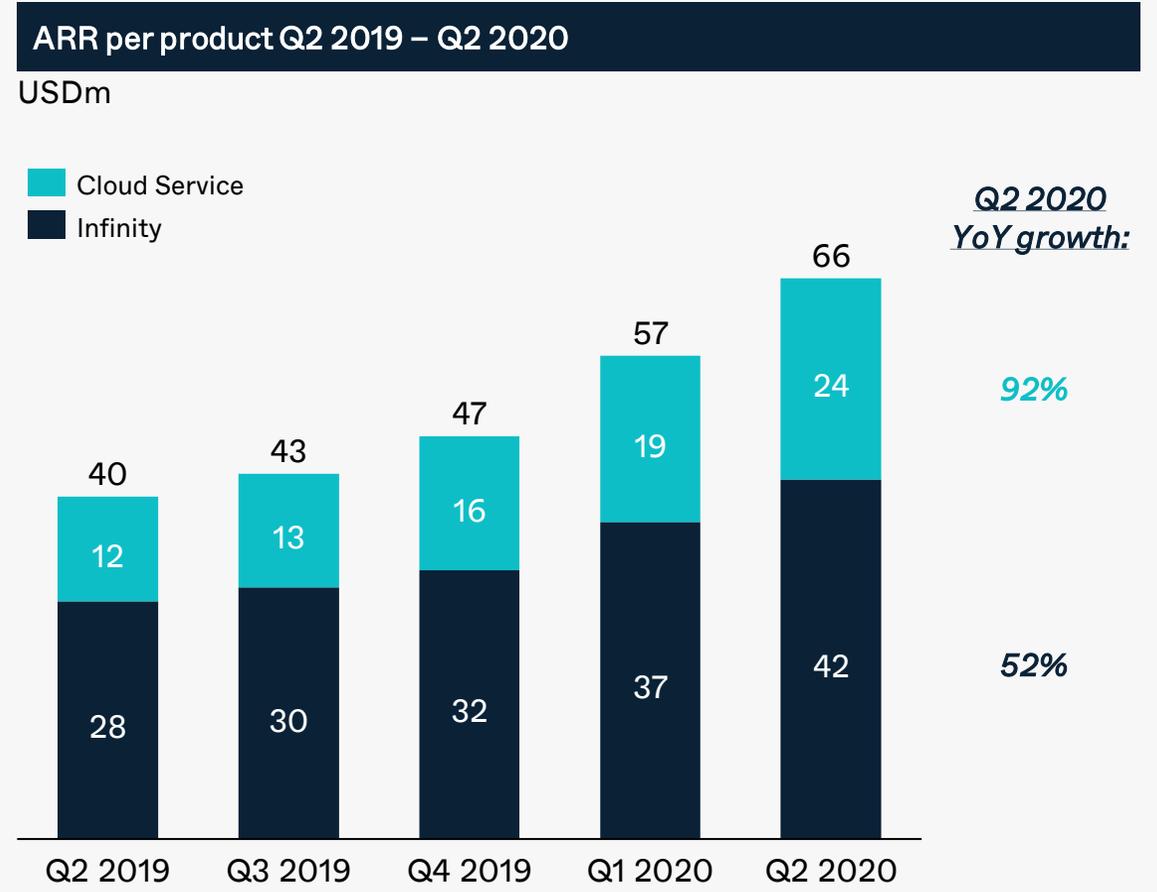
