

Pexip Q3 2021 – Solid growth driven by sales to public sector organizations

Oslo, Norway, November 11, 2021 - The video communications provider, Pexip, today presented its quarterly results for the third quarter of 2021.

Pexip's subscription base measured in Annual Recurring Revenue (ARR) reached USD 99.8 million in Q3 2021, up from USD 72.8 million in Q3 2020, representing an increase of 37%. Pexip demonstrated solid year-on-year growth due to strong sales to public sector organizations. Key highlights for the quarter include:

- ARR reached USD 99.8 million, reflecting a 37% growth year-on-year
- Revenues at NOK 183 million, 35% growth year-on-year
- EBITDA at negative NOK 40 million, developing as expected, and in line with investment plan and strategy
- Named a “Challenger” in the Gartner Magic Quadrant for Meeting Solutions

Key contracts from Q3 include:

- The Defense Information System Agency (DISA), a US Department of Defense (DoD) combat support agency, composed of military, federal civilians, and contractors. DISA provides information technology (IT) and communications support to the US President, Vice President, Secretary of Defense, the military services, combatant commands, and any individual or system contributing to the defense of the US. DISA chose Pexip to power their main videoconferencing service, as well as support interoperability with Microsoft Teams;
- The US Department of Labor, which selected Pexip-as-a-service as the collaboration solution for its new Hybrid Workplace initiative for its almost 18,000 employees;
- A Leading Central-European Car Manufacturer chose Pexip Self-hosted software for Pexip meetings, Microsoft Teams interoperability and One Touch Join functionality. Pexip will provide an integrated platform for the company's multiple locations and various videoconferencing solutions around the world;
- An EU Institution signed a contract for Pexip's Self-hosted software, including Cloud Video Interoperability (CVI) for Microsoft Teams interoperability.

The percent of retained revenue from existing customers was 100% year-on-year, including churn of 10.8% over the last twelve months.

“We continue to follow our communicated growth plan, and our profit this quarter is affected by the significant investments in sales resources, which will accelerate our growth in the years to come. Although the repercussions of the COVID 19 pandemic continue to affect the length of the sales cycle and ramp-up of sales staff, we are confident that our unique product offering combined with the build-up of our organization will bring us to our target of USD 300 million of ARR in 2024,” said Pexip Interim CEO and CFO, Øystein Dahl Hem, and continued:

“The third quarter is usually a strong quarter for Pexip in the public and federal sectors and we experience that our strengths within secure solutions for mission-critical communication requiring strict privacy and security are very attractive for organizations such as the military and public departments and agencies. A good example is The Defense Information Systems Agency (DISA) in the United States. In addition, Pexip's unique capability to link different videoconferencing systems seamlessly together, interoperability, continues to be a key selling point for many large organizations.”

Q3 2021 Financial Highlights

Revenue in Q3 2021 was NOK 182.9 million, up 34% from NOK 136.3 million in Q3 2020, driven by strong sales in the quarter from the Pexip's Self-hosted software.

Cost of sale in Q3 2021 was NOK 22.7 million, reflecting a gross margin of 88%, up from NOK 11.0 million in Q3 2020 due to a shift towards cloud compute compared to investing in own or renting hardware, which also reduces investments and operating expenses.

Salary and personnel expenses amounted to NOK 152.1 million in the quarter (83% of revenue), up from NOK 117.3 million (86% 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 Q3 was negative NOK 40.5 million, reflecting a negative 22% margin, down from negative NOK 23.8 million in Q3 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.

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, from 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>.

Q3 results presentation

The third quarter results for 2021 will be presented at Felix Konferansesenter (Atlantic), Bryggetorget 3, Oslo, Norway, and by a video webcast on Thursday, November 11, at 17:00 CET. The presentation will be held in English by Øystein Dahl Hem (Interim CEO and CFO), Tom-Erik Lia (Chief Strategy Officer), Åsmund Olav Fodstad (President Global Sales & Marketing) and Michel Sagen (Chair of the Board). Please register using this form: <https://www.pexip.com/q3-2021-results-presentation-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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