Crayon

Quarterly Results

Q2 2023

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Q2 HIGHLIGHTS

Continued strong growth momentum

Amounts in NOK

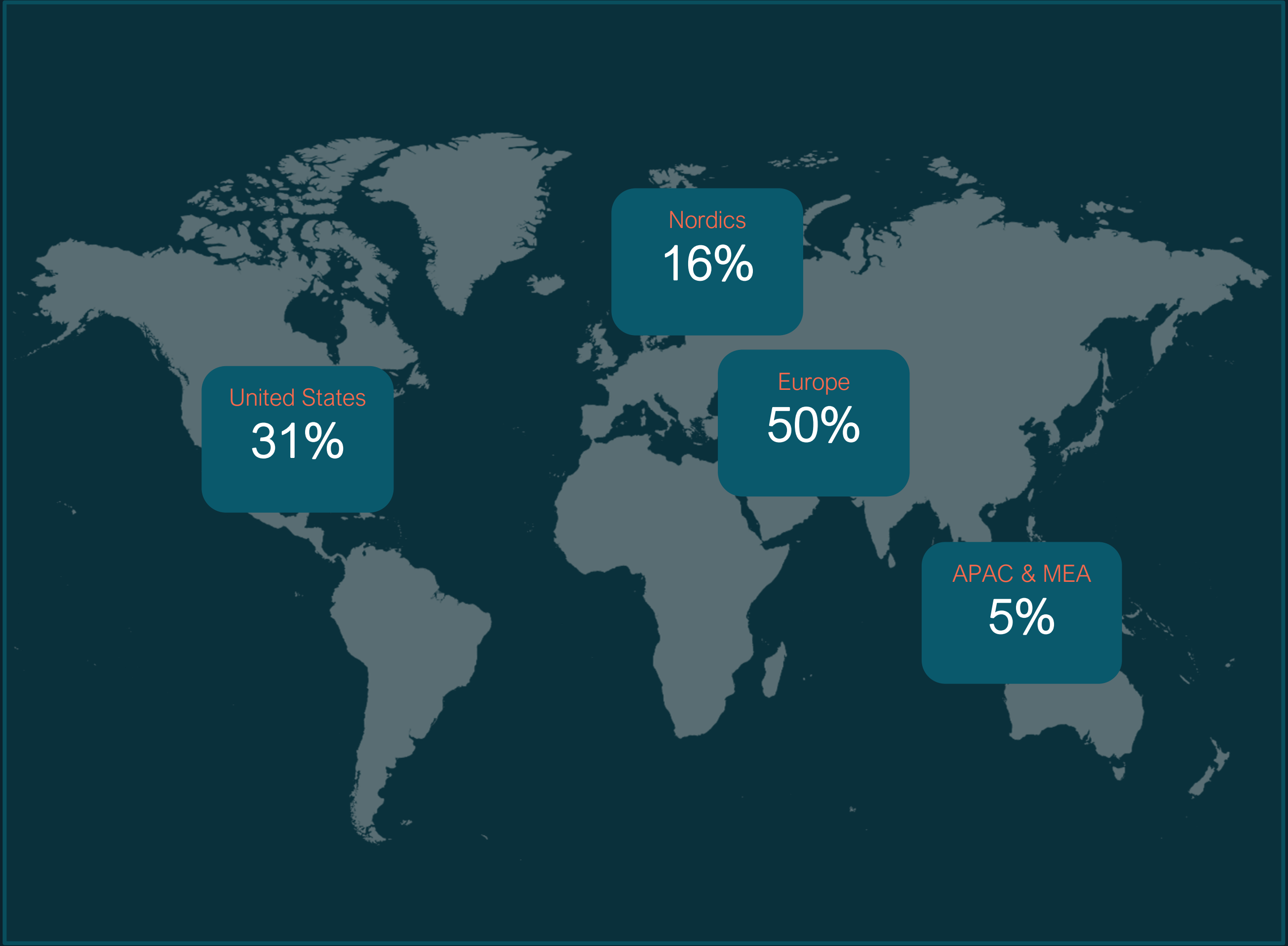
- Solid growth in Nordics, Europe and US
- Adjusted EBITDA impacted by continued investment and inflation
- Strong improvement in Net Income

↑	23%	Gross Profit 1 533m
↑	2%	Adj. EBITDA 351m
↑	186%	Net Income NOK 68m

1 Adjusted EBITDA divided by Gross Profit

Q2 HIGHLIGHTS

Solid gross profit growth across geos and businesses



YoY Gross Profit growth

Software and Cloud Direct
30%

Software and Cloud Channel
10%

Software and Cloud Economics
28%

Consulting
29%

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Focused strategy to leverage multiple growth opportunities

Key pillars of growth

- Strong market growth
- Global software and cloud business scalability
- Expanding service upsell

Nordics	Growth and profitability from diverse vendor portfolio. Services upsell and ISV ecosystem.
Europe	Execute on the business model. Growth and scale.
APAC & MEA	Drive synergies and services margin improvement. Deliver growth through Channel with ISV recruitment.
US	Continue to execute on turnaround – progressing in line with plan. Clear go-to-market strategy driving growth.

Q2 HIGHLIGHTS

H1 performance

- Robust demand in a challenging macro economic environment
- Continued strong growth momentum across all business segments in Nordics, Europe, and US
- US developing according to plan – continued investments to accelerate growth
- APAC & MEA impacted by challenging macro environment
- Margin development impacted by inflation and growth investments
- Focused efforts to improve cash collection
- Investing for future growth – more than 400 new tech talents onboarded in a competitive market

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2023 OUTLOOK

Revised 2023 outlook

	2022	LTM	Prev. FY 2023 Outlook	Revised 2023 Outlook	Medium term	Comment
Gross Profit growth	42%	32%	~20%	~25%	~20%	2023 outlook implies organic growth in line with medium-term outlook
Adj. EBITDA margin [1]	18.7%	18.3%	20-21%	19-20%	Gradual increase to 25%	Continuing growth while also improving cost efficiency
Net working capital [2]	-1%	-1%	-5% to -15%	-5% to -10%	-15% to -20%	Expected to normalize medium-term driven by working capital improvements
Capex	NOK 142m	NOK 133m	NOK ~125m	NOK ~125m	NOK ~125m	Q2 capex NOK 40m - in line with FY guidance

1 Adjusted EBITDA divided by Gross Profit
2 Average NWC last 4 quarters as share of gross profit last 4 quarters

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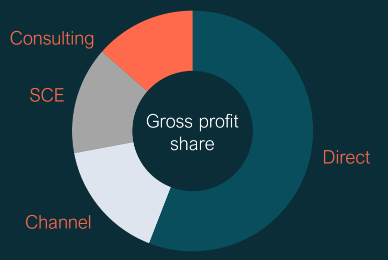
Q2 HIGHLIGHTS

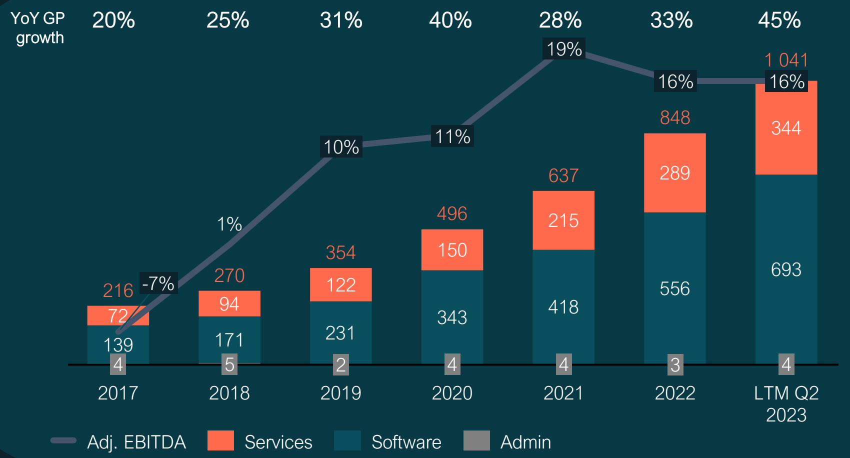
Europe performance reflecting proven and replicable business model

