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# Quarterly Presentation Q1 2024

May 6, 2024

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# Pexip at-a-glance

**2011**

founded

**293**

employees across 25 countries

## Niche video conferencing player

Market leading interoperability and secure video meetings provider

## Software only

Develop and deliver software and SaaS

## Unique tech partnerships

Partner with the global industry leaders to complement their solutions

## Serve large organizations

Across enterprise and public sector

**\$105 million**

in Annual Recurring Revenue (ARR)

### Selected Customers



### Selected Technology partners



# Q1 highlights

## Solid Q1 results

- Q1 revenue of NOK 292 million, up 12% y-o-y
- Total ARR at USD 104.8 million, up USD 2.0 million q-o-q
- Adjusted EBITDA<sup>1</sup> of NOK 64 million, cash flow of NOK 105 million

## Expanding Interop partnerships

- Launched first interoperability service to Zoom-registered rooms
- Starting partnership with Cisco to deliver interop solutions to the US Federal market

## Continued positive development in Connected Spaces

- USD 1.1 million in ARR growth in the quarter for Connected Spaces
- Benefiting from positive market trends, HP|Poly partnership, improved competitive dynamics and product enhancements

## Delivering Secure AI

- Pexip is unique in providing AI functionality to self-hosted video platforms, built on NVIDIA partnership
- Target General Availability launch in H2 2024

## Major wins in Secure & Custom with HP|Poly

- Major expansion with the US Social Security Administration together with HP|Poly and large defense organization
- Partnership 1 year anniversary on May 1

## Financial targets and 2024 outlook

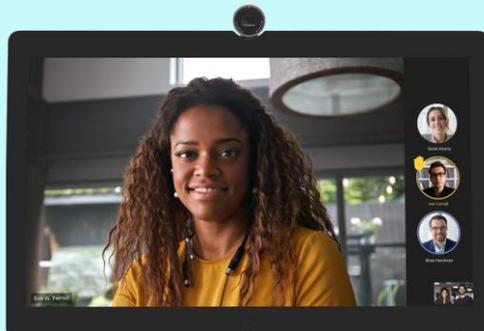
- Medium term we target to consistently deliver above 10% ARR growth and minimum 20% EBITDA
- For 2024 we have the following outlook:
  - 5-10% ARR growth
  - 13-18% EBITDA

1) Excluding Other gains and losses, e.g., restructuring costs

MISSION

# To make seamless video communication available to all organizations regardless of technology platforms and security requirements

