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Quarterly Presentation Q1 2023

May 4, 2023

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Q1 highlights and key areas of focus

Transformation underway

- Company transformation is starting to deliver tangible results, on both profitability and cash flow
- Continue to drive focus on core markets to enhance technology leadership in these

Revenue and ARR development

- Q1 revenue of NOK 261 million, up 17% y-o-y
- Total ARR at USD 98.3 million, down 7% y-o-y

Results and cash

- EBITDA of NOK 35 million, up 87 million y-o-y
- Cash flow of NOK 47 million, with a cash position of NOK 466 million out of Q1

New partnership with Poly

- Pexip has entered into a strategic partnership with Poly, a major player in the collaboration market
- The partnership will positively impact both Secure Spaces and Connected spaces

FedRamp Authorized

- Pexip is FedRamp Authorized
- This will enable US Federal customers to more easily deploy Pexip technology through Pexip's Government Cloud

2023 Financial targets

- 20%+ growth in ARR in Secure Spaces and Video Innovation
- Flat to positive development in revenues
- NOK 100-150 million EBITDA
- Min NOK 40-60 million free cash flow excluding one-offs

Powering video everywhere with unique multi-platform video technology

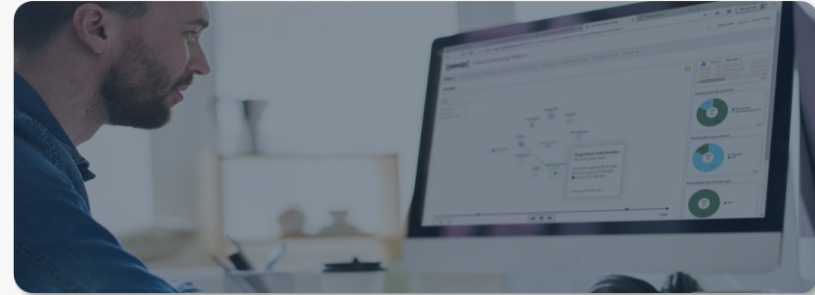
Patented **transcoding** architecture



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

Strategic partnership with Poly powering Poly's new video infrastructure solutions



Powered by Pexip



Powered by Pexip



Powered by Pexip

Offerings will be available through Poly's sales channels, improving Pexip's market reach



“We're thrilled to work with Pexip, a leading player in the market. This collaboration enables us to deliver secure private video communications via on-premise and cloud-based solutions, catering especially to security-conscious organizations.”

- Chris Moss, Product and Portfolio Management, HP Hybrid Systems

Pexip Government Cloud Achieves FedRAMP® Authorization

Pexip achieved official FedRAMP approved status in April 2023 and now offers a FedRAMP Authorized solution for Microsoft Teams Cloud Video Interop (CVI). This makes it easy for federal agencies to join a Microsoft Teams meeting from the office – all in a secure, compliant way.



“Our FedRAMP Authorized platform offers a pathway for Pexip customers and federal government agencies to future-proof their video investments and securely unite their hybrid workforce. Already trusted by agencies including the VA, NASA, EPA, and the US Air Force, FedRAMP Authorization now enables even more agencies to access Pexip’s solution.”

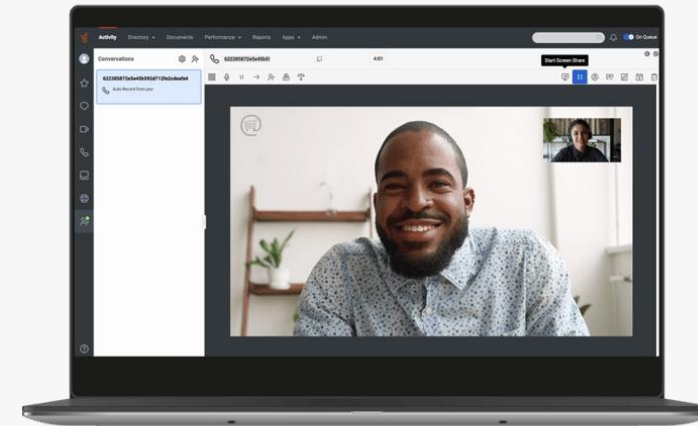
- Peter McCarthy, VP, Public Sector, Pexip

Several new products and features launched in Q1

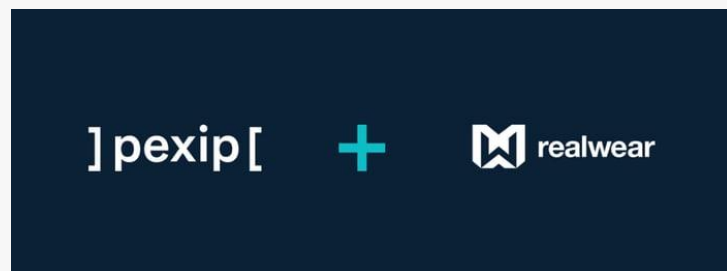
Introducing SIP Guest Join.
Join any Teams meeting. Even external ones.



