

Q3 2019 Presentation

CEO Torgrim Takle | CFO Jon Birger Syvertsen, 29 October 2019

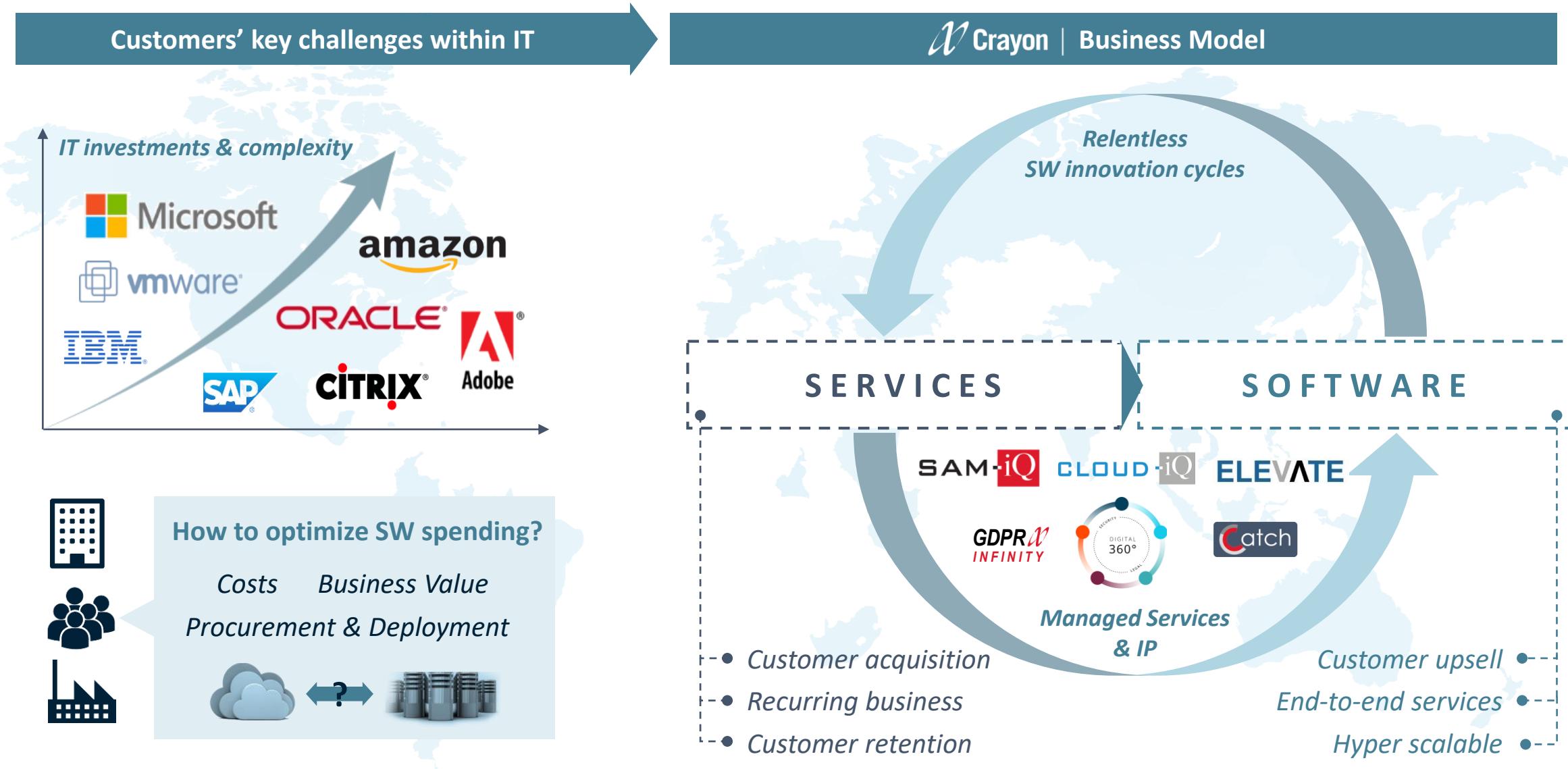
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Unique Business Model



Creating value for software vendors and customers

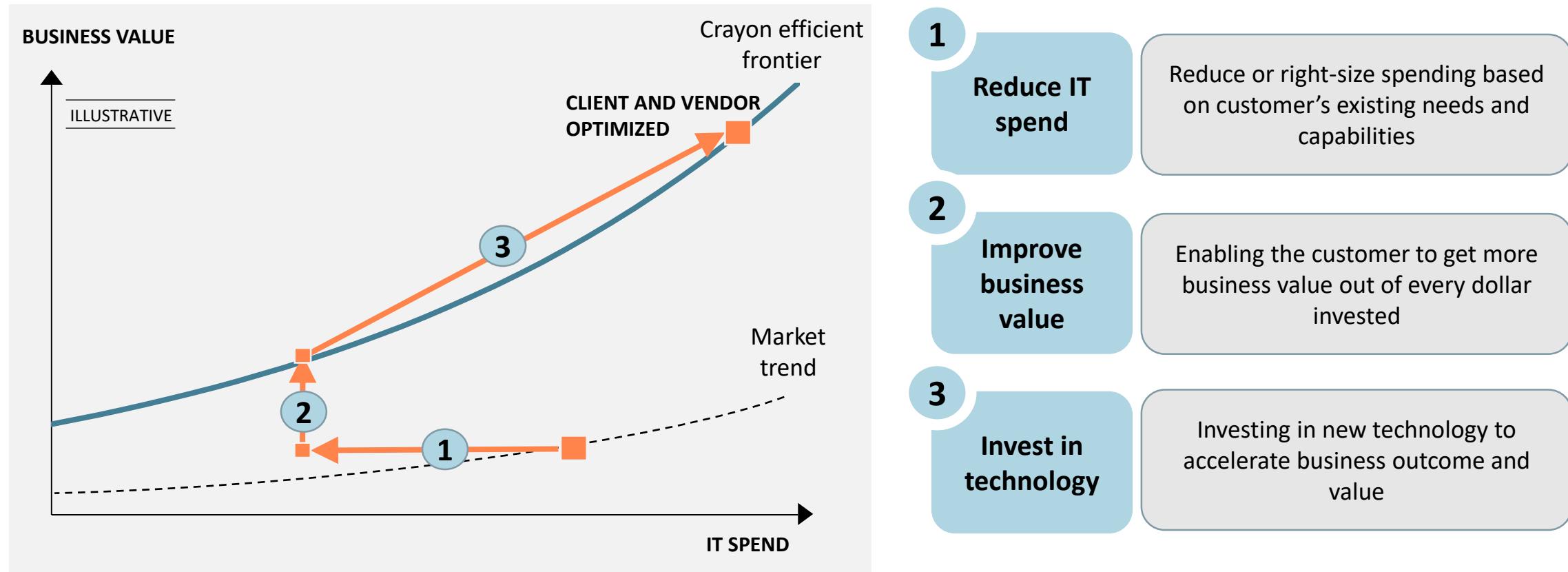


A valuable intermediary between software vendors and end customers

Crayon is the preferred digital transformation partner...



