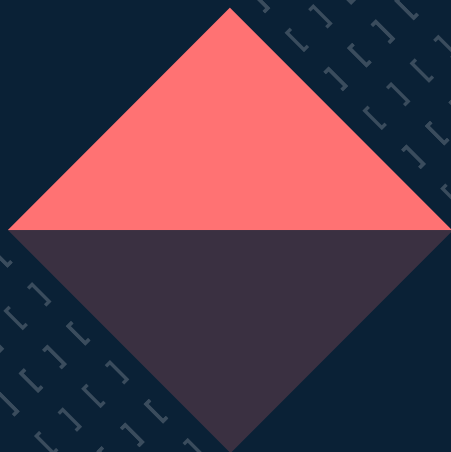


]pexip[

# Q4 2022

Quarterly Report

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# Q4 Highlights

- In Q4, the cost reduction program resulted in additional NOK 189 million of annualized reductions in costs realized. The cost base going into Q1 underpin the cash flow target at current revenues, and Pexip has updated the cost base estimate for 2023 to NOK 850 million, from previously announced NOK 940 million. Pexip exited Q4 with a team of 329 FTEs, down 40% from mid-Q2.
- Solid momentum within Secure Spaces with recurring revenues growing 8% in Q4 and 60% underlying growth y-o-y.
- Continue to strengthen partnerships in Connected Spaces and estimate stable ARR development going forward.
- Q4 revenue of NOK 260.4 million, down 2.1% y-o-y. Pexip's subscription base measured in ARR was USD 99.6 million in Q4 2022. Adjusted EBITDA was NOK 21.7 million excl. restructuring costs, up 119% y-o-y.
- Cash flow of NOK -67 million, with a cash position of NOK 419 million.

## Key Figures

		Q4 2022	Q4 2021	FY 2022	FY 2021
Revenue	NOK million	<b>260.4</b>	265.9	867.1	805.5
Cost of Sale	NOK million	<b>17.7</b>	18.3	93.8	76.9
Salary and personnel expenses	NOK million	<b>166.0</b>	158.2	719.7	634.4
Other operating expenses	NOK million	<b>55.0</b>	79.4	237.5	218.6
Adj. EBITDA	NOK million	<b>21.7</b>	9.9	184.0	-124.3
Adj. EBITDA-margin	%	<b>8%</b>	4%	-21%	-15%
Restructuring costs	NOK million	<b>29.2</b>	-	61.3	-
EBITDA	NOK million	<b>-7.5</b>	9.9	-245.3	-124.3
EBITDA-margin	%	<b>-3%</b>	4%	-28%	-15%
Profit or loss for the period	NOK million	<b>-63.2</b>	-33.1	-262.2	-157.3
Earnings per share	NOK per share	<b>-0.62</b>	-0.32	-2.58	-1.53
ARR USD million	USD million	<b>99.6</b>	106.4		
Number of employees end of period	#	<b>329</b>	537		

**“2022 has been a year of change for Pexip. The transition to a leaner organization is progressing well and we are going into 2023 with a motivated team and with continued focus and drive towards our targets of growth and increasing profitability. Despite the macroeconomic slowdown impacting our customers, we continue to see growth and traction in Secure Spaces and Video Innovation and are confident that these areas will be of great importance in the years to come.”**



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**Trond K. Johannessen**  
Chief Executive Officer

# Operational Review

## Q4 Summary

Pexip's subscription base measured in Annual Recurring Revenue (ARR) amounted to USD 99.6 million in Q4 2022, representing a year-on-year decline of 6% from USD 106.4 million in Q4 2021. The development in year-on-year ARR continue to be affected by the large US Government customer not renewing the contract as the program lost its funding, as well as decline in legacy areas.

Net revenue retention rate, reflecting the percent of retained revenue from existing customers, was 81% year-on-year, including churn of 12.1 percentage points (p.p.) year-on-year. The reduction in net revenue retention rate was driven by an increase in net downsell, which was at a negative 6.4 p.p. in Q4. Decline in legacy areas are driving both churn and the increased net downsell, which is in line with expectation. ARR from Pexip as-a-Service was at USD 46.4 million in Q4 2022, down 2.5% year-on-year, while ARR from Pexip's Self-hosted Software ended at USD 53.1 million, down 9.6% year-on-year.

In Q3 2022, Pexip communicated a focus on two main growth strategies to bring Pexip forward, with a separate strategy for the mature Connected Spaces area, and the growing Secure Spaces and Video Innovation areas. Dividing the solution areas into two broad categories that are quite different from each other with respect to both market growth and Pexip's position, will enable Pexip to maximize the potential of each.