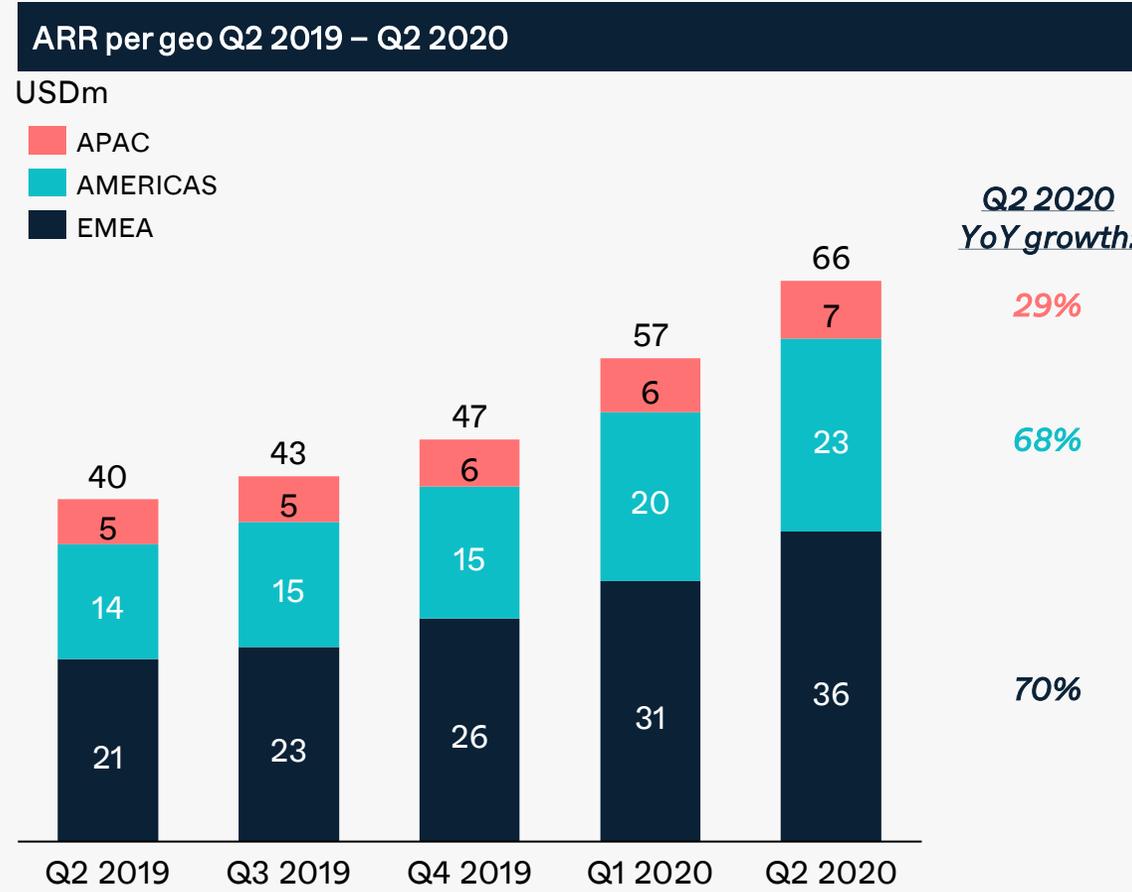