Crayon's three-step framework to optimize customer's IT spend

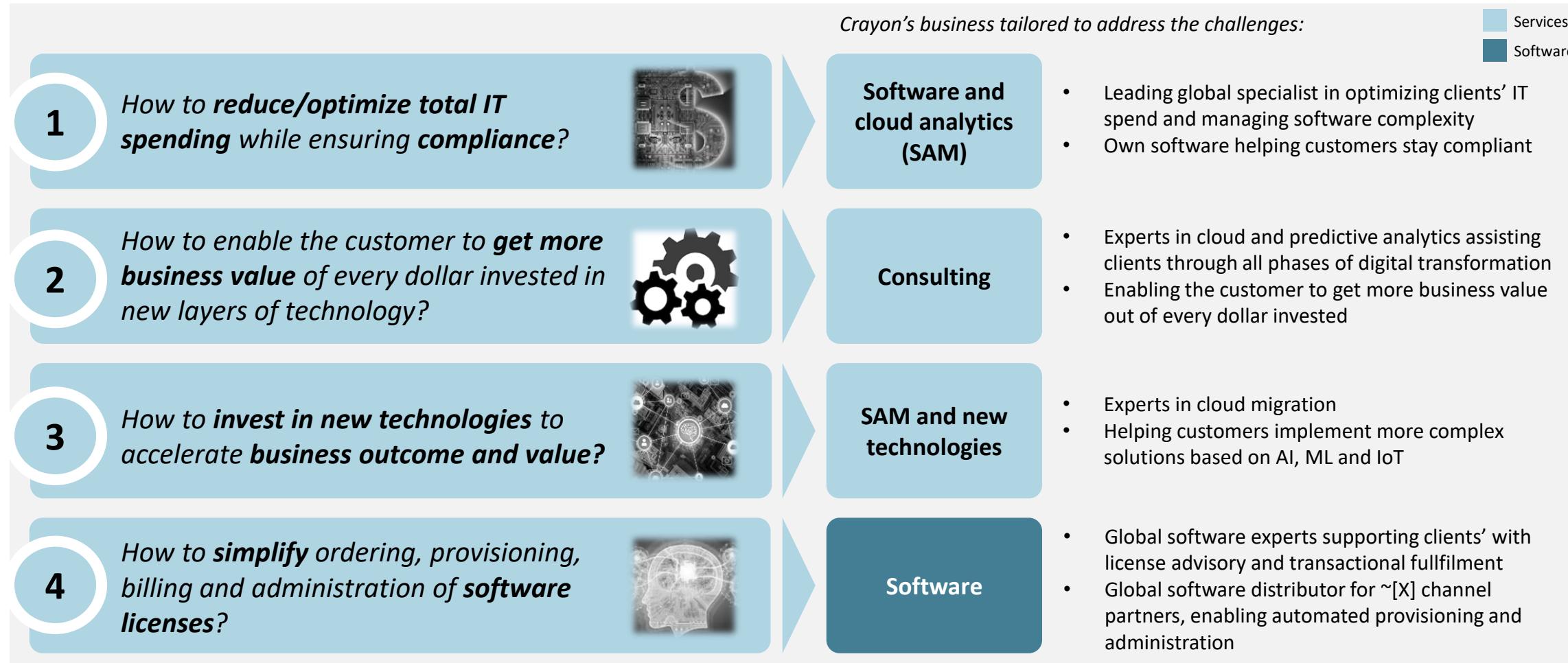


Crayon successfully manages the “dual relationship” with customers and software vendors by obtaining higher business value for clients and higher IT spend

...assisting its clients to address key IT challenges

Clients faced with key questions...

...that Crayon helps to address



Business Update

Q3 2019 | CEO Torgrim Takle

Q3 2019 | CEO Torgrim Takle



Q3 2019 Highlights



- 1 **7th CONSECUTIVE RECORD FINANCIAL QUARTER**
- 2 **INTERNATIONAL MARKETS OUTPERFORMING**
- 3 **NEW CUSTOMER SEGMENT MANIFESTED: ISVs¹**
- 4 **STRENGTHENED GLOBAL FOOTPRINT & SCALE**



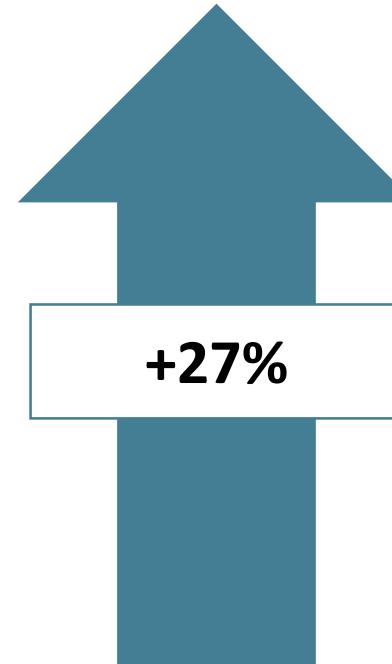
7th Consecutive Record-breaking Quarter

Compared to corresponding period last year



Revenue

MNOK 2,559



Gross Profit

MNOK 391



EBITDA¹

MNOK 34

MNOK 12,208

MNOK 1,741

MNOK 272

LAST 12 MONTHS

Q3 2019 Highlights

1

Strong Performance Across Business Areas



	SW Direct	SW Indirect (channel)	SAM	Consulting
Gross profit growth ¹	51%	+27%	+14%	+29%
EBITDA margin ²	38%	35%	1%	18%
Significant client wins	 		   	 
Q3 drivers and outlook	<ul style="list-style-type: none"> Continued strong market growth and share gains Product mix shift (cloud & new vendor programs) Scale and productivity improvements 	<ul style="list-style-type: none"> Multi-tier scalability (# partners, #customers per partner, and end-user consumption) Growth on new technology platforms (AWS) Full effect of Sequint acquisition 	<ul style="list-style-type: none"> Strong market demand for in Cloud Economics & optimization services SAM-iQ subscription growth (recurring gross profit +17% YoY) Value based pricing 	<ul style="list-style-type: none"> Strong market growth Improved utilization & hourly rates Capacity increase Strong growth in Cloud Adoption & AI/ML services Growth outside Nordics

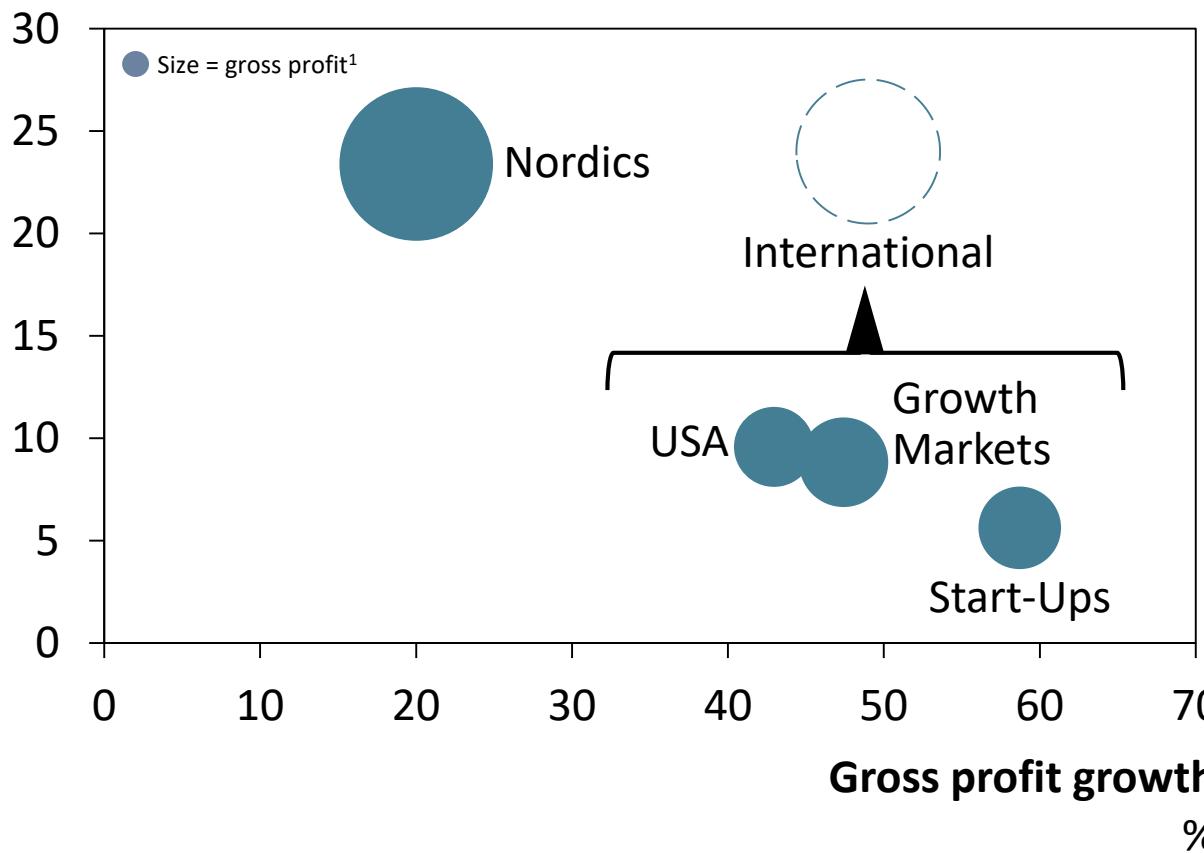
¹ Gross profit growth Year over Year ("YoY")² EBITDA as a percentage of gross profit