The cost reduction program continued with phase 2 in Q4, and additional 189 million of annualized reductions in costs was realized in the quarter. The annualized operational cost base in Q4 ended at NOK 967 million, down NOK 372 million from the Q2 2022 level of NOK 1,339 million, and further reductions are in place for Q1 and 2023. This provides confidence in Pexip's ability to achieve the set target for full year 2023 presented in the Q3 2022 presentation of NOK 940 million and have

led to an updated cost base estimate for 2023 of NOK 850 million.

In Q4, Pexip continued the adjustment of the organization and are exiting Q4 with a motivated team of 329 FTEs, down from 451 FTEs at the end of Q3 2022. The resized organization comprise approximately 40% technical employees, 50% commercial employees and 10% employees in administrative roles.

Q4 development provides momentum to reach the financial targets set for 2023. Secure Spaces saw a solid quarter, with 8% growth in Q4. This supports our prospect of continued growth in this area in 2023, driven by increased focus on security and data sovereignty. The cost reductions realized in Q3 and Q4 support our 2023 targets of cash flow positive operations in 2023 and an EBITDA of NOK 100-150 million for the whole year.

## Q4 Key Wins



### De Hypotheker

De Hypotheker is the biggest independent mortgage consultancy service in the Netherlands. De Hypotheker wanted a suitable appointment scheduling tool and chose Pexip Engage because of its unique enterprise scheduling capabilities. Pexip Engage offers hybrid meeting flexibility to customers and advisors, while the organization always retains control. Having a well-established and recognized organization like De Hypotheker choosing Pexip Engage is a testimony to Pexip's product and team and is a strong win for Pexip with the initial contract spanning three years.

# Financial Review

(Figures in brackets = same period prior year or relevant balance sheet date).

## Income statement

### Q4 2022

Pexip operates with two main product areas. Pexip self-hosted software, which mainly consists of sales from software licenses and related maintenance contracts, and Pexip as-a-Service, which consists of sales from Pexip's public cloud service.

**Consolidated revenue** amounted to NOK 260.4 million in Q4 2022 (NOK 265.9 million), representing a 2.1% decrease from Q4 2021. The slight decline was driven by lower ARR and decline in revenue from Self-hosted software. Software revenue is mainly recognized at time of delivery, which leads to variations in revenue recognition across periods and drives seasonal variation of software revenue. Europe, Middle East and Africa (EMEA) was the largest sales theatre, accounting for NOK 153.0 million (NOK 153.3 million) representing 59% of group revenue in Q4 (58%), followed by Americas, accounting for NOK 93.0 million (NOK 95.5 million) representing 36% (36%), and Asia-Pacific (APAC), accounting for NOK 14.3 million (NOK 17.0 million) representing 5% (6%).

Self-hosted software was the largest revenue area in Q4 2022 with NOK 152.3 million (NOK 176.7 million). Revenue from Pexip as-a-Service was NOK 108.1 million in Q4 2022 (NOK 89.2 million).

**Cost of sale** consists mainly of data center and hosting for the Pexip as-a-Service, network services, commissions and software licenses, and hardware and equipment. Cost of sale amounted to NOK 17.7 million in Q4 2022 (NOK 18.3 million), reflecting a gross margin of 93% (93%).

**Operating expenses** consist mainly of salary and personnel expenses and other operating expenses. Salary and personnel expenses amounted to NOK 166.0 million in Q4 2022 (NOK 158.2 million). Salary and personnel expenses are still at a higher level than Q4 last year, but with significant decline driven

by the reduction in number of employees, compared to NOK 204 million in Q2. In Q4 2022 the cost related to employee options and related employer tax costs was negative NOK 1.1 million, driven by the reduction in employees, compared to negative NOK 3.3 million in Q4 2021, which was mainly driven by the decline in share price. Pexip had 329 employees in permanent positions at the end of Q4 2022 (451 at the end of Q3 2022, and 571 mid-Q2 2022).

**Other operating expenses** amounted to NOK 55.0 million (NOK 79.4 million). Effects of Pexip's cost cutting initiatives were realized across multiple cost categories in Q4 2022, including reduction in spend on IT systems and equipment as well as reduced spend on sales and marketing

**Other gains and losses related to restructuring** amounted to NOK 29.2 million (NOK 0 million). The costs are related to the cost of the restructuring executed in Q4 2022, which reduced headcount from 451 at the end of Q3 2022 to 329 continued positions at the end of Q4 2022.