## Pexip Connected Spaces Video meeting interoperability



When several video technologies need to work seamlessly together

Selected partners



## Pexip Secure & custom Spaces Video meetings for self hosting or private clouds

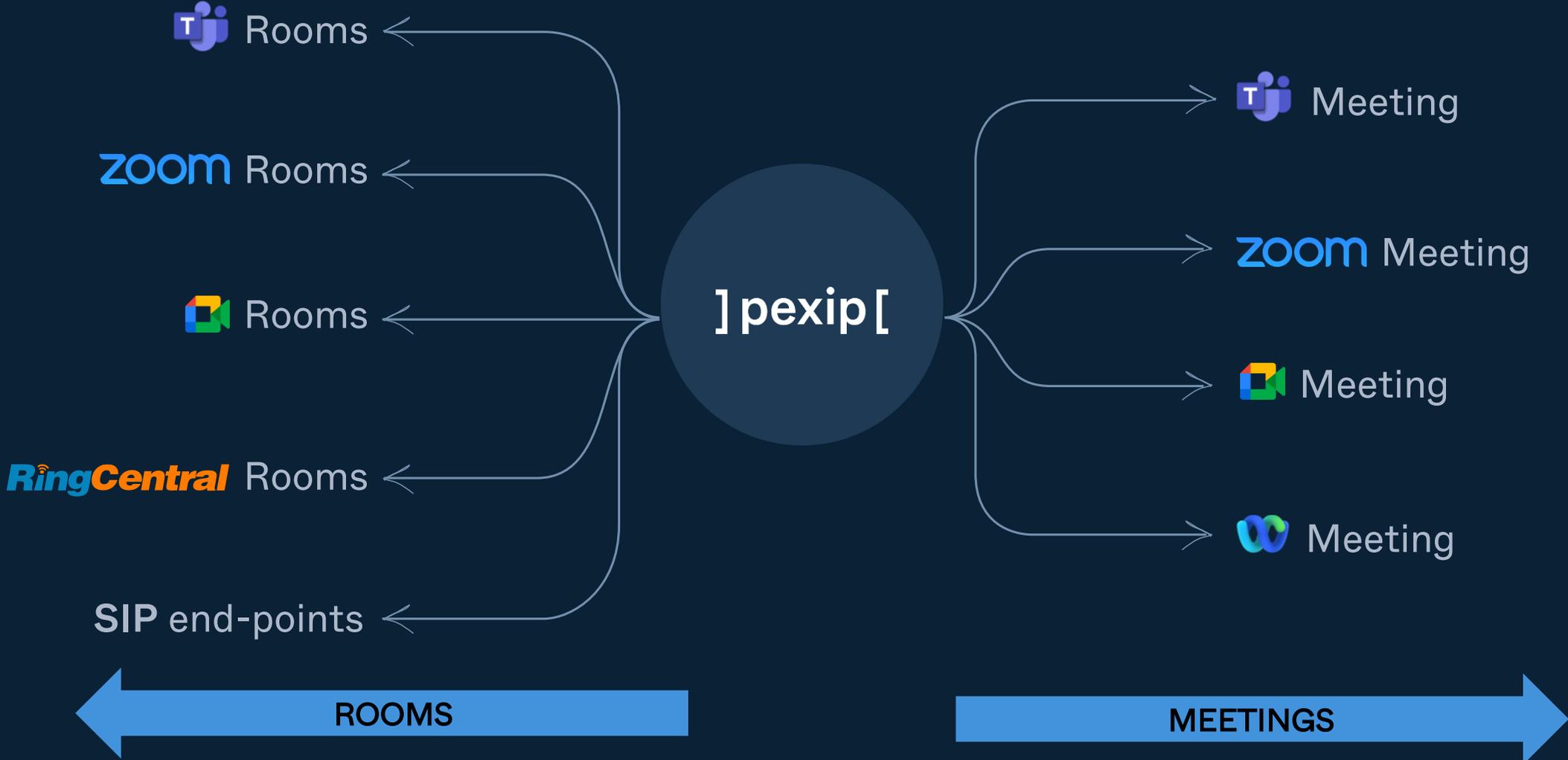


When complete privacy and control over data is required

Selected partners

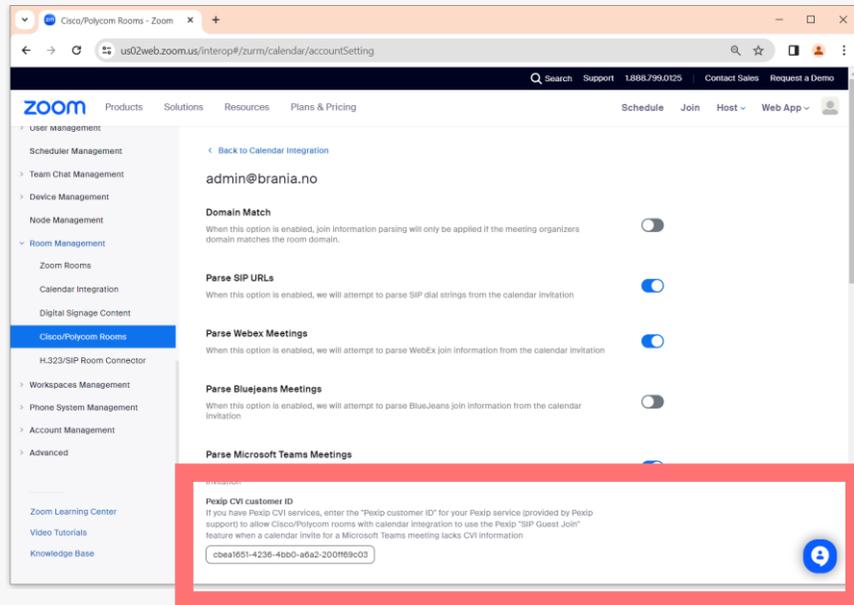


# On a journey to connect any meeting room to any meeting



# First Zoom interop cooperation - Improving interoperability for Zoom-registered devices

zoom Rooms



- Have enabled Zoom-registered systems to use Pexip' SIP Guest Join capability
- This enhances the Teams meeting experience for organizations that are primarily using Zoom
- Pexip to drive sales of this capability as an add-on subscription for Zoom Rooms

# Starting a partnership with Cisco to deliver Connected Spaces solutions to US Federal customers

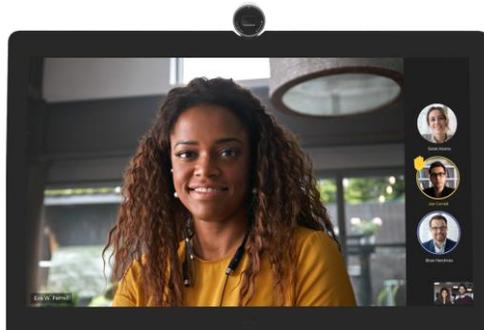


- Scope: Provide Pexip interoperability solutions to U.S. Federal and U.S. Department of Defense customers (focused on GCC High IL4, GCC DoD IL5, and higher environments)
- Fully integrated Pexip and Cisco solutions for seamless operations
- Joint customer activities
- Cisco and Pexip are focused on supporting our joint customers by providing best in class connectivity from any device to any meeting.

MISSION

To make seamless video communication available to all organizations regardless of technology platforms and security requirements

**Pexip Connected Spaces**  
Video meeting interoperability



When several video technologies need to work seamlessly together

Selected partners



**Pexip Secure & custom Spaces**  
Video meetings for self hosting or private clouds



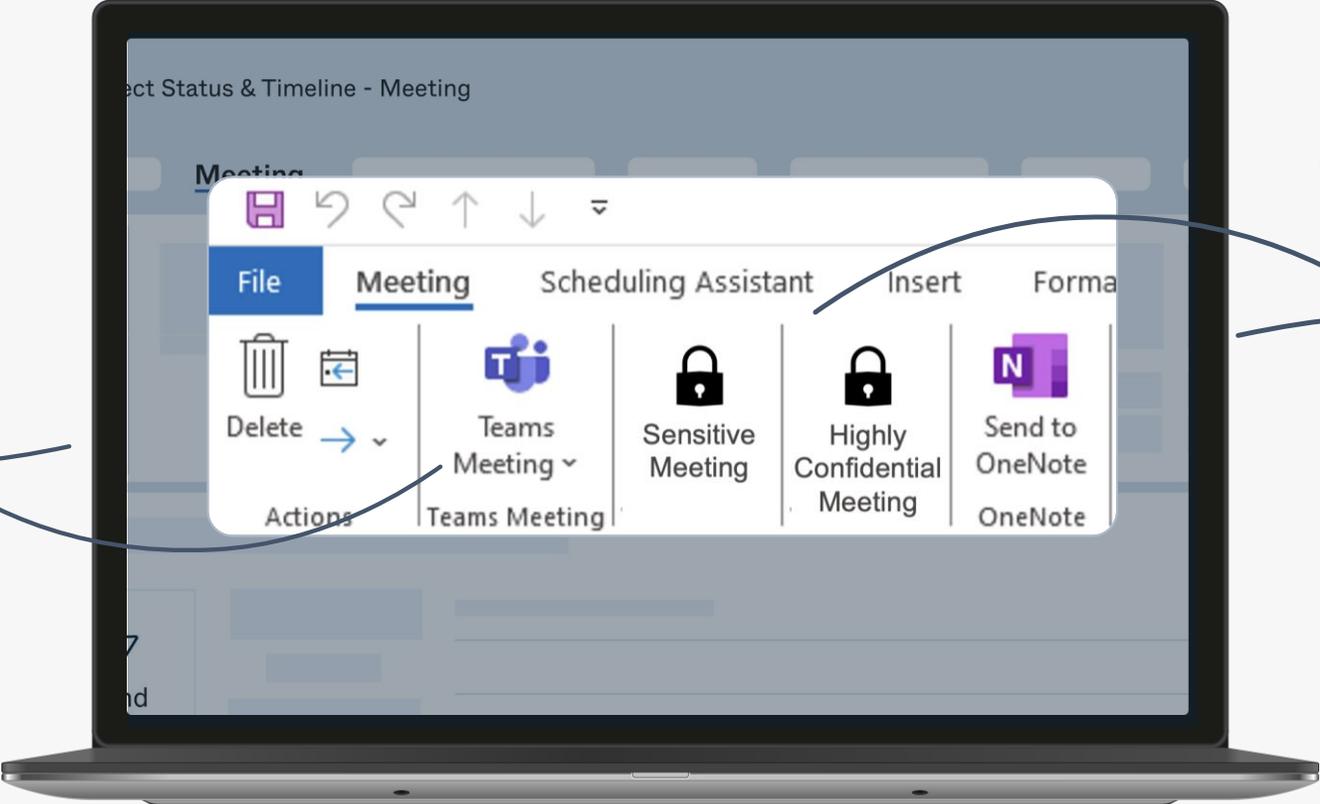
When complete privacy and control over data is required

