

]pexip[

# Quarterly Presentation Q4 2023

February 14, 2024

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# Q4 highlights

## Solid Q4 results

- Q4 revenue of NOK 285 million, up 10% y-o-y
- Total ARR at USD 102.8 million, up USD 3.0 million q-o-q
- EBITDA<sup>1</sup> of NOK 59 million and cash flow of NOK 28 million

## Strong development in Connected Spaces

- USD 2.7 million in ARR growth in the quarter for Connected Spaces
- Benefiting from positive market trends, HP|Poly partnership, improved competitive dynamics and product enhancements

## Delivered on 2023 targets

- ARR growth of 3% (7% excluding legacy)
- NOK 113 million in EBITDA excluding other gains and losses
- NOK 105 million in free cash flow

## Launched VPaaS

- Pexip launched its new Video Platform as a Service (VPaaS)
- The new platform is targeting embedded video for regulated organizations

## 2023 capital distribution

- Recommend dividend of NOK 1.1 per share to 2024 AGM
  - Ordinary dividend of 0.6 NOK per share for 2023
  - Extraordinary dividend of NOK 0.5 per share

## 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

<sup>1</sup>) Excluding Other gains and losses, e.g., restructuring costs

# Pexip has a unique video technology platform

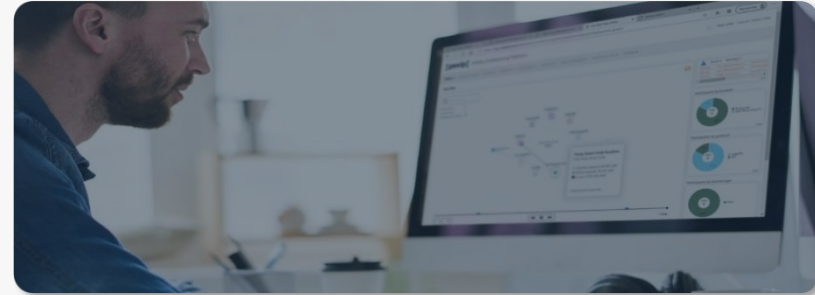
## Patented **transcoding** architecture



### Centralized data processing

- Gives improved interoperability & browser experience
- Enables AI applications

## Run on **any compute** platform



### Works in all environments, including self hosted and sovereign clouds

- Enables total data privacy and control
- Easy to customize

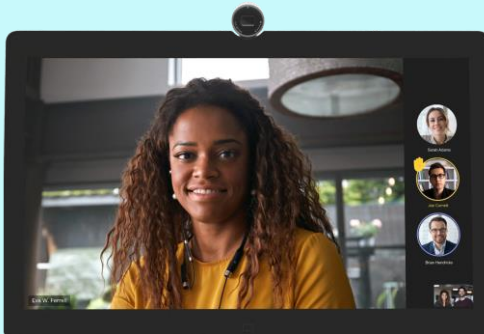
Flexible **video technology** that powers everything from business communication to ultra secure government meetings, doctor's appointments and court proceedings

Powered by Pexip

## MISSION

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

### Pexip Connected Spaces Video meeting interoperability

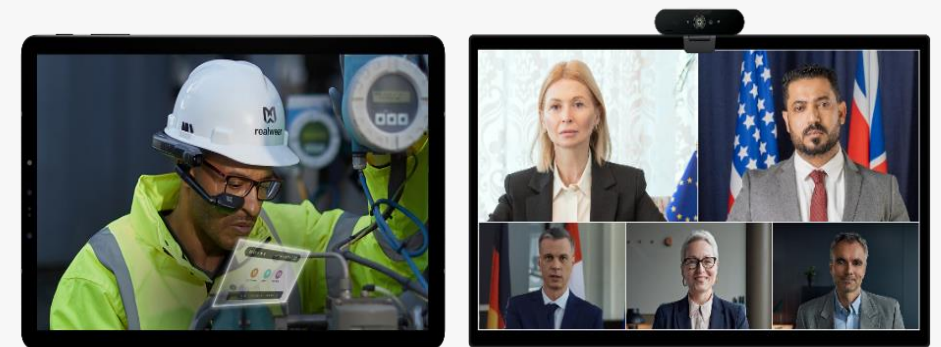


When several video technologies need to work seamlessly together

Selected partners



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



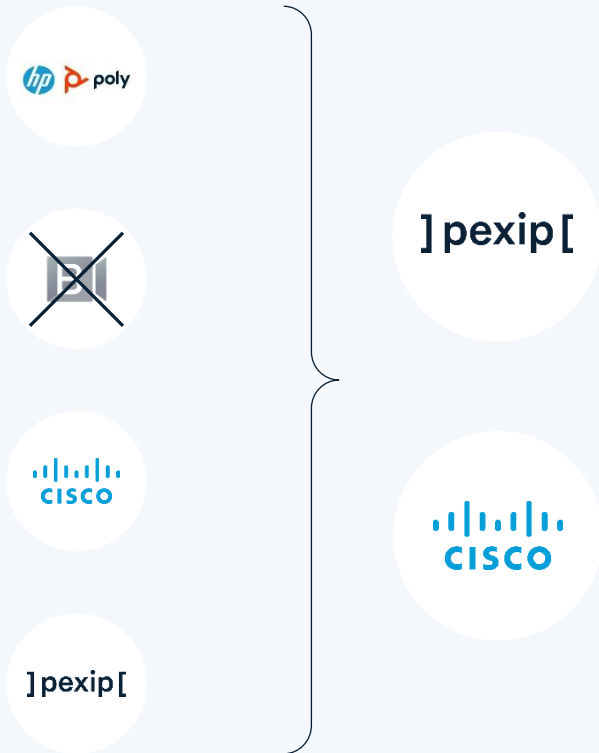
When complete privacy and control over data is required