**Q-o-Q growth in ARR Q2 2019 – Q2 2020**  
USDm



# Second quarter sales highlights (2/2)

Strong development across both products and geographies

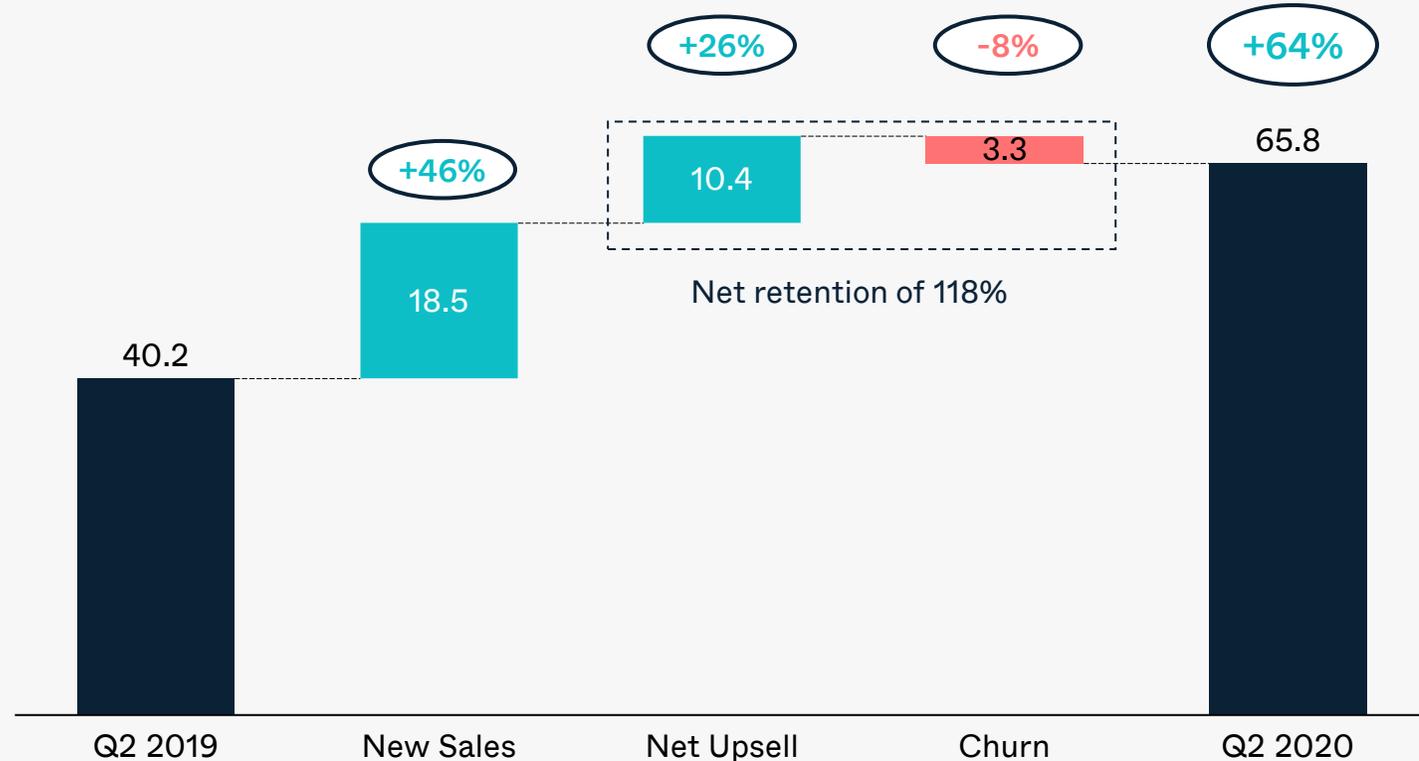


Note: USD 2 million reclassified from Infinity to Cloud Service in Q1 2020 versus last report.