Entered Germany as first step in European expansion

Currently operating in 18 countries

+700 FTEs





- Approaching Nordics in size and operational performance
- Regional management appointed – key to drive further growth and value creation
- Focused investments in SCE capabilities fuelling Software and Cloud sales
- Significant investments in service capabilities while maintaining margin
- Profitability levels in service business at and above Nordic levels in some key / mature countries
- Significant growth opportunities across markets

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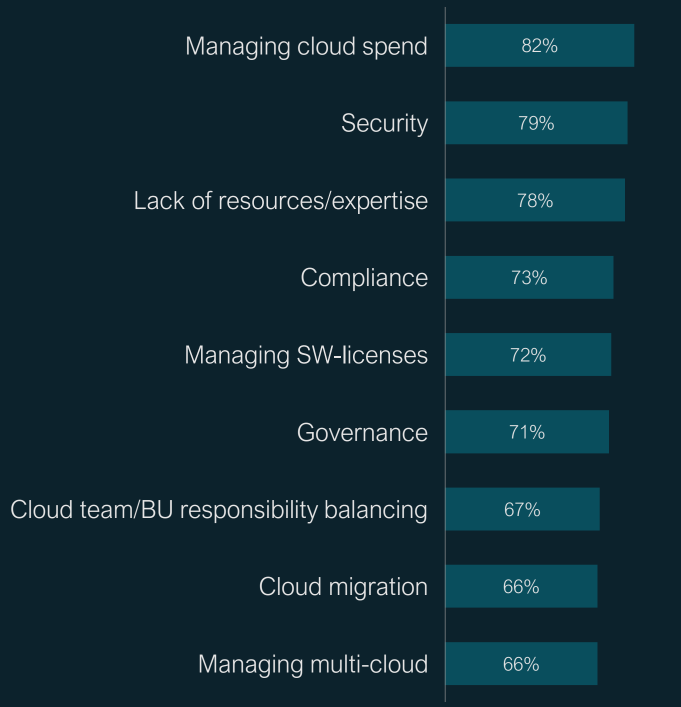
STRATEGY AND AMBITION

Cloud spend driving increased importance for Software and Cloud

Top cloud challenges[1]

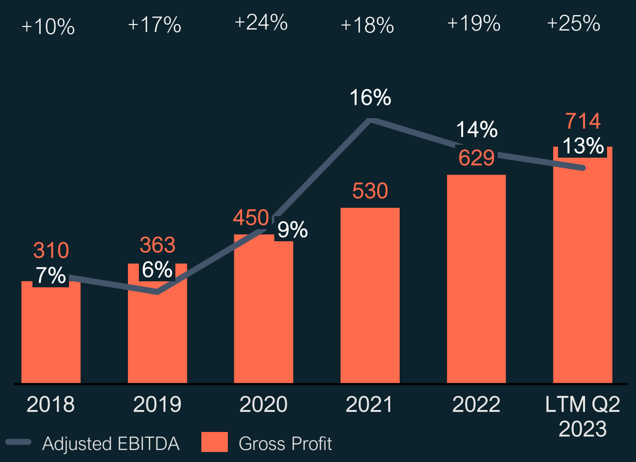
Main challenges listed by % of companies surveyed



Software & Cloud Economics

License spend optimization, support during audits, **optimizing costs of cloud platforms and infrastructure**

SAM | FinOps | SaaS Ops



Software & Cloud Economics - the cornerstone of Crayon's GTM

Software & Cloud optimization services

Software & Cloud licensing

IT cloud services

Customer journey

The services-led GTM and combination of capabilities represent Crayon's unique value proposition

Source: Flexera 2023 State of the Cloud report and SWZD State of IT 2023 report

1. Percentages indicate share of organizations experiencing this as a cloud-related challenge

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Crayon named 2023 Global Diversity and Inclusion Employer of the Year

The Digital Revolution Awards, hosted by Tenth Revolution Group, celebrate outstanding achievements in cloud technology and recognize individuals and organizations that have made significant contributions to the industry.

Crayon improves two spots to category 3 on PwC's Climate Index

"Klimaindeksen" is an annual report evaluating the climate impact of Norway's 100 largest companies.

Multiple 2023 Microsoft Partner of the Year wins

Crayon Western Europe - Modern Work
Crayon France - Small and Medium Business (SMB)
Crayon India - Small, Medium, and Corporate (SMC)
Crayon Serbia, Saudi Arabia, Lithuania - Country award

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CUSTOMER STORY

Cloud platform management and modernization

UK and New Zealand

Finova is the UK's largest cloud-based mortgages and savings software provider. It has 300+ employees, supports over 60 lenders, 3,000 mortgage brokers and 200 financial institutions.

NOK 60M	*Managed Services Revenue (over 3 years)*
NOK 1m	*Professional Services Revenue*

Business Challenge

- Finova, already licensed with Crayon, needed to efficiently modernize its application and manage existing customers.
- They were having challenges with their existing provider, and with application modernization on their roadmap, Finova needed a trusted partner to fully manage their environment.
- Finova recently signed a new customer that needed 24/7 support – which they could not provide.

Our Solution

- Continual optimization with Parallo's Cloud Platform Management service.
- From the Parallo Assessment Catalogue: Application Modernisation Assessment.
- Move from IaaS to PaaS – taking Finova to a true SaaS model.
- Fully automated deployments leveraging Infrastructure as Code and DevOps pipelines.
- A roadmap to innovate and modernize with a focus on faster releases and cost optimization.

The Path Forward

- Two Crayon worlds have come together to deliver a joint service between Crayon UK and Parallo.
- Parallo will complete assessments, project work, and cover AU and NZ support hours. Crayon UK will cover UK support hours.
- Crayon UK is assisted by Parallo as they establish Level 1 and 2 support services in the UK.

CUSTOMER STORY

Modern Data Platform on Azure

Austria

Verbund AG is Austria's leading electricity company and one of the largest producers of electricity from hydropower in Europe. They required about a cloud-native solution to modernize the management of wind and solar energy facilities.

Business Challenge

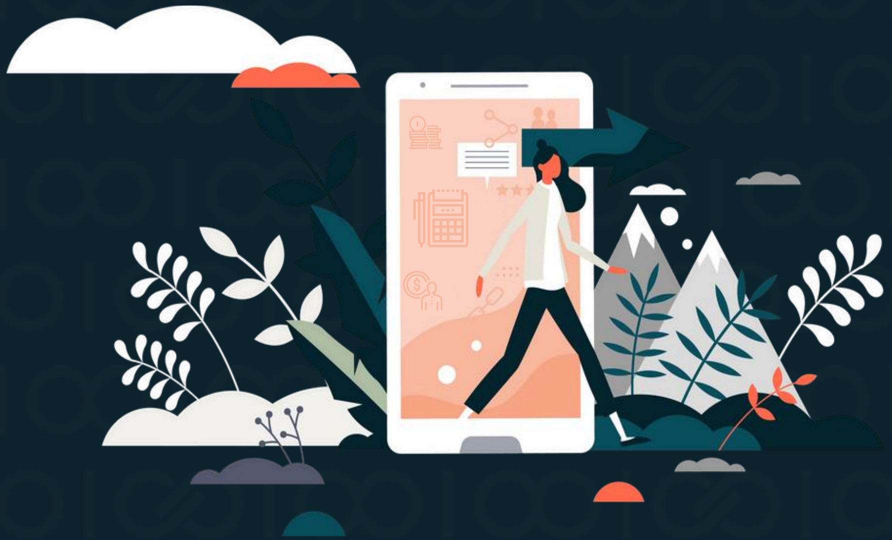
- Existing legacy solution for collecting operational data for wind and solar energy facilities needs to be replaced with a cloud native and future-proof alternative
- The new platform needs to be easy to use for domain experts and easily extendable with additional features like new KPI calculations
- Existing data sources (wind and photovoltaic parks) need to be connected to the platform as well as legacy data imported

