Pexip Q2 and First Half 2021 – solid growth driven by sales to new customers

Oslo, Norway, August 12, 2021 - The video communications provider, Pexip, today presented its quarterly results for the second quarter of 2021.

Pexip's subscription base measured in Annual Recurring Revenue (ARR) reached USD 92.7 million in Q2 2021, up from USD 65.8 million in Q2 2020, representing an increase of 41%. Pexip demonstrated solid year-on-year growth despite delays in sales as a result of continued uncertainty around office openings. The growth was driven by several key contracts including:

- NVIDIA, a Fortune 500 company and the largest Graphics Processing Unit (GPU) manufacturer in the world, to enable connectivity between their video conferencing equipment and Microsoft Teams as well as replacing their existing call-control entirely;
- A Global Retail Firm, with more than 2 billion website visitors year, for Pexip’s Self-hosted software to enable remote advisory calls between the company and their customers;
- A Global Consulting Group, one of the largest in the world with more than 22,000 employees in 90 cities across the globe, to solve the challenge of coherent collaboration between locations with Pexip as-a-Service Enterprise Room Connector for Microsoft Teams;
- A Global Oil & Gas Exploration and Production company, a Fortune 500 company with more than 87,000 employees, for Pexip’s Self-hosted software, to ensure secure and reliable communication in a business environment with a high degree of confidentiality of information;
- Public Sector Organizations such as the UK Foreign, Commonwealth & Development Office for Pexip as-a-Service, The Swedish Government Offices (Regeringskansliet), a US civilian department, and a US military department for Pexip self-hosted Software, among others.

At the same time, the percent of retained revenue from existing customers, was 101% year -on-year, including churn of 10% year-on-year.

"Organizations all over the world are preparing for post-pandemic hybrid working, and our salesforce and partners are working closely with customers to get ready for the new normal. Uncertainty around office openings resulted in somewhat delayed sales opportunities and bookings in Q2 2021 as customers postpone their purchase decisions. The underlying momentum in the market remains firm. We see significant demand and a strong sales pipeline for the second half of 2021. Our continued increase capacity within sales will also be a positive driver for growth in the quarters to come, together with a continuous launch of new product features. In Q2, we saw solid year-on-year growth, with especially strong sales to public sector organizations as well as first phase deals with some of the largest companies in the world within key verticals, including business to consumer (B2C) retail and business consultancy providers. These are examples of customer segments seeking high degree of robustness, service quality, security and ease of use, which are at the core of Pexip’s unique offering. All in all, we are progressing well on our growth strategy as communicated at the time of the IPO, including ramp-up of sales and technology staff and our work with strategic partners, and we are on track to reach our ARR target of USD 300 million by 2024", said Pexip CEO, Odd Sverre Østlie.

Technology and Product Innovations

During Q2 Pexip made important advances when it comes to technology and products that support the continued move to hybrid working, providing data-driven insights, and flexibility in terms of location and devices used by customers. The launch of the Pexip Control Center provided organizations with the usage and performance overview they need, empowering both customers’ IT admins as well as Pexip channel partners, who often help manage customer deployments, with actionable insights and visibility into video meeting usage statistics, helping organizations in their strategic planning of resources and investments.

In the drive to create flexibility and interconnectivity for users across the globe, whether working at home or in the office, Pexip announced in Q2 that Avaya videoconferencing systems can now register to the Pexip Service. This enables Avaya customers to use their video hardware to place and receive point-to-point calls with other video systems internally and externally, as well as join meetings from providers such as Pexip, Cisco, Microsoft, Google, Zoom and BlueJeans, without the need to deploy additional videoconferencing infrastructure. Avaya is an American multi-national technology company and has large deployments of videoconferencing systems especially in North America and Central and Southern Europe.

With a diverse set of Application Programming Interfaces (APIs), Pexip can be customized to fit customers' unique needs in, for example, healthcare, government, and financial services. Specifically in the field of healthcare, Pexip cemented its commitment to delivering Pexip as a platform by launching Pexip Health in January 2021. Pexip's commitment to healthcare was recognized in Q2 through the "Best Telehealth Platform" award in the annual MedTech Breakthrough Awards conducted by MedTech Breakthrough, an independent market intelligence organization that recognizes the top companies, technologies and products in the global health and medical technology market.