# Significant improvement in new sales in Q2 2020

## Development in ARR portfolio last twelve months

Annual recurring revenue, USDm

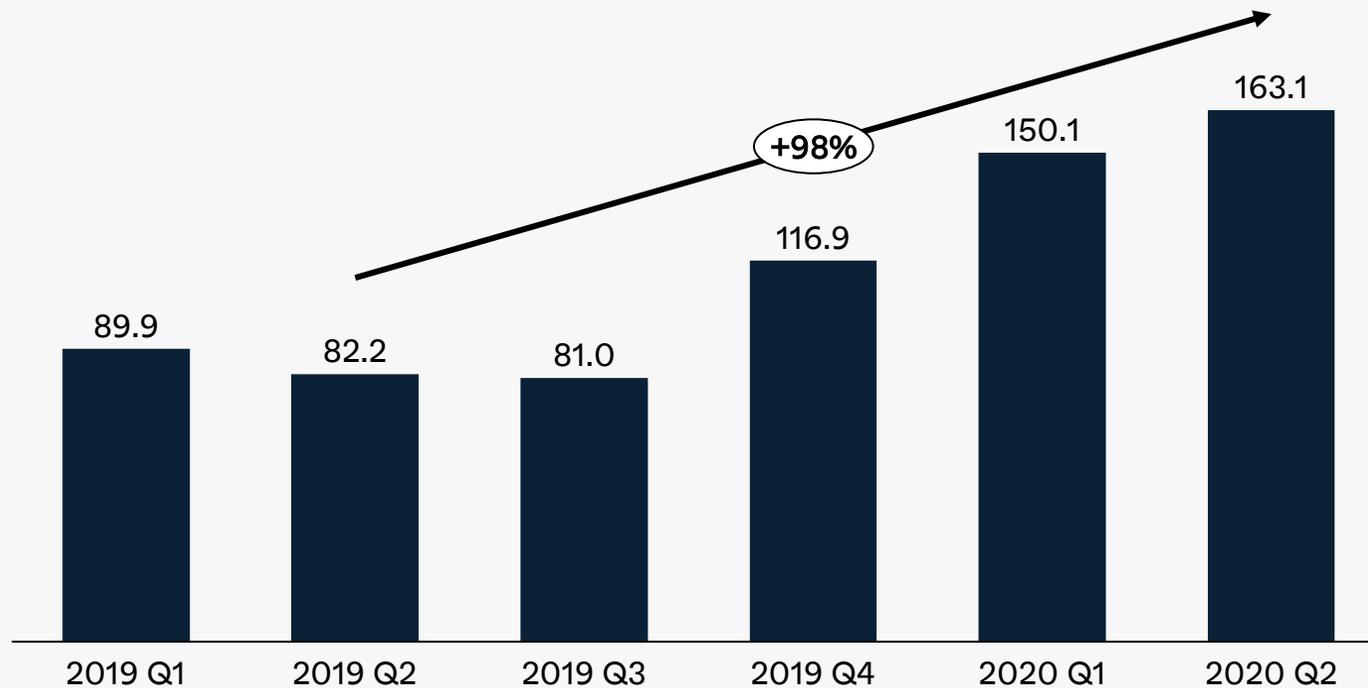


- Year-on-year growth increased to 64% out of Q2 2020 from 50% out of Q1 2020
- Majority of growth driven by net new sales, up from 37% in Q1 2020
- Increase in net retention of 118%, up from 114% out of Q1 2020, due to higher net upsell
- Churn stable on the same level as Q1

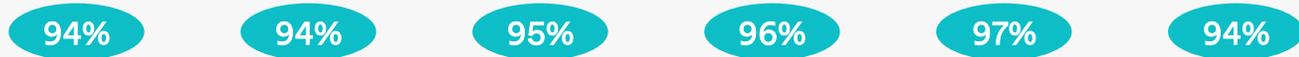
# Revenue and gross margin development

## Quarterly revenue development Q1 2019 – Q2 2020

NOKm



Gross margin, Percent of revenue



## Q2 2020 revenues breakdown per geo and product area

NOKm (YoY growth)	EMEA	Americas	Apac	Total
Cloud Service	29.0 (+76%)	12.8 (+70%)	2.8 (+88%)	44.6 (+75%)
Infinity	68.9 (+147%)	38.3 (+91%)	11.4 (+30%)	118.6 (+109%)
<b>Total</b>	<b>97.8 (+120%)</b>	<b>51.1 (+85%)</b>	<b>14.1 (+39%)</b>	<b>163.1 (+98%)</b>

### Comments

#### Operating revenues - Infinity

- Strong sales in Q2 2020 which lead to significantly higher revenue in the quarter, balancing historic seasonality with lower revenue in Q2/Q3 due to lower volume of annual contract renewals in Q2 and Q3 (majority on 12 month prepaid contracts).
- Infinity revenue comprising mainly of software licence subscriptions, which are recognized at time of delivery
- Average NOK/USD exchange rate 15% higher, with NOK/USD being 9.86 in Q2 2020 vs 8.6 in Q2 2019

#### Operating revenues – Cloud service

- Overall year-on-year growth of 75% from Q2 2020 due to strong sales across a number of accounts
- Cloud service revenues are recognized over the lifetime of the subscription contract