**Adjusted earnings before interest, tax, depreciation, and amortization (Adj. EBITDA)** amounted to NOK 21.7 million in Q4 2022 (NOK 9.9 million), reflecting an 8% adj. EBITDA margin (4%). The adjustment relates to the restructuring costs. **EBITDA** amounted to negative NOK -7.5 million including restructuring costs.

**Depreciation and amortization** costs were NOK 44.3 million in Q4 2022 (NOK 20.5 million). The increase is due to increased activation of intangible assets and leasing contracts and the reclassification of the Kinly acquisition from goodwill to intangible assets.

**Net financial expenses** was NOK 7.5 million (NOK 0.2 million), mainly related to currency.

**Profit before tax** was negative NOK 59.3 million (negative NOK 10.4 million). Profit after tax was

negative NOK 63.2 million (negative NOK 33.1 million).

## Full Year

**Consolidated revenue** was NOK 867.1 million for full year 2022 (NOK 805.5 million). The increase of 8% was driven by growth in revenue from Pexip as-a-Service. Europe, Middle East and Africa (EMEA) was the largest sales theatre, accounting for NOK 471.9 million (NOK 439.1 million) representing 54% of group revenue in 2022 (55%), followed by Americas, accounting for 316.9 million (NOK 299.9 million) representing 37% (37%), and Asia-Pacific (APAC), accounting for NOK 78.2 million (NOK 66.4 million) representing 9% (8%).

**Cost of sale** amounted to NOK 93.8 million (NOK 76.9 million), reflecting a gross margin of 89% (90%). Cost of sale increased 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. This is driven by a modernization of the Pexip as-a-Service platform, intended to increase service robustness and ensure a better long-term cost structure.

**Operating expenses** consist mainly of salary and personnel expenses and other operating expenses. Salary and personnel expenses amounted to NOK 719.7 million in 2022 (NOK 634.4 million), which is 83% of revenues in the period (79%). The increase is mainly due to growth in employees over the last twelve months, however, with significant reduction in percentage of revenues compared to the first half of 2022 at 110% of revenue and 91% of revenue in YTD Q3 2022 with lower headcount towards the end of the year.

**Other operating expenses** amounted to NOK 237.5 million (NOK 218.6 million) for 2022, which reflects 27% of revenue (27%). The increase in the period is related to overall activity growth in the business, in addition the reopening of physical events leading to higher marketing and travel costs.

**Other gains and losses related to restructuring** amounted to NOK 61.3 million (NOK 0 million). The

costs are related to the cost of the restructuring executed in Q2 and Q4 2022, which reduced headcount from 571 during mid Q2 2022 to 329 continued positions at the end of Q4 2022.

**Adjusted earnings before interest, tax, depreciation and amortization (Adj. EBITDA)** amounted to negative NOK 184.0 million for 2022 (negative NOK 124.5 million), reflecting a negative 21% adj. EBITDA margin (negative 15%). The adjustment relates to the restructuring costs. **EBITDA** including restructuring costs was negative NOK 245.3 million, reflecting a negative 28% EBITDA margin.

**Depreciation and amortization** costs were NOK 115.1 million for 2022 (NOK 73.7 million).

**Net financial income** was NOK 43.6 million in 2022 (NOK 2.8 million) and was mainly related to currency gains.

**Profit before tax** was negative NOK 316.8 million in 2022 (negative NOK 195.2 million). Profit after tax was negative NOK 262.2 million (negative NOK 157.3 million).

## Financial position

Pexip continues to be well capitalized as the company has executed and initiated a set of activities to improve cash flow. **Total assets** amounted to NOK 2,065 million (NOK 2,388 million at the end of Q4 2021), and **total equity** amounted to NOK 1,597 million (NOK 1,908 million at the end of Q4 2021).

**Current assets** amounted to NOK 657 million (NOK 1,067 million at the end of Q4 2021). **Trade and other receivables** decreased to NOK 199 million (NOK 218 million at the end of Q4 2021). **Cash and cash equivalents** decreased to NOK 419 million (NOK 804 million at the end of Q4 2021).

**Non-current assets** increased to NOK 1,408 million (NOK 1,321 million at the end of Q4 2021). Contract costs increased to NOK 286 million (NOK 262 million at the end of Q4 2021).

**Total liabilities** were at NOK 468 million (NOK 479 million at the end of Q4 2021). Of this, NOK 4 million are borrowings (NOK 6 million at the end of Q4 2021).

