



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



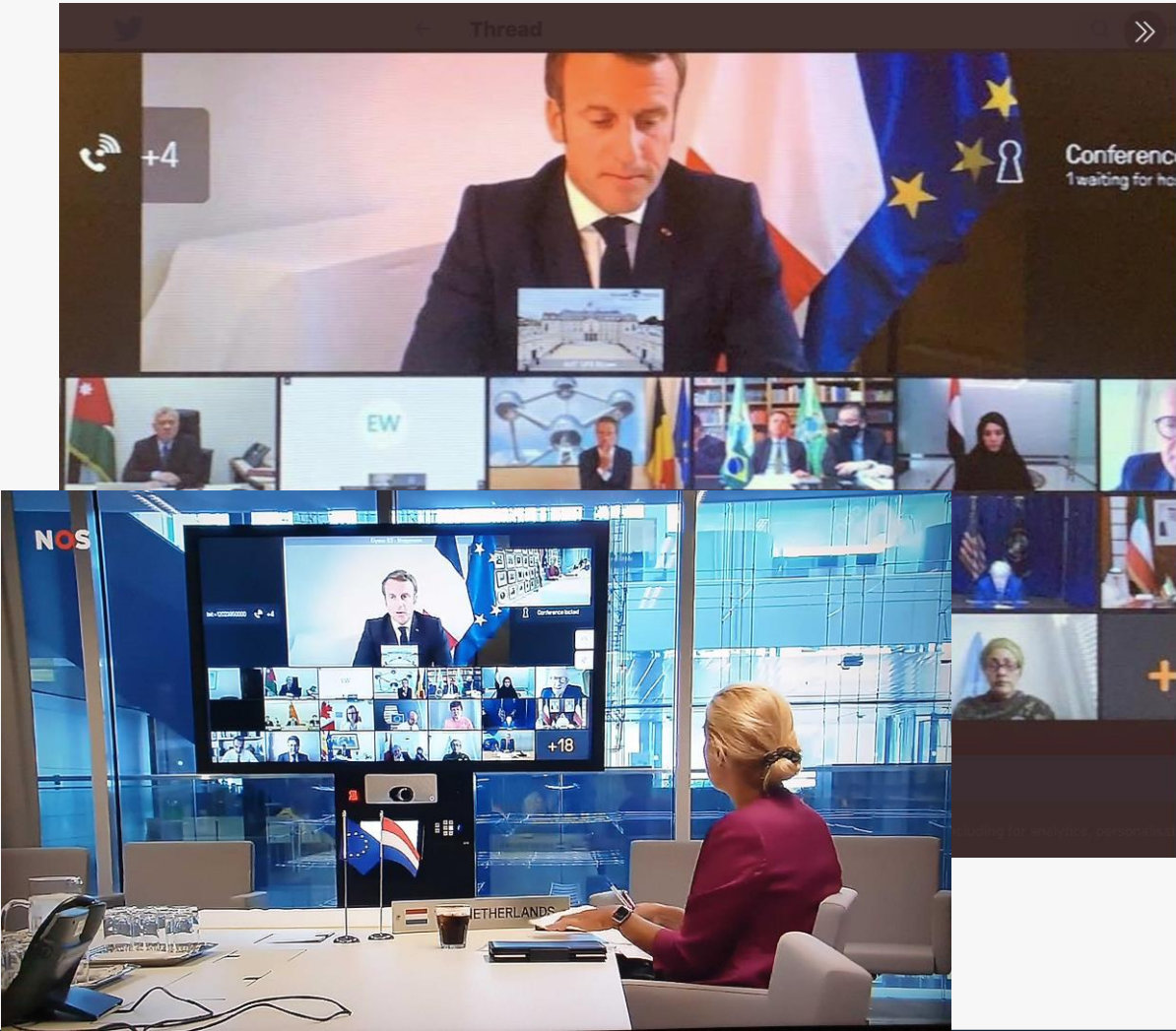
HM Courts & Tribunal Service

Expanding access to Microsoft Teams and Google Meet







Mattel

Pexip trusted for global meetings: Lebanon emergency relief conference



Pexip has strengthened differentiators during 2020

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

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

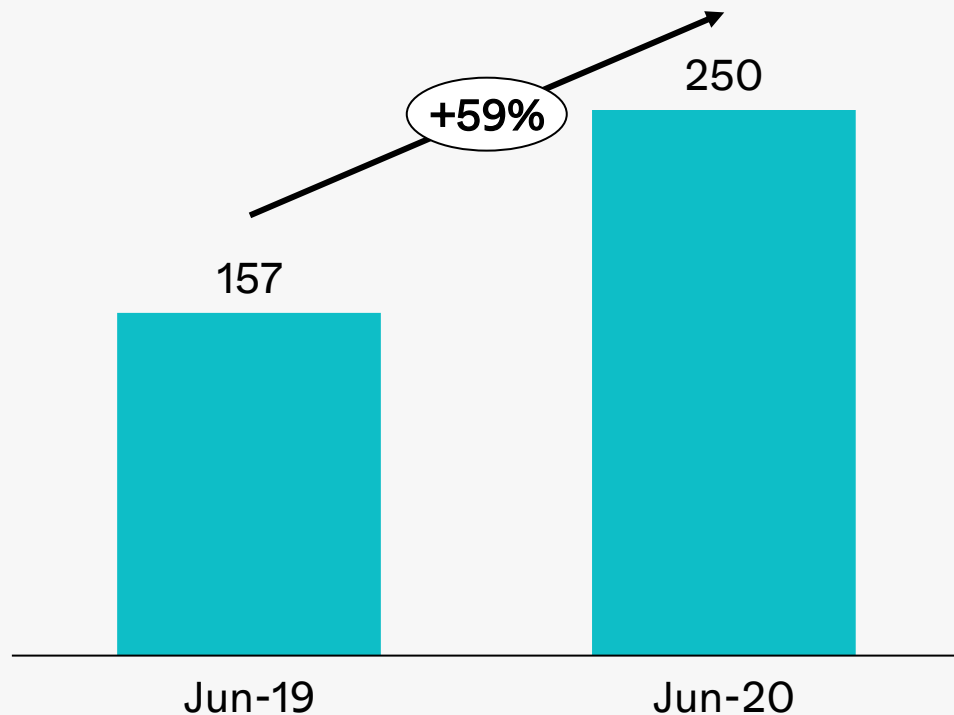
- Pexip Software deployed in a private cloud
- Customized branding
- Secure and private, Health Insurance Portability and Accountability Act (HIPAA) compliance