Selected partners



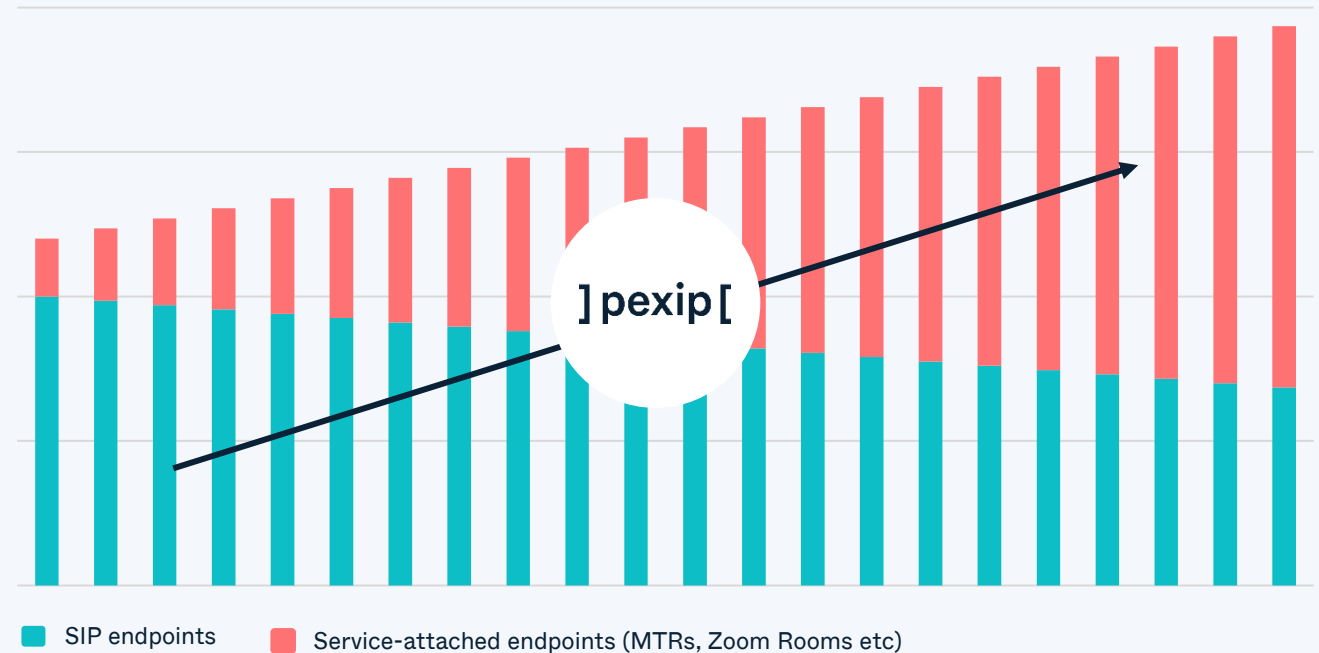
# Connected Spaces market opportunity

## Consolidating market for SIP interop



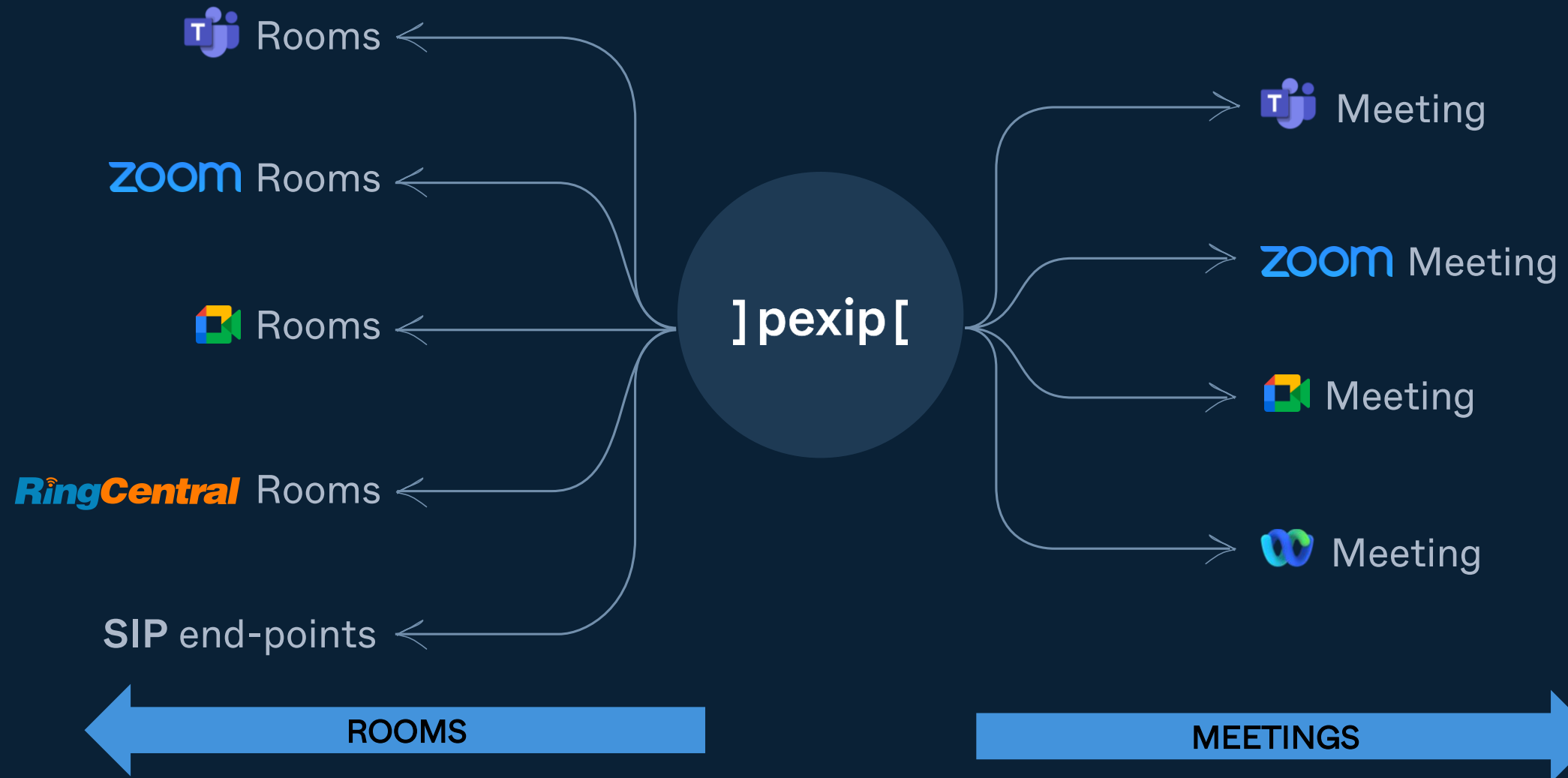
- Only two players left
- Pexip is technology leader

## Emerging market for service-attached interop fueled by 15% p.a. growth in video endpoint sales next five years<sup>1</sup>

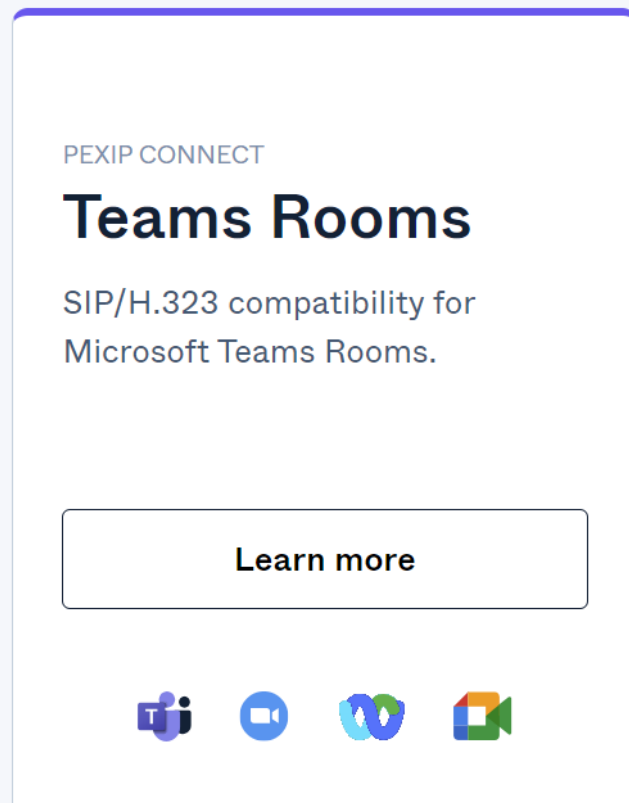


- Market for interop solutions is growing
- Installed base of SIP end-points up for grabs in short to medium term
- Longer term there is a large opportunity in next generation interop providing “any to any” seamless video communication

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



# Strengthening Pexip Connect for Teams Rooms ecosystem with Lenovo partnership



# Lenovo

“We are excited to collaborate with Pexip to enhance the capabilities of our Teams Rooms. With the capabilities provided by Pexip, customers can have a more complete solution – making it an attractive and preferred option for businesses seeking a single provider to meet all their video meeting room needs.”

Andrea Recupero, Lenovo Director EMEA Smart Collaboration

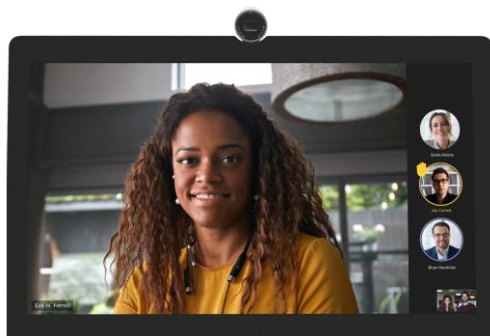


## MISSION

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

### Pexip Connected Spaces

Video meeting interoperability



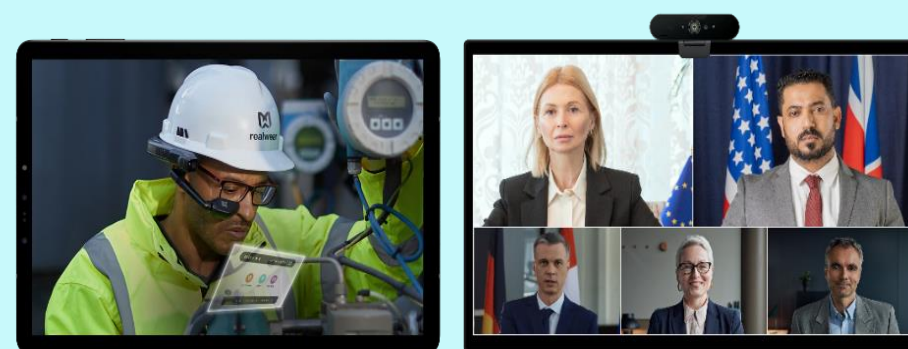
When several video technologies need to work seamlessly together