**Current liabilities** increased to NOK 391 million (NOK 376 million at the end of Q4 2021). Of this, NOK 209 million are contract liabilities (NOK 202 million at the end of Q4 2021).

**Non-current liabilities** amounted to NOK 77.5 million (NOK 104 million at the end of Q4 2021).

## Cash flow

### Q4 2022

**Cash flow from operating activities** was negative NOK 42.3 million for Q4 2022 (negative NOK 44.5 million for Q4 2021). The negative cash flow reflects the negative operating results.

**Cash flow from investing activities** was negative NOK 7.6 million for Q4 2022 (negative NOK 43.5 million for Q4 2021). The main driver is investments in software development.

**Cash flow from financing activities** was negative NOK 10.1 million for Q4 2022 (negative NOK 31.1 million for Q4 2021).

In total, Pexip had a negative net cash flow of NOK 60.0 million for Q4 2022 (negative NOK 119.1 million for Q4 2021). In addition, there was an exchange loss of NOK 7.2 million, resulting in a negative cash flow of NOK 67.2 million (negative NOK 119.2 million for Q3 2021).

## Full year

**Cash flow from operating activities** was negative NOK 173.1 million for 2022 (negative NOK 155.3 million for 2021).

**Cash flow from investing activities** was negative NOK 117.9 million for 2022 (negative NOK 98.8 million for 2021). The main driver is purchase of a service provider portfolio which was completed in Q1 2022 as well as own software development.

**Cash flow from financing activities** was negative NOK 122.8 million for 2022 (negative NOK 45.6 million for 2021).

In total, Pexip had a negative net cash flow of NOK 413.8 million for 2022 (negative NOK 299.8 million for 2021). The currency gain in 2022 was NOK 29.2 million, resulting in a negative cash flow of NOK 384.5 million (negative 296.8 million in 2021).

## Subsequent events

There were no subsequent events after December 31, 2022.

## Risk and uncertainty

Risk management in Pexip is based on the principle that risk evaluation is an integral part of all business activities and is a part of the annual strategy review. Pexip has developed its approach to risk assessment and risk mitigation within financial reporting, and within information security, where Pexip holds ISO 27001 and 27701 certifications as an external recognition of its approach.

Pexip is exposed to several risk factors related to operational and market activities, customer relationships and third parties, laws, regulations and compliance, financial and market, among others. The Risk and Risk Management section in the 2021 Annual Report contains detailed description and mitigating actions.

Covid-19 has created disruption to the global economy. Pexip's own operations have pivoted to an all-digital workflow where required and Pexip employees' expertise within videoconferencing and hybrid-working solutions has contributed to a smooth transition for the Pexip workforce to the required changes in ways of working that the pandemic has caused. The pandemic has required extraordinary efforts from the organization to support existing and new customers. This has enabled many of Pexip's customers to maintain business continuity and deliver vital services in industries such as healthcare, public services and pharmaceuticals.



The development in Ukraine, and the impact on business in the region is still ongoing. The war in Ukraine has impacted Pexip in several ways. Pexip has two remote employees based in the conflict area and several employees from the involved countries in other offices. Pexip's main concern has been to ensure their safety and offer support to them in the best way. The financial effect from this is limited until this date. In response to the attack on Ukraine, several extensive packages of sanctions towards Russia have been launched. The imposed sanctions are far-reaching. Norway has adhered to all EU sanctions and has transposition sanctions into Norwegian law. To ensure compliance with the abovementioned measures, Pexip continuously maps our exposures to Russia, Donetsk and Luhansk and Belarus. This includes, for example, systematic identification and assessment of current relationships with banks, Resellers and Customers based in Russia or wholly or partly owned by Russian interest. All such relations are thoroughly considered to ensure compliance with sanctions. The war has affected Pexip as Pexip has stopped all new sales and renewals to companies in Russia. Further, many companies in the corresponding countries and regions are affected by the situation and some have postponed purchase decisions for video solutions. This is likely to impact the growth in annual recurring revenue and revenue.

The continued macroeconomic slowdown has translated in a lower growth rate in Pexip's key markets during 2022. This may impact purchasing decisions for new projects, impacting sales to new customers. Pexip provides video technology that extend the lifetime of existing equipment and reduces the need for travel. Consequently, Pexip is less exposed to cut-back in spending amongst existing customers as it may lead to increased costs elsewhere. The revised targets on annual recurring revenue (ARR) reflect this risk.

Pexip has further described its risk exposure in the 2021 Annual Report.