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

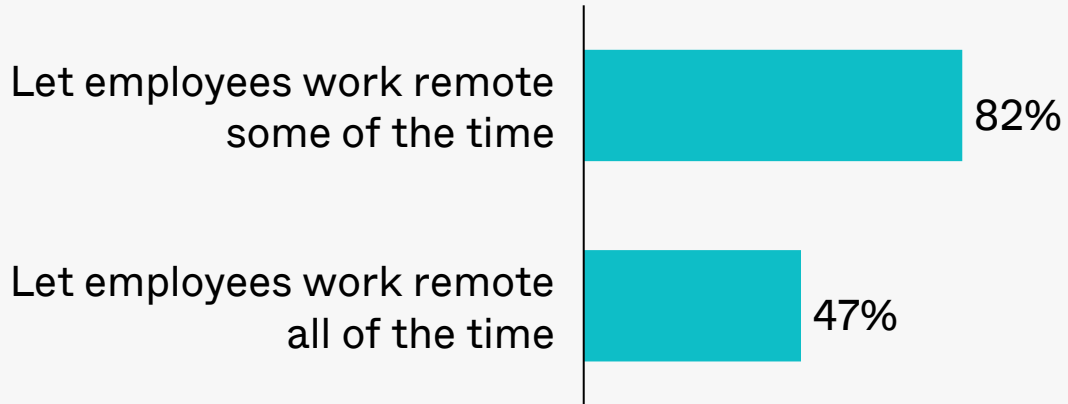
Number of employees



- 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



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

- 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

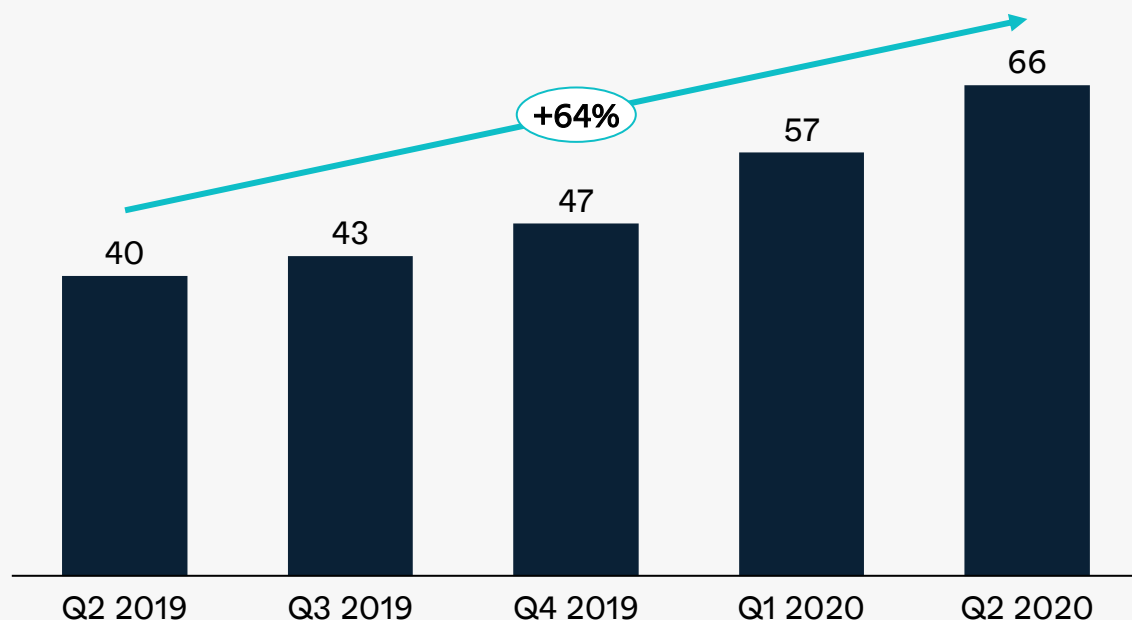
Recognized leader position in the Meeting Solutions market within 3-4 years

Second quarter sales highlights (1/2)

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

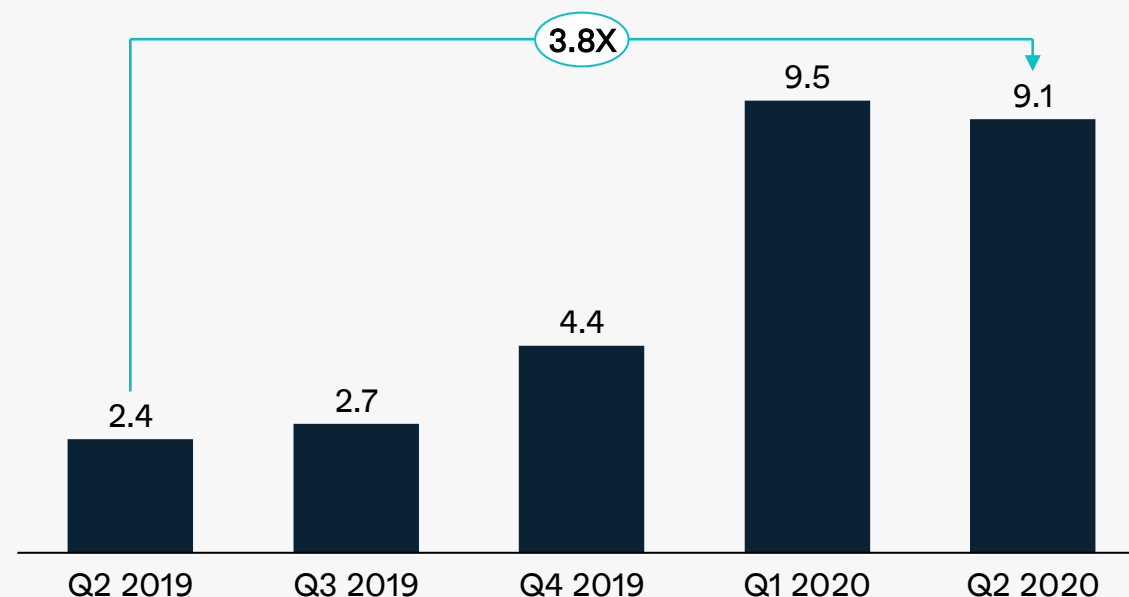
Contracted Annual Recurring Revenue (ARR) development Q2 2019 – Q2 2020