Selected partners



### Pexip Secure & custom Spaces

Video meetings for self hosting or private clouds

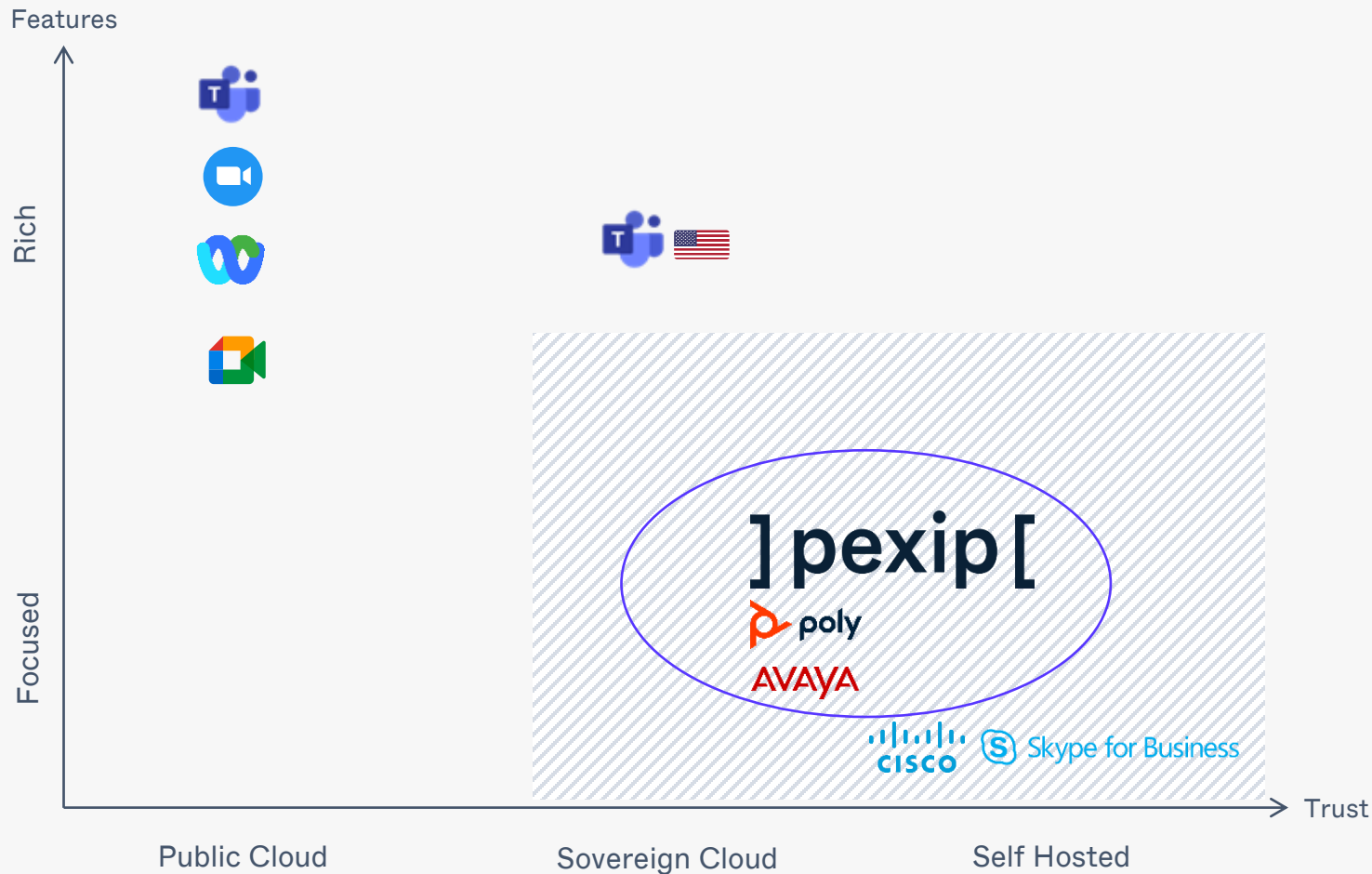


When complete privacy and control over data is required

Selected partners



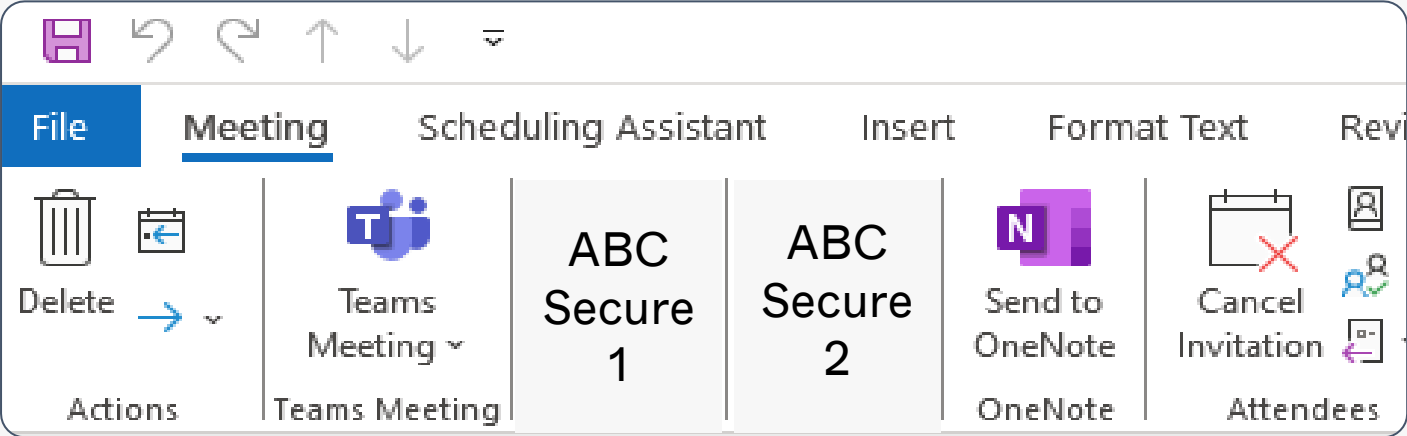
# Secure & Custom market opportunity



- **Analysts expect 30%** growth in private clouds
- **137+** countries have enacted some form of data protection and sovereignty laws
- **50%** of European CXOs see data sovereignty as a top issue
- **44%** of European enterprises plan to move to sovereign cloud in the next 2 yrs.
- Pexip well positioned

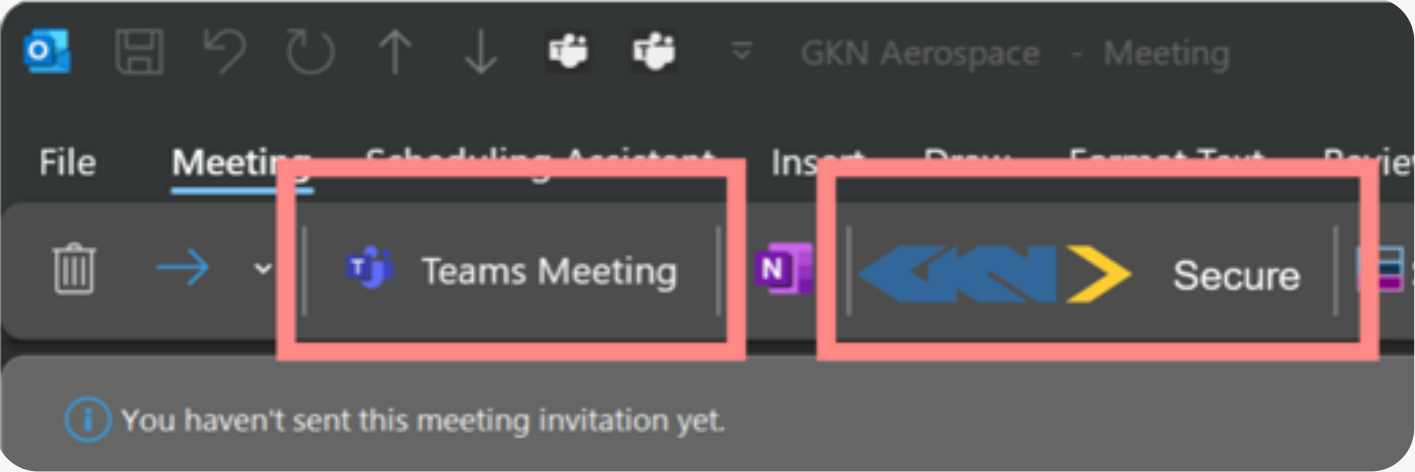
# Complementing Teams meetings with Pexip Secure Meetings

## European Country Government



Pexip Secure Meetings as a complementary video meeting platform for meetings that require an extra level of security. The application is an Outlook plug-in, alongside Teams.