Selected partners



# Complementary video services are used to cater to an organization's differing security & privacy requirements

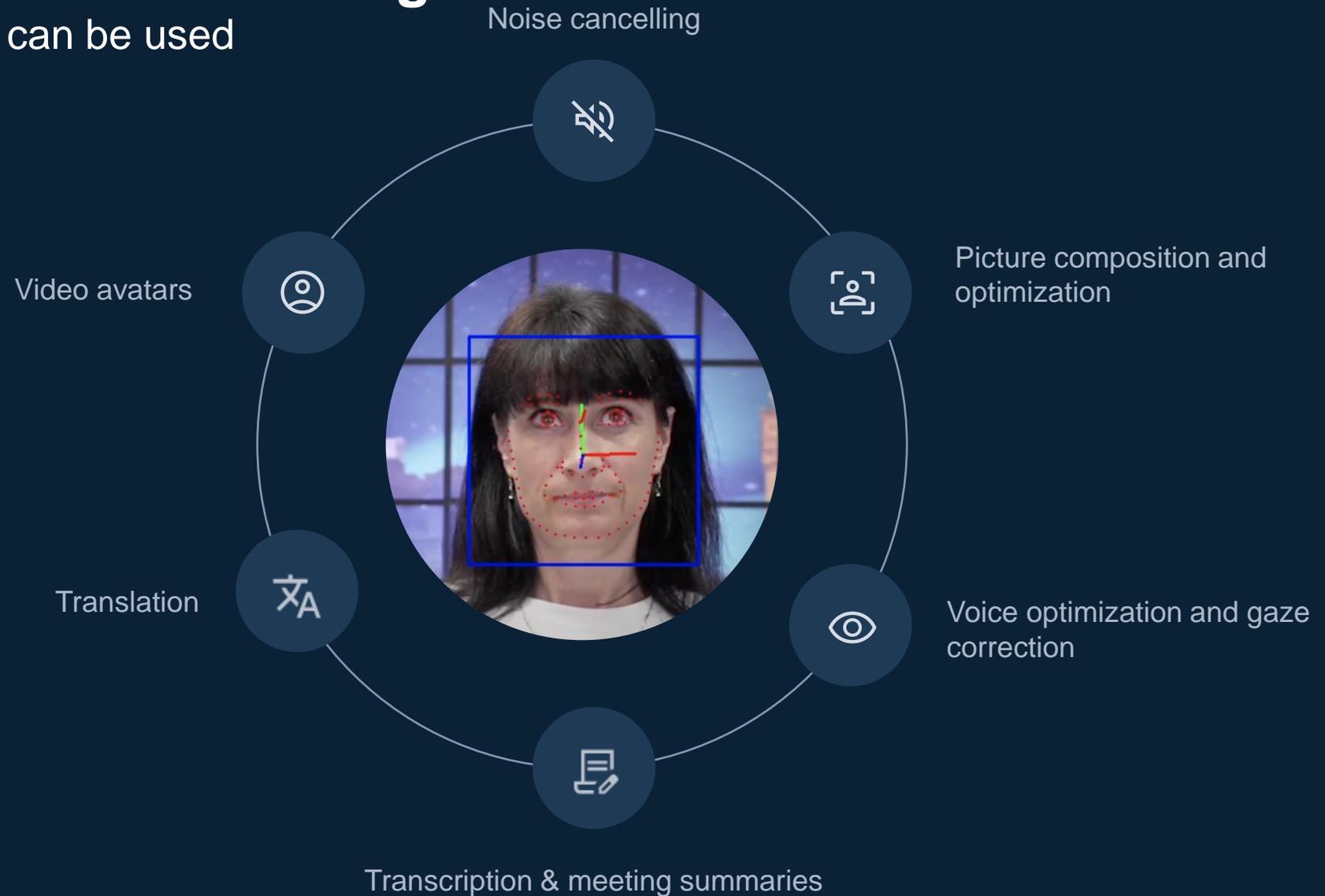
SECURE & CUSTOM SPACES



- Private Cloud
- Government Cloud
- Sovereign Cloud
- On-premises
- Air-gapped

# AI features in Video meetings

Examples of how it can be used



# Pexip has a strong partnership with NVIDIA and is one of the pioneer users of their new capabilities

## NVIDIA Maxine Developer Platform to Transform \$10 Billion Video Conferencing Industry

Maxine enables developers to easily integrate AI features for creating personalized and engaging video conferencing experiences.

March 18, 2024 by Trisha Tripathi



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Reading Time: 4 mins



Video conferencing has allowed many to be productive from anywhere.

Now NVIDIA is boosting the productivity of the developers of video conferencing, call center and streaming applications within the \$10 billion industry by allowing them to easily integrate AI into their workflows.

The new release of the Maxine AI Developer Platform transforms the creation of state-of-the-art, real-time video conferencing applications with features enabling enhanced user flexibility, engagement and efficiency.

Available through the NVIDIA AI Enterprise software platform, Maxine allows developers to tap into the latest AI-driven features — such as enhanced video and audio quality and augmented reality effects — to turn users' everyday video calls into engaging, collaborative experiences.

Expanding Video Conferencing With New Maxine Features

**Don't Miss This Transformative Moment in AI**

See NVIDIA CEO Jensen Huang's live on-stage keynote

[Watch Now](#)



All NVIDIA News

] pexip [ +  NVIDIA

- Pexip is working with NVIDIA to take advantage of their Maxine AI developer platform
- Pexip is featured as one of the early adopters in the NVIDIA press release
- Pexip provides access to NVIDIA's latest technology without a cloud service. "We bring the cloud to you"