USDm



Q-o-Q growth in ARR Q2 2019 – Q2 2020

USDm



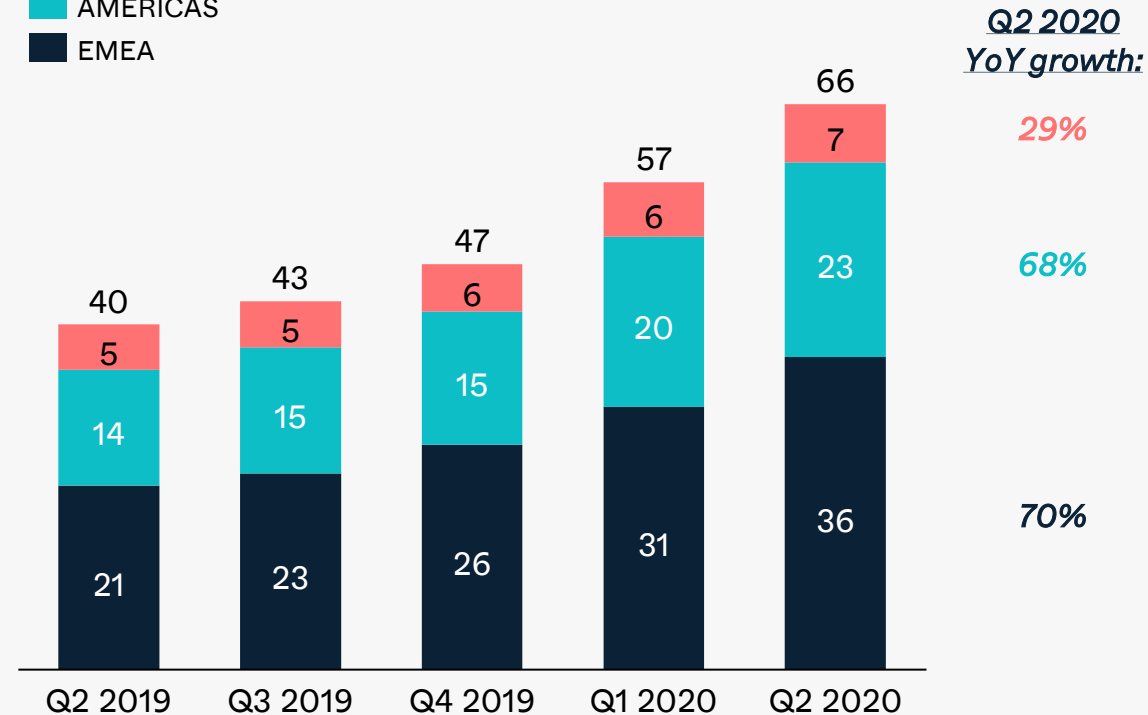
Second quarter sales highlights (2/2)