Business Solution

- A modern, multi-mode data processing platform on Azure
- Variety of features for ongoing data import, processing and monitoring is provided with Azure Event Hubs, ADLS, Databricks and Managed SQL
- A purpose-built UI and set of APIs abstract the complexities of the underlying systems and create an efficient interface for the domain experts

Outcome

- Crucial reports on operational data of wind and solar energy facilities can now be managed via an intuitive user interface
- Significant improvements in the quality of the data, turnaround times as well as extensibility of the system achieved
- Fully integrated into the existing monitoring and lifecycle management systems



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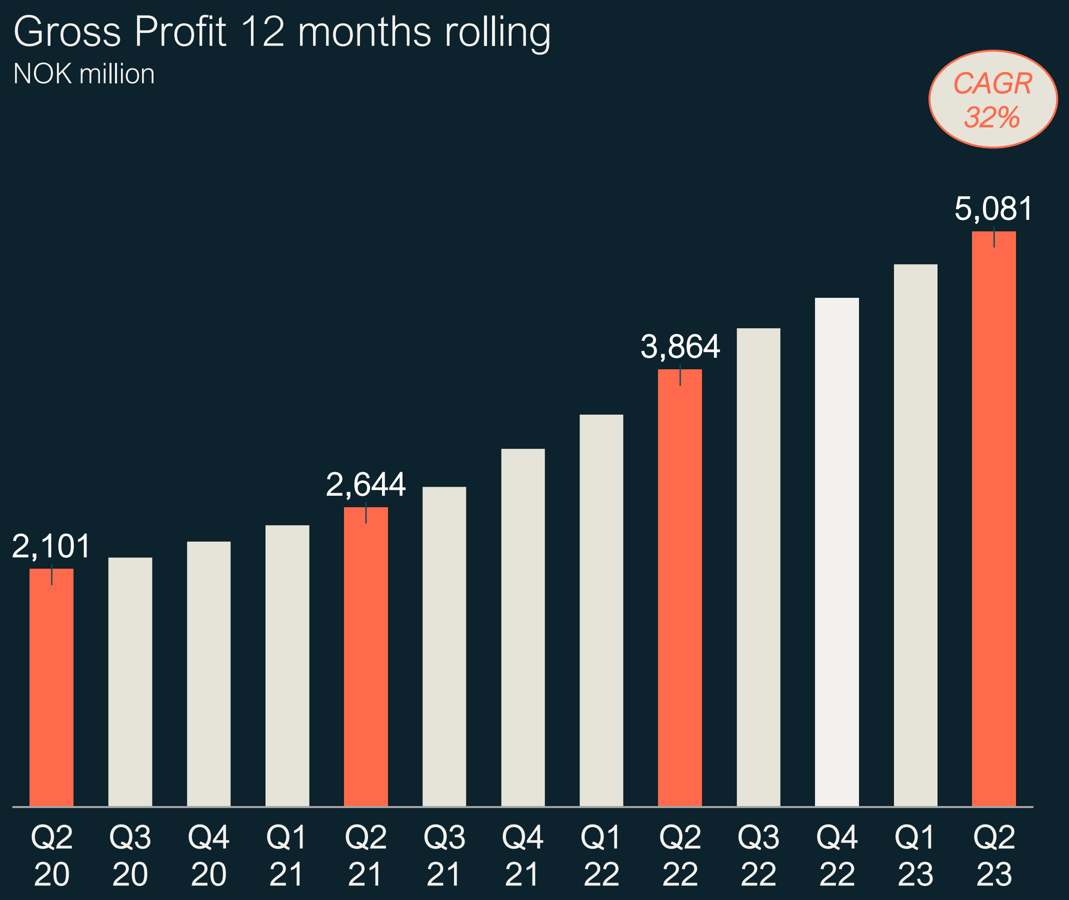
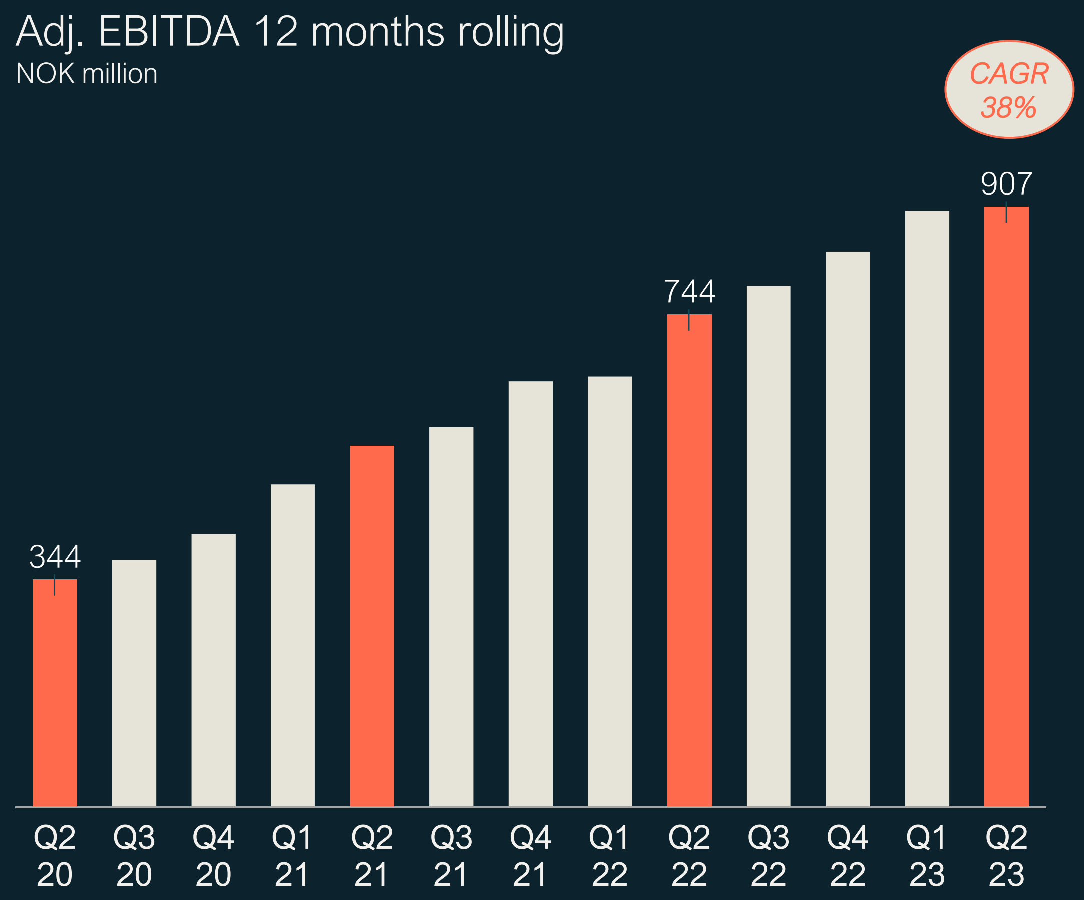
Financial Review