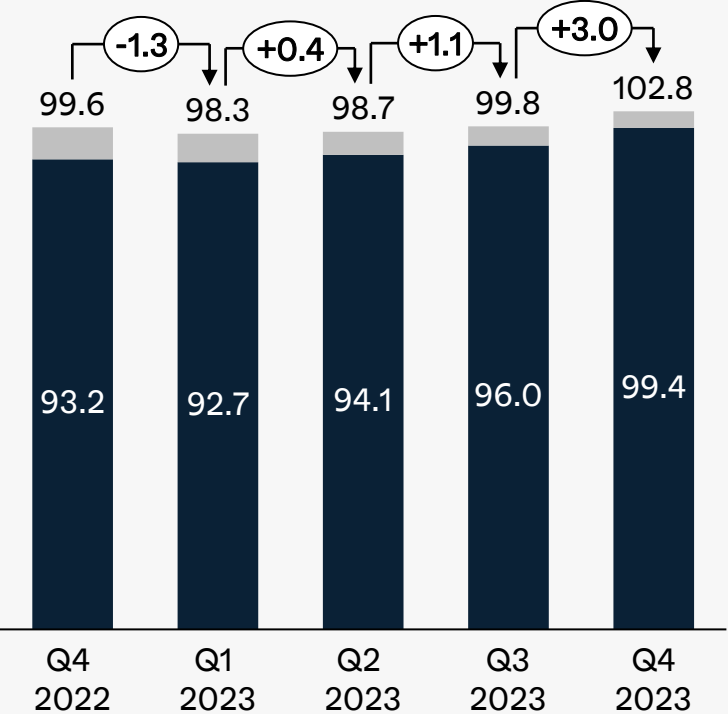
## GKN Aerospace



Need for a secure on-premises video platform with full opportunity to audit access to information to comply with regulatory demands related to international trade

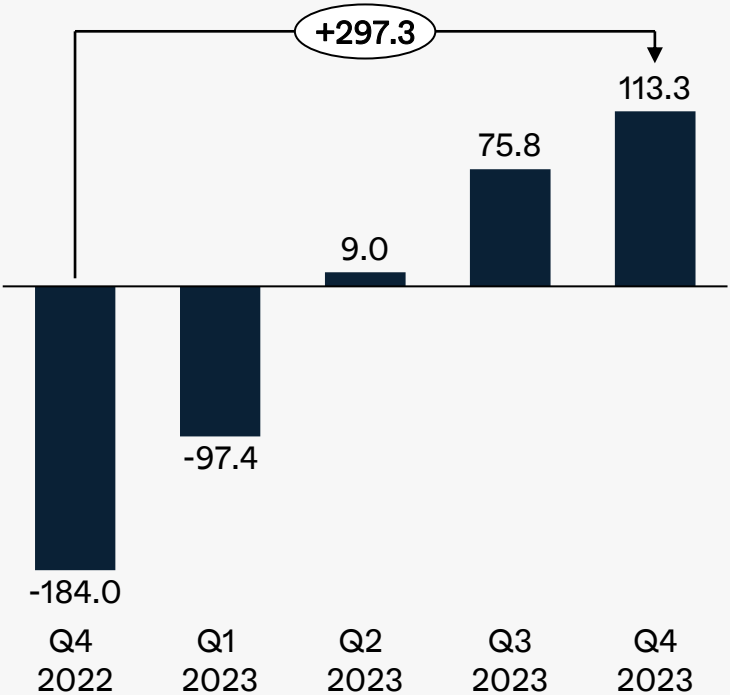
# Step-change in financial performance

Total ARR  
USDm

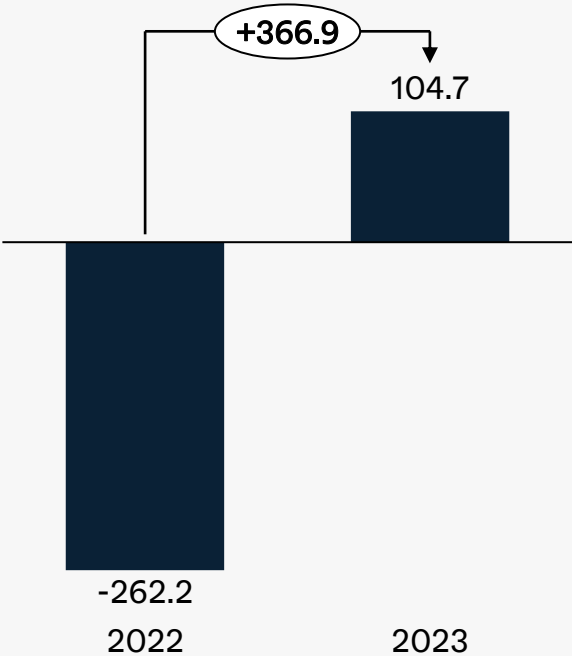


Legacy Underlying ARR

Adjusted EBITDA<sup>1</sup>  
NOKm, last 12 months



Free Cash flow<sup>2</sup>  
NOKm



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

# 2023 target achievement

**Target 2023 EBITDA of NOK 100-150 million**

**Target 2023 free cash flow<sup>1</sup> of NOK 85-100 million**

**Target flat to positive development in recurring revenues for FY 2023**



**NOK 113 million in EBITDA adjusted for other gains and losses (restructuring)**

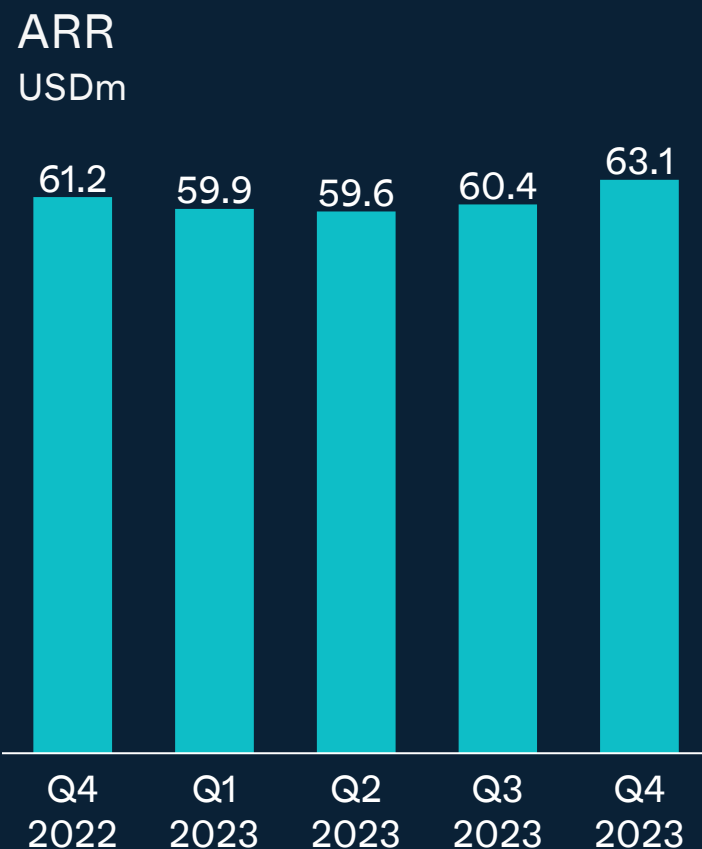
**NOK 105 million in free cash flow**

**3% growth in ARR to USD 102.8 million (7% growth excluding legacy areas)**

1) Cash flow from operating and investing activities excluding acquisitions, including principal lease payments

# Sales update

# Connected Spaces



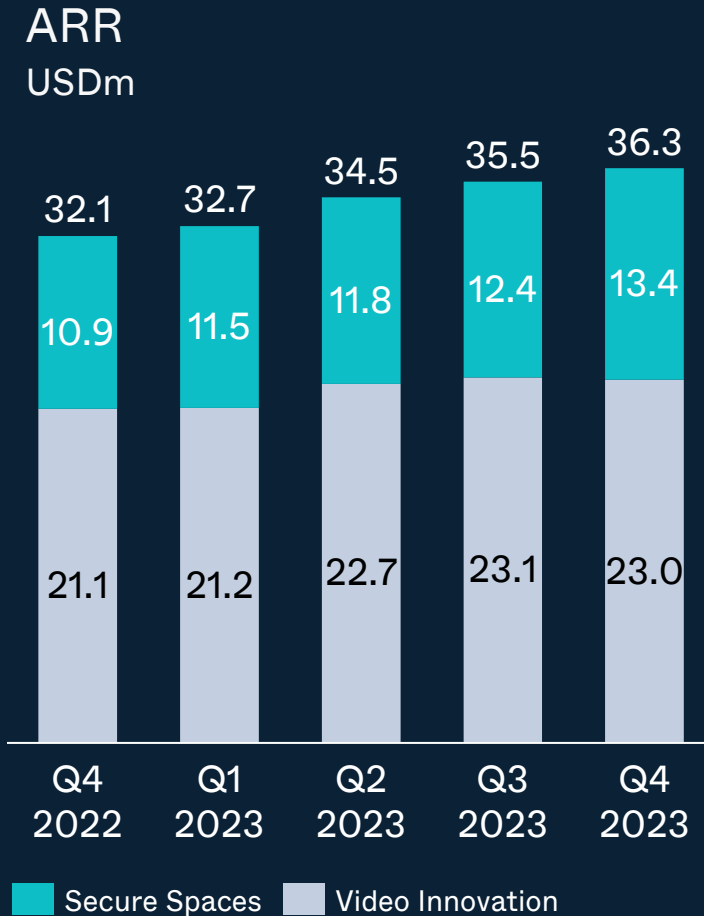
- Growth in Connected Spaces in Q4 benefiting from improved product differentiation, increasing momentum in Poly|HP partnership and BlueJeans sunsetting their CVI solution
- All regions contributing positively to Connected Spaces growth
- Positive feedback on SIP Point to Point for Microsoft Teams Rooms – opens a new market opportunity for Pexip for the next generation of video interoperability
- In Q4, Pexip signed several large customers in Connected spaces, including:
  - Pexip Connect to a major pharmaceutical company
  - Pexip Connect to a major luxury brand
  - A large upsell to a Big Four Audit and advisory firm
  - A large expansion to a Western Government