Strong development across both products and geographies

ARR per geo Q2 2019 – Q2 2020

USDm

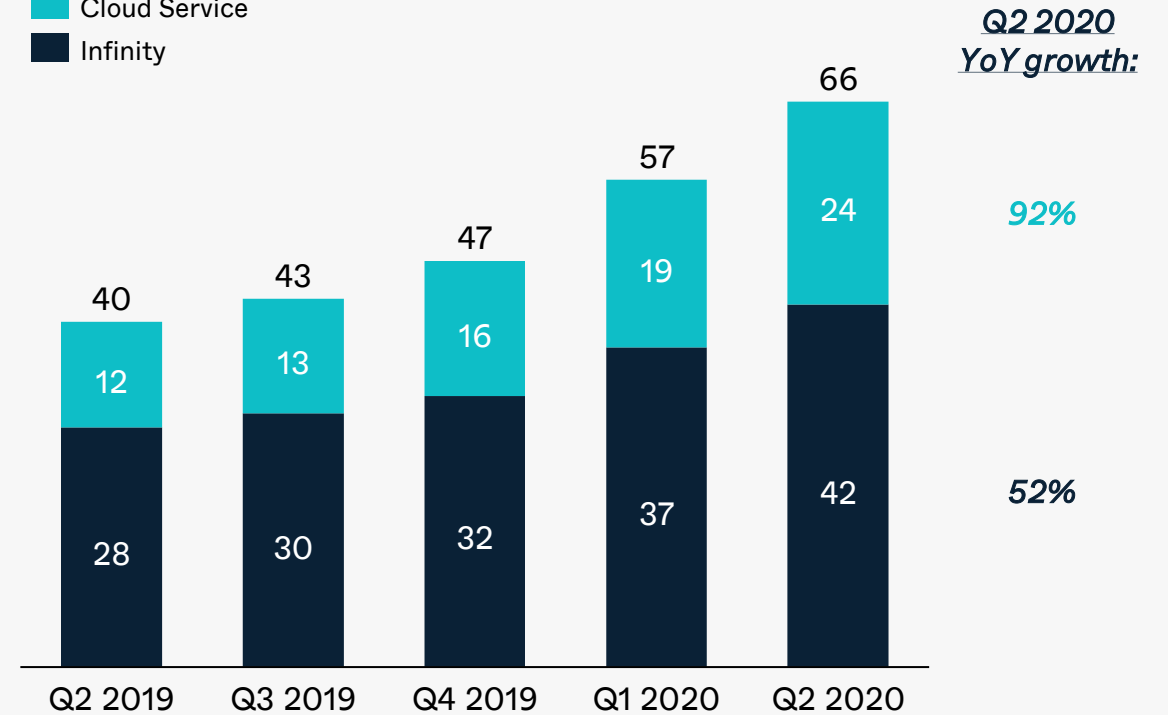
APAC
AMERICAS
EMEA



ARR per product Q2 2019 – Q2 2020