Continued strong growth momentum and value creation





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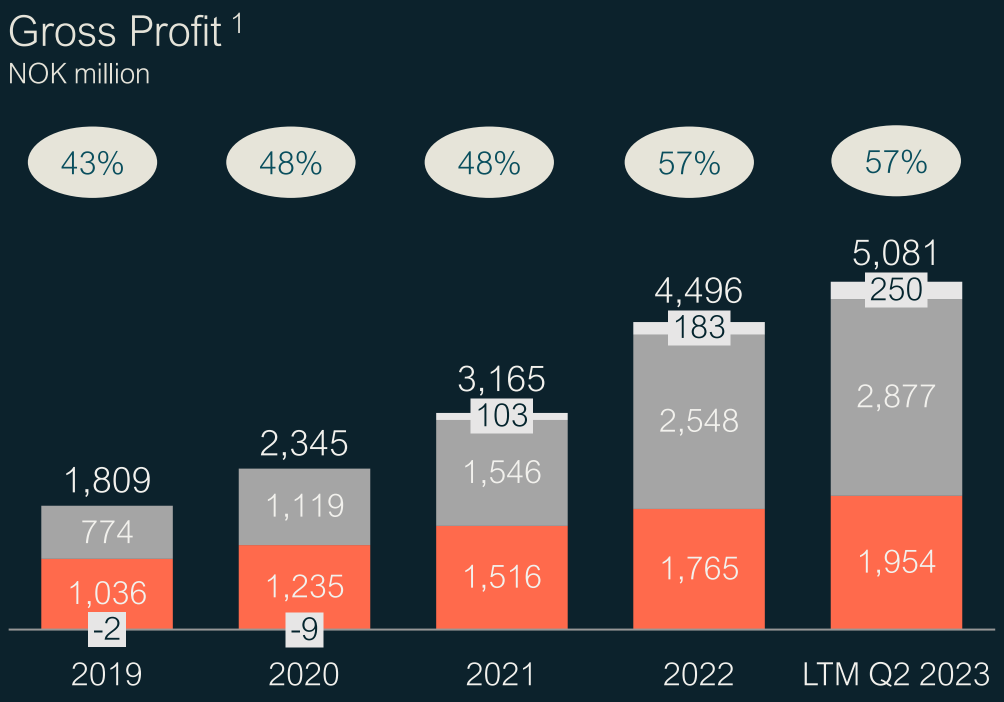
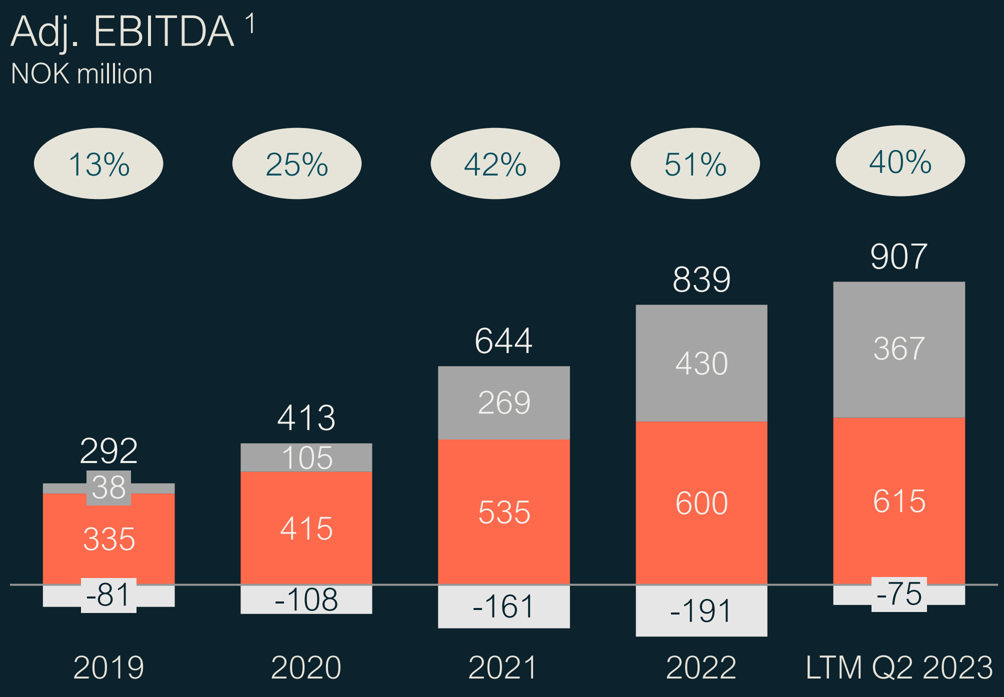
FINANCIAL REVIEW

57% of Gross Profit coming from international markets





Nordic International HQ/Elim. % International share

1) 2018 – 2020 based on reporting as principle - restated as agent in 2021

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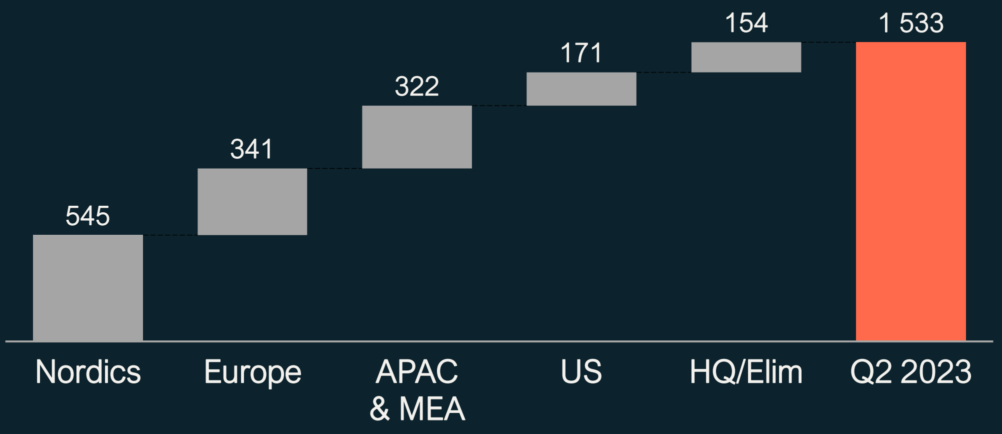
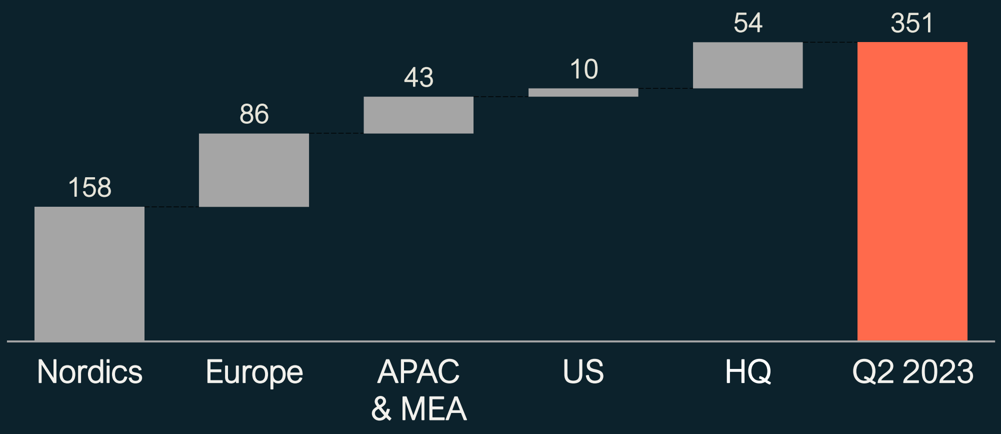
Strong growth across the board in Europe – US materializing as planned

Q2 Gross Profit by market cluster
NOK million



	Nordics	Europe	APAC & MEA	US	HQ/Elim	Q2 2023
Growth YoY	16%	50%	5%	31%	n/a	23%
Constant Currency						14%