Q2 2021 Financial Highlights

Revenue in Q2 was NOK 177.1 million, up 8.5% from NOK 163.1 million in Q2 2020, driven by higher revenues from Pexip as-a-Service to new customers.

Cost of sale in Q2 was NOK 20.9 million, reflecting a gross margin of 88%, up from NOK 10.1 million in Q2 2020 due to higher hosting and network cost related to higher usage of Pexip as-a-Service, as well as a shift towards cloud compute from investing in own hardware.

Salary and personnel expenses amounted to NOK 148.6 million in the quarter (84% of revenue), up from NOK 79.8 million (49% of revenue). The increase is mainly due to high growth in employees over the last twelve months, in line with Pexip's growth strategy.

Reported EBITDA in Q2 was negative NOK 40.6 million, reflecting a negative 23% margin, down from NOK 5.9 million in Q2 2020. The development in the EBITDA margin is as expected, as the company invests into growth initiatives where the expected increase in revenue will trail the increase in operating expenses due to ramp-up time, according to strategy.

First Half 2021 Financial Highlights

Revenue in the first half 2021 was NOK 356.8 million, up 13.9% from NOK 313.2 million in the first half 2020, driven by higher revenues from Pexip as-a-Service.

Cost of sale was NOK 36.0 million, reflecting a gross margin of 90%, up from NOK 15.0 million year-on-year, due to higher hosting and network cost related to higher usage of Pexip as-a-Service, as well as a shift towards cloud compute from investing in own hardware.

Salary and personnel expenses amounted to NOK 324.1 million in the period (91% of revenue), up from NOK 152.4 million (49% of revenue). The increase is mainly due to high growth in employees over the last twelve months, in line with Pexip's growth strategy.

Reported EBITDA in was negative NOK 93.8 million, reflecting a negative 26% margin, down from NOK 29.9 million in first half 2020. The development in the EBITDA margin is as expected, as the company invests into growth initiatives where the expected increase in revenue will trail the increase in operating expenses due to ramp-up time, according to strategy.

Outlook

In the long-term, Pexip believes that the growth of enterprise-grade video communication will increase due to the explosive adoption and usage of video communication following Covid-19, and implementation of sustainability measures. Many enterprises plan to adopt hybrid working models as they return to the office, combining office and remote working, that will provide benefits far beyond the need for social distancing, such as reducing travel and related emissions, enabling work flexibility and increasing productivity. Furthermore, Pexip believes in increased use of video in organizations' workflows with their clients/customers, creating additional new and significant market opportunities.

To accelerate growth Pexip has invested in increasing the Company's sales and marketing presence as well as R&D capabilities, and expects to continue to do so. Pexip intends to deploy up to 70% of the net proceeds from the IPO over the next two to three years. This implies returning to a neutral EBITDA in 2023, and an estimated negative EBITDA-rate in 2021 and 2022 in the range of negative 25-35%. As Pexip exits the investment period, the Company expects above 25% EBITDA-rate in 2025 together with revenue growth above 25%. The key enabler for all these initiatives is strengthening the Pexip team, and Pexip is targeting 550-600 employees by the end of 2021.

Analyst consensus estimates

Every quarter ahead of the earnings announcement, Pexip collects earnings estimates from the equity analysts currently covering the company. The consensus estimates and the methodology used in preparation of the consensus estimates are published on the company's IR webpages here: https://investor.pexip.com/consensus .

Webcast presentation

The second quarter results for 2021 will be presented in a live video webcast Thursday, August 12, at 17:00 CET. The presentation will be held in English by Odd Sverre Østlie (CEO), Øystein Hem (CFO) and Åsmund Fodstad (President Global Sales and APAC). Please register using this form: https://www.pexip.com/q2-2021-results-webinar-registration. Questions can be submitted to IR@pexip.com.

This information is subject to the disclosure requirements pursuant to Section 5 -12 the Norwegian Securities Trading Act.

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