International Markets Outperforming

Compared to corresponding period last year

EBITDA improvement

NOK millions



International Market YoY performance²

Gross profit growth: +47%



EBITDA: MNOK +24



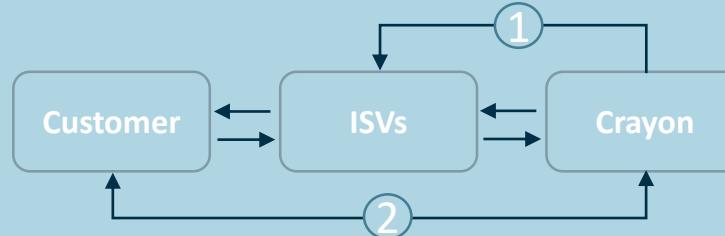
¹ Q3 2019

² International Markets defined as USA, Growth Markets and Start-Ups combined (i.e., all markets outside the Nordics)

Accelerated Cloud Leadership Through ISVs

Crayon ISV practice...

Independent Software Vendors ("ISVs") create and sell software

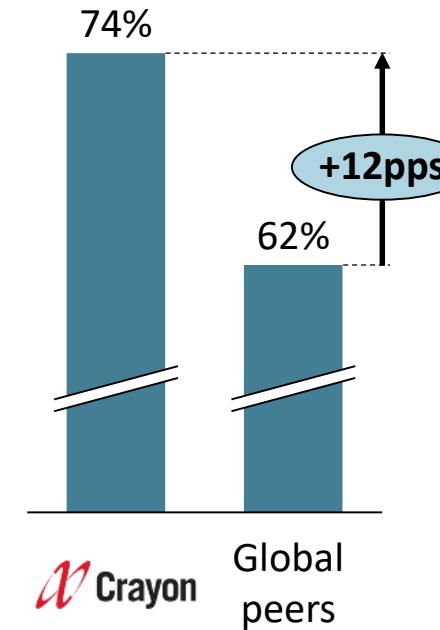


Crayon Offers – ISV development centres:

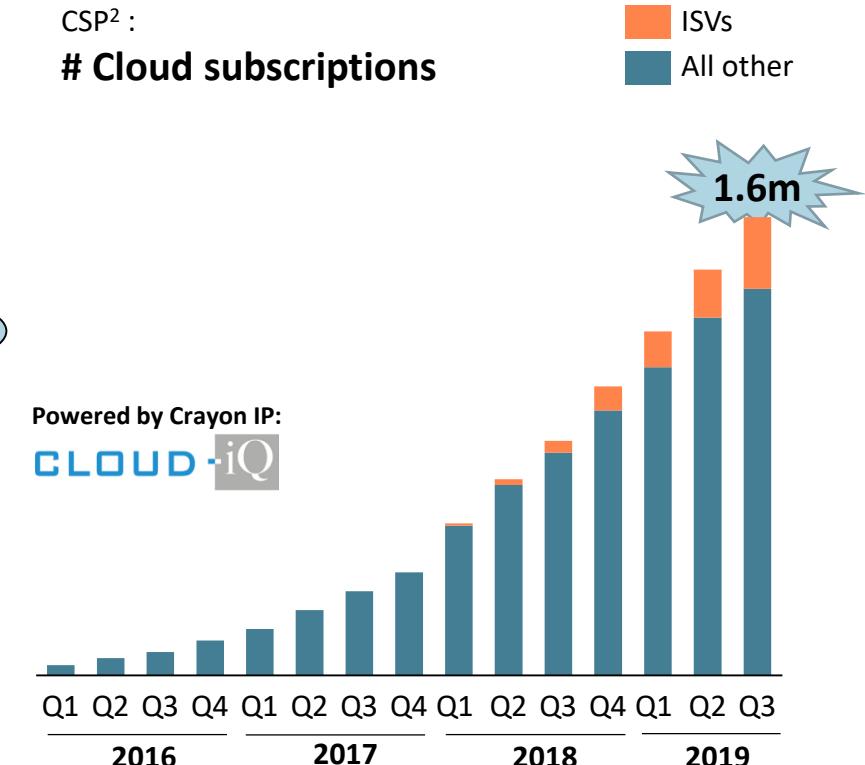
- **Modernize** – Cloud architects for DevOps and Migration
- **Optimize** – SCA and Cloud Economics
- **Accelerate** – Lead generation, marketplace & networks