#### Gross margin

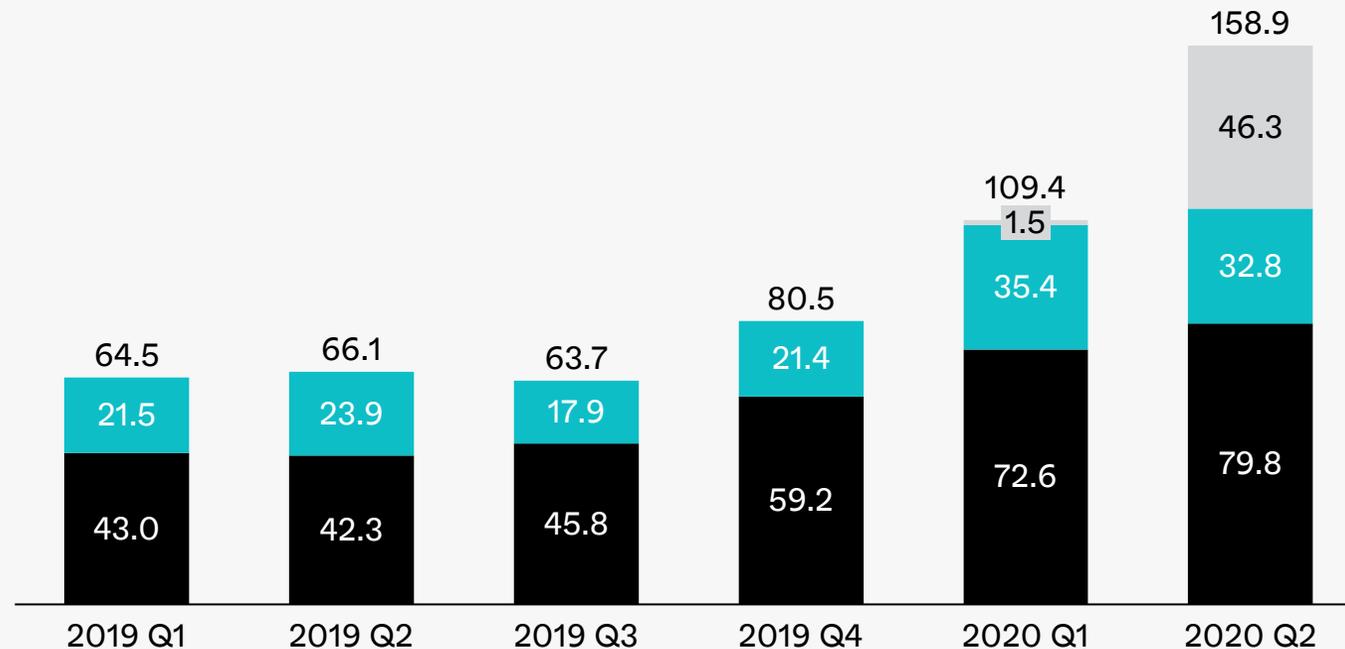
- Higher COGS, NOK 10 million in Q2 2020 compared to NOK 5 million in Q2 2019, related to high use of Pexip's Cloud Service offering

# Operating expenses

## Quarterly OPEX development Q1 2019 – Q2 2020

NOKm

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



## Comments

### IPO transaction costs

- Transaction fee related to the secondary offering of the IPO are accounted for as part of Operating Expenses, as well as non-recurring transaction-related costs such as professional services and introduction fees