# Big Four Audit and Consulting firm

- Complex internal UC setup using both Google Meet and Microsoft Teams internally
- Wide range of video systems internally
- High number of interactions with clients using a range of UC tools
- Pexip is providing the full Pexip Connect offering, with interop to Teams and Google Meet, One-touch-join automation and direct support to the customer



# Secure and custom solutions



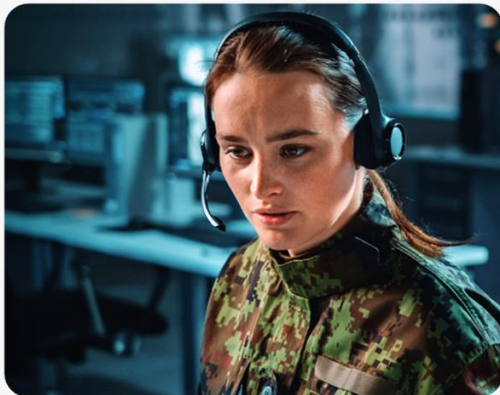
- Secure and custom solutions growing 2.4% in Q4 and 13% y-o-y, driven largely by strong upsell across several accounts in Secure and Custom
- Secure spaces was the main source of growth, with 22% growth y-o-y. Large wins include:
  - Secure meetings to a defence contractor
  - Secure meetings to a Middle Eastern government
  - Secure meetings to several Swedish government entities

# Seeing solid traction in the defense space

## Defence classified meetings

For SECRET and above, its 100% on prem, or private cloud.

Replace existing solutions with Pexip & Rocket.chat, and ensure business continuity.



## Deployed video tools

Wearables, mobile and application integration for the battlefield.

Pexip works better across poor network conditions.



## Mission partner collaboration

Federate & plan with partner orgs, with unique Pexip capabilities based on Data Centric Security.

Relevant for multinational organisations.



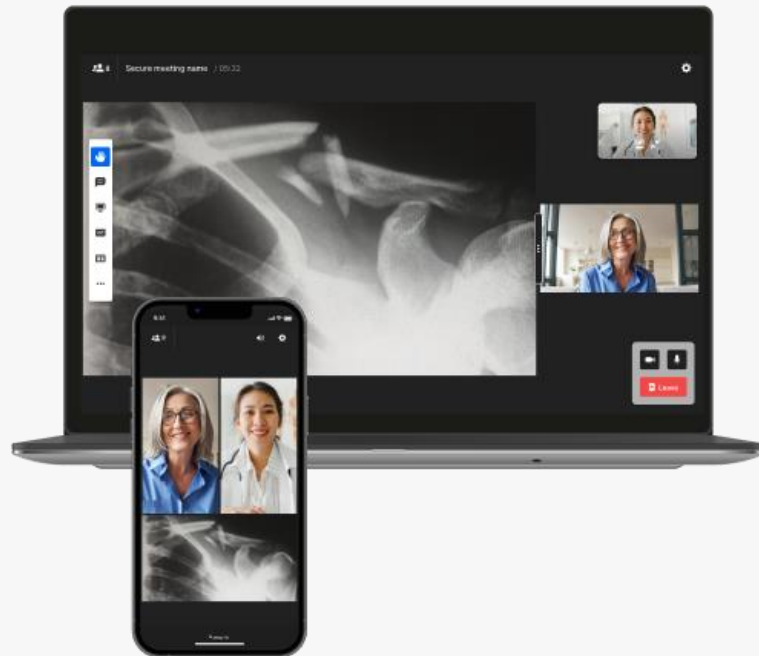
## Collaboration for development

Protect advanced engineering development programmes.

Lever Pexip's partners' collaboration technologies to foster creativity for dispersed teams.



# Launched Video platform as a Service (VPaaS) beta



## Unique value proposition built on core Pexip strengths

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### Private and compliant

- No Personal Identifiable Information is obtained or stored on the service at any time
- You choose **where** your tenant operates without sacrificing features or functions
- Built with compliance in mind



### Unique features targeted at vertical use cases

- Multi-stream video/content for advanced collaboration
- Switching/composable video; each user can create a unique experience
- Audio & video codec built from the ground up will protect quality in sub optimal conditions