USDm

Cloud Service
Infinity

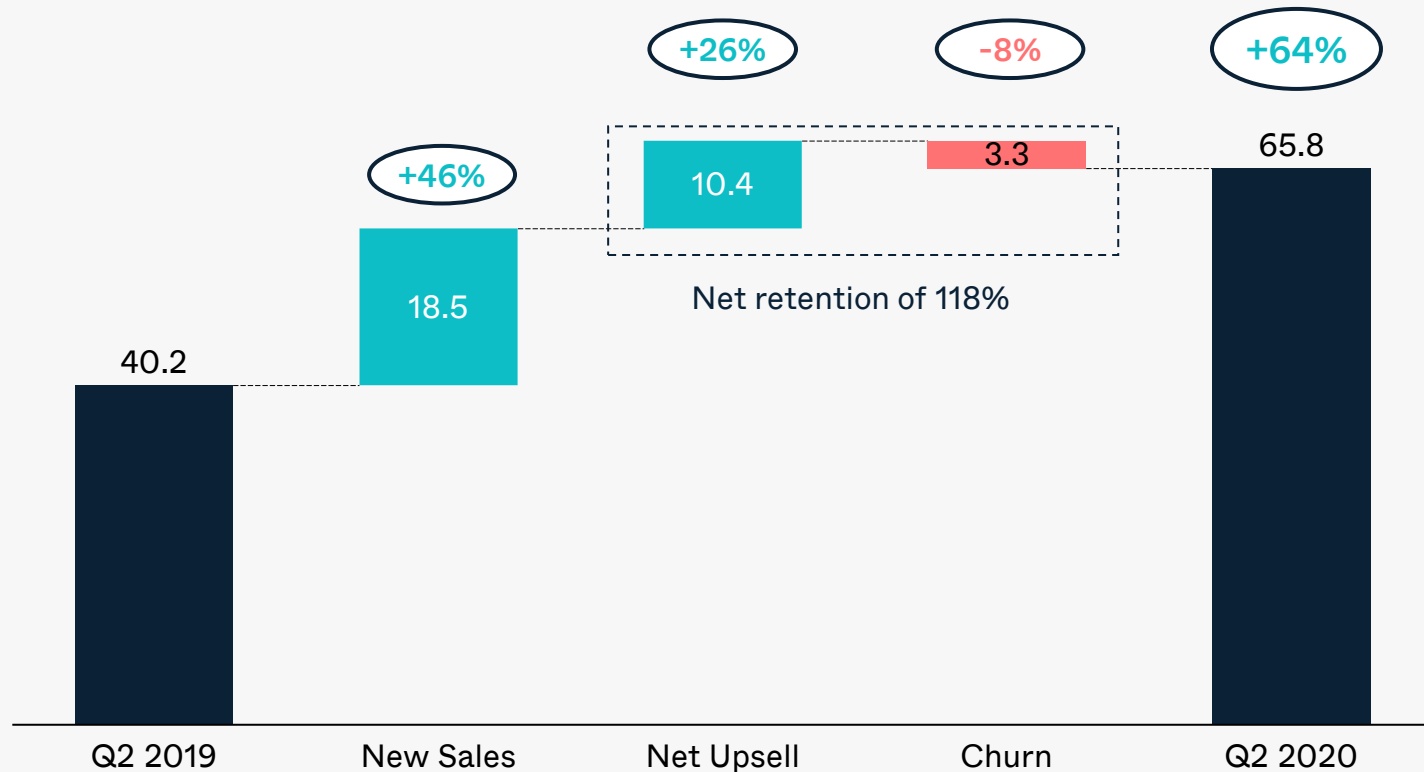


Note: USD 2 million reclassified from Infinity to Cloud Service in Q1 2020 versus last report.