# Pexip has developed its own AI Media Server architecture to enable new AI features

Cloud architecture



Live Translation

AI API product,  
e.g., GPT 4

Pexip Self-hosted architecture



Live Translation

**Pexip AI media server  
hosted by customer**

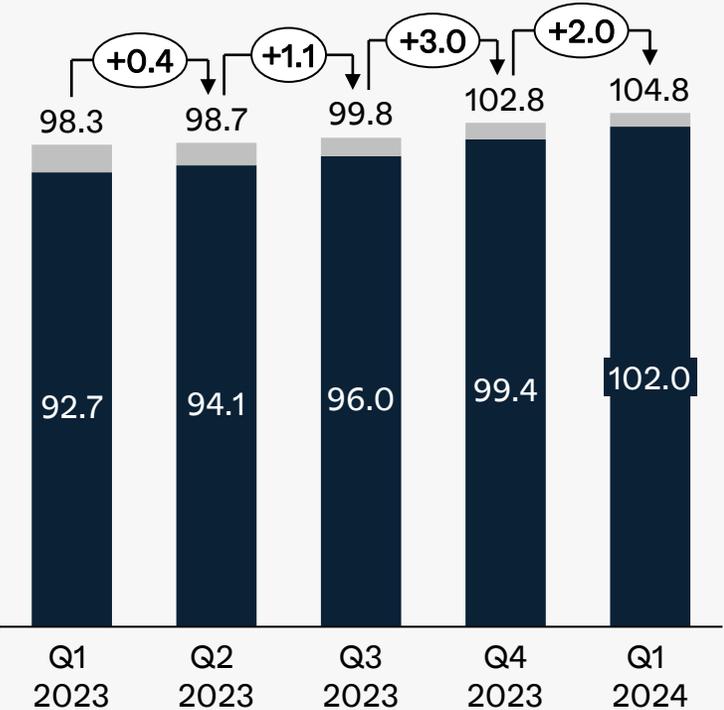
NVIDIA models  
and APIs

NVIDIA GPUs

- Customers requiring data privacy and control prefer self-hosted solutions
- Delivering an AI feature is more complex in a self-hosted software product than in a cloud-based SaaS product
- Pexip has through its long-standing NVIDIA partnership developed an architecture that can bring AI features to the self-hosted Pexip Infinity solution. “We bring the cloud to you”
- First use-case being delivered is live transcription and translation (both speech to text and speech to speech)

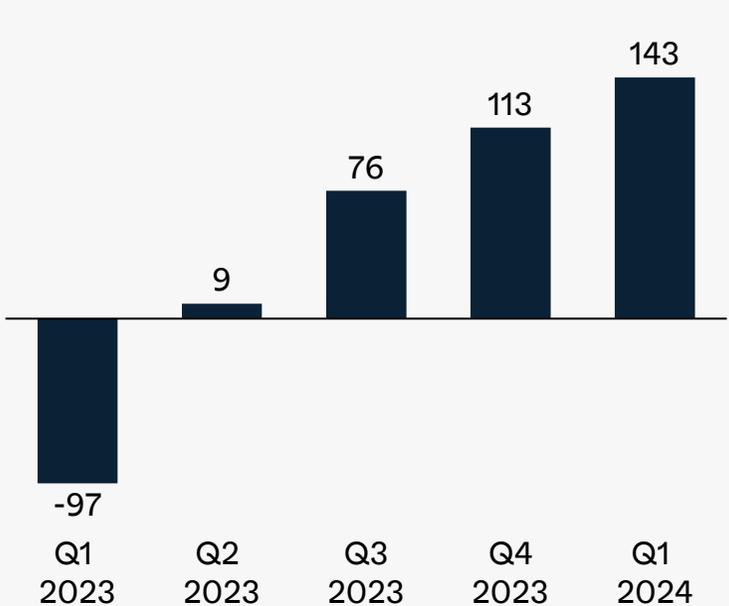
# Four quarters of consecutive growth and improved profitability

**Total ARR**  
USDm

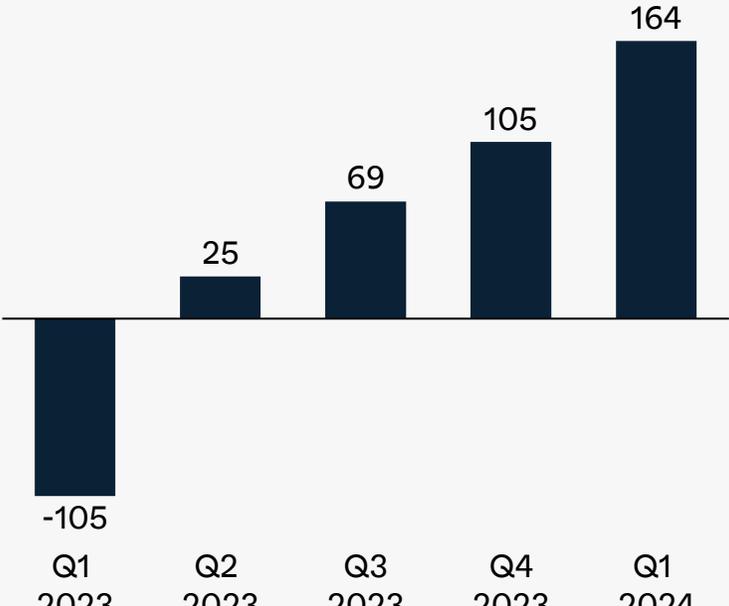


Legacy Underlying ARR

**Adjusted EBITDA<sup>1</sup>**  
NOKm, Last twelve months



**Free Cash flow<sup>2</sup>**  
NOKm, Last twelve months



<sup>1</sup> EBITDA less Other gains and losses  
<sup>2</sup> Operating cash flow, investment cash flow and leases

# Sales update

# Connected Spaces



- Growth in Connected Spaces in Q1 benefiting from improved product differentiation, increasing momentum in Poly|HP partnership and BlueJeans sunsetting their CVI solution
- Seeing increased customer activity on Pexip Connect for MTRs and Zoom
- Won a contract with a leading global airliner to provide Teams interoperability
- Won a contract with a major US software firm to provide Teams interoperability