Pexip now available on Genesys
AppFoundry



Pexip partners with RealWear to enable
secure video for frontline workers



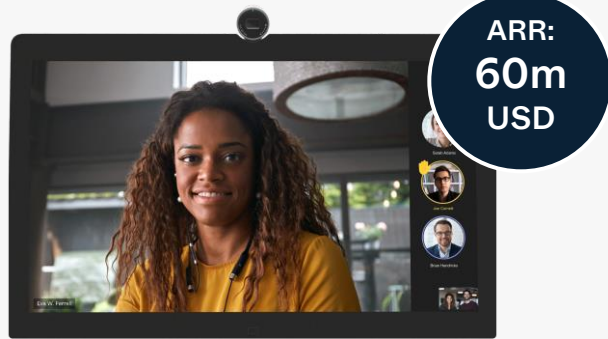
Version 31 of Pexip Infinity

- End-to-end encryption
- In-conference security classifications indicators
- Personalized apps and branding
- Improved Microsoft Teams Cloud Video Interop (CVI)
- Improved Google Meet interop



Strengthening our position in both business areas

Connected Spaces



- Market and technology leadership strengthened through Q1
- Interoperable Multi-platform product for meeting rooms well received in the market
- FedRAMP and Poly partnership will amplify position and increase market share

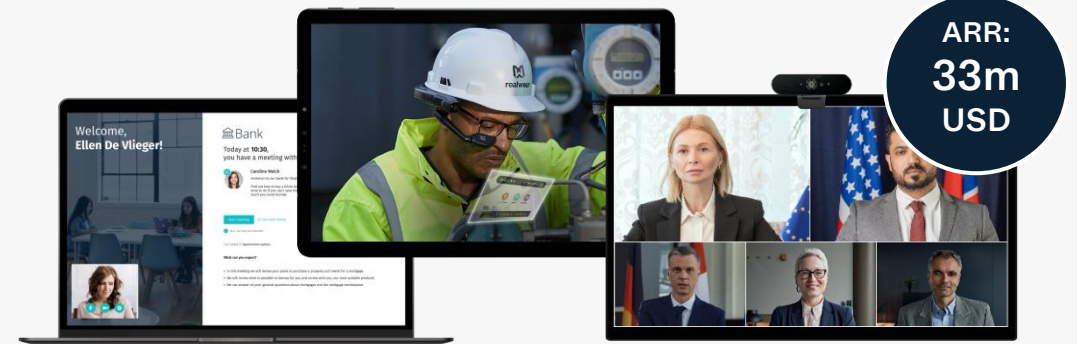


Google



FedRAMP

Secure, customized solutions



- Pexip offers unique solution for self hosted and private cloud deployment—enabling complete privacy and security
- Technology alliances with Genesys, Realwear, etc broadens solution space
- Poly partnership will increase market share within the secure segment