Significant improvement in new sales in Q2 2020

Development in ARR portfolio last twelve months

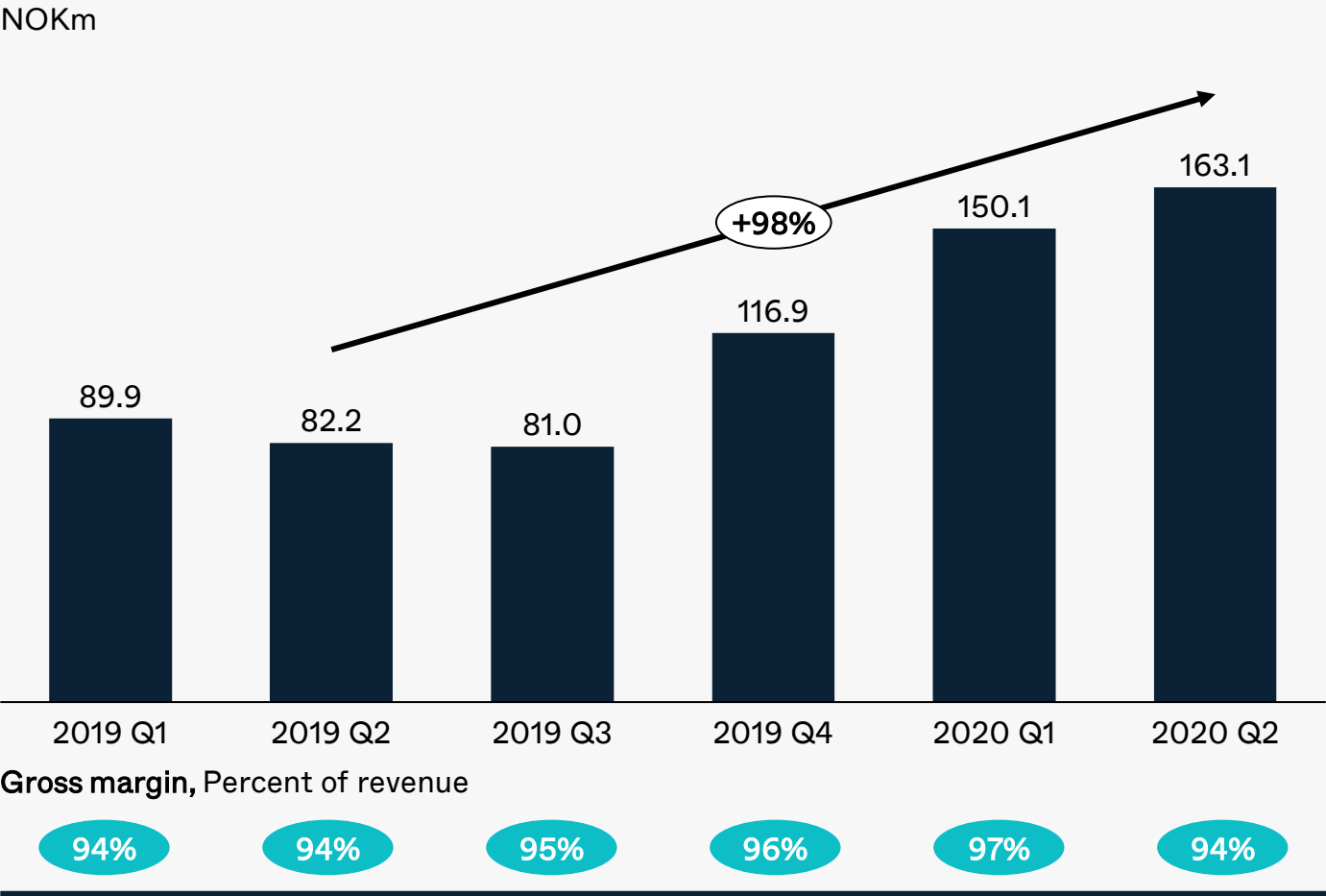
Annual recurring revenue, USDm



- 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



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%)
Total	97.8 (+120%)	51.1 (+85%)	14.1 (+39%)	163.1 (+98%)