# Secure and custom solutions

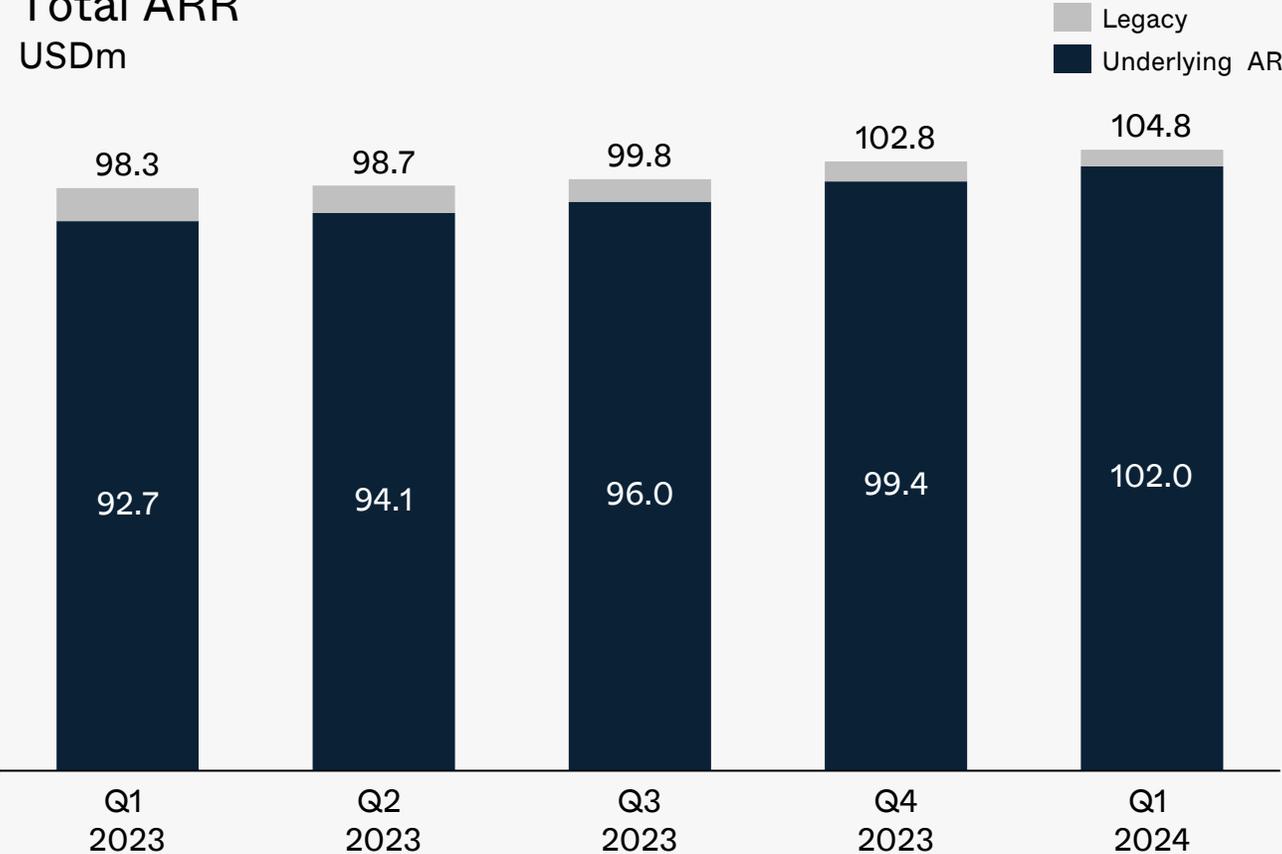


- Secure and custom solutions growing 4% in Q1 and 15% y-o-y, driven largely by strong upsell across several accounts in Secure and Custom
- Secure spaces was the main source of growth, with 27% growth y-o-y. Significant recent wins include:
  - Secure meetings to a large defense organization
  - Secure meetings to the US Social Security Administration
- Continued strong momentum in the Defence Sector