GENESYS



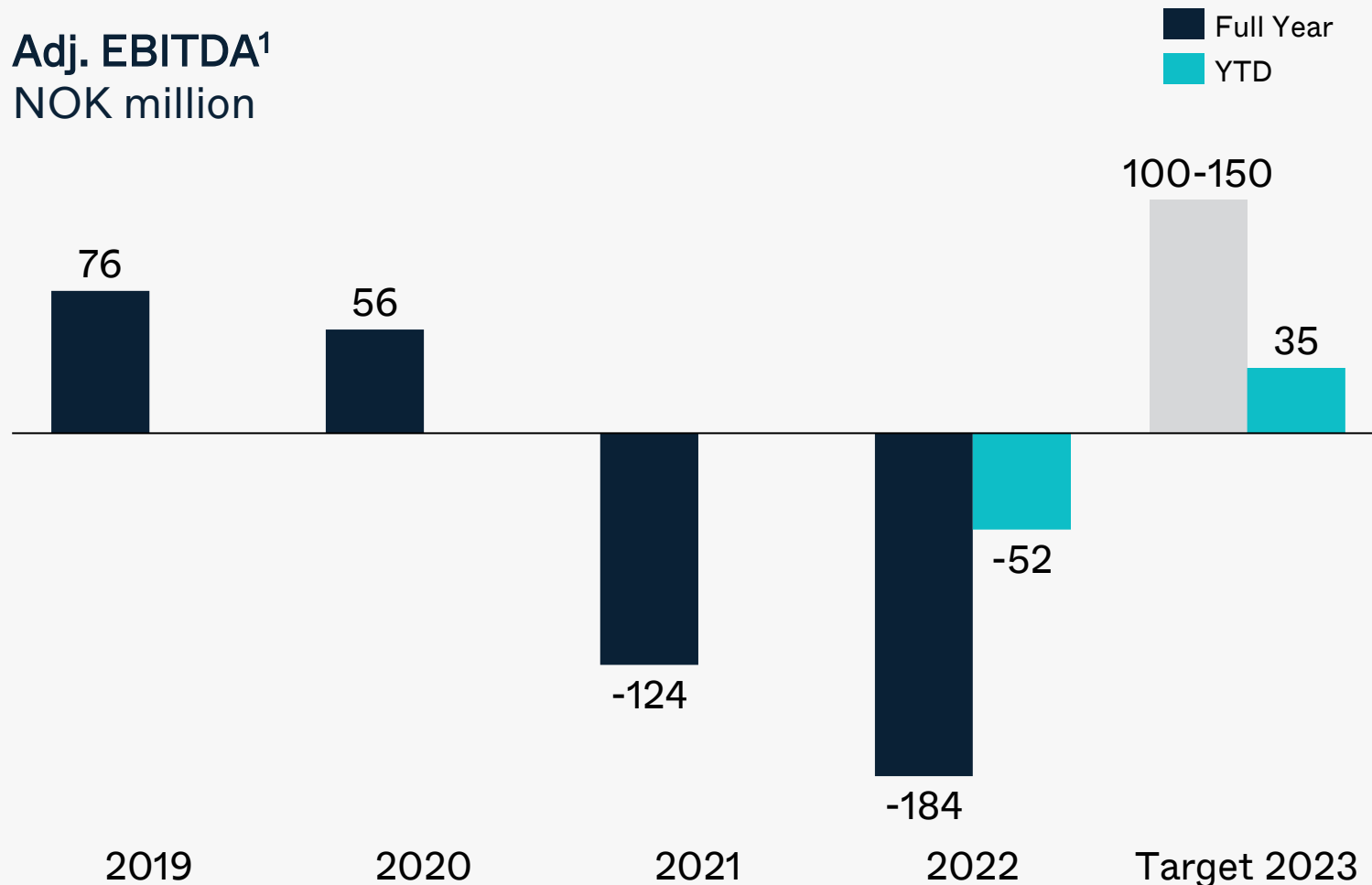
NOKIA



poly | hp

Turning around to a profitable company in 2023

Adj. EBITDA¹
NOK million



Transformation highlights

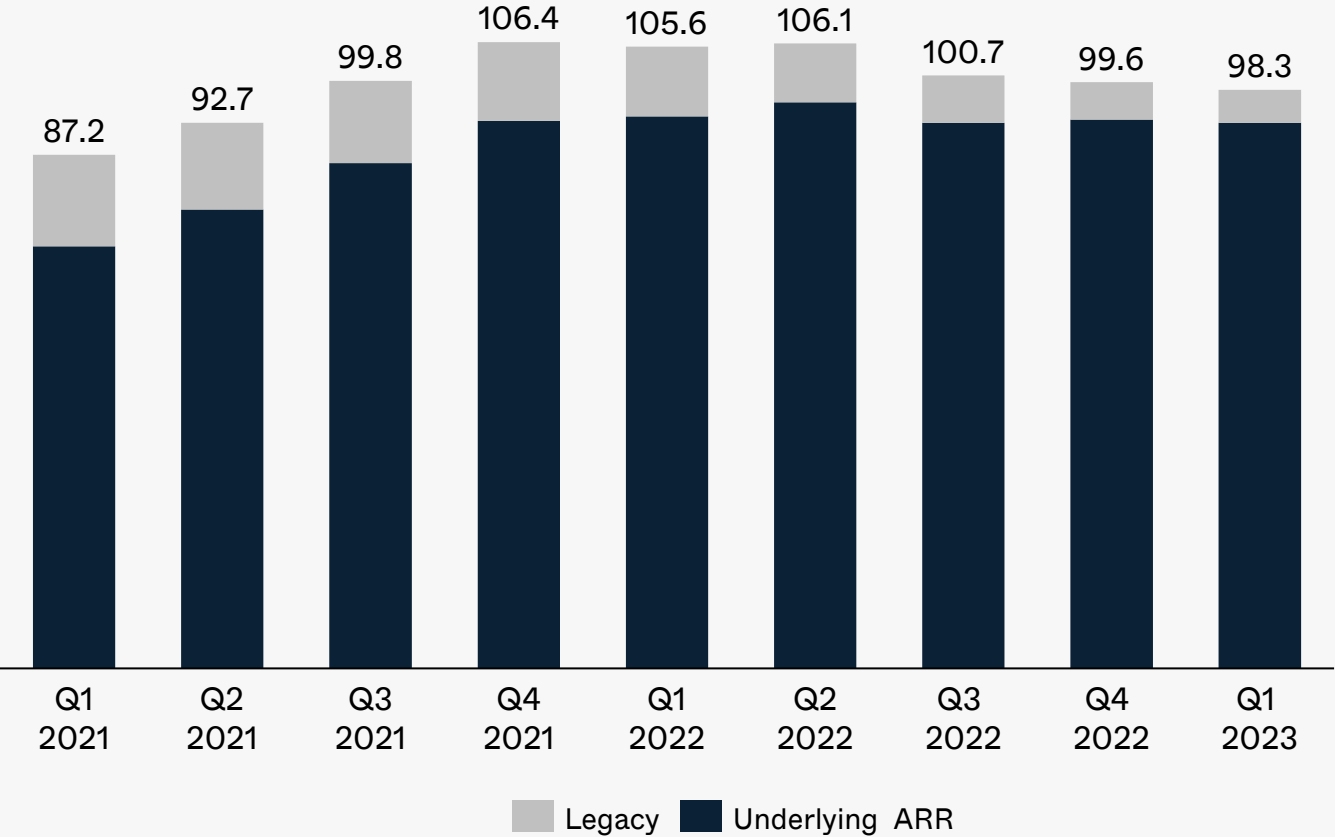
- Have adapted cost base to current revenues, giving positive EBITDA and cash flow
- More focused strategy has enabled Pexip to strengthen differentiators in core markets, and strengthen strategic partnerships
- On track to reach 2023 targets