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

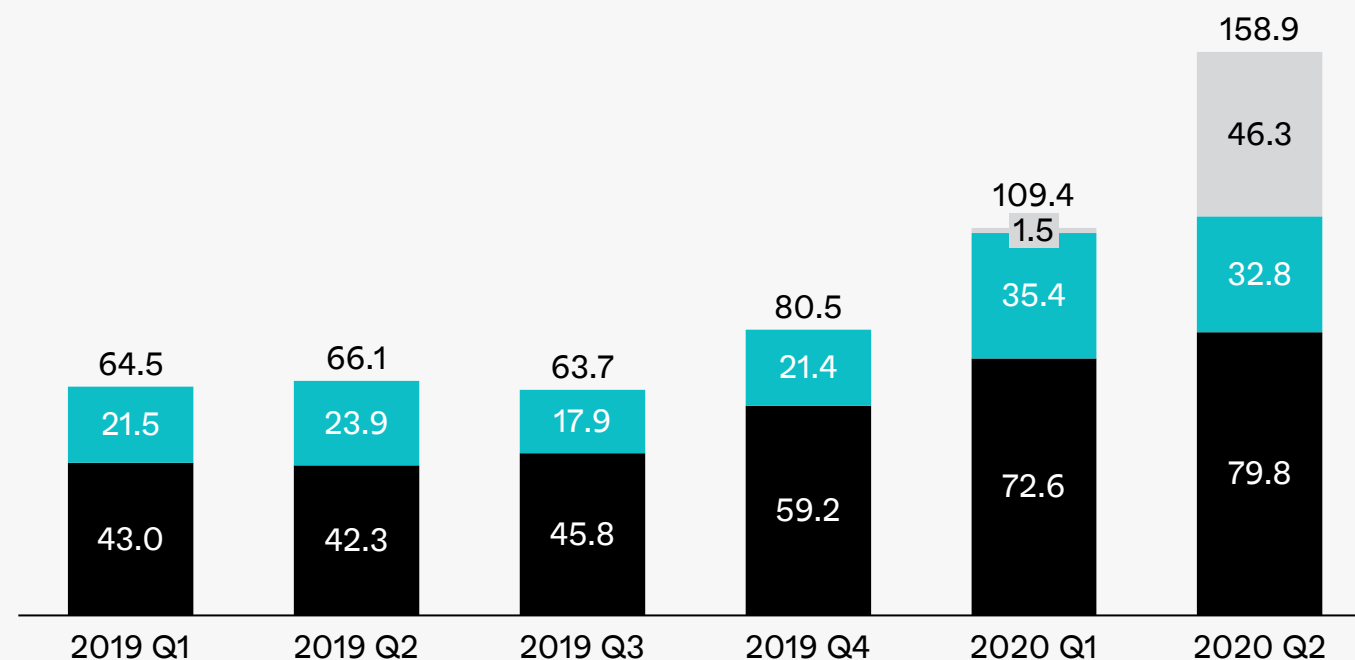
- Higher COGS, NOK 10 million in Q2 2020 compared to NOK 5 million in Q2 2019, related to high use of Pexip's Cloud Service offering

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

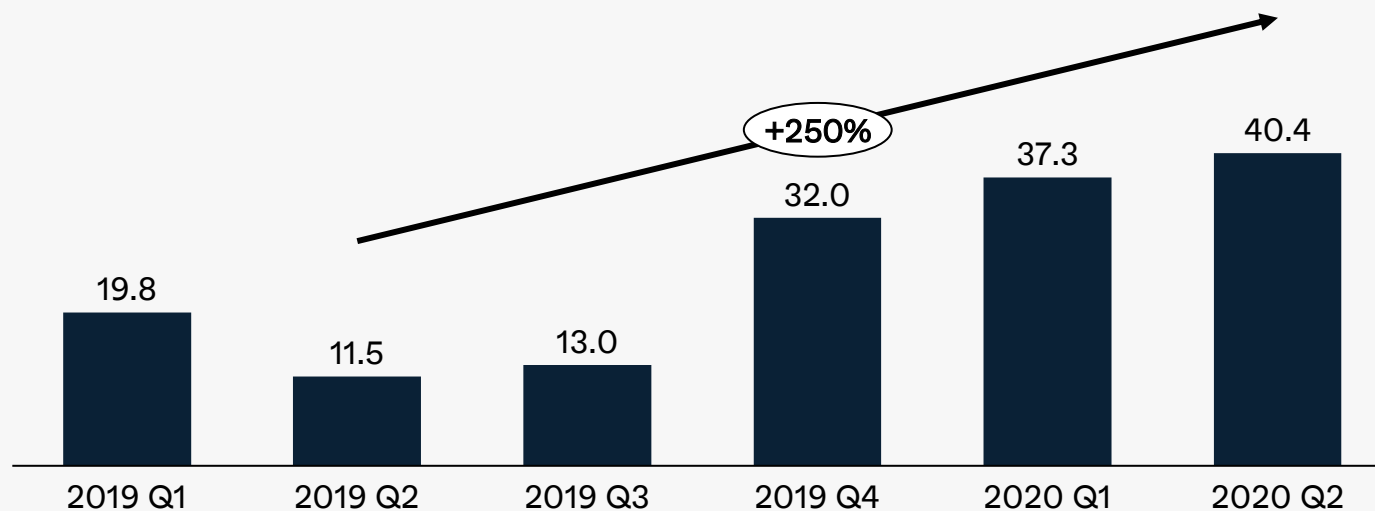
- Increased headcount throughout 2019 and in YTD 2020 leading to higher employee expenses
 - Headcount increased from 157 at the end of Q2 2019 and 182 at the end of 2019 to 250 at the end of Q2 2020
- Cost per employee somewhat impacted by currency as majority of employees are outside Norway.