### Other Operating expenses

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

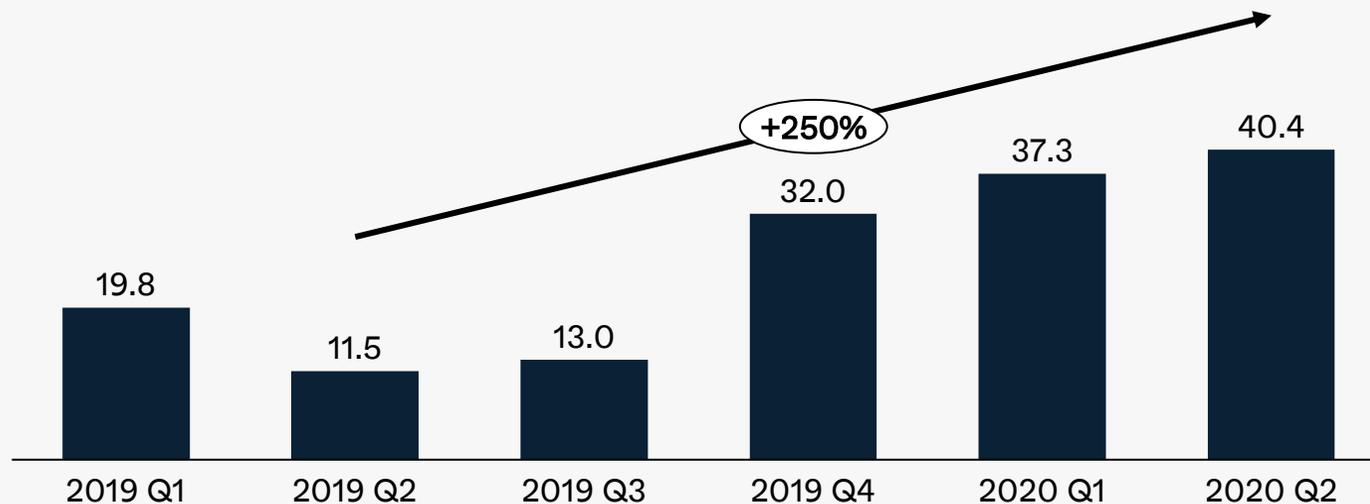
### Salary and personnel expenses

- Increased headcount throughout 2019 and in YTD 2020 leading to higher employee expenses
  - Headcount increased from 157 at the end of Q2 2019 and 182 at the end of 2019 to 250 at the end of Q2 2020
- Cost per employee somewhat impacted by currency as majority of employees are outside Norway.

# Adjusted EBITDA

Quarterly Adjusted<sup>1</sup> EBITDA development Q1 2019 – Q2 2020

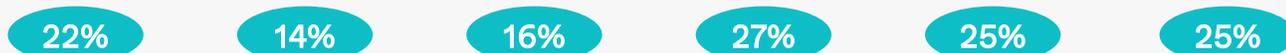
NOKm



Comments

- Adjusted EBITDA in line with previous quarters
- Following our acceleration plan, we expect EBITDA to decline going forward as we increase OPEX in Sales and Marketing, as well as in R&D following the capital raise in May