Q2 Adj. EBITDA by market cluster
NOK million



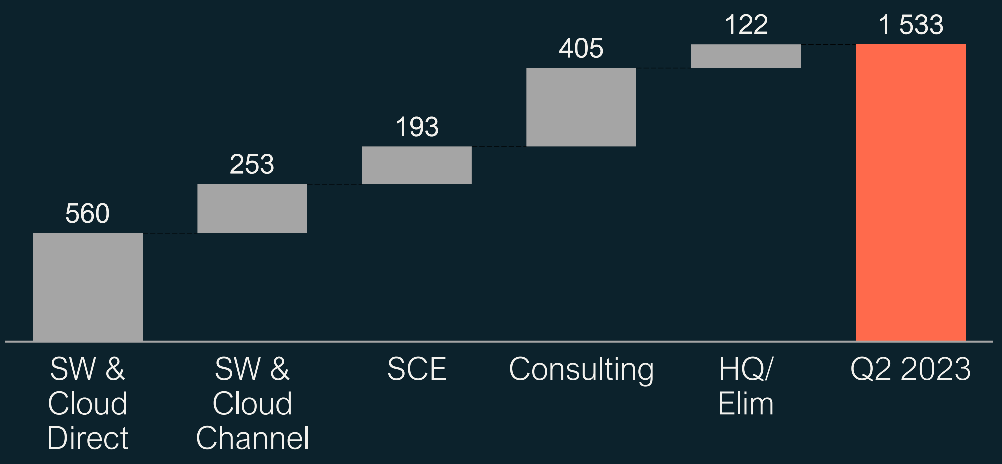
	Nordics	Europe	APAC & MEA	US	HQ	Q2 2023
EBITDA Margin [1]	29%	25%	13%	6%	n/a	23%

1 Adjusted EBITDA divided by Gross Profit

FINANCIAL REVIEW

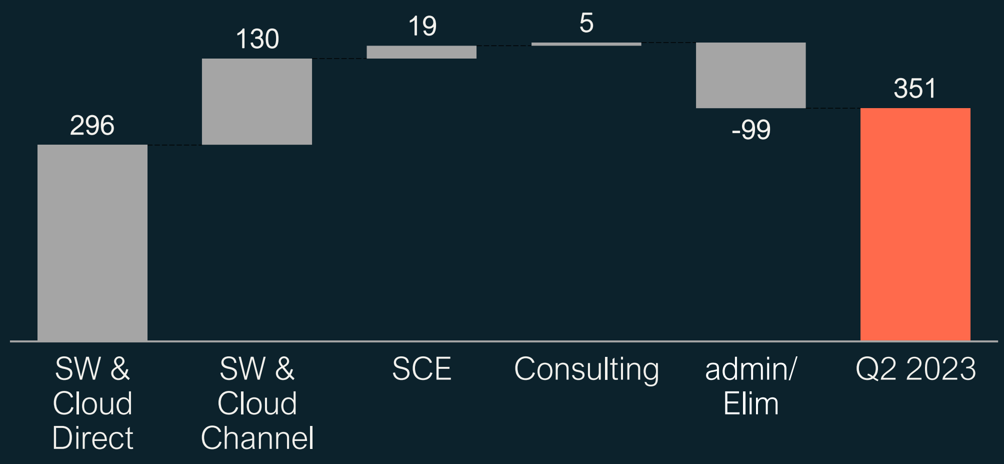
Increased investments in services to drive growth

Q2 Gross Profit by business area
NOK million



Growth YoY	SW & Cloud Direct	SW & Cloud Channel	SCE	Consulting	HQ/ Elim	Q2 2023
	30%	10%	28%	29%	n/a	23%
Constant Currency						14%

Q2 Adj. EBITDA by business area [1]
NOK million

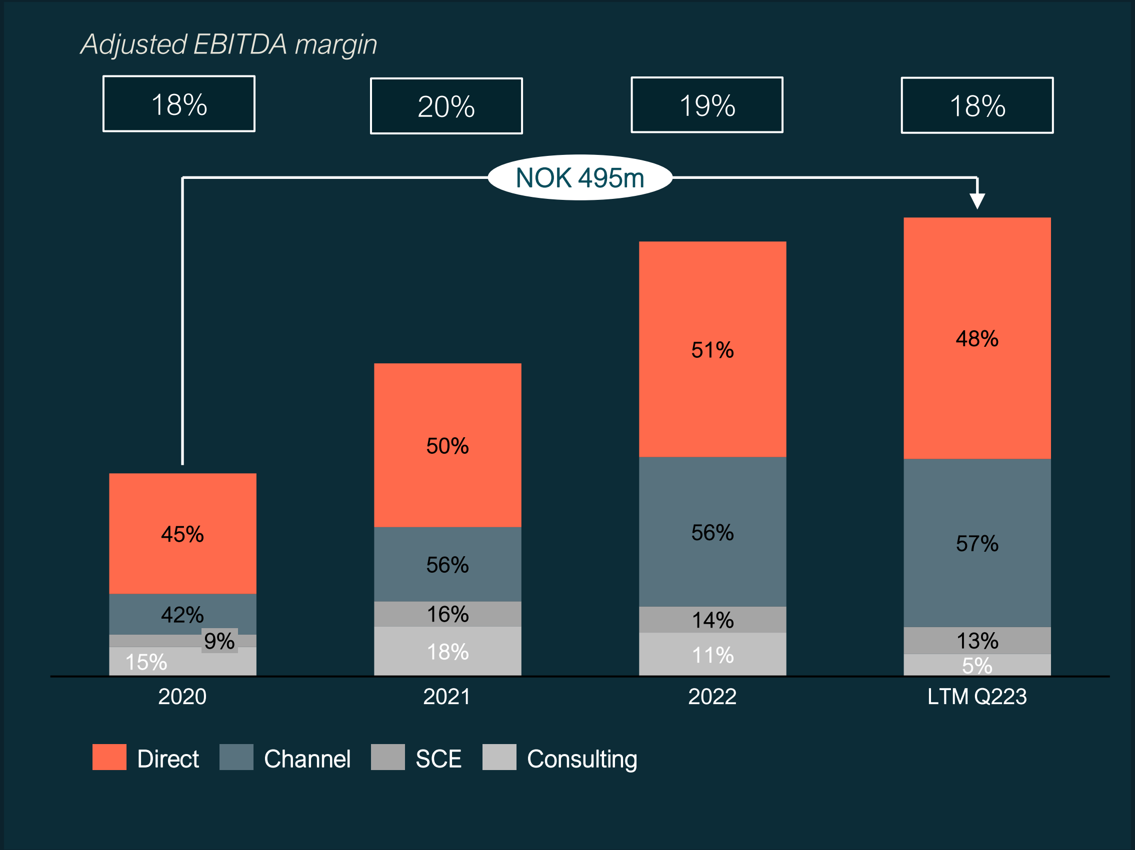


EBITDA Margin [2]	SW & Cloud Direct	SW & Cloud Channel	SCE	Consulting	admin/ Elim	Q2 2023
	53%	51%	10%	1%	n/a	23%

1 Adjusted EBITDA divided by Gross Profit

FINANCIAL REVIEW

Margin development reflecting resilient business model and continued investments in service capacity



- Overall EBITDA expansion driven by strong top-line growth and operational leverage
- Margin improvement through growing sub-scale geographic business areas into scaled operations akin to Nordics
- New hires to boost growth – variable cost base provides flexibility
- Margin impacted by continued high inflation – demanding environment to maintain and expand margin
- Lead time in price increases limit short-term profit improvement
- Further margin potential by centralizing overhead cost and targeted M&A activity

