

# Pexip Q1 2022 Annual Recurring Revenue at USD 106 million – Targets profitability from Q4 2022

(Oslo, Norway, April 7, 2022) In this trading update, Pexip Holding ASA (“Pexip” or “The Company” Oslo Børs Ticker: PEXIP) presents its Annual Recurring Revenue (ARR) for the first quarter (Q1) of 2022. At the end of Q1 2022, Pexip’s ARR is 21% higher year-on-year. In Q1 2022, Pexip’s ARR was reduced by USD 0.8 million, impacted by common seasonality that slowed new sales and by changes in a pricing model with a strategic partner.

- Pexip’s subscription base measured in ARR reached USD 105.6 million in Q1 2022, up from USD 87.2 million in Q1 2021, representing a year-on-year increase of 21% or USD 18.4 million.
- Growth from new customers accounts for USD 23 million over the last twelve months, representing 26% growth. Net revenue retention rate, reflecting the percent of retained revenue from existing customers, was 95% year-on-year, including churn of 9.2% year-on-year. The reduction in net revenue retention rate was driven by a decline in net upsell, which was at USD 3.4 million in Q1 2022.
- A change in pricing model with a strategic partner led to a USD 2.0 million reduction in Q1 ARR. Pexip expects this change to drive a positive effect during the rest of 2022 of more than USD 4 million.
- Adjusted for the partner pricing model change the underlying new ARR from normal business was USD 1.2 million in Q1 2022. Including this change, the quarterly change in ARR was negative USD 0.8 million in Q1 2022.
- ARR from Pexip’s Self hosted Software reached USD 59.4 million in Q1 2022, up 15% year-on-year, while ARR from Pexip as-a-Service reached USD 46.2 million, up 30% year-on-year.
- Continued growth in Video enablement and Critical video meetings, which grew 37% and 106% year-on-year respectively. These two areas increased their ARR by USD 2.3 million in Q1 2022.
- Pexip will adapt its growth strategy to reduced visibility on quarterly timing of ARR growth, and target being EBITDA profitable in Q4 2022 and for the whole year of 2023.

“Over the last two years, the way we work has been revolutionized. This has accelerated the adoption of video, which has allowed Pexip to grow from USD 47 million in ARR to USD 106 million in the same period. This acceleration has created huge opportunities for future growth. However, lack of visibility into how and when organizations will return to the office and delays in video hardware deliveries have impacted the short-term increase in infrastructure sales, while the use of video for mission critical, high security meetings and customized applications across industries has increased. This is the foundation of the more focused strategy we have been executing on since late 2021, pursuing market leading positions in video infrastructure, critical video meetings and video enablement, as presented on our Capital Markets Day in December 2021.

We see strong customer interest in the business areas we are targeting, and a substantial growth opportunity in a USD 5 billion market in 2024 that will support a significant increase in ARR in the next three years and beyond. However, we are disappointed with our performance in Q1 and we see that our current growth rate is below where it needs to be to reach our existing USD 300 million target by the end of 2024. While we are confident that we will return to ARR growth in Q2 2022 and beyond, we realize we have less visibility on the timing for USD 300 million compared to when the target was set in 2020. This is partly driven by the larger customer size within Critical Video Meetings and Video Enablement which require longer purchasing decisions.

As a consequence, we will adapt our growth plan and targets accordingly and initiate measures to accelerate our return to profitability. We target being EBITDA profitable in Q4 2022 and for the whole year of 2023, and will present an updated growth plan and target later this year. We maintain a very solid balance sheet, and the adapted growth plan with an earlier return to profitability will imply lower investments than previously anticipated," said Interim CEO and CFO, Øystein Hem.

#### **Key Contracts Awarded in Q1 included:**

##### **Department of Veterans Affairs**

Pexip secured an upsell deal with the US Department of Veterans Affairs. Building on a strong existing customer relationship, the upsell in Q1 2022 was related to significant growth in Pexip usage for telehealth calls.

##### **Västra Götaland Regional Council**

Pexip secured a new contract with Västra Götaland Regional Council in Sweden for critical meetings, Microsoft Teams interoperability and integration to their healthcare journal system. This important new public customer for Pexip has approximately 55,000 employees with over 550 dedicated videoconferencing endpoints.

##### **Central European Ministry of Justice**

Pexip secured a contract with a new Central European Ministry of Justice customer for Pexip's Self-hosted software. Pexip will solve the need for secure meetings within the organization, as well as replacing the existing video infrastructure and becoming the customer's main videoconferencing provider.

##### **Leading Multinational Law Firm**

Pexip has secured a contract with a leading multinational law firm with offices in more than 40 countries, for Pexip-as-a-Service. Pexip is replacing all the customer's existing endpoint infrastructure and enabling them to move everything to the cloud. Pexip will also deliver interoperability with Microsoft Teams, videoconferencing endpoint management and a branded virtual lobby experience. Together, these Pexip services will enable the customer to have a simple unified user joining experience for all video-enabled meetings. This contract is an example of Pexip's unique technology possibilities.

Pexip will hold a presentation of the Q1 2022 ARR update today at 08:00 CET. The presentation material is attached. The webcast will be held in English by Øystein Hem (Interim CEO and CFO) at: <https://investor.pexip.com/> . Pexip will present the full Q1 2022 interim report on May 12, 2022.

The information included in this announcement is such that the Company is required to disclose in accordance with the EU Market Abuse Regulation (MAR) and is publicly disclosed in accordance with MAR article 17 and section 5-12 of the Norwegian Securities Trading Act. The announcement is made by Øystein Hem.

#### **For questions, please contact:**

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## **About Pexip | [pexip.com](https://pexip.com)**

Pexip simplifies complex videoconferencing to empower organizations with face-to-face collaboration, no matter the location or technology. Our scalable platform enables high-quality video meetings, with enterprise-grade security, and is easily adapted to fit customers' IT requirements and existing infrastructure. This makes Pexip the leading provider for large enterprises and public sector organizations. The solution is sold through leading channel partners in 75 countries and used in more than 190 countries. Pexip was listed on the Oslo Børs in May 2020.