...accelerating cloud leadership

All-up:
Cloud mix¹



CSP² :
Cloud subscriptions

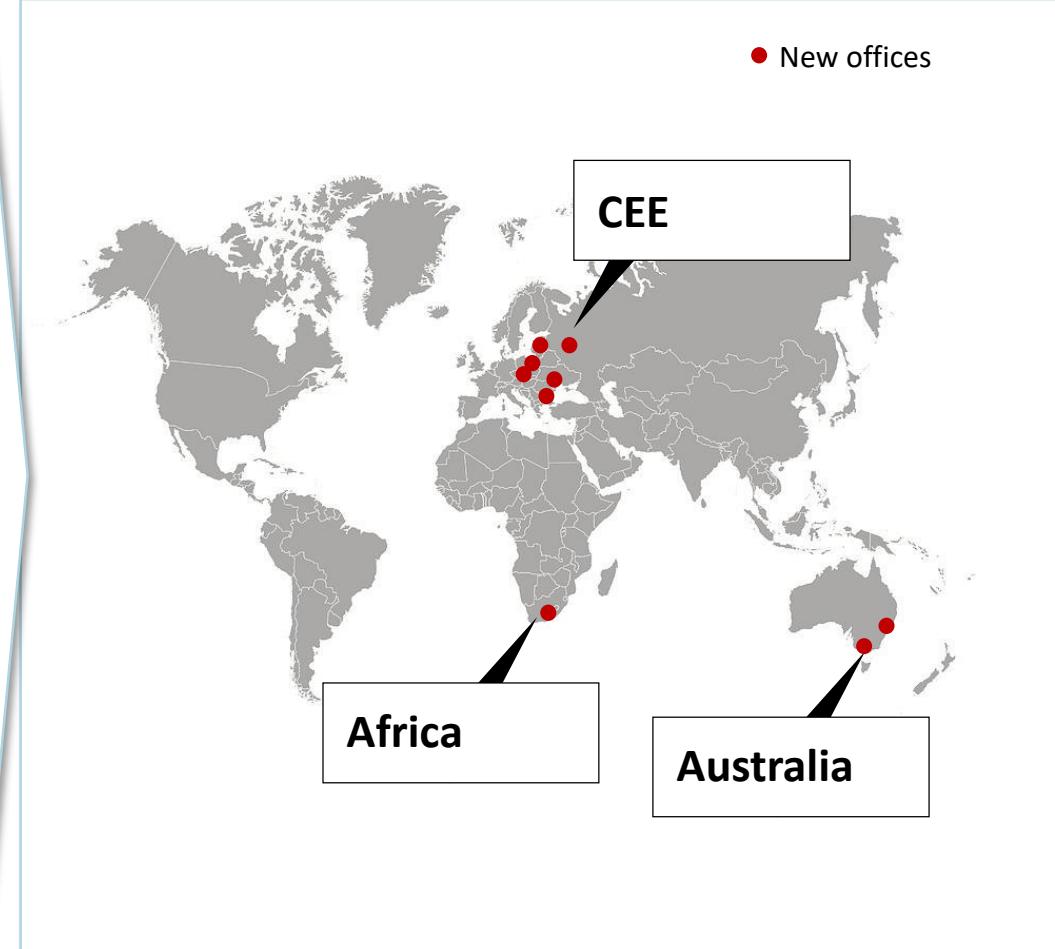


Strengthened Global Footprint & Scale

Rationale

- New attractive markets
- Industry consolidation
- Partnerships and joint go-to-market models with Hyperscalers
- Crayon learning curve

New geos established in Q3 2019



Financial impact

Medium
2019 term

100-200

Gross profit (MNOK)

15-20

EBITDA margin¹

~0%

~10%

Financial Review

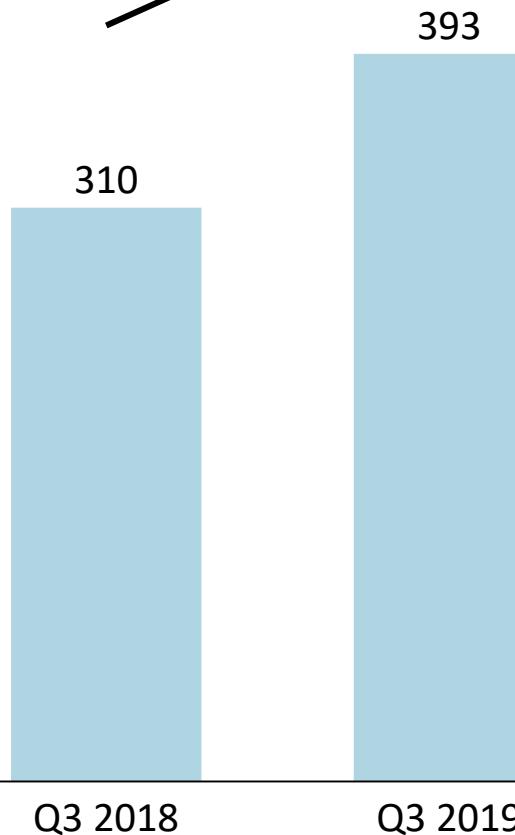
Q3 2019 | CFO Jon Birger Syvertsen

Strong GP growth driven by international markets

Gross profit

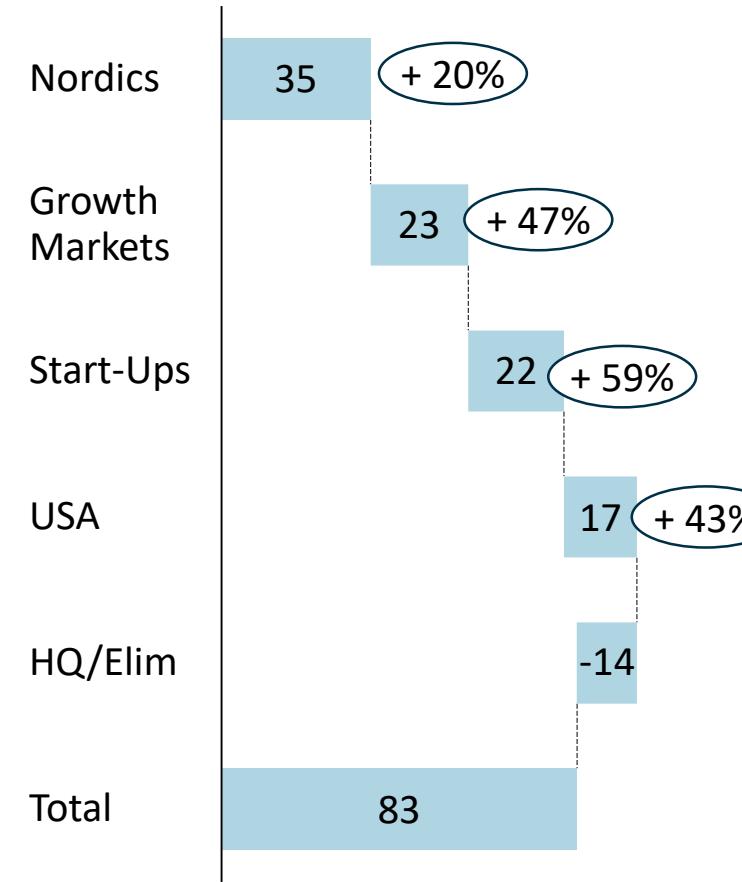
NOK million

+27% / NOK 83m

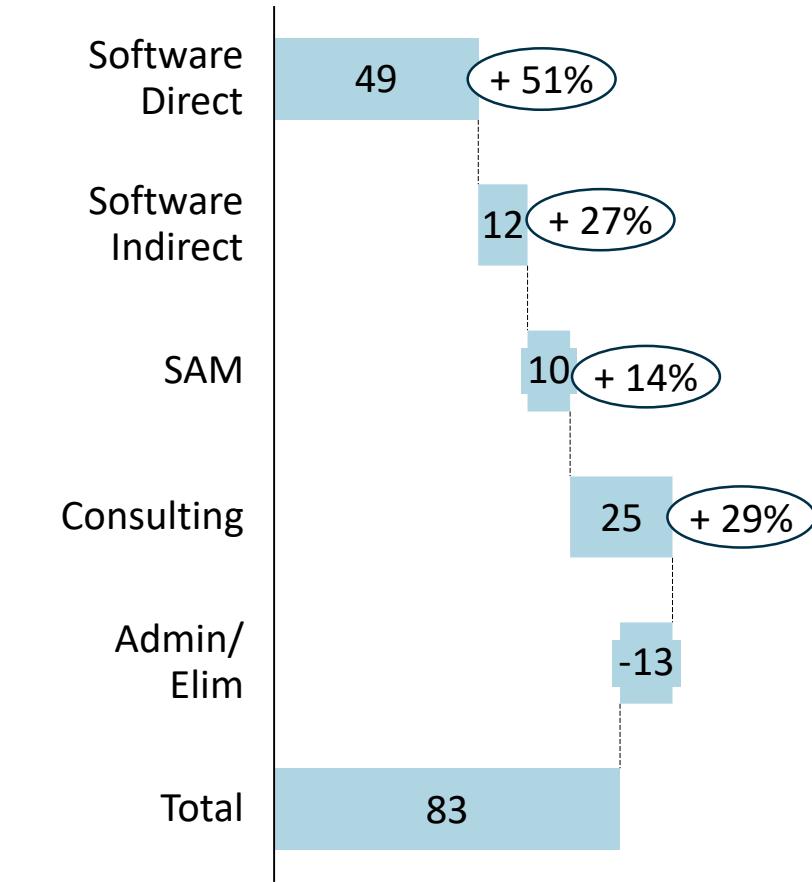
YoY gross profit growth by market cluster