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

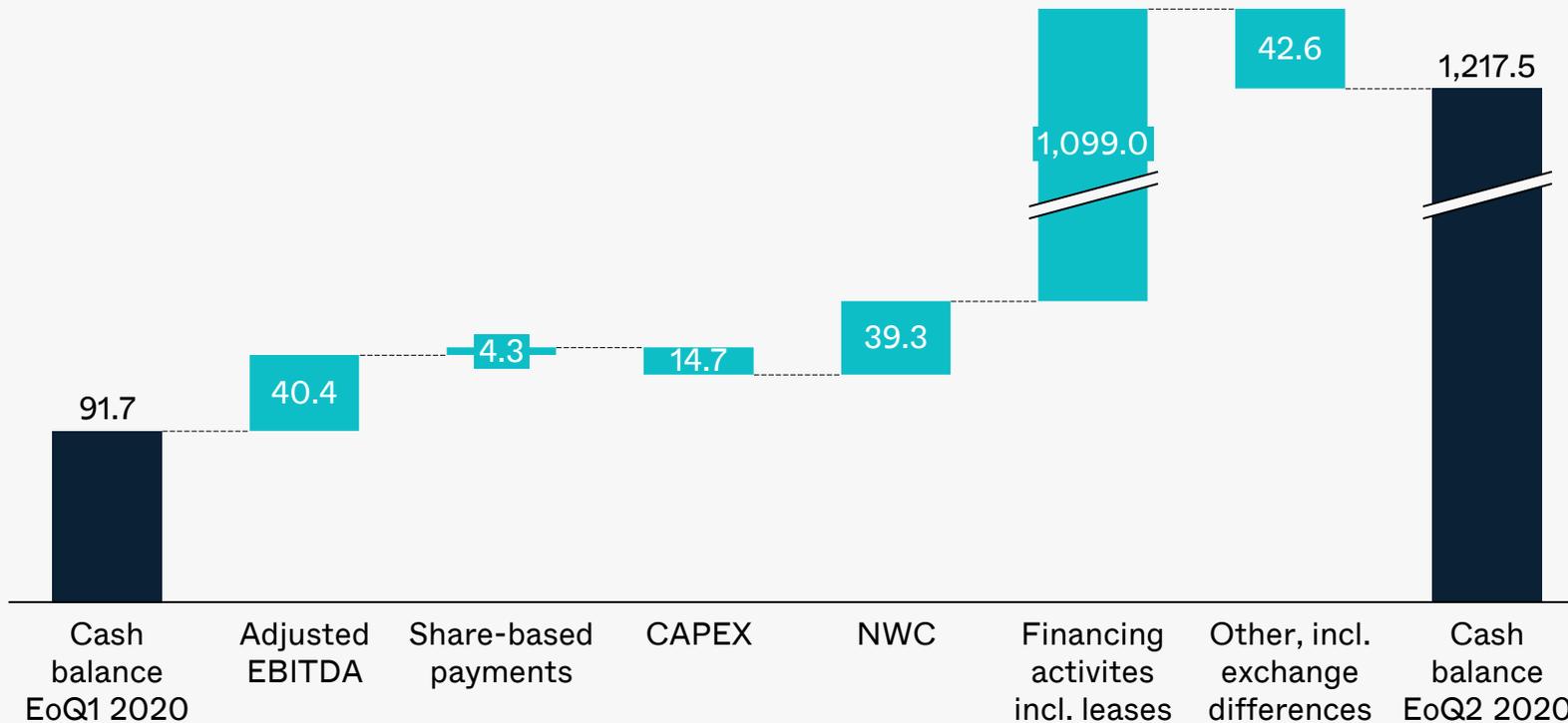


<sup>1</sup> Less of IPO transaction costs

# Cash flow bridge

## Cash flow bridge Q2 2020

NOKm



### Comments

- Net proceeds less transaction fees and transaction-related costs from issuing new shares of NOK 1,101 million, with remaining elements contributing NOK 25 million
- CAPEX is related to capitalization of own software development, as well as investments in IT infrastructure to meet increased capacity demands from use of Pexip's Cloud Service offering
- Decrease in NWC and Trade receivables due to strong sales towards the end of Q1 2020 that were collected in Q2 2020
- Significant impact from currency exchange differences impacting cash flow in Q1 as the NOK/USD exchange rate has varied significantly during the quarter

# Summary



## Second quarter in brief

### Delivering on the acceleration plan

- Strengthened differentiators across technology and sales
- Released innovations on scaling, security and product features, as well as released the new Private Cloud offering for live customer pilots
- 59% year-on-year growth in people to support medium-term growth
- Solid cash position of NOK 1,207 million to invest in further growth

### Converting demand to strong topline growth

- 64% year-on-year growth in the subscription base measured in ARR
- 98% year-on-year growth in revenue for the quarter
- Adjusted EBITDA-rate of 25%

### The Pexip Way Culture has proven itself through the crisis

- Solid team effort to continue to support existing and new customers and deliver tech innovations despite Covid 19 restrictions



# 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

**Ahead of plan towards long-term target of USD 300 million in ARR by 2025**

# Upcoming dates

Update on contracted  
Annual Recurring Revenue

By October 7<sup>th</sup>

Q2 2020 quarterly  
presentation

November 11<sup>th</sup>

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Q&A