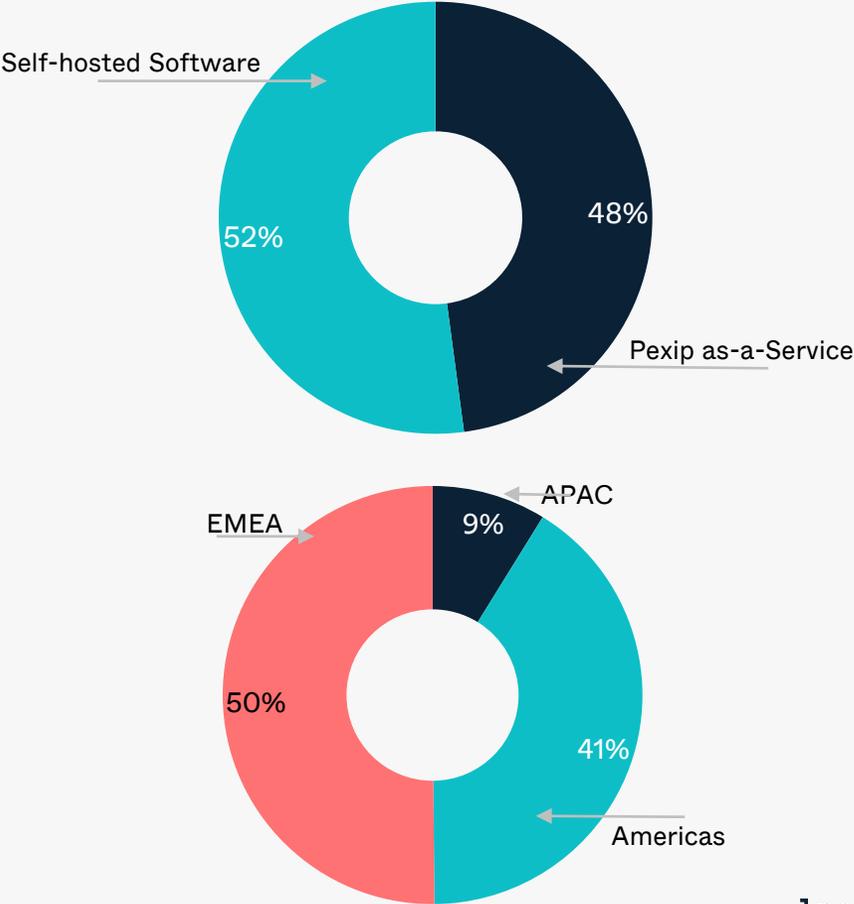
# Financial update

# Total ARR base at USD 105m in Q1 2024

Total ARR  
USDm



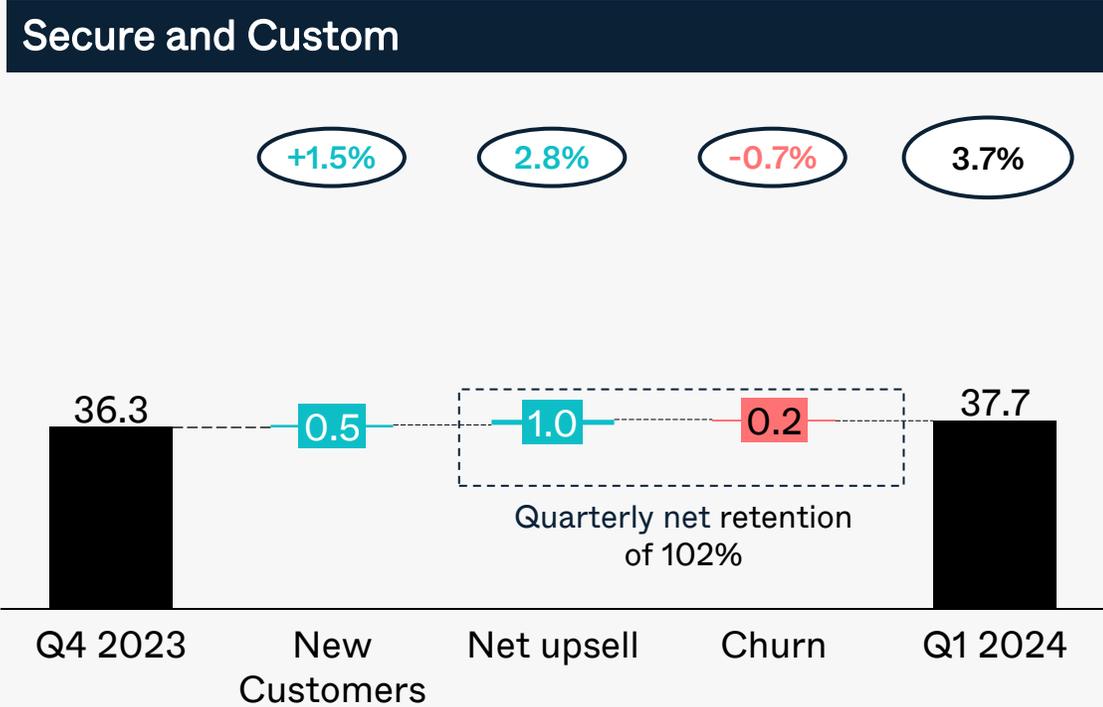
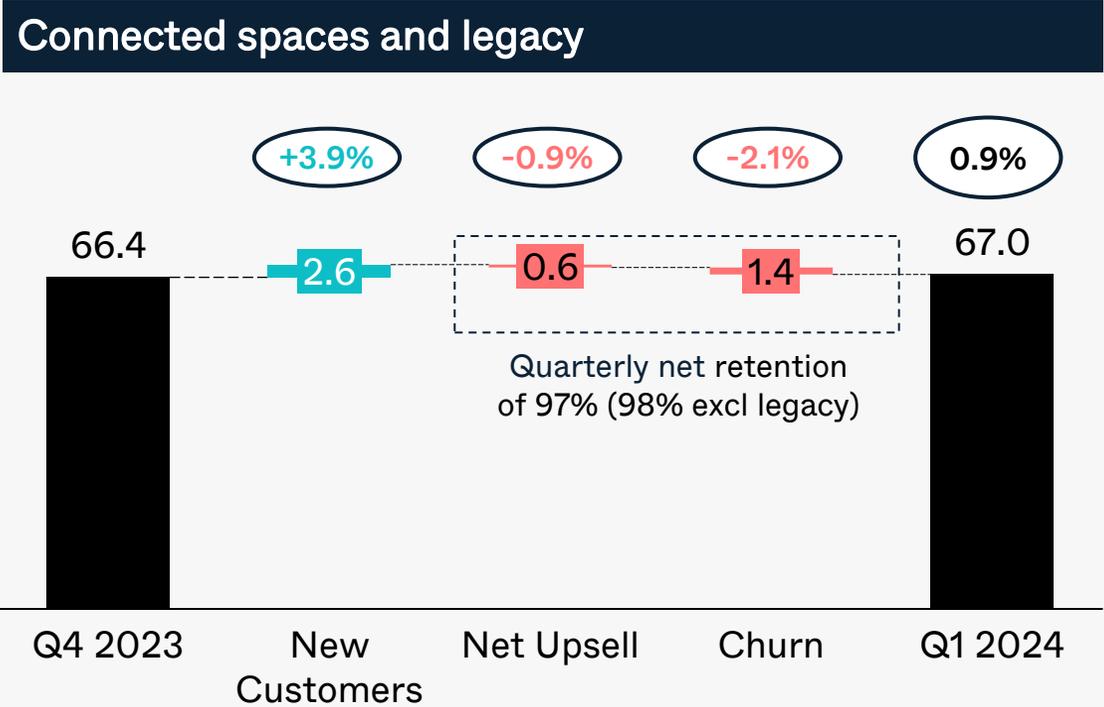
ARR split



Booked Annual Recurring Revenue (ARR) development. Note: Will incorporate legacy in Connected Spaces from 2025

# Growth in both business areas

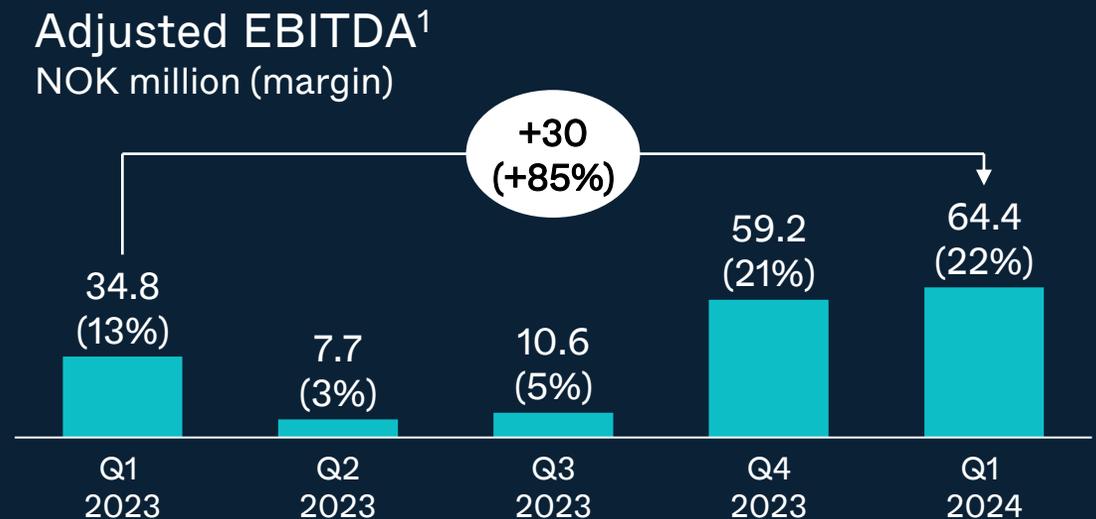
USD million, quarter-over-quarter



- Continued strong net retention in Secure Spaces, in part as major new sales in Q1 were additions to existing customers driving growth – 3.7% quarterly growth/15% annualized
- Reduced churn in Connected Spaces, however, also lower new sales/upsales compared to Q4 2023