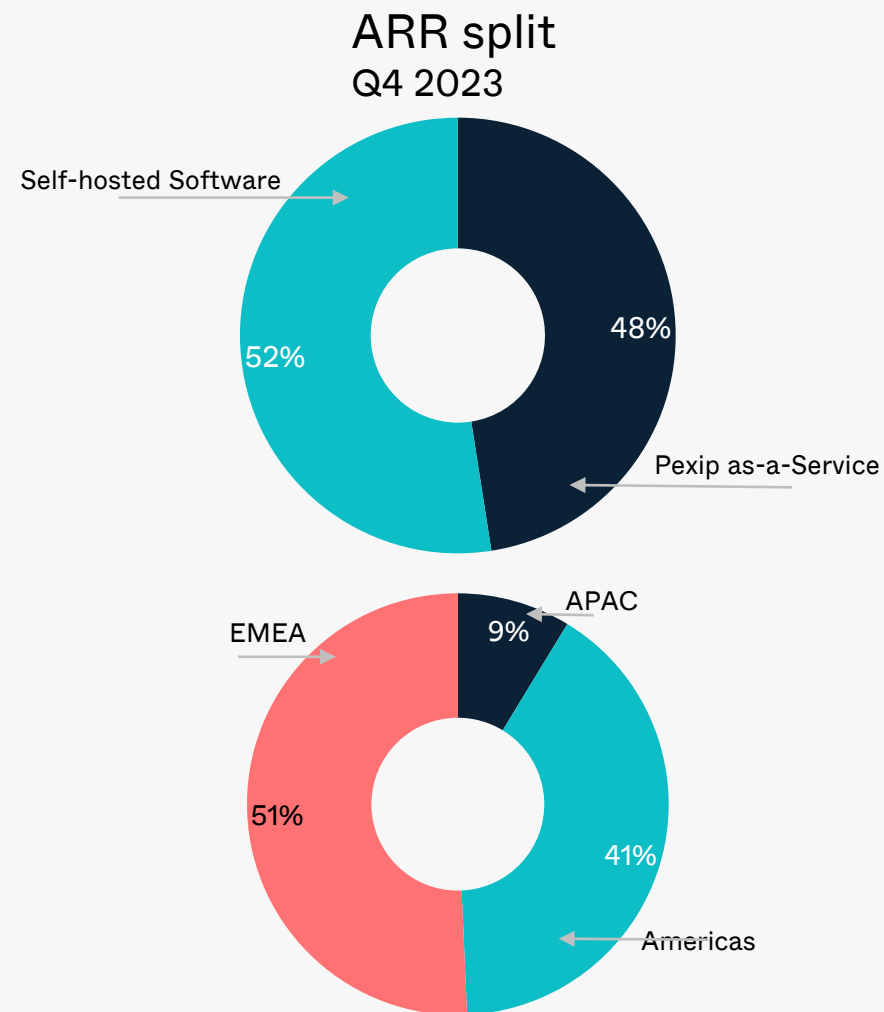
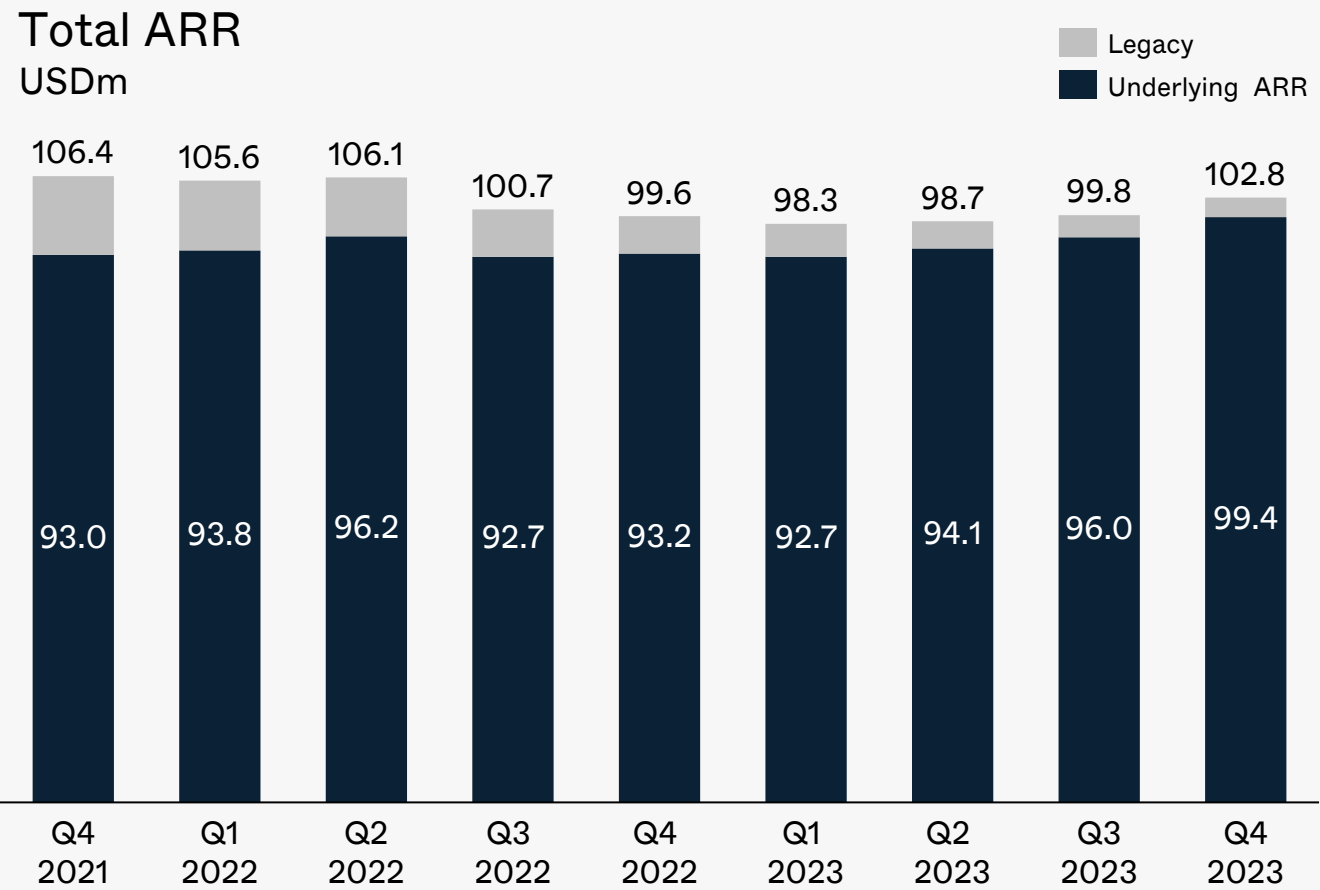


### Easy to adopt

- Published sample apps make migrating easier
- Unified APIs (future) will make adoption of service & self hosted seamless

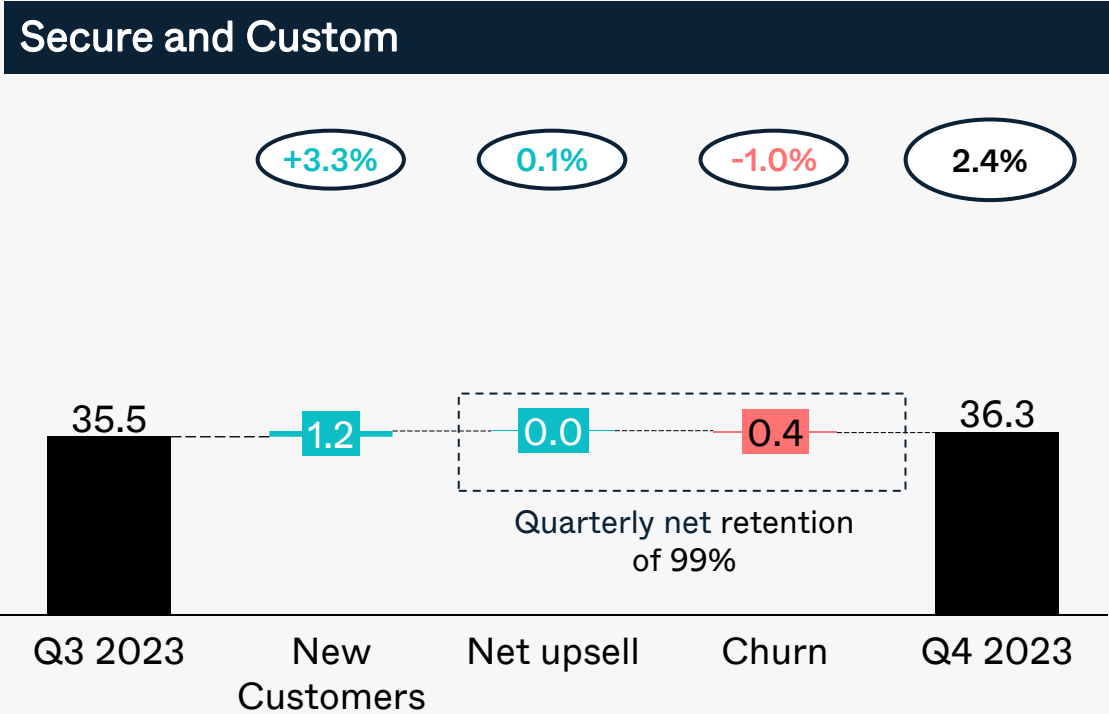
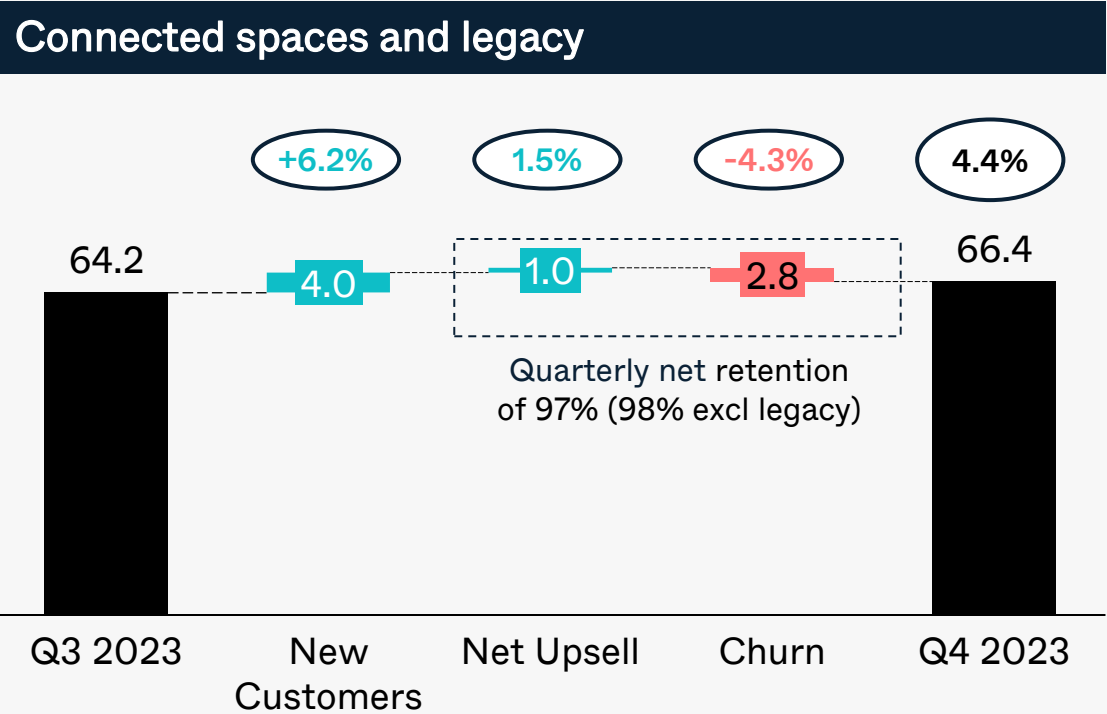
# Financial update