¹ Adjusted for IPO transaction costs in 2020 and restructuring costs in 2022

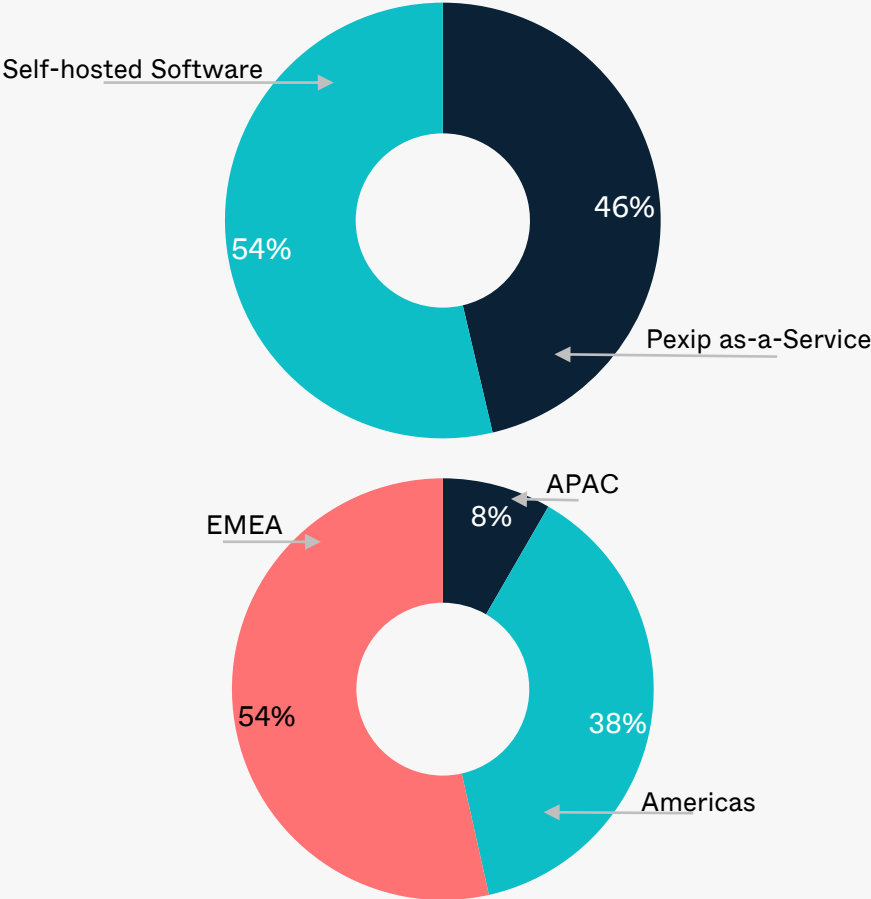
Sales update

Total ARR base at USD 98m in Q1 2023

Total ARR
USDm

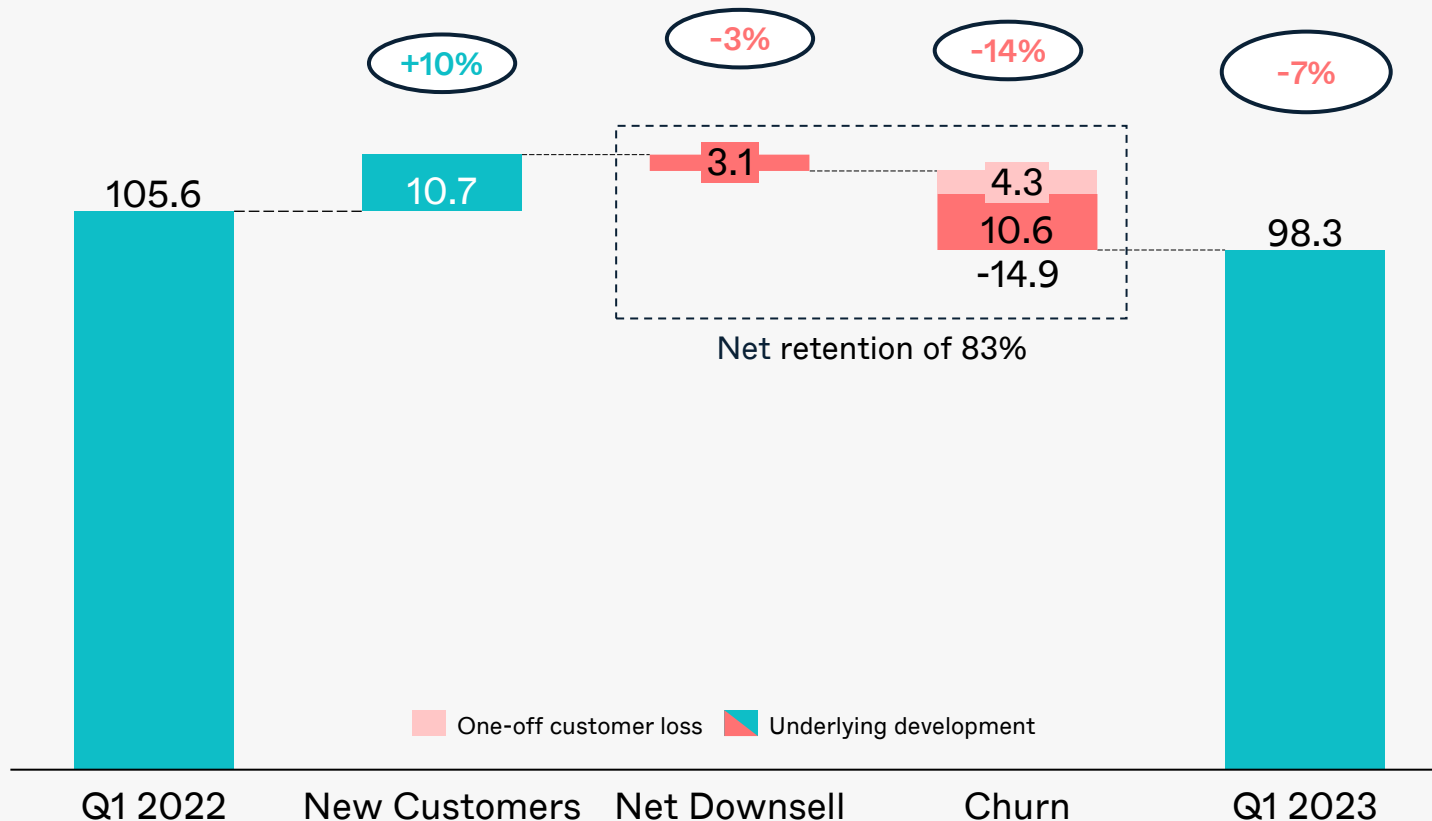


ARR split
Q1 2023



Breakdown of ARR development

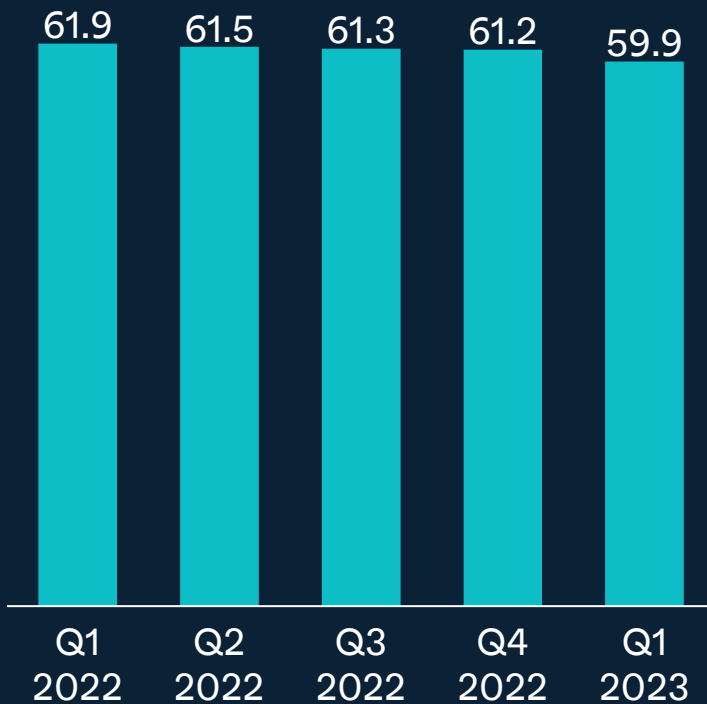
Development in ARR portfolio last twelve months
USDm



- Churn development continue to be impacted by the large US Government contract that were not renewed in Q3 2022. Excluding this customer, churn is somewhat up compared to the previous quarter (USD 10.6 million compared to USD 8.6 million out of Q4 2022)
- Legacy continues to decline in line with expectation, driving both churn and downsell