NOK million



YoY gross profit growth by business area

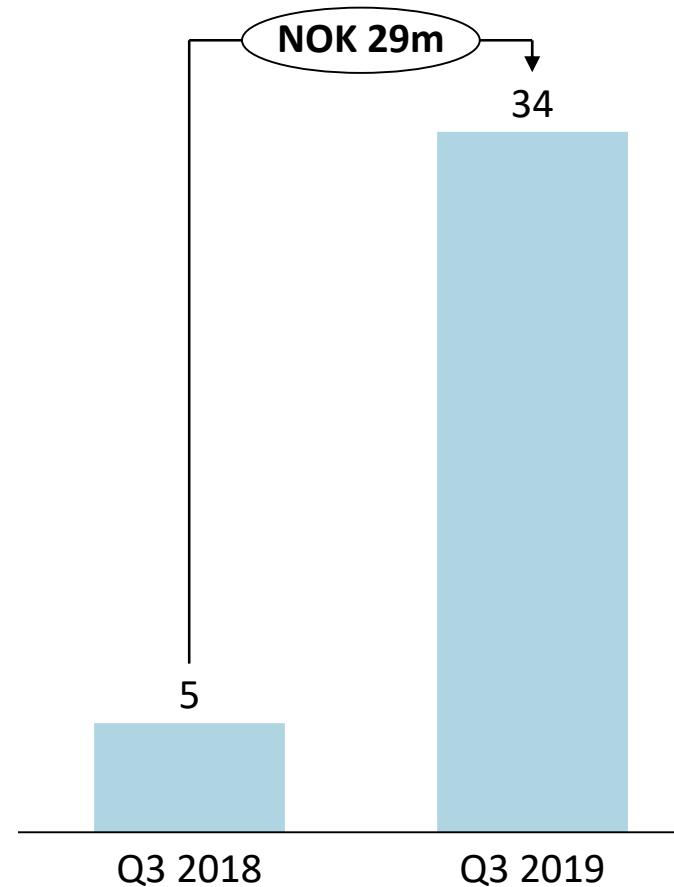
NOK million



Strong EBITDA growth in Q3 2019

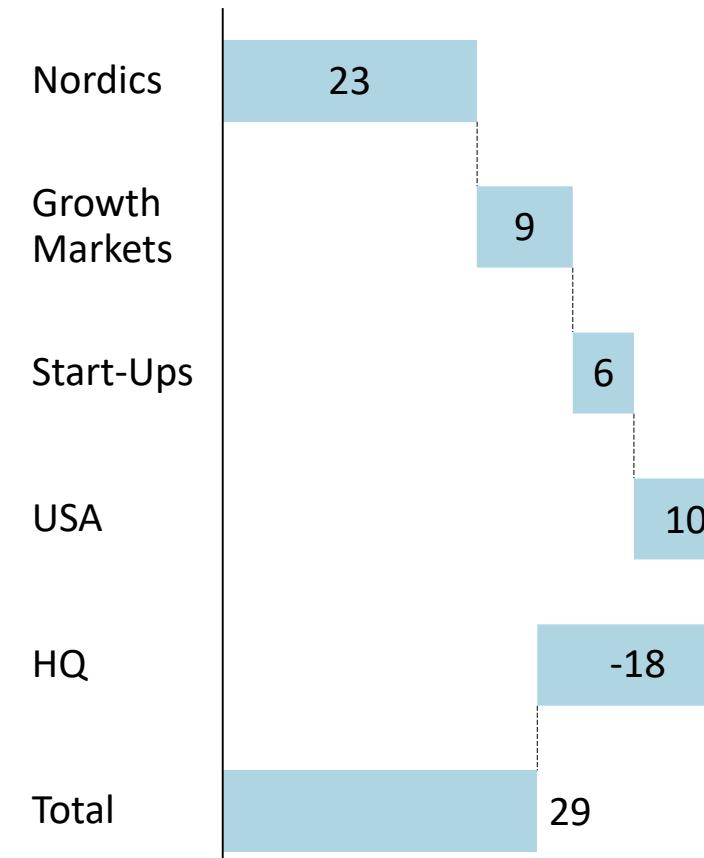
Adjusted EBITDA

NOK million



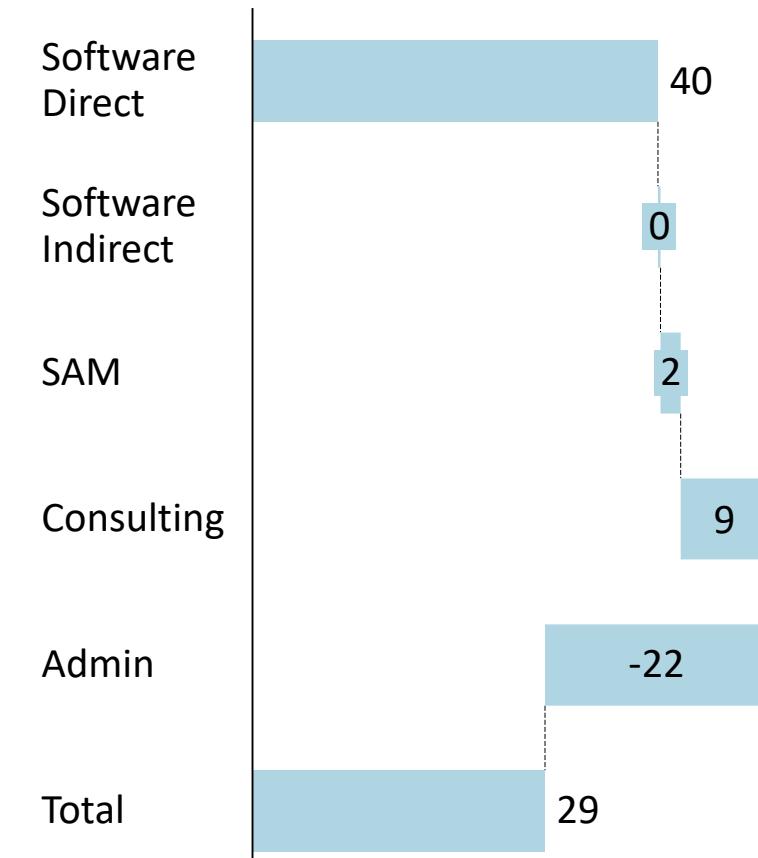
YoY Adj EBITDA growth by market cluster

NOK million

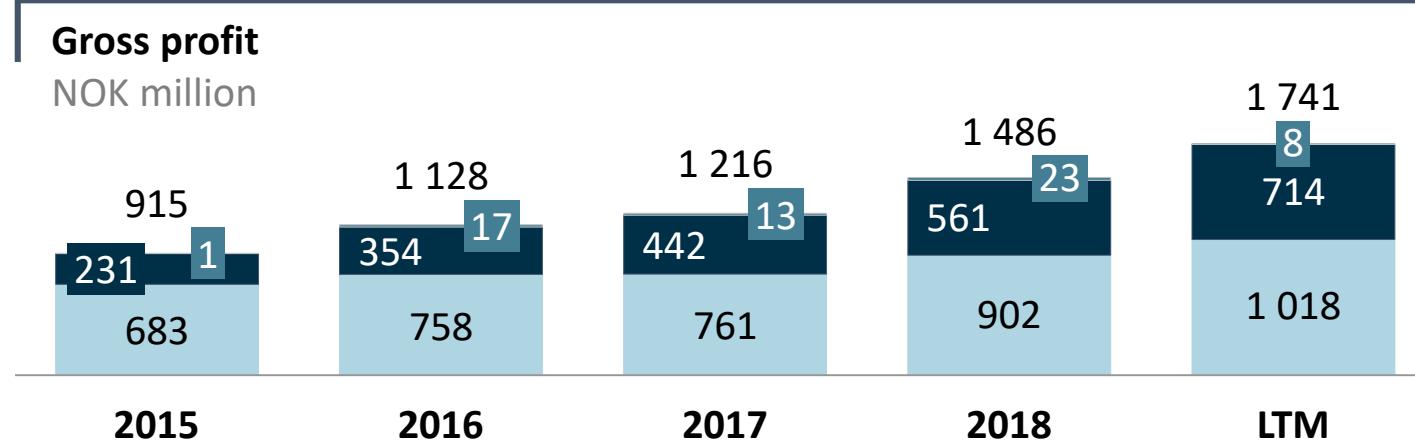


YoY Adj EBITDA growth by business area

NOK million



International expansion momentum continues

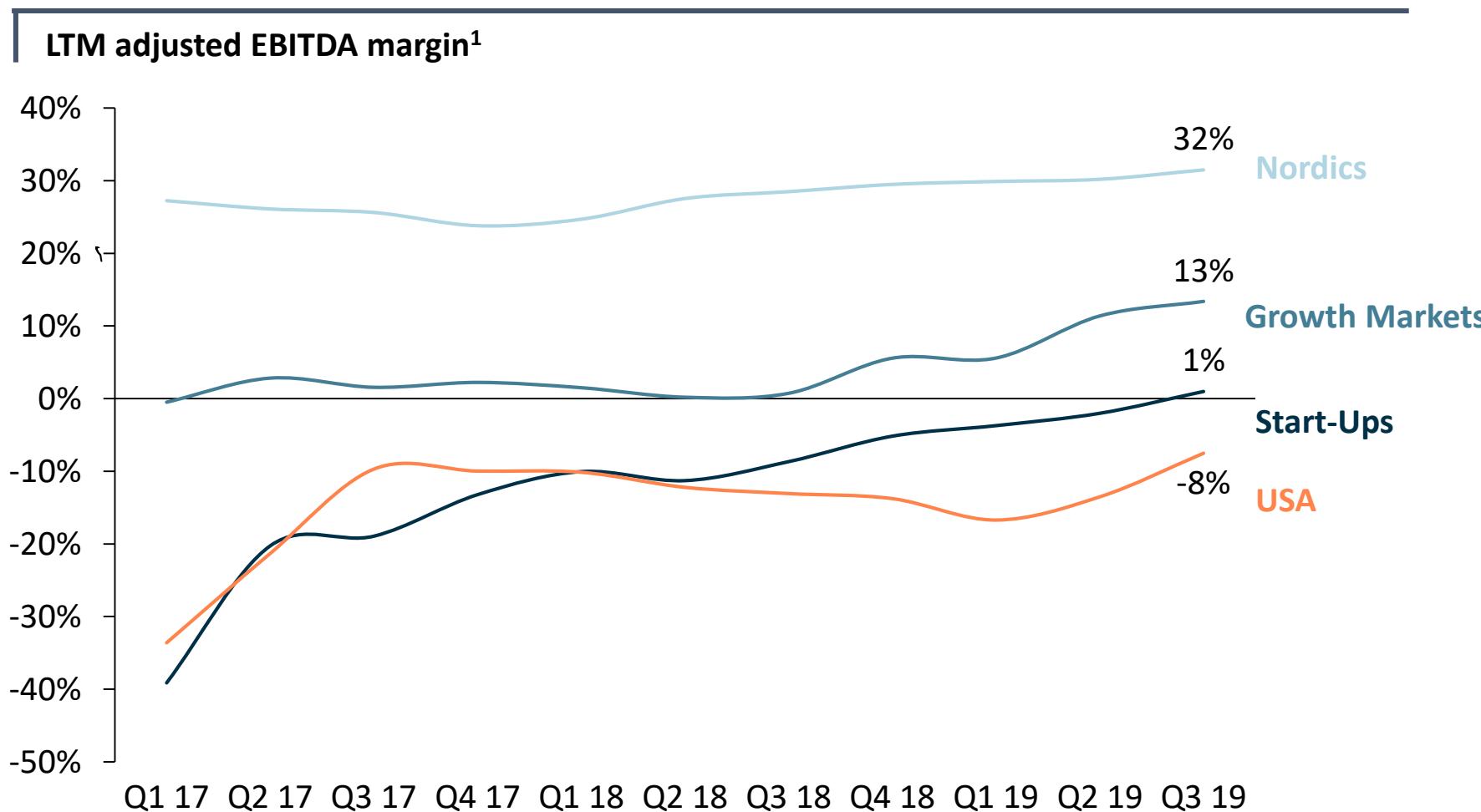


¹ Adjusted EBITDA is reported EBITDA less other income & expenses items netted under HQ, hence not reflected on Market Cluster / Business Area level