# Total ARR base at USD 103m in Q4 2023



# Breakdown of ARR development

USD million, quarter-over-quarter

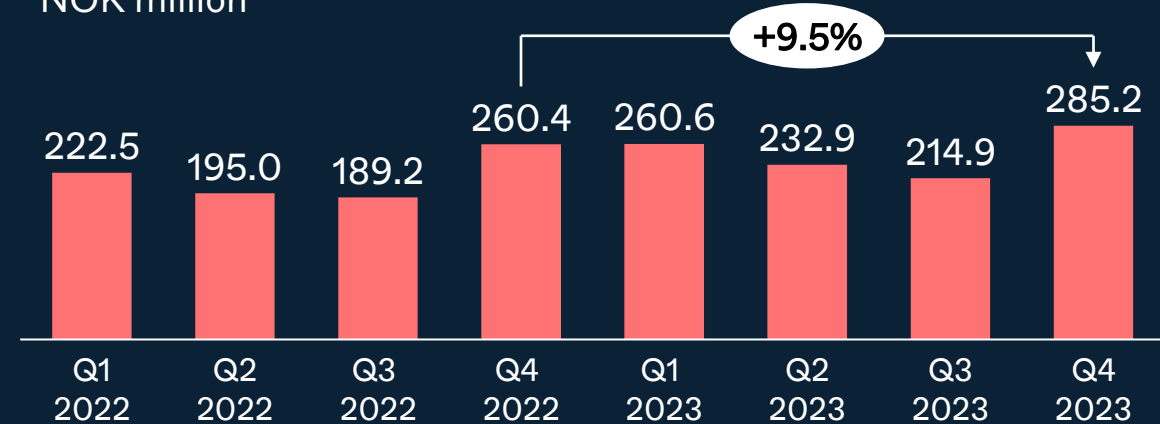


- Improved new sales in Secure and Custom
- Very strong sales for both new and existing customers in Connected Spaces

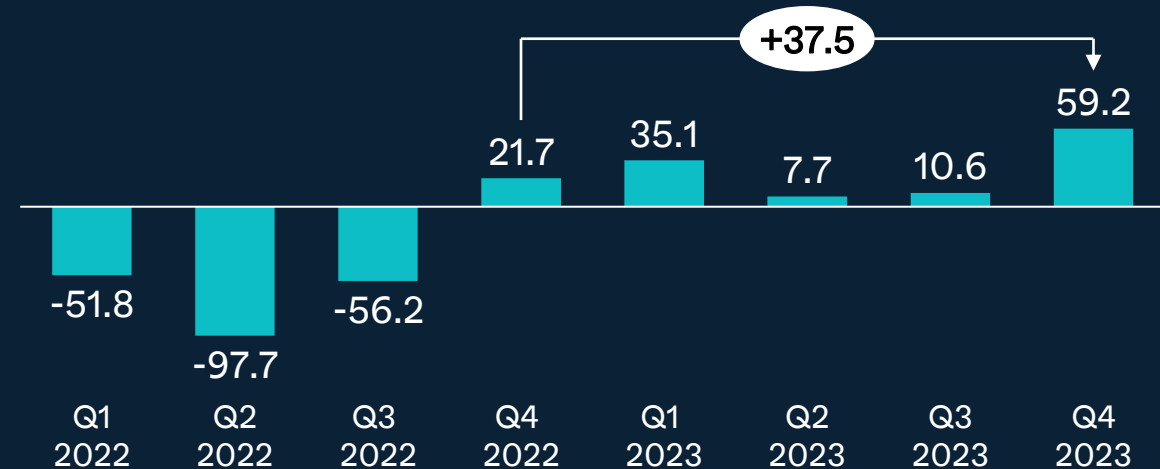
# Continued improvement in revenue and EBITDA

- Positive revenue increase of 10% compared to Q4'22
  - Strong revenue development despite delivering NOK 25 million less in pre-paid multi-year software contracts delivered in Q4 2023 compared to Q4 2022
- Continued positive EBITDA development from increased revenues and lower costs

Revenue  
NOK million



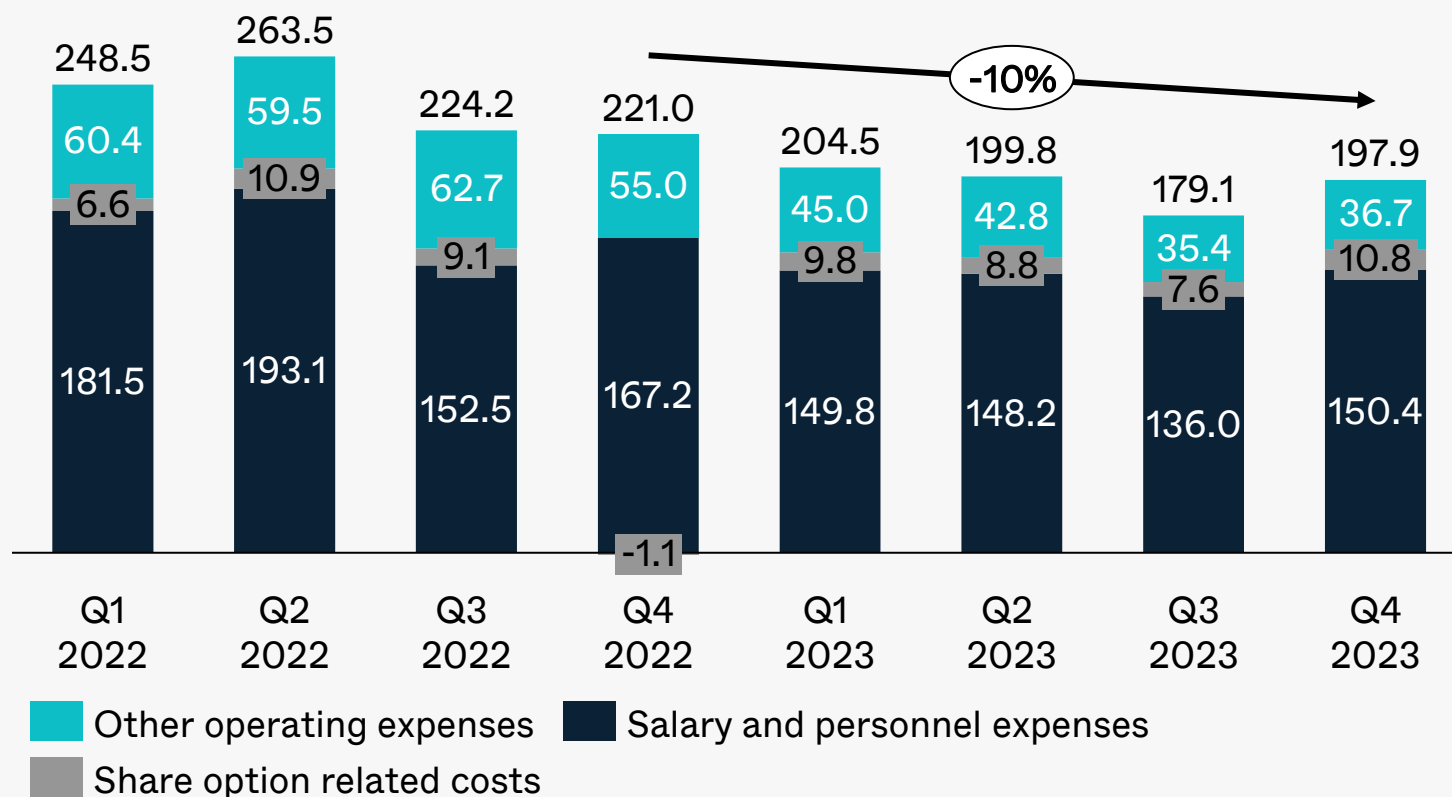
Adjusted EBITDA<sup>1</sup>  
NOK million



1) EBITDA adjusted for Other gains and losses

# Q4 2023 OPEX base 10% below Q4 2022

## Quarterly OPEX development NOKm



### Salary and personnel expenses

- Stable salary and personnel expenses compared to Q1/Q2, with somewhat lower fixed salary and higher variable compensation achievement from stronger sales in Q4