- Downsell is also impacted by a rightsizing of capacity following the pandemic
- Increased list prices from Jan 1, 2023 will continue to have a positive impact on net upsell through 2023

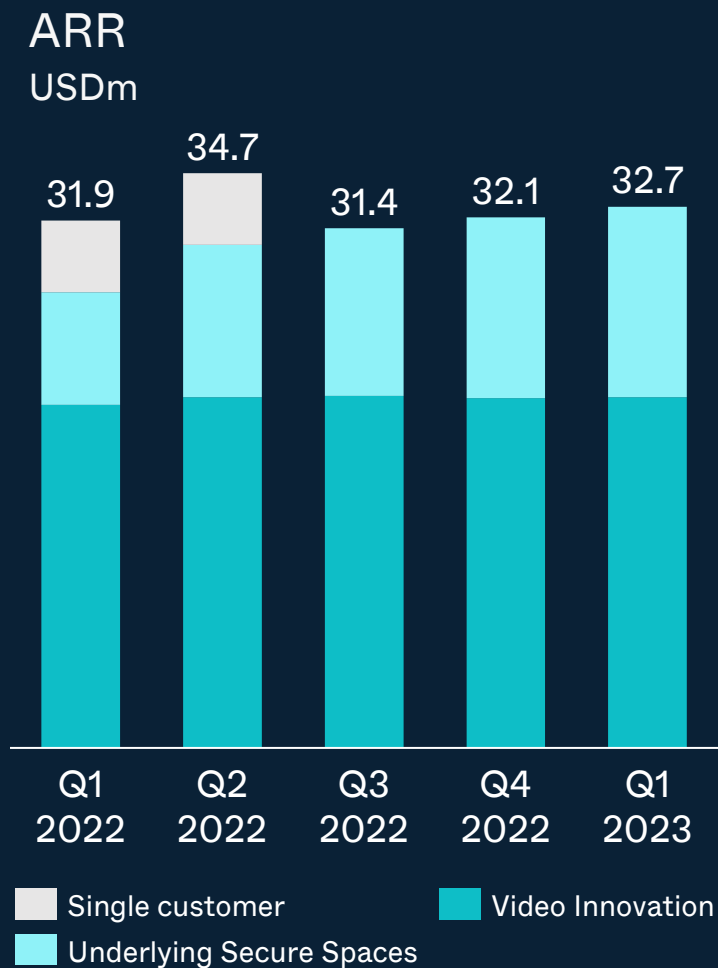
Connected Spaces

ARR
USDm



- Continuous innovation ongoing to increase technology leadership in Connected Spaces
- Continue to win major customers with our leading technology, in particular on Teams interoperability
 - Large US federal government agency – Social Security Administration (SSA)
 - Major US based Aerospace and Defense Systems Integration Company
 - Announced new strategic partnership with Poly