² International includes market clusters Growth Markets, Start-Ups and USA

- Nordic
- International²
- HQ/Elim.

- Continued gross profit growth in international markets, with a > 3x growth since 2015
- International expansion now delivering positive EBITDA on an LTM basis

International EBITDA margins continues to improve

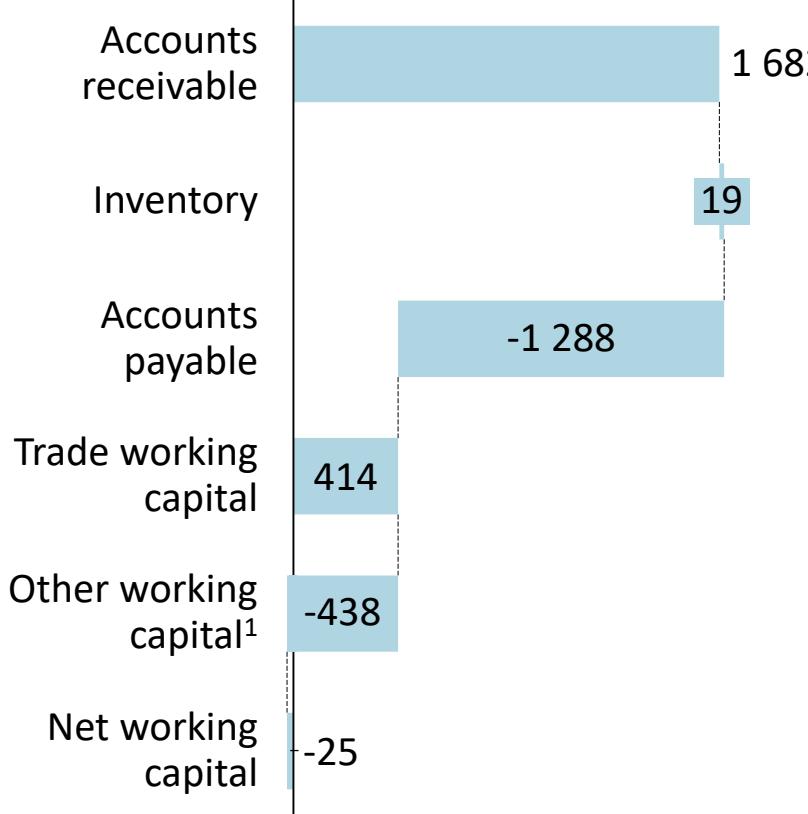


- Nordics with continued strong EBITDA margins
- Growth Markets EBITDA margin improvements driven by strong growth in reach and relevance in core markets such as Germany and Middle East
- USA, Start-Ups margins continue to improve despite significant investments in growth