### Other Operating expenses

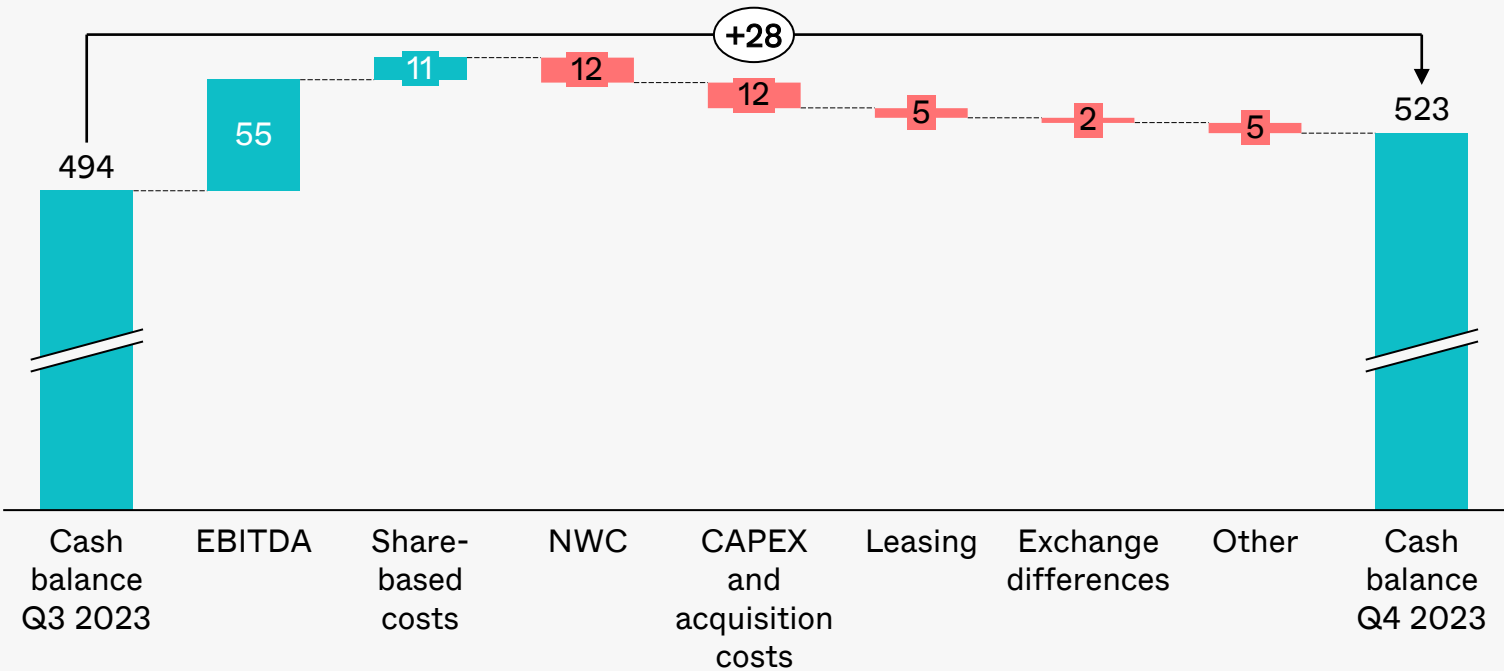
- Overall in line with previous quarters, and 33% lower than Q4 2022.
- Reduction mostly from lower sales and marketing costs as well as smaller reductions on all other items



# NOK 28 million in positive cash flow in Q4 – 2023

## free cash flow of NOK 105 million

Cash flow bridge Q4 2023  
NOKm



- Positive EBITDA excluding share based compensation costs contributing positively to Q4 cash flow
- Seasonal negative development on working capital due to higher invoice volume in Q4, in particular for December
- For 2023, Pexip achieved a free cash flow of NOK 105 million from NOK 178 million in operational cash flow, negative 51 million in investing cash flow and negative 22 million in lease payments

# Q4 2023 Financial results

## Profit and loss

NOKm

	Q4 2023	Q4 2022	Y-o-Y
<b>Revenue</b>	<b>285</b>	<b>260</b>	<b>25</b>
Cost of goods sold	28	18	10
<b>Gross Profit</b>	<b>257</b>	<b>243</b>	<b>14</b>
Salary and personnel exp.	161	166	(5)
Other operating exp.	37	54	(17)
<b>Adjusted EBITDA</b>	<b>59</b>	<b>22</b>	<b>37</b>
Other gains and losses	(5)	(29)	(22)
<b>EBITDA</b>	<b>55</b>	<b>(7)</b>	<b>62</b>
D&A	100	44	56
<b>Operating profit</b>	<b>(45)</b>	<b>(52)</b>	<b>7</b>
Net financials	0	(8)	8
<b>Profit/loss before income tax</b>	<b>(45)</b>	<b>(59)</b>	<b>14</b>

- 14% increase in year-on-year revenue, driven by stronger Software and Software-as-a-Service revenues and currency
- 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 59 million, NOK 37 million higher than in Q4 2022.
- NOK 5 million in other gains and losses from restructuring supporting long-term cost reductions
- High D&A in Q4 2023 due to impairment of Skedify goodwill of NOK 63.6 million following cost-reductions in the business unit

# FY 2023 Financial results

## Profit and loss

NOKm

	FY 2023	FY 2022	Y-o-Y
<b>Revenue</b>	<b>994</b>	<b>867</b>	<b>127</b>
Cost of goods sold	99	94	5
<b>Gross Profit</b>	<b>895</b>	<b>773</b>	<b>121</b>
Salary and personnel exp.	621	720	-98
Other operating exp.	160	238	-78
<b>Adjusted EBITDA</b>	<b>113</b>	<b>-184</b>	<b>297</b>
Other gains and losses	11	61	-50
<b>EBITDA</b>	<b>102</b>	<b>-245</b>	<b>348</b>
D&A	199	115	84
<b>Operating profit</b>	<b>-97</b>	<b>-360</b>	<b>264</b>
Net financials	33	44	-10
<b>Profit/loss before income tax</b>	<b>-64</b>	<b>-317</b>	<b>253</b>

- For FY 2023 revenues are up 15% or NOK 127 million compared to 2022
- COGS overall in line with last year, benefiting from improved operational efficiency but impacted by higher usage and traffic
- Cost reductions on Salary and personnel expenses and other OPEX of NOK 98 million and NOK 78 million respectively
- NOK 11 million in other gains and losses for 2023, mainly related to cost reduction initiatives
- NOK 199 million in D&A in 2023, compared to NOK 73 million in investment and leasing cash cost

# Outlook and targets

# Updated financial targets and current 2024 outlook

## 2023 achievement

- 3% ARR growth (7% excluding legacy)
- 11% EBITDA<sup>1</sup>

## Current 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>) Adjusted for other gains and losses

# Market outlook

- Continued positive market outlook across the business areas
- Key drivers for Connected Spaces is the Hybrid work mode, the HP|Poly partnership, BlueJeans' exit, Pexip's unique product and FedRAMP authorization in this space in addition to the growth in video devices
- Key drivers for Secure and Custom is the growth in private clouds, the geopolitical situation, and the HP|Poly partnership
- Q1 2024 ARR expected 103-106 USD millions

## Current 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

# Will recommend a NOK 1.1 per share dividend to AGM 2024

## Introduced a capital distribution policy

- Distribute 50-100% of free cash flow generated to shareholders as a dividend, with the concrete recommendation to be presented and approved by the AGM
- In addition, an extraordinary dividend of NOK 0.5 per share to be paid together with the ordinary dividend

## 2023 dividend recommendation of NOK 1.1 per share

- NOK 0.6 dividend per share as an ordinary dividend
- In addition, an extraordinary dividend of NOK 0.5 per share to be paid together with the ordinary dividend

# Upcoming dates

## Q1 2024 Quarterly Presentation

🕒 May 6, 2024

## 2024 AGM

🕒 April 12, 2024





**Q&A**

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**Thank you for listening!**

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# High gross margins across the business areas

Gross profit by segment  
NOKm

	Q4 2023	Q4 2022	YoY dev.
Revenue from Connected Spaces	184	168	10%
COGS of Connected Spaces	24	18	32%
<b>Gross Profit from Connected Spaces</b>	<b>160</b>	<b>150</b>	<b>7%</b>
<i>Gross margin Connected Spaces</i>	<i>87%</i>	<i>89%</i>	<i>-2 p.p.</i>
	Q4 2023	Q4 2022	YoY dev.
Revenue from secure, custom solutions	101	93	9%
COGS of secure, custom solutions	5	4	17%
<b>Gross Profit from secure, custom solutions</b>	<b>96</b>	<b>89</b>	<b>9%</b>
<i>Gross margin secure, custom solutions</i>	<i>95%</i>	<i>96%</i>	<i>-1 p.p.</i>

- 10% and 9% revenue development in the two business areas
- Somewhat lower gross margin growth due to increased COGS