Adjusted EBITDA

Quarterly Adjusted¹ 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

Adjusted¹ EBITDA margin, Percent of revenue

22%

14%

16%

27%

25%

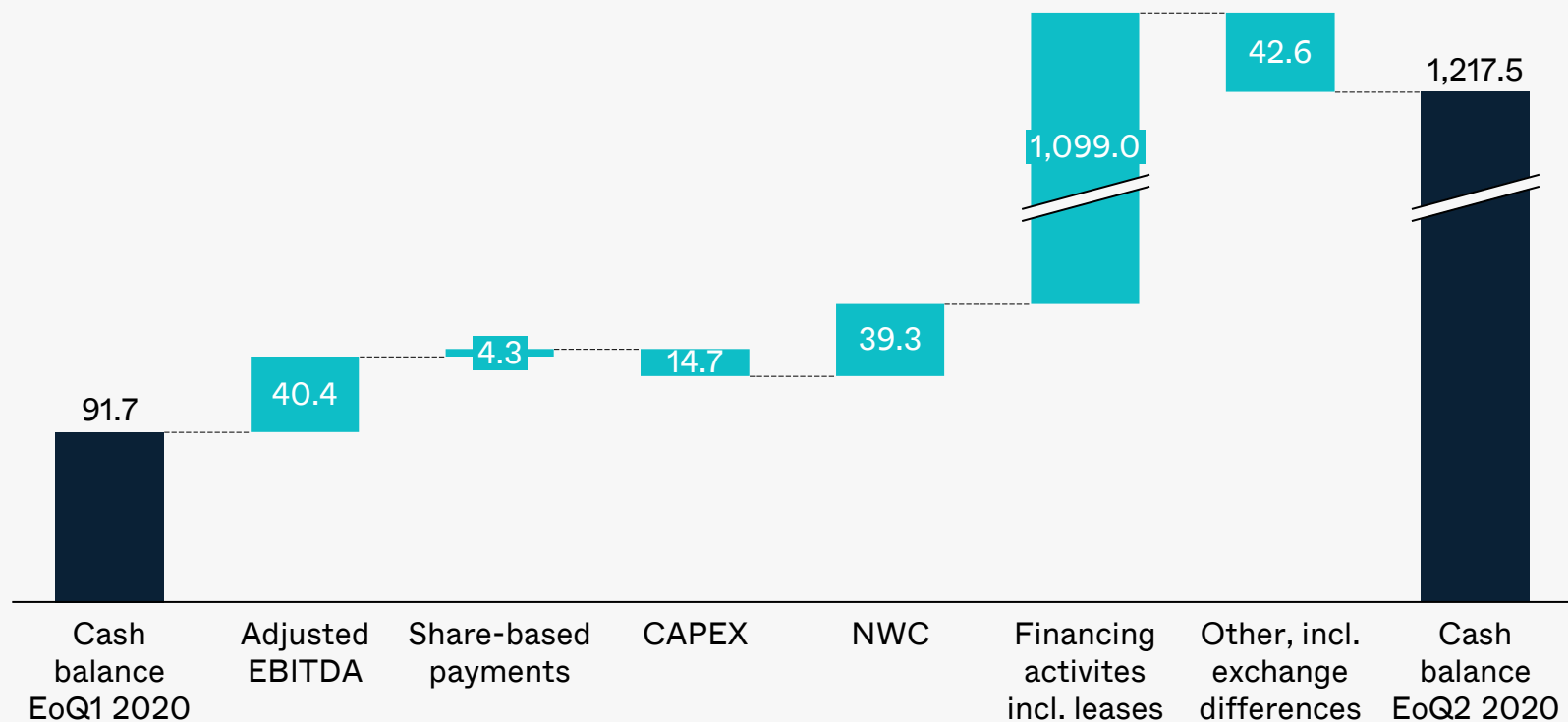
25%

¹ 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 7th

Q2 2020 quarterly
presentation

November 11th

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Q&A