## Outlook

In the long-term, Pexip believes that the market for enterprise-grade video communication will continue to increase due to the explosive adoption and usage of video communication following Covid-19, and increased awareness of sustainability. Pexip has unique video technology with capabilities within security, interoperability and for flexible deployments. This makes the company well-positioned as enterprises adopt hybrid working models as they return to the office. Furthermore, Pexip believes in increased use of video in organizations' workflows with their clients/customers, creating additional new and significant market opportunities. In particular, the use of video for mission critical, high security meetings has increased. This is the foundation of the more focused strategy we have been executing on since late 2021, pursuing market leading positions in Connected Spaces, Secure Spaces and Video Innovation.

Pexip's solutions can be categorized into both mature markets and growth stage markets, two markets with different structural demands and required strategies. As communicated in the third-quarter presentation, from 2023 Pexip will focus its business areas into two main areas: one comprising of Connected Spaces including legacy areas, and the other comprising Video Innovation and Secure Meetings. The rearrangement of the business areas allows the operation and goals to be more focused on the different needs in these two markets and enable Pexip to maximize the potential of each. Pexip targets growth of 20% in Secure Spaces and Video Innovation, while estimating a stable development in Connected Spaces.

With our current strategy Pexip has accelerated its return to profitability through growth and a reduced overall cost level, and the impact already realized in Q4 2022 provide support for this ambition. Pexip is targeting an EBITDA of NOK 100 – 150 million for the whole year 2023 and positive cash flow run



rate out of Q1 2023. Going forward beyond this, Pexip will balance growth and profitability, like the strategy prior to 2020.

*These forward-looking statements are not guarantees or predictions of future performance, and involve known and unknown risks,*

*uncertainties and other factors, many of which are beyond our control, and which may cause actual results to differ materially from those expressed in the statements contained in this section. Readers are cautioned not to put undue reliance on forward-looking statements.*

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Oslo, February 13, 2023

**Board of Directors and CEO of Pexip Holding ASA**




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**Michel Sagen**  
Chair of the Board




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**Per Kogstad**  
Board Member




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**Irene Kristiansen**  
Board Member




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**Kjell Skappel**  
Board Member




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**Marianne Wergeland Jenssen**  
Board Member




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**Phil Austern**  
Board Member




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**Asta Ellingsen Stenhagen**  
Board Member




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**Trond K. Johannessen**  
CEO

# Consolidated Statement of Profit or Loss

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	Notes	Fourth Quarter		Full year	
(NOK 1.000)		Q4 2022	Q4 2021	FY 2022	FY 2021
Revenue	3	<b>260 367</b>	265 862	<b>867 056</b>	805 518
Cost of sale		<b>17 653</b>	18 268	<b>93 820</b>	76 940
Salary and personnel expenses	4	<b>166 027</b>	158 218	<b>719 687</b>	634 422
Other operating expenses		<b>54 953</b>	79 429	<b>237 544</b>	218 615
Other gains (losses)	4	<b>29 230</b>	7	<b>61 290</b>	-161
EBITDA		<b>-7 496</b>	9 939	<b>-245 285</b>	-124 297
Depreciation and amortization		<b>44 265</b>	20 528	<b>115 120</b>	73 726
Operating profit or loss		<b>-51 761</b>	-10 589	<b>-360 405</b>	-198 023
Financial income		<b>3 803</b>	464	<b>7 959</b>	517
Financial expenses		<b>-868</b>	-54	<b>-4 604</b>	-4 638
Net gain and loss on foreign exchange differences		<b>-10 452</b>	-190	<b>40 264</b>	6 897
Financial income/(expenses) - net		<b>-7 517</b>	220	<b>43 619</b>	2 776
Profit or loss before income tax		<b>-59 278</b>	-10 369	<b>-316 786</b>	-195 247
Income tax expense		<b>3 929</b>	22 694	<b>-54 538</b>	-37 923
Profit or loss for the year		<b>-63 207</b>	-33 063	<b>-262 248</b>	-157 324
Profit or loss is attributable to:					
Owners of Pexip Holding ASA		<b>-63 207</b>	-33 063	<b>-262 248</b>	-157 324
Earnings per share					
Basic earnings per share		<b>-0.62</b>	-0.32	<b>-2.58</b>	-1.53
Diluted earnings per share		<b>-0.62</b>	-0.32	<b>-2.58</b>	-1.53