# Continued improvement in revenue and EBITDA

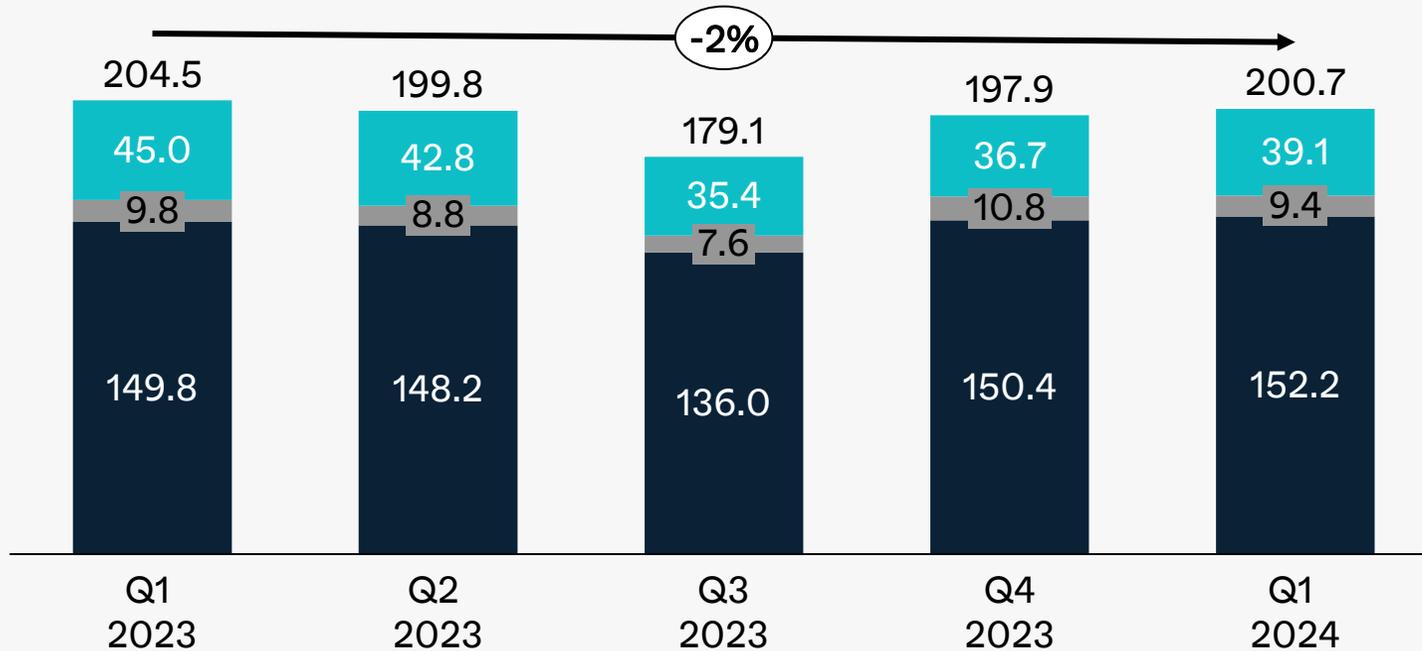
- Positive revenue increase of 12% compared to Q1'23
  - Combination of self-hosted software and as-a-Service driving growth
- Adjusted EBITDA increase of NOK 30 million compared to revenue increase of NOK 31 million
  - Operational improvements keep cost level stable despite inflation



1) EBITDA adjusted for Other gains and losses

# Q1 2024 OPEX base 2% below Q1 2023

Quarterly OPEX development  
NOKm



■ Other operating expenses   
 ■ Salary and personnel expenses  
■ Share option related costs

## Salary and personnel expenses

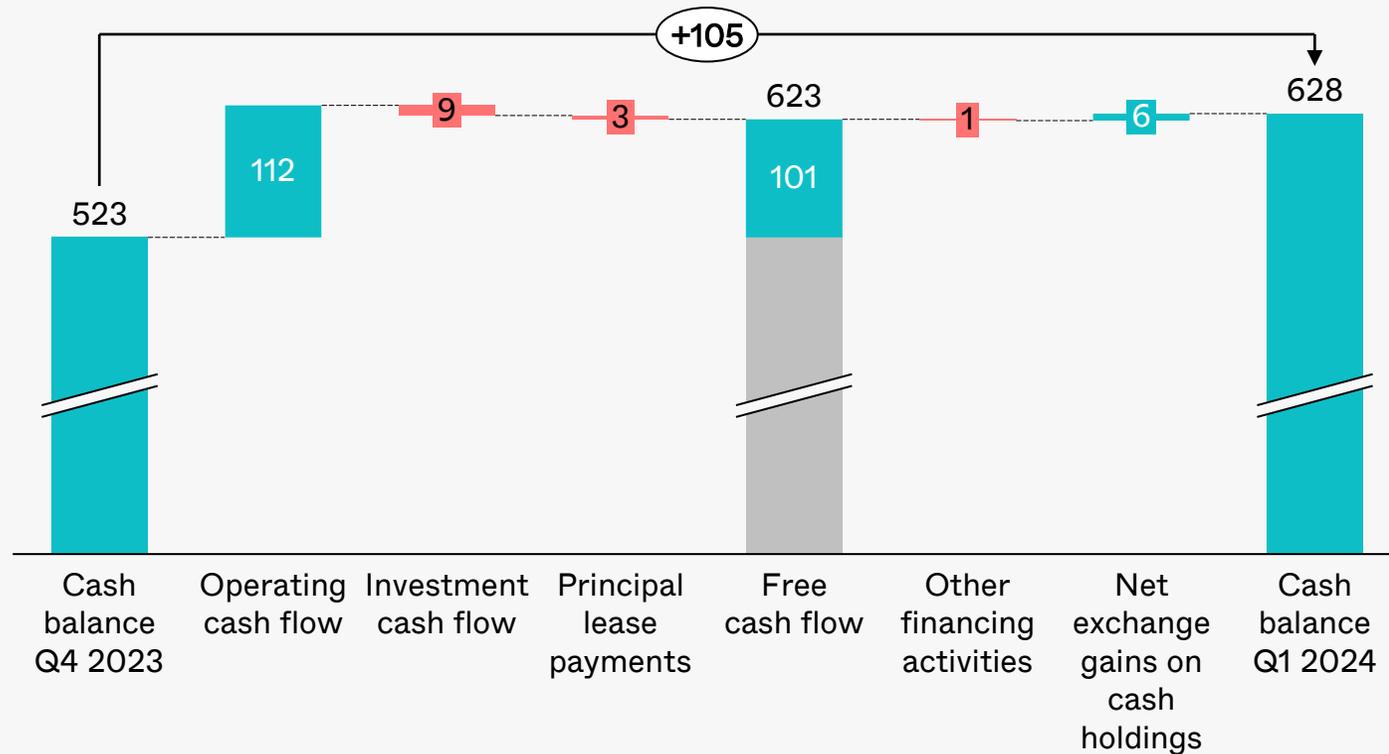
- Stable salary and personnel expenses, with somewhat lower fixed salary and higher variable compensation achievement from stronger sales compared to Q1 2023

## Other Operating expenses

- Overall in line with previous quarters, and 13% lower than Q1 2023.
- Reduction mostly from lower consultancy costs compared to Q1 2023

# NOK 105 million in positive cash flow in Q1

Cash flow bridge Q1 2024  
NOKm



- Positive EBITDA, improved working capital and positive impact of exchange gains contributing positively to Q1 cash flow
- Reduced investment and lease cash flow
- NOK 6 million from exchange gains on cash holdings in foreign currency