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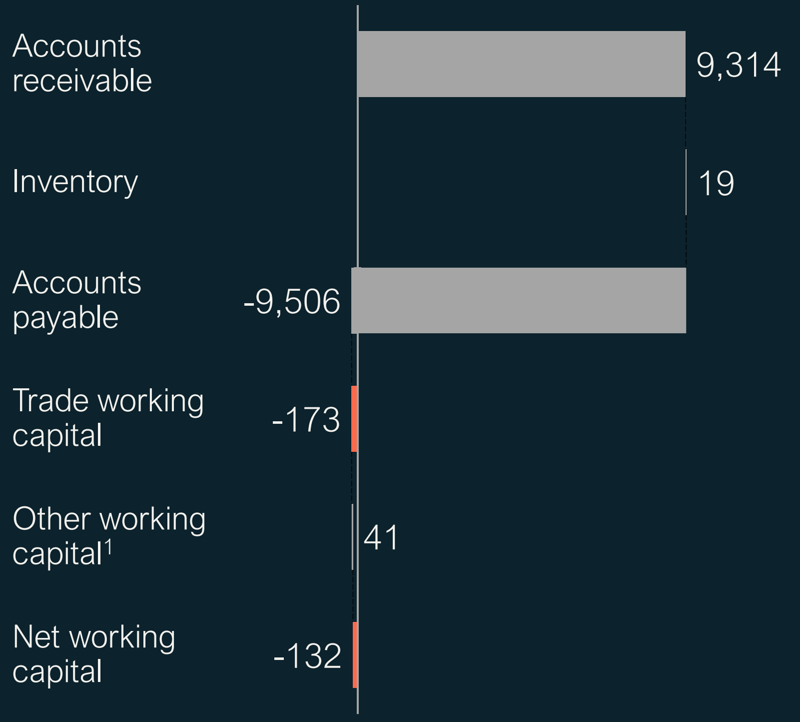
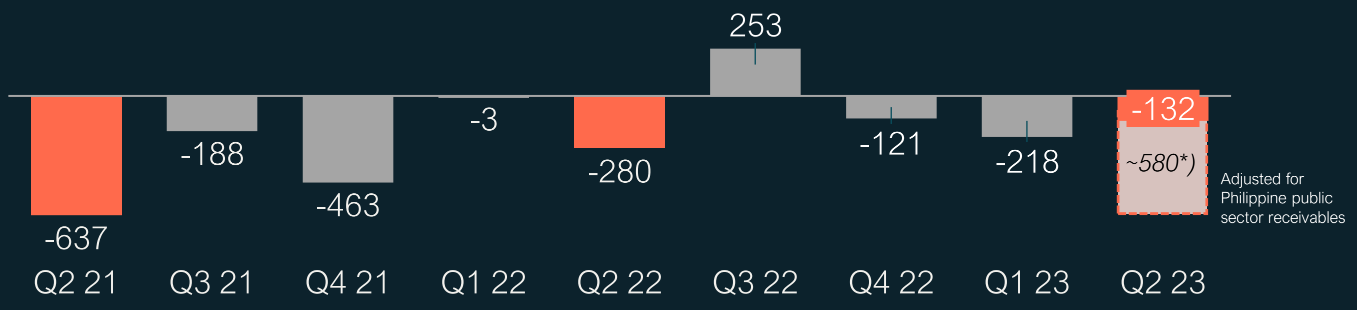
Working capital performance

Net working capital Q2 2023
NOK million



Net working capital over time
NOK million



Change in net working capital driven by a NOK 200m decrease in trade working capital while offset by NOK 52m improvement in other working capital

Adjusted for outstanding Philippine public sector receivables net working capital totals appr. NOK -580m.

Continued progress on operational levers for improving cash collection

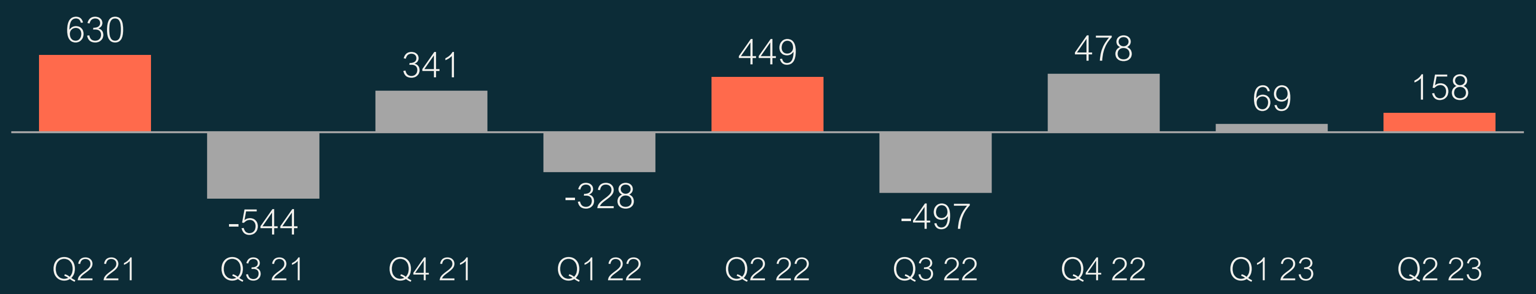
1) Other working capital Unbilled revenue, contract assets, public duty receivables and payables and other accruals

FINANCIAL REVIEW

Cash flow

Cash flow from operating activities

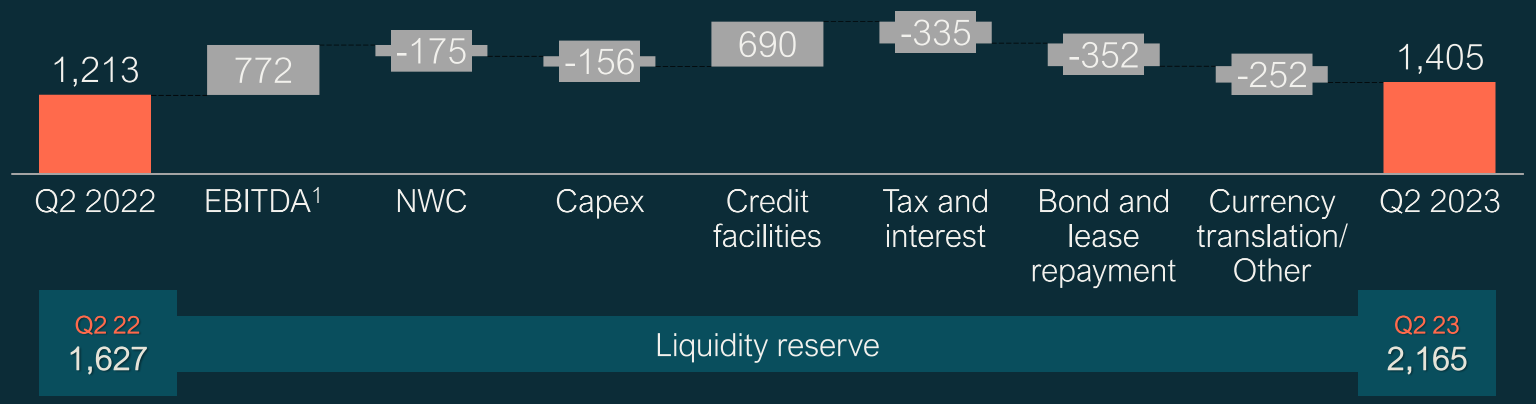
NOK million



Cash flow from operations is seasonal and driven mainly by increased EBITDA and changes to net working capital

LTM cash development

NOK million



Strong cash position and liquidity reserve of NOK 2,165m included undrawn credit facilities

Net debt / EBITDA 2.0x

1 EBITDA (non-adjusted)

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FINANCIAL REVIEW

Profit and loss – Q2 2023

NOK million	Q2 2023	Q2 2022	YTD 2023	YTD 2022
Revenue	1 715	1 416	3 132	2 487
Cost of sales	-183	-171	-341	-282
Gross profit	**1 533**	**1 245**	**2 790**	**2 205**
Operating expenses	-1 236	-902	-2 311	-1 746
EBITDA	296	343	480	459
Adjustments	55	2	57	9
Adj. EBITDA	351	345	536	468
Depreciation & Amortization	-79	-74	-161	-143
EBIT	217	269	319	316
Share of profit (loss) from assc.	0	0	0	-1
Interest expense	-68	-44	-128	-83
Other financial income/expense	-57	-187	-210	-116
Net income before tax	92	37	-19	116
Tax expense	-24	-13	-5	-36
Net income	68	24	-23	80
EPS	0.69	0.06	-0.33	0.71
Comprehensive income				
Currency translation	122	243	319	218
Comprehensive income, net of tax	189	267	295	298