Working capital driven by seasonality

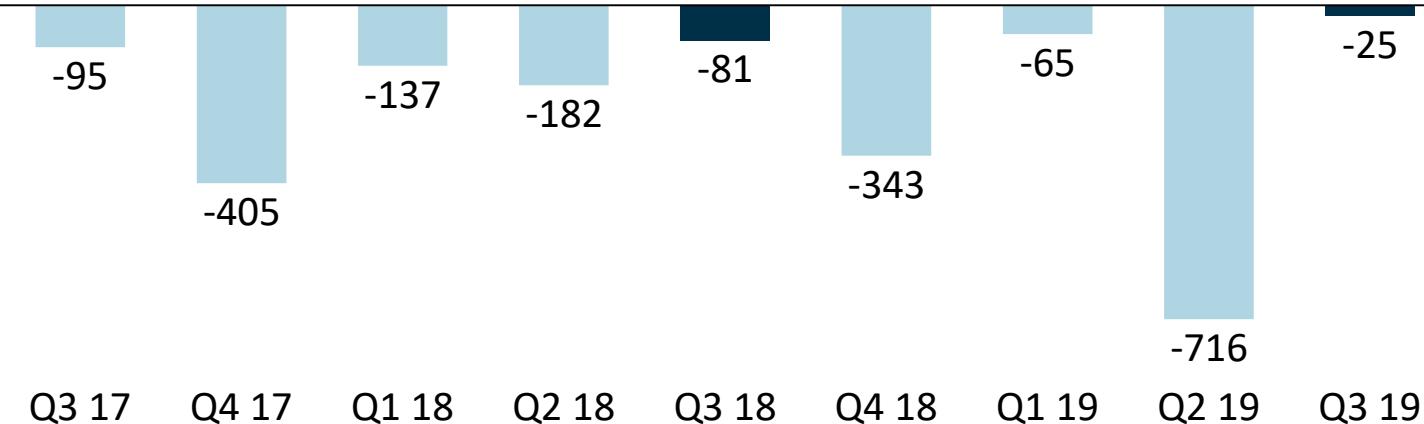
2019 Q3 net working capital

NOK million



Net working capital over time

NOK million



- Q3 2019 net working capital is 56 MNOK less negative than in Q3 2018
- This decrease is driven by an increase in Trade working capital of 248 MNOK which is only partly offset by a decrease of 192 MNOK decrease in Other working capital

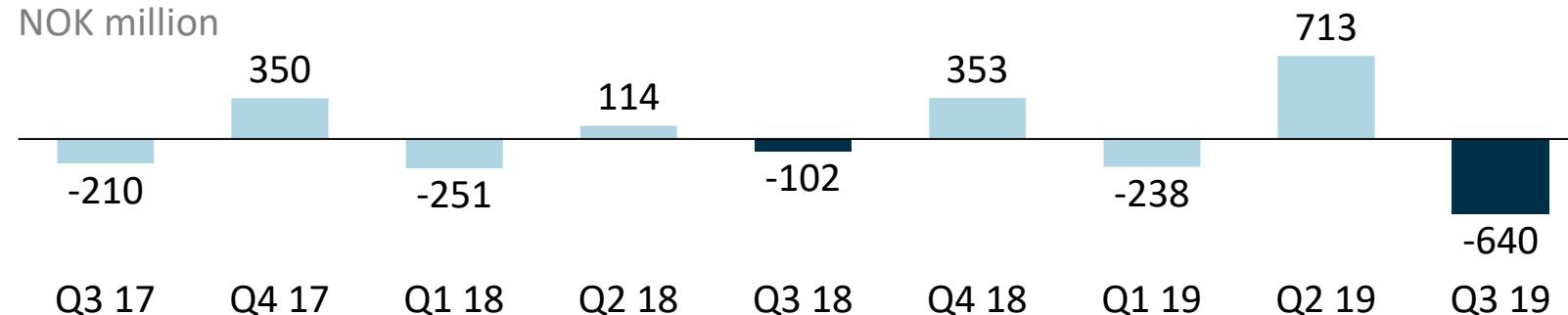
¹ Other working capital includes other receivables, income tax payable, public duties payable and other short-term liabilities

Q3 2019

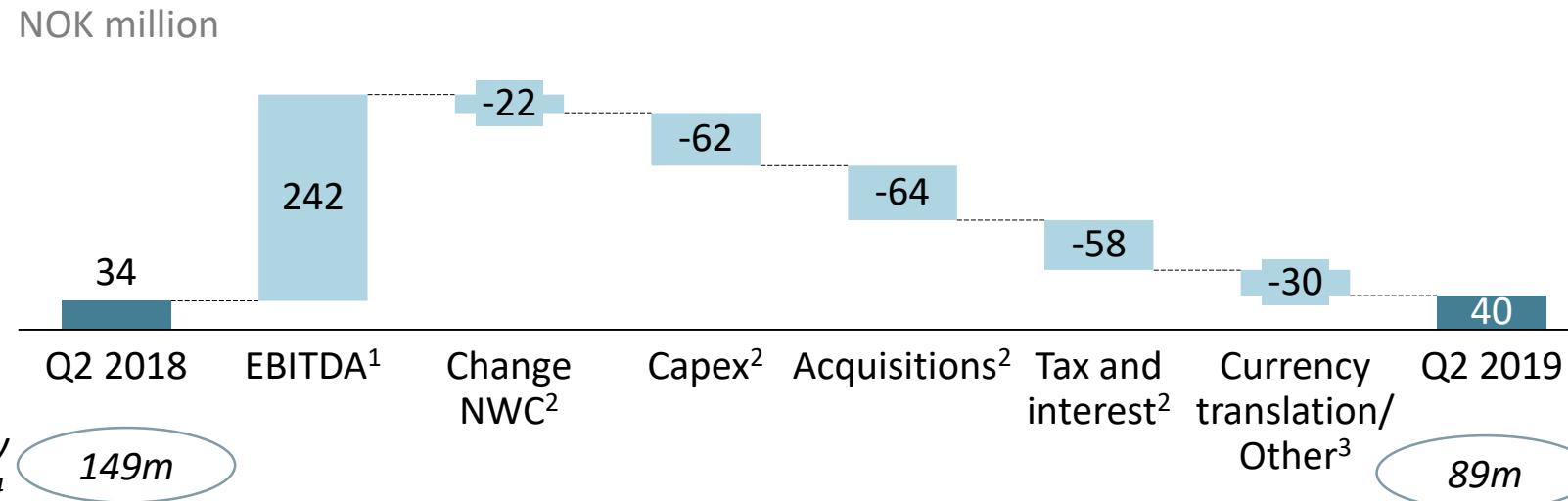
Cash flow is driven by working capital



Cash flow from operating activities



LTM cash development



- Cash flow from operations is seasonal and driven by changes to net working capital
- Q3 2019 cash flow from operations is a significant reduction from Q3 2018, driven by an offset from strong cash flow in Q2 2018 and seasonality effects within the quarter

¹ EBITDA (non-adjusted)

² As seen from the cash flow statement; excluding the approximate 38 MNOK earn-out related to Sequint

³ Also includes cash flow effects from IFRS 16, cash flow from financing activities etc

⁴ Liquidity reserve is reported in the 'Alternative Performance Measures' section in the quarterly report, and is defined as the sum of freely available cash and available credit facilities