# Consolidated Statement of Comprehensive Income

11

(NOK 1.000)	Fourth Quarter		Full Year	
	Q4 2022	Q4 2021	FY 2022	FY 2021
Profit or loss for the year	<b>-63 207</b>	-33 063	<b>-262 248</b>	-157 324
<i>Items that may be reclassified to profit or loss:</i>				
Exchange difference on translation of foreign operations	<b>-15 972</b>	468	<b>11 417</b>	2 988
<b>Total comprehensive income for the year</b>	<b>-79 179</b>	-32 595	<b>-250 831</b>	-154 336
<b>Total comprehensive income is attributable to:</b>				
Owners of Pexip Holding ASA	<b>-79 179</b>	-32 595	<b>-250 831</b>	-154 336

# Consolidated Statement of Financial Position

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(NOK 1.000)	12/31/2022	12/31/2021
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	29 039	36 033
Right-of-use assets	77 154	103 362
Goodwill	662 645	662 645
Other intangible assets	178 606	138 920
Deferred tax asset	169 279	109 096
Contract costs	285 779	262 076
Receivables	1 602	6 859
Other assets	4 184	1 522
<b>Total non-current assets</b>	<b>1 408 288</b>	<b>1 320 512</b>
<b>Current assets</b>		
Trade and other receivables	198 727	217 875
Contract assets	15 474	17 431
Other current assets	23 326	27 913
Cash and cash equivalents	419 306	803 852
<b>Total current assets</b>	<b>656 833</b>	<b>1 067 071</b>
<b>TOTAL ASSETS</b>	<b>2 065 120</b>	<b>2 387 582</b>

(NOK 1.000)	12/31/2022	12/31/2021
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>		
<b>Total equity</b>	<b>1 596 714</b>	<b>1 908 191</b>
<b>Non-current liabilities</b>		
Borrowings	2 016	4 000
Lease liabilities	57 560	84 782
Deferred tax liabilities	15 388	12 338
Other payables	2 526	2 703
<b>Total non-current liabilities</b>	<b>77 490</b>	<b>103 824</b>
<b>Current liabilities</b>		
Trade and other payables	148 153	138 586
Contract liabilities	209 245	202 302
Current tax liabilities	5 002	3 935
Borrowings	2 077	2 000
Lease liabilities	26 439	28 745
<b>Total current liabilities</b>	<b>390 916</b>	<b>375 567</b>
<b>Total liabilities</b>	<b>468 408</b>	<b>479 392</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>2 065 120</b>	<b>2 387 582</b>

## Consolidated Statement of Changes in Equity

13

(NOK 1.000)	Share capital	Share premium	Other reserves	Translation differences	Retained earnings	Total equity
Balance at 1 January 2021	1 523	2 027 206	134 383	-6 541	-134 446	2 022 125
Profit or loss for the year					-157 323	-157 323
Other comprehensive income for the year				2 988		2 988
<b>Total comprehensive income for the year</b>				<b>2 988</b>	<b>-157 323</b>	<b>-154 335</b>
Capital increase/share issue	43	88 732	255			89 030
By/sell treasury share	-10		-78 981			-78 992
Share-based payments			30 365			30 365
<b>Balance at 31 December 2021</b>	<b>1 556</b>	<b>2 115 938</b>	<b>86 021</b>	<b>-3 553</b>	<b>-291 770</b>	<b>1 908 191</b>
Balance at 1 January 2022	1 556	2 115 938	86 021	-3 553	-291 769	1 908 191
Profit or loss for the period					-262 248	-262 248
Other comprehensive income for the year				11 416		11 416
<b>Total comprehensive income for the year</b>				<b>11 416</b>	<b>-262 248</b>	<b>-250 831</b>
Capital increase/share issue			-127			-127
By/sell treasury share	-35		-87 404			-87 439
Share-based payments			26 920			26 920
<b>Balance at 31 December 2022</b>	<b>1 521</b>	<b>2 115 938</b>	<b>25 410</b>	<b>7 868</b>	<b>-554 017</b>	<b>1 596 714</b>