- Interest expenses increased largely due to increased market rates
- Other financial expense driven by revaluation of balance sheet items due to currency movements – significant reduction year on year
- Positive effect of NOK122m in comprehensive income from currency translation of subsidiaries to NOK – booked against Equity

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Summary of adjustment items

Adjustment items (mnok)	YTD Q2 2023	FY 2022
Share based compensation	25	13
Tax reassessment		30
Fair value adjustments earn-outs	5	28
Other personal cost		11
M&A, business development expenses and legal restructuring	25	5
Total	**55**	**87**

- Share based compensation related to accruals for options and bonus shares for share based compensation programs
- Earn outs relating to overperformance of historic acquisitions
- Business development cost primarily related to estimated investments expenses in transitioning to direct operations in markets in the Middle East where Crayon is currently operating through partners

FINANCIAL REVIEW

Balance sheet – Q2 2023

Assets	30 Jun. 2023	30 Jun. 2022
Contracts	547	598
Goodwill	3 349	3 152
Other intangible assets	153	199
Tangible assets	551	224
Deferred tax assets	213	77
Non-current receivables	70	42
Investments in assoc. comp.	42	36
Total non-current assets	**4 295**	**4 328**
Inventory	19	4
Accounts receivable	9 314	7 965
Other current receivables	2 930	2 475
Cash & cash equivalents	1 405	1 213
Total current assets	**13 669**	**11 656**
Total assets	**18 594**	**15 984**

Equity and Liabilities	30 Jun. 2023	30 Jun. 2022
Shareholders' equity	**2 841**	**2 678**
Lease liabilities	403	120
Other interest-bearing debt	1 790	1 774
Deferred tax liabilities	232	185
Other non-current liabilities	32	25
Total non-current liabilities	**2 457**	**2 105**
Accounts payable	9 506	8 340
Public duties	894	882
Current lease liabilities	76	44
Income taxes payables	88	62
Other interest-bearing debt	824	435
Other current liabilities	1 907	1 439
Total current liabilities	**13 296**	**11 201**
Total equity and liabilities	**18 594**	**15 984**

- Other current receivables includes:
  - NOK 923m in public duty receivables, mainly relating to refundable VAT
  - Unbilled revenue of 1,584, mainly related to accrual of consumption-based programs
- RCF drawdown NOK 400m
- NIBD/Adj. EBITDA 2.0x – significant headroom to bank covenants

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Summary

KEY TAKEAWAYS

Key takeaways

Europe performance proving replicable business model

Service capabilities key to fueling growth for software and cloud

Continued focus on margin improvement and cash collection

Strengthening the executive team

Jon Birger Syvertsen

Chief Strategy Officer

Brede Huser

Chief Financial Officer

CRAYON EARNINGS Q2 2023

Q&A

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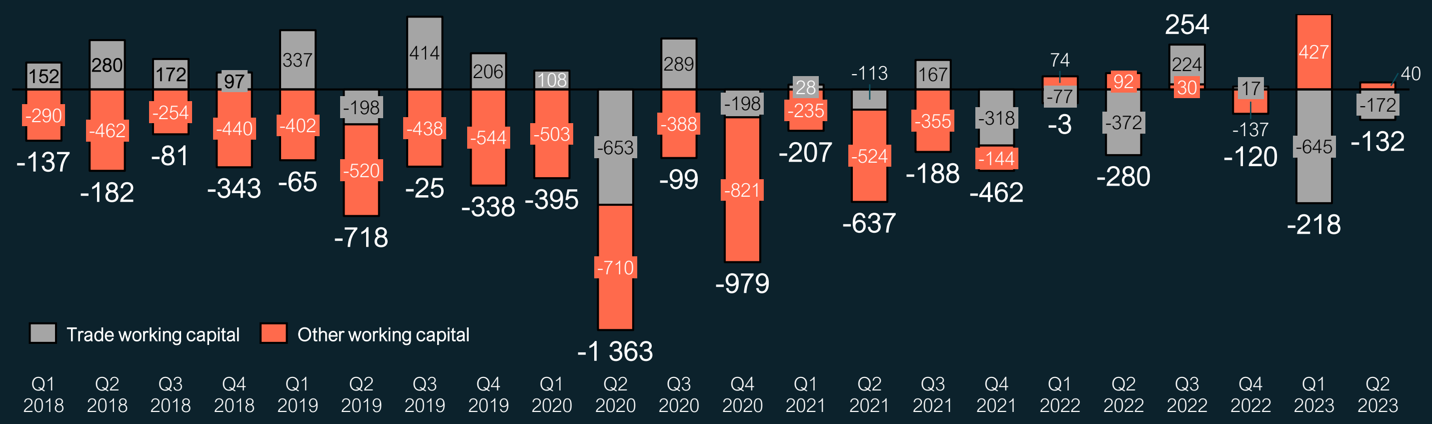
Appendix

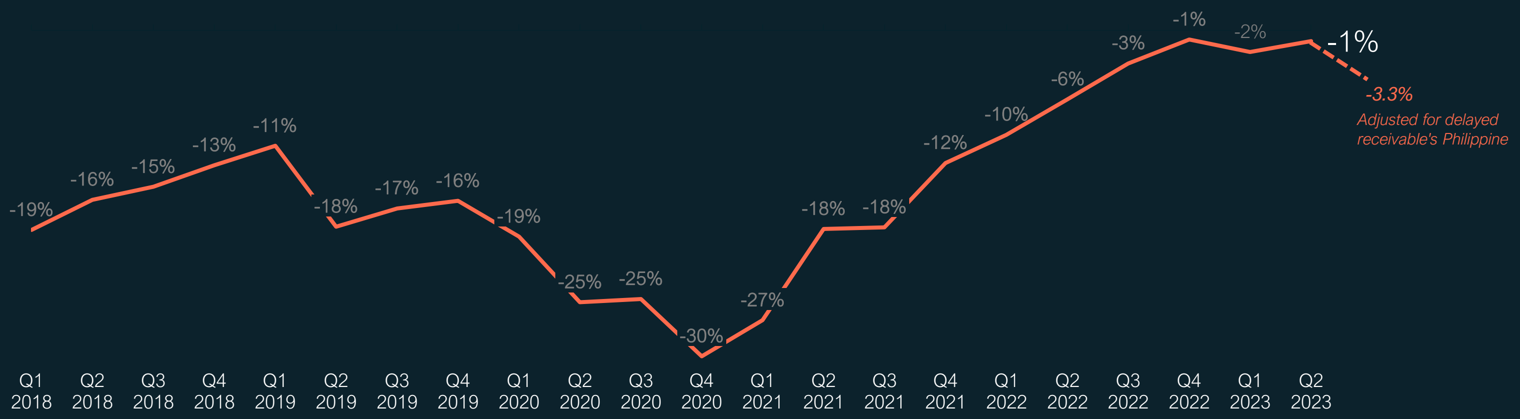
Inherent business seasonality impacting net working capital

Net working capital [1]

NOK million



Average NWC as share of LTM gross profit [1]



Trade Working Capital

- Receivables collection and timing for vendor payments are key drivers for trade working capital
- Working capital sensitivities: timing of business during quarter and collection end of quarter
- Significant QoQ and YoY variability
- Structurally higher working capital intensity in growing international markets
- High focus on improving collection processes – implementing Crayon best practice across all businesses