# Q1 2024 Financial results

## Profit and loss

NOK millions

|                                      | Q1 2024    | Q1 2023    | Y-o-Y     |
|--------------------------------------|------------|------------|-----------|
| <b>Revenue</b>                       | <b>292</b> | <b>261</b> | <b>31</b> |
| Cost of goods sold                   | 27         | 21         | 6         |
| <b>Gross Profit</b>                  | <b>265</b> | <b>239</b> | <b>26</b> |
| Salary and personnel exp.            | 161        | 160        | 2         |
| Other operating exp.                 | 39         | 45         | (6)       |
| <b>Adjusted EBITDA</b>               | <b>64</b>  | <b>35</b>  | <b>30</b> |
| Other gains and losses               | 7          | (0)        | 7         |
| <b>EBITDA</b>                        | <b>58</b>  | <b>35</b>  | <b>23</b> |
| D&A                                  | 20         | 29         | (9)       |
| <b>EBIT</b>                          | <b>38</b>  | <b>6</b>   | <b>32</b> |
| Net financials                       | 23         | 26         | (3)       |
| <b>Profit/loss before income tax</b> | <b>60</b>  | <b>32</b>  | <b>29</b> |

- 12% increase in year-on-year revenue, driven by stronger Software and Software-as-a-Service revenues
- COGS is mainly relating to sale of Pexip-as-a-Service with the increase being related to increased usage as well as activation of key AI features
- EBITDA excluding other gains and losses of NOK 64 million, NOK 30 million higher than in Q1 2023.
- NOK 7 million in other gains and losses from restructuring supporting long-term cost reductions
- Reduction in D&A in Q1 2024 due to reduction in depreciation of fixed assets and reduced leasing costs
- Reduction in net financials from lower gains from foreign exchange differences

# Outlook and targets

# Improved stronger ecosystem position going into 2025



# Market outlook

- Continued positive market outlook across the business areas
- Partnerships expected to continue to drive growth
- Q2 2024 ARR expected 105-108 USD millions

## 2024 outlook

- 5 to 10% ARR growth
- 13-18% EBITDA<sup>1</sup>

## Mid-term targets

### Consistently deliver:

- Above 10% ARR growth
- Above 20% EBITDA<sup>1</sup>

<sup>1</sup>) Excluding other gains and losses

# Upcoming dates

**Q2 2024 Quarterly Presentation**

🕒 August 15<sup>th</sup> , 2024

**Q&A**

[Investor.pexip.com](https://investor.pexip.com)

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# BACKUP

Supporting materials



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# Summary of key figures

| KPI                           | Unit        | Q1 2023     | Q2 2023      | Q3 2023      | Q4 2023      | Q1 2024      | Y-o-y       | Q-o-Q        |
|-------------------------------|-------------|-------------|--------------|--------------|--------------|--------------|-------------|--------------|
| <b>ARR</b>                    |             |             |              |              |              |              |             |              |
| Connected Spaces              | MUSD        | 59.9        | 59.6         | 60.5         | 63.1         | 64.2         | 4.3         | 1.1          |
| Secure & Custom               | MUSD        | 32.7        | 34.5         | 35.5         | 36.3         | 37.7         | 5.0         | 1.3          |
| Legacy                        | MUSD        | 5.6         | 4.6          | 3.8          | 3.3          | 2.8          | -2.8        | -0.5         |
| <b>Total</b>                  | <b>MUSD</b> | <b>98.3</b> | <b>98.7</b>  | <b>99.7</b>  | <b>102.8</b> | <b>104.8</b> | <b>6.5</b>  | <b>2.0</b>   |
| <b>P&amp;L</b>                |             |             |              |              |              |              |             |              |
| Revenue                       | MNOK        | 260.6       | 232.9        | 214.9        | 285.2        | 292.0        | 31.3        | 6.8          |
| Cost of Goods Sold            | MNOK        | -21.3       | -24.4        | -25.2        | -28.1        | -27.1        | -5.7        | 1.1          |
| Salary and personnel expenses | MNOK        | -159.6      | -157.0       | -143.6       | -161.2       | -161.4       | -1.8        | -0.2         |
| Other OPEX                    | MNOK        | -45.0       | -42.8        | -35.4        | -36.7        | -39.1        | 5.9         | -2.4         |
| Adj. EBITDA                   | MNOK        | 34.8        | 8.7          | 10.6         | 59.2         | 64.4         | 29.7        | 5.3          |
| Other gains and losses        | MNOK        | 0.3         | -1.0         | -5.7         | -4.5         | -6.7         | -7.1        | -2.2         |
| EBITDA                        | MNOK        | 35.1        | 7.7          | 4.9          | 54.6         | 57.7         | 22.6        | 3.0          |
| D&A                           | MNOK        | -29.1       | -42.8        | -27.1        | -100.0       | -19.8        | 9.3         | 80.2         |
| EBIT                          | MNOK        | 6.0         | -35.1        | -22.3        | -45.4        | 37.9         | 31.9        | 83.2         |
| Net Financials                | MNOK        | 25.9        | 10.1         | -3.2         | 0.4          | 22.5         | -3.3        | 22.1         |
| Tax                           | MNOK        | -9.7        | 5.8          | 1.2          | -13.6        | -15.0        | -5.3        | -1.4         |
| <b>Net profits</b>            | <b>MNOK</b> | <b>22.2</b> | <b>-19.2</b> | <b>-24.2</b> | <b>-58.6</b> | <b>45.4</b>  | <b>23.3</b> | <b>104.0</b> |
| <b>Cash and cash flow</b>     |             |             |              |              |              |              |             |              |
| Operating cash flow           | MNOK        | 73.4        | 55.5         | (1.7)        | 50.4         | 112.3        | 38.9        | 62.0         |
| Investing cash flow           | MNOK        | (26.2)      | (9.2)        | (3.4)        | (12.5)       | (8.7)        | 17.4        | 3.7          |
| Principal lease payments      | MNOK        | (6.5)       | (5.3)        | (5.2)        | (4.8)        | (3.0)        | 3.5         | 1.7          |
| Free cash flow                | MNOK        | 40.7        | 41.1         | (10.3)       | 33.1         | 100.5        | 59.8        | 67.4         |
| Cash position                 | MNOK        | 465.9       | 507.7        | 494.3        | 522.7        | 628.1        | 162.2       | 105.4        |

## Comments Q1 2024

### ARR

- Delta ARR Q1 of 2 MUSD
- Annual ARR growth of 7% p.a. (10% excl legacy)

### Revenues

- All time high revenue quarter
- Benefiting from ARR growth, as well as some currency benefits

### COGS

- Up year-on-year from higher traffic usage and roll-out of AI-powered layouts. Somewhat down q-o-q

### Opex

- Almost flat y-o-y and q-o-q, with inflation and currency effects from weak NOK balanced out by realized FTE efficiencies

### Cash

- Strong operating cash flow driving change in cash of NOK 105 million in Q1, and NOK 162 million in 12 months