Secure and custom solutions

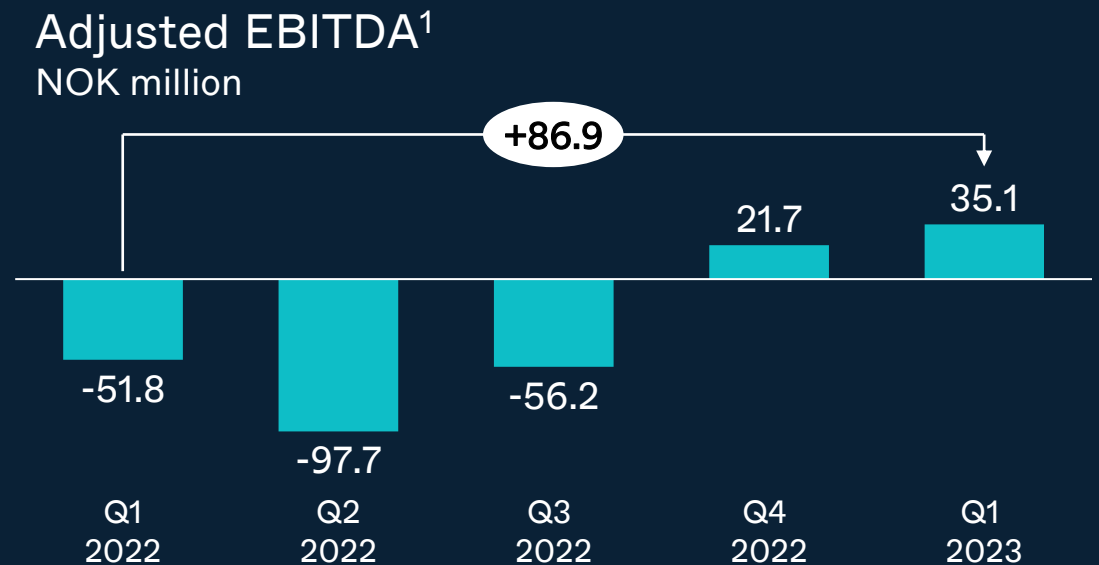
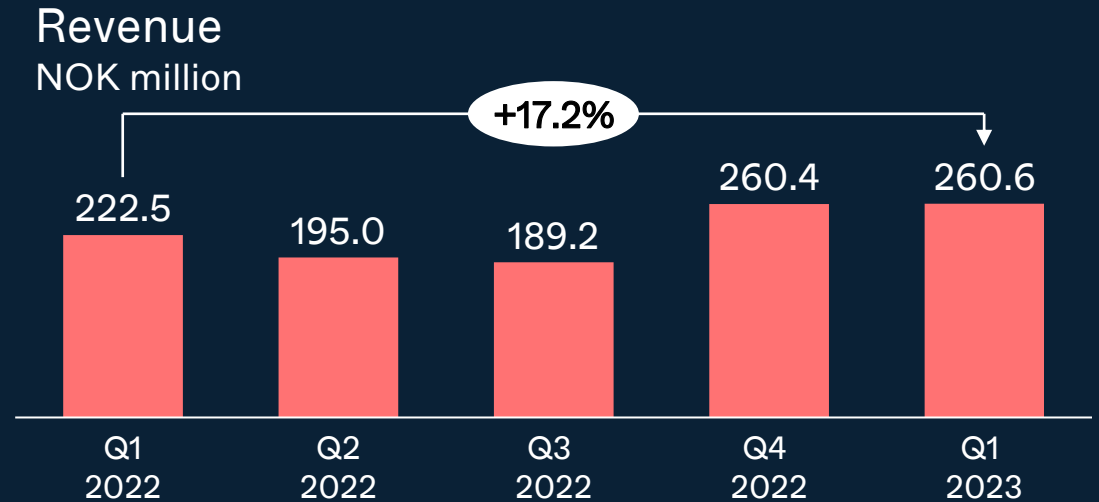


- Continued momentum for our Secure Collaboration products with recurring revenues in Secure Spaces growing 5% in Q1, and underlying y-o-y growth of 69%
- Increased awareness on cyber vulnerability and privacy gives Pexip an attractive position as a leading on-premise focused video collaboration provider
- Stable ARR in Video Innovation, with ARR of USD 21.2 million.
- Video innovation is still an immature market – however with large potential across several use cases and clear signals of increased market traction in attractive niches
- In Q1, we had several large renewals within secure and custom solutions. In addition, we had several new customers added this quarter, including:
 - A new service provider within TeleHealth
 - A new Swedish government agency within Secure Spaces

Financial update

Clear progress of return to profitability

- Positive revenue increase of 17% compared to Q1'22, of which 11 p.p. are driven by currency effects
- Continued positive EBITDA development, driven by realized effects of the cost reduction program and revenue growth
- Rightsizing program have given good results and we see clear signs of a healthy cost base and clear path to profitability and positive cash flow