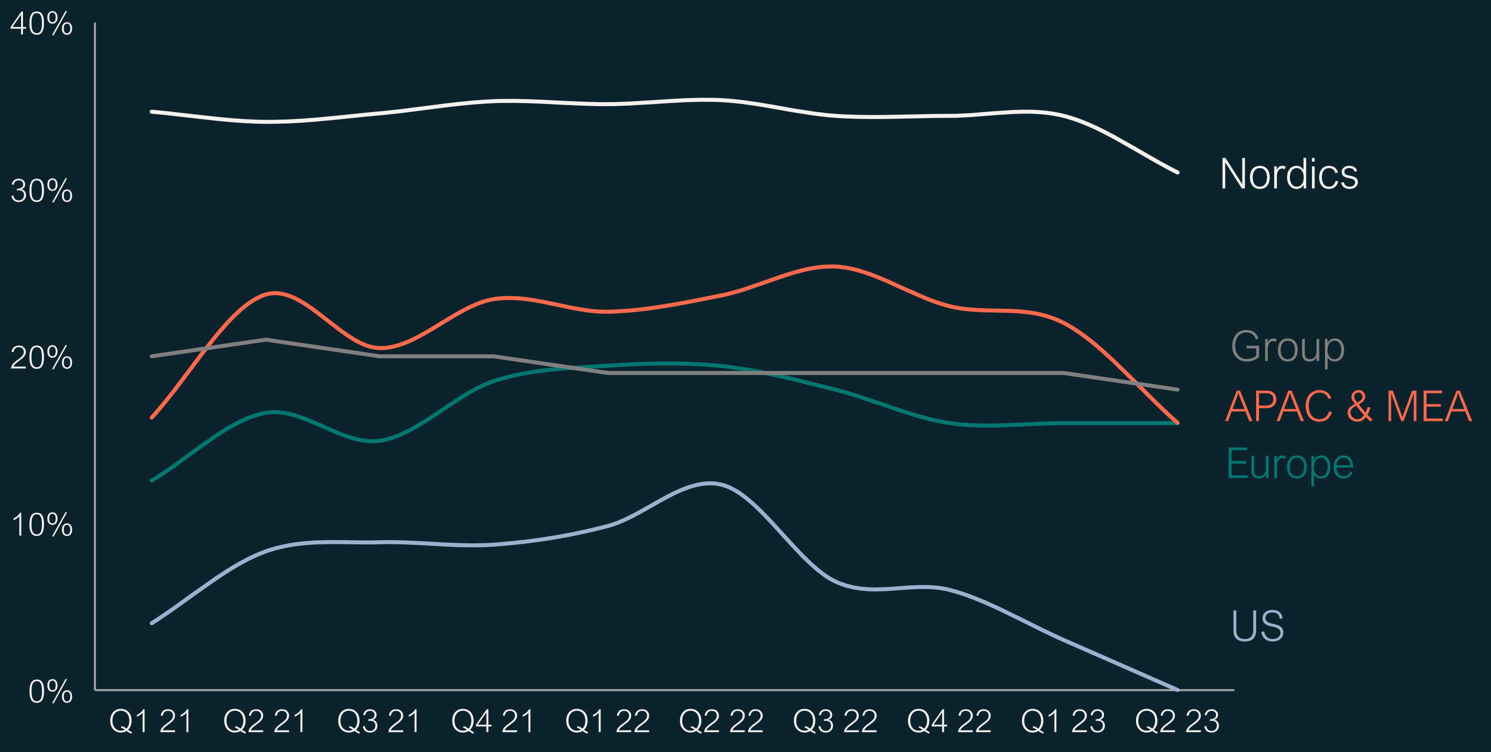
Other Working Capital [2]

- Unbilled revenue relates to accruals for earned and recognized income that for various reasons are not invoiced to customer. Consumption based revenue, consulting hours, non invoiced due to early close etc.
- Other current liabilities include accruals for COGS, employee benefits related accruals, prepayments, other current accruals
- Timing of payment of public duties could give material swings
- Other working capital expected to grow in line with overall GP growth
- Longer billing cycles on consumption-based products

1) 2018-2021 based on historic accounting policy – for comparability
2) Other working capital includes other receivables, income tax payable, public duties payable and other short-term liabilities

Margin development

12-months rolling EBITDA margin [1]



- Market profitability negatively impacted as a larger portion of incentives are booked in HQ
- Nordic margin stable - representing margin potential for businesses operating at scale
- APAC & MEA impacted by significant one-time cost in Q4 22 of NOK 40m
- Scale benefits materializing in Europe
- US continues to invest in growth

1 EBITDA divided by Gross Profit

APPENDIX

Foreign exchange impact

FX exposure

- Crayon Group Holding ASA uses NOK as reporting currency
- Functional currency is the currency of the primary economic environment of the operations
- Foreign currency – currency different to a units functional currency
- Main software vendor settlement currencies in addition to NOK; USD, EUR, SEK, GBP, AUD,
- Significant volumes of transactions and settlements in foreign currencies as a result of global operations
- Large impact from FX as a result of NOK depreciation
- FX impact both P&L through Other Financial Expense and Equity through Other Comprehensive Income

P&L impact – Other financial income and expense

- Other financial expense relates to currency changes (foreign to functional) in monetary assets such as:
    - Cash
    - Accounts receivables
    - Accounts payables
    - Loans
    - Group internal balances
- NOK weakening towards main currencies impacts negatively
- In Q2 23 Other financial expense, net negatively impacted the quarter with NOK 57m

P&L	Q2 23	Q2 22
Other financial expense, net	-57	-187

Equity impact – Other comprehensive income

- Other comprehensive income relates to positive effect from currency translation (functional to reporting) of subsidiaries to NOK;
    - Equity / net assets (including cash and other monetary assets)
    - Goodwill and other fair value adjustments
- In Q2 2023 currency translation in net comprehensive income amounted to NOK 122m, whereof cash related currency translation amounted to NOK 48m

Comprehensive income	Q2 23	Q2 22
Currency translation	122	243

Cashflow statement	Q2 23	Q2 22
Currency translation, cash	48	4

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Foreign exchange impact - Illustrative example

Balance sheet 1/1 EURNOK 10	Crayon Norway NOK	Crayon France EUR	Crayon France NOK	Crayon Group NOK
Cashpool balance	-1000 NOK (-100EUR)	+100EUR	1000 NOK	0NOK
Other assets	2000 NOK	+100 EUR	1000 NOK	3000 NOK
Retained earnings	-1000 NOK	-200EUR	-2000 NOK	-3000 NOK

Balance sheet 31/3 EURNOK 11	Crayon Norway NOK	Crayon France EUR	Crayon France NOK	Crayon Group NOK
Cashpool balance	-1100 (-100EUR)	+ 100 EUR	1100 NOK	0NOK
Other assets	2000 NOK	+ 100 EUR	1100 NOK	3100 NOK
Retained earnings	-900 NOK	-200 EUR	- 2000 NOK	-2900 NOK
OCI Equity			-200NOK	-200 NOK

P&L period impact	Crayon Norway NOK	Crayon France EUR	Crayon France NOK	Crayon Group NOK
Other financial expense, net	-100 NOK			-100 NOK
Other comprehensive income			200	200 NOK

Consolidating Crayon Norway and Crayon France

- EURNOK changes from 10 to 11 during the period
- All other items unchanged

Two impacts from changes in EURNOK rate:

1. Negative 100 EUR cash (in cashpool) in Crayon Norway increases from NOK 1000 to NOK 1100. Currency impact through P&L / Other financial Expense (cost) 100NOK (foreign to functional)
2. Currency effect from translation of Crayon France EUR assets to NOK. 100 EUR cash and EUR 100 assets increases from NOK 2000 to NOK 2200. Positive currency translation of subsidiaries / Other comprehensive income 200 NOK booked against OCI Equity (functional to reporting)

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