# Consolidated Statement of Cash Flows

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	Fourth quarter		Full Year	
(NOK 1.000)	Q4 2022	Q4 2021	FY 2022	FY 2021
<b>Cash flow from operating activities</b>				
Profit or loss before income tax	-59 278	-10 369	-316 786	-195 247
<i>Adjustments for</i>				
Depreciation, amortization and net impairment losses	44 265	20 528	115 120	73 726
Non-cash - share based payments	-3 218	6 379	25 130	30 365
Interest income/expenses - net	-6 149	-58	-3 952	3 710
Net exchange differences	-1 260	-2 470	-7 429	-2 962
Other adjustments	-9	-161	-9	-161
<i>Change in operating assets and liabilities</i>				
Change in trade, other receivables and other assets	-20 630	-103 294	4 745	-90 493
Change in trade, other payables and contract liabilities	-3 685	45 918	6 005	26 701
Interest received	7 660	26	7 958	41
Income taxes paid/refunded		-1 001	-3 843	-1 001
<b>Net cash inflow/outflow from operating activities</b>	<b>-42 303</b>	<b>-44 503</b>	<b>-173 061</b>	<b>-155 321</b>
<b>Cash flow from investing activities</b>				
Payment for property, plant and equipment	-17	-13 250	-69 233	-35 324
Payment of software development cost	-7 620	-15 058	-48 686	-48 308
Payment for acquisition of subsidiary, net of cash acquired		-15 193		-15 193
<b>Net cash inflow/outflow from investing activities</b>	<b>-7 637</b>	<b>-43 501</b>	<b>-117 919</b>	<b>-98 825</b>
<b>Cash flow from financing activities</b>				
Proceeds from issuance of ordinary shares		5 711		94 486
Repayment of borrowings	-419	-32 814	-1 919	-34 689
Principal element of lease payments	-9 237	-4 187	-30 296	-13 688
Interest paid	-401	31	-2 896	-3 751
Sale/(purchase) of treasury shares		182	-87 674	-87 995
<b>Net cash inflow/outflow from financing activities</b>	<b>-10 057</b>	<b>-31 077</b>	<b>-122 785</b>	<b>-45 637</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>-59 997</b>	<b>-119 080</b>	<b>-413 765</b>	<b>-299 784</b>
Cash and cash equivalents start of the period	486 548	923 015	803 852	1 100 656
Effects of exchange rate changes on cash and cash equivalents	-7 245	-84	29 219	2 979
<b>Cash and cash equivalents end of the period</b>	<b>419 306</b>	<b>803 852</b>	<b>419 306</b>	<b>803 852</b>

## Note 1 - General

Pexip Holding ASA is the parent company of the Pexip Group. The Group includes the parent company Pexip Holding ASA and its wholly owned subsidiary Pexip AS, which have the wholly owned subsidiaries Pexip Inc, Pexip Ltd, Pexip Australia Pty Ltd, Pexip Japan GK, Pexip Singapore Pte Ltd, Pexip Germany GmbH, Pexip France SAS, Pexip Netherlands B.V, Skedify NV and Videxio Asia Pacific Ltd. The Group`s head office is located at Lilleakerveien 2a, 0283 OSLO, Norway. Pexip Holding ASA is listed on the Oslo Stock Exchange (Norway) under the ticker PEXIP.

The consolidated condensed interim financial statements comprise the financial statements of the Parent Company and its subsidiaries as of December 31, 2022, authorised for issue by the board of directors on February 13, 2023.

The condensed interim financial statements are unaudited.

## Note 2 - Basis of preparation

The condensed interim financial statements for the three months ending on December 31, 2022 have been prepared according to IAS 34 Interim Financial reporting. This quarterly report does not include the complete set of accounting principles and disclosures and should be read in conjunction with the Annual Financial Statement for 2021. All accounting principles applied in preparing this interim financial statement are consistent with the annual report as of 2021. The Group has not early adopted any new standards, interpretations or amendments issued but not yet effective.

Rounding differences may occur.

## Note 3 - Segment reporting

(NOK 1,000)

The Group has one segment, sale of collaboration services. The market for Pexip's software and services is global. The chief decision maker will therefore follow up revenue and profitability on a global basis. This is consistent with the internal reporting submitted to the chief operating decision maker, defined as the Management Group. The Management Group is responsible for allocating resources and assessing performance as well as making strategic decisions.

Principles of revenue recognition are stated in accounting principles to consolidated financial statements, section 2.3.5 *Revenue from contracts with customers*.

### Disaggregation of revenue

In the following table, revenue is disaggregated by primary service line, geography and timing of revenue recognition. In presenting the geographic information, revenue has been based on the geographic location of customers.