1) EBITDA in 2022 adjusted for restructuring costs

High gross margins across the business areas

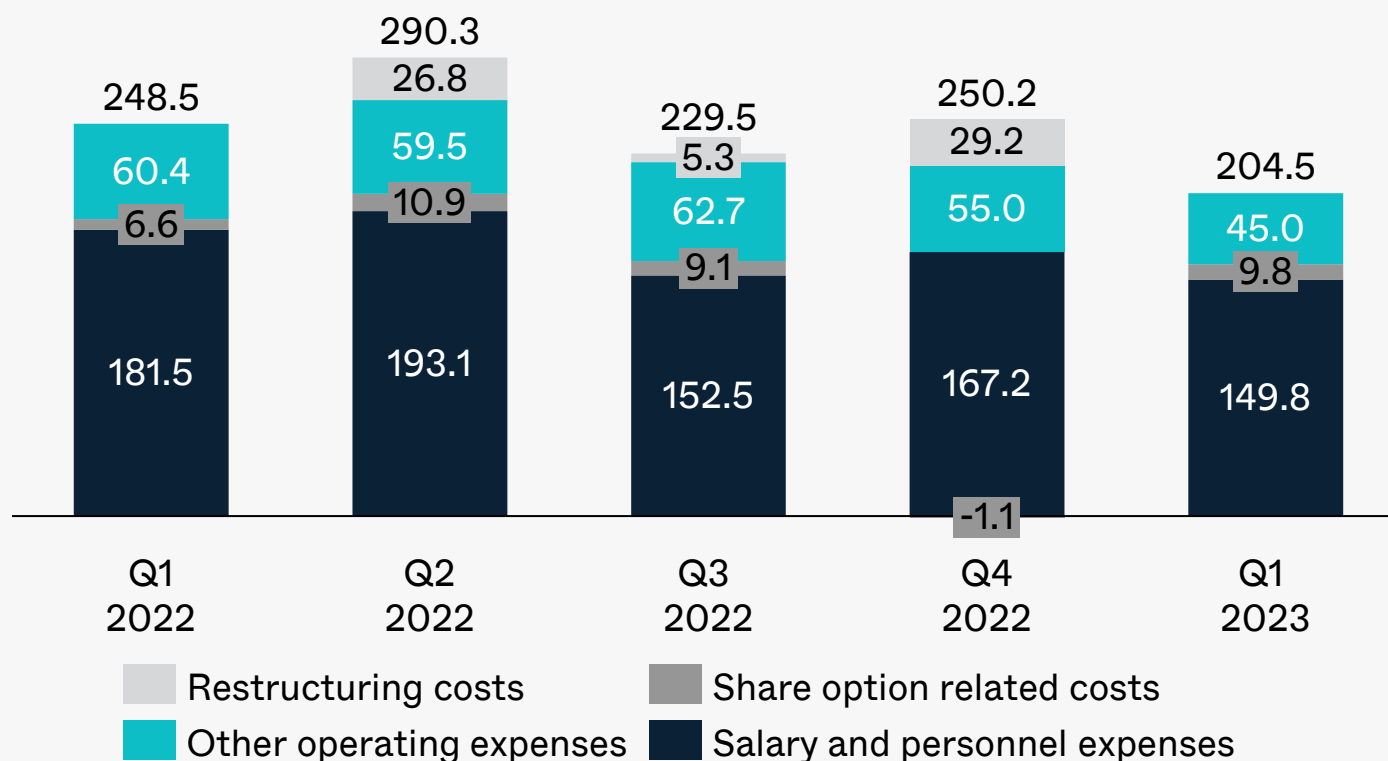
Gross profit by segment
NOKm

	Q1 2023	Q1 2022	YoY dev.
Revenue from Connected Spaces	158	149	6%
COGS of Connected Spaces	18	21	-14%
Gross Profit from Connected Spaces	139	128	9%
<i>Gross margin Connected Spaces</i>	<i>88%</i>	<i>86%</i>	<i>3 p.p.</i>
	Q1 2023	Q1 2022	YoY dev.
Revenue from secure, custom solutions	103	73	40%
COGS of secure, custom solutions	3	4	-32%
Gross Profit from secure, custom solutions	100	69	45%
<i>Gross margin secure, custom solutions</i>	<i>97%</i>	<i>94%</i>	<i>3 p.p.</i>

- COGS are mainly related to Connected Spaces, however both business areas with high gross margins
- The gross margin in both areas are improving compared to Q1 2022, mainly due to underlying efficiency improvements

Improvement in OPEX from cost reductions

Quarterly OPEX development
NOKm



Salary and personnel expenses

- Decrease in salary and personnel driven by reduction in employees, although not seeing the full effect in Q1 from the Q4 downsizing