#### Fourth quarter 2022

	EMEA <sup>1)</sup>	Americas	APAC <sup>2)</sup>	Total
Pexip as-a-Service	59 664	42 337	6 089	108 090
Self-hosted software	93 352	50 701	8 224	152 277
<b>Total revenue</b>	<b>153 016</b>	<b>93 038</b>	<b>14 313</b>	<b>260 367</b>

#### Fourth quarter 2021

	EMEA <sup>1)</sup>	Americas	APAC <sup>2)</sup>	Total
Pexip as-a-Service	54 504	27 990	6 697	89 191
Self-hosted software	98 766	67 535	10 370	176 671
<b>Total revenue</b>	<b>153 270</b>	<b>95 525</b>	<b>17 067</b>	<b>265 862</b>



**Year to date 2022**

	<b>EMEA<sup>1)</sup></b>	<b>Americas</b>	<b>APAC<sup>2)</sup></b>	<b>Total</b>
Pexip as-a-Service	235 619	146 790	25 773	408 181
Self-hosted Software	236 286	170 156	52 433	458 875
<b>Total revenue</b>	<b>471 905</b>	<b>316 946</b>	<b>78 206</b>	<b>867 056</b>

**Year to date 2021**

	<b>EMEA<sup>1)</sup></b>	<b>Americas</b>	<b>APAC<sup>2)</sup></b>	<b>Total</b>
Pexip as-a-Service	193 768	99 019	21 771	314 558
Self-hosted Software	245 380	200 915	44 665	490 960
<b>Total revenue</b>	<b>439 148</b>	<b>299 934</b>	<b>66 436</b>	<b>805 518</b>

	<b>Fourth quarter</b>	
	<b>2022</b>	<b>2021</b>
Timing of revenue recognition		
Products and services transferred at a point in time	129 399	153 140
Products and services transferred over time	130 968	112 722
<b>Total revenue</b>	<b>260 367</b>	<b>265 862</b>

	<b>2022</b>	<b>2021</b>
Timing of revenue recognition		
Products and services transferred at a point in time	368 629	394 559
Products and services transferred over time	498 426	410 959
<b>Total revenue</b>	<b>867 056</b>	<b>805 518</b>

<sup>1)</sup> Europe, Middle East and Africa

<sup>2)</sup> Asia Pacific (East and South Asia, Southeast Asia and Oceania)

**Information about major customers**

The Group conducts its sales through channel partners. In Q4 2022 the 5 largest represent approximately 36% (19% in Q4 2021) of total revenue, while the 10 largest represent 48% (28% in Q4 2021). Of the Group's total channel partner base per Q4 2022, the five largest represent approximately 28% of total revenue (21% per Q4 2021), and the ten largest represent approximately 40% (30% per Q4 2021). No channel partner represent more than 10% of the Group's revenue.

**Non-current assets**

The following geographic information of non-current assets is based on the geographic location of the assets.

	<b>31/12/2022</b>	<b>31/12/2021</b>
Norway	328 338	322 350
Europe (other than Norway)	95 155	89 588
Americas	116 276	108 027
APAC	30 808	20 425
<b>Total non-current operating assets</b>	<b>570 578</b>	<b>540 390</b>

Non-current assets for this purpose consist of property, plant and equipment, right-of-use assets, other intangible assets and contract costs.

## Note 4 - Restructuring costs

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The restructuring costs from the reorganization undertaken in Q4 2022 is recognized through profit and loss on line item 'Other gains and losses'. The cost recognized mainly relates to remaining salary obligations for terminated employees and related legal fees and sums up to NOK 29 million.

## Appendix — Alternative Performance Measures (APMs)

The Group uses the following terms in the definition of APMs in this Report:

**EBITDA:** Profit/(loss) for the period before net financial items, income tax expense, depreciation, and amortization.

**Adjusted EBITDA:** EBITDA adjusted for cost that are not related to the ordinary business and that are non-recurring costs.

**EBITDA-margin:** EBITDA in the percentage of revenue.

**Share of recurring revenues:** Recurring revenue from own products is defined as revenue from time-limited contracts where the purchase is recurring. Revenue from time-limited software subscriptions and related mandatory maintenance contracts are considered recurring. Revenue from third-party software licences, perpetual software licences and project-based professional services, such as customer-specific proof-of-concept projects or installation projects, are considered non-recurring.

**Contracted Annual Recurring Revenue (ARR):** Annualized sales from all active subscriptions/contracts and ordered subscriptions with a future start date where the subscription is time-limited and recurring in nature. This corresponds to Pexip's order backlog.

**Gross Margin:** Revenue after the cost of goods sold in the percentage of revenue.

**Delta Annual Recurring Revenue (DARR):** The difference in ARR from one quarter to another.

**Net Revenue Retention (NRR) Rate** is the percentage of annual recurring revenue retained from customers' existing in the prior year, including upsell, downsell and total churn.

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