Other Operating expenses

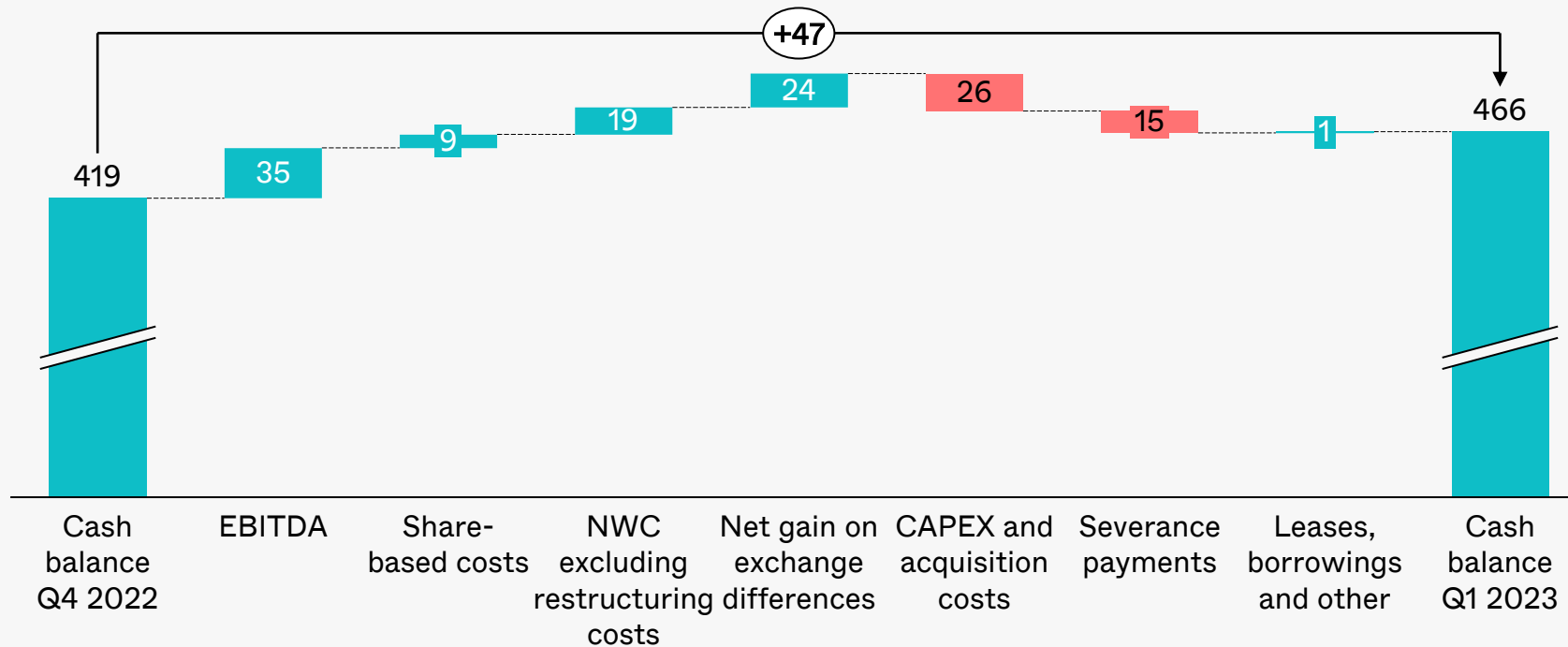
- Positive development with a 26% reduction compared to Q1 2022, mainly from reductions in Sales and Marketing, software and external services

Currency effects

- Approximately 5 p.p. cost increase driven by currency effects

NOK 47 million in positive cash flow in Q1

Cash flow bridge Q1 2023
NOKm



- Positive EBITDA, net working capital and exchange gains from receiving payments at a more favourable exchange rate main positive contributors to positive cash flow
- Negative NOK 15 million in severance payments and NOK 10.5 million in acquisition earn-out, both of which are non-recurring in nature

Q1 2023 Financial results

Profit and loss NOKm

	Q1 2023	Q1 2022
Revenue	260.6	222.5
Cost of goods sold	21.3	25.8
Gross Profit	239.3	196.7
Salary and personnel exp.	159.6	188.1
Other operating exp.	45.0	61.3
Other gains and losses	-0.3	0.0
EBITDA	35.1	-51.8
D&A	29.1	23.3
Operating profit	6.0	-75.1
Net financial income / (expenses)	25.9	-7.5
Profit before income tax	31.9	-82.6

- 17% increase in year-on-year Q1 revenue, driven by currency exchange changes and stronger Software-as-a-Service revenues
- COGS is mainly relating to sale of Pexip-as-a-Service and is lower year-on-year despite higher revenue. This is mainly due to underlying efficiency improvements.
- Improved EBITDA of positive NOK 35 million from lower operating expenses, up from negative NOK 52 million in Q1 2022.

Outlook and 2023 targets

Generally positive market outlook across the business areas

Poly partnership and FedRAMP Authorization provide additional momentum into H2 2023

On track on EBITDA and revenue targets, trending above target for cash flow

Q2 2023 ARR expected 97-100 million

Target 2023 EBITDA of NOK 100-150 million

We aim to become a profitable business, with targets supported by the solid progress on the cost reduction program

Progress after Q1: On track

~40% EBITDA cash conversion in 2023

We target minimum NOK 40-60 million free cash flow¹

Progress after Q1: Trending above target

Flat to positive revenues

We target stable to positive development in annual recurring revenues

Progress after Q1: On track

1) Free cash flow from operating cash flow and investing activities excluding one-off items

Upcoming dates

Q2 2023 & Half-year Presentation

🕒 August 10, 2023

Q3 2023 Quarterly Presentation

🕒 November 2, 2023

Q4 2023 Quarterly Presentation

🕒 February 14, 2024

Q&A

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