Q3 2019

P&L - summary



NOKm	Q3 2018	Q3 2019	YTD Q3 18	YTD Q3 19
Operating revenue	1 545.9	2 558.9	6 308.0	9 468.7
Cost of sales	-1 236.1	-2 165.7	-5 280.9	-8 186.6
Gross profit	309.8	393.1	1 027.1	1 282.1
Payroll and related costs	-258.8	-309.0	-786.9	-949.8
Other operating expenses	-51.8	-52.9	-139.2	-166.4
Total operating expenses	-310.6	-362.0	-926.2	-1 116.2
EBITDA	-0.8	31.2	100.9	165.9
Depreciation	-3.0	-9.6	-8.1	-29.6
Amortization	-16.4	-18.3	-47.5	-53.7
Goodwill impairment	0.0	0.0	0.0	0.0
EBIT	-20.2	3.2	45.3	82.6
Net financial expense	-14.6	-11.4	-33.6	-41.2
Ordinary result before tax	-34.8	-8.2	11.7	41.4
Income tax expense on ordinary result	4.1	-9.9	-5.4	-22.6
Net income	-30.7	-18.0	6.3	18.8
Adjusted EBITDA reconciliation				
Reported EBITDA	-0.8	31.2	100.9	165.9
Other income and expenses	6.1	3.1	9.5	28.4
Adjusted EBITDA	5.3	34.3	110.4	194.4

- Depreciation and amortization in line with plan, with higher depreciation driven by IFRS 16
- Net financial expense reduced due to currency effects
- Income tax expenses increases as a consequence of improving profitability in multiple markets
- EBITDA adjustments of NOK 3.1 mn in Q3 2019 primarily related to share-based compensation

Balance sheet and net interest bearing debt

NOKm	30.09.2018	30.09.2019
Assets		
Inventory	23.1	18.8
Accounts receivable	1 119.3	1 682.5
Income tax, other receivables	65.2	94.5
Net cash and cash equivalents	33.9	40.1
Total current assets	1 241.4	1 835.8
Technology, software and R&D	109.8	104.6
Contracts	68.5	75.1
Goodwill	824.5	889.3
Software licenses (IP)	1.0	1.0
Deferred tax assets	54.5	16.1
Equipment	24.8	33.2
Right of use assets	0.0	120.5
Other receivables	8.3	21.8
Total non-current assets	1 091.3	1 261.5
Total assets	2 332.8	3 097.3
Equity and liabilities		
Total equity	558.5	594.1
Short-term debt	0.0	0.0
Trade creditors	976.4	1 287.7
Public duties payable	88.7	204.9
Other short- term interest bearing debt	0.0	42.5
Current lease liabilities	0.0	4.5
Income tax, other current liabilities	223.3	328.0
Total current liabilities	1 288.4	1 867.6
Long-term debt	443.2	448.3
Deferred tax liabilities	31.2	31.2
Other long-term liabilities	11.6	118.0
Lease liabilties	0.0	38.2
Total long-term liabilities	485.9	635.7
Total liabilities	1 774.3	2 503.3
Total equity & liabilities	2 332.8	3 097.3

Net interest bearing debt - NOKm	30.09.2018	30.09.2019
Long-term interest bearing debt	452.8	7.2
Short-term interest bearing debt		492.5
Cash and cash equivalents	-33.9	-40.1
Restricted cash	9.6	10.9
Net interest bearing debt (NIBD)	428.5	470.4

- Danske Bank and SpareBank 1 Markets are mandated in connection with a refinancing of the outstanding bond issue (CRAYON02, NOK 450 million). Subject to market conditions, a new NOK 300 million bond issue is contemplated. Investor meetings are scheduled to commence 1 November 2019
- As part of this process, a new secured NOK 350m multicurrency revolving credit facility (RCF) replacing the old RCF (NOK 200 million)
- Strong liquidity position end Q3, with a total liquidity reserve of NOK 90m
- Right of use assets and other long-term liabilities have both increased as a consequence of IFRS 16
- NIBD to LTM EBITDA of 2.4x vs 3.9x at September 30, 2019

Q3 2019

Cash flow development



NOKm	Q3 2018	Q3 2019	YTD Q3 18	YTD Q3 19
Net income before tax	-34.8	-8.2	11.7	41.4
Taxes paid	-3.9	-3.3	-16.9	-14.2
Depreciation and amortization, incl. write-down	19.5	27.9	55.6	83.3
Net interest to credit institutions	9.8	11.6	27.4	35.2
Changes in inventory, AR/AP ¹	112.4	-611.3	-198.8	-316.3
Changes in other current assets	-204.5	-56.2	-117.6	5.4
Net cash flow from operating activities	-101.6	-639.5	-238.6	-165.1
Net cash flow from financing activities	-14.8	-14.4	-27.4	-25.6
Acquisition of assets	-14.2	-11.8	-46.7	-46.3
Acquisition of subsidiaries	0.0	-10.6	-7.5	-102
Divestments / Purchases of own shares / Other	0.0	0.0	0.0	0.0
Net cash flow from investing activities	-14.2	-22.5	-54.2	-148.5

- Q3 2019 cash flow from negative in line with seasonality, however more negative than Q3 2018, primarily driven by offset from strong cash flow in Q2 and unfavorable timing within the quarter
- Cash flow from financing activities at the same level as Q3 2018
- Capex in Q3 2019 of NOK 11.8m mainly related to investments in new ERP system and Cloud IQ platform
- Acquisition of subsidiaries relates to acquisition of minority shareholdings

Outlook

Strong commercial momentum reaffirms 2019 guiding

INCLUDES IFRS 16 EFFECTS

	2018 actuals	LTM actuals	2019 outlook	Medium term	Comment
Gross profit growth	+22.4 %	+25.4%	+20-25%	+10-15 %	Above market growth from scaling up international markets
Adjusted EBITDA as share of gross profit	12.6 %	15.6% [14.2% ²]	16-17%	Gradually increase to 17%	Continued margin improvement, driven by International markets
NWC¹	-12.5 %	-16.5%	-10% to -15%	-10% to -15%	Expect NWC to fluctuate around current level
Capex	NOK 62 mn	NOK 62 mn	NOK ~60 mn	NOK ~60 mn	Continued investments in platforms and IP

1 Average NWC last 4 quarters as share of gross profit last 4 quarters

2 Adjusted EBITDA margin excluding IFRS 16 effects

Q&A session





Investor Relations

Main communications channels

- Crayon IR webpages
<https://www.crayon.com/en/about-us/investor-relations/>
 - Group fact & figures
 - Reports & Presentations
 - Share and bond information
- Newsweb

Financial calendar 2019:

- 11.02.2020 – Quarterly Report – Q4

Analysts covering Crayon:

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Danske Bank	Erik Ehrenpohl Sand	+47 85 40 61 31
DNB	Christoffer Wang Bjørnsen	+47 24 16 91 43
SpareBank 1	Petter Kongslie	+47 98 41 10 80

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Data pack available at
crayon.com

Appendix

Introduction to key P&L drivers

NOK million	2015	2016	2017	2018
Operating revenue	4 687.9	6 015.2	7 301.7	9 047.5
<i>Growth</i>	25.6%	28.3%	21.4%	23.9%
Materials and supplies	-3 773.0	-4 886.8	-6 086.9	-7 561.4
Gross profit	914.9	1 128.4	1 215.8	1 486.1
<i>Gross margin</i>	19.5%	18.8%	16.7%	16.4%
Payroll and related costs	-668.3	-877.9	-940.5	-1 105.8
Other operating expenses	-149.1	-158.8	-144.7	-203.3
Total operating expenses	-817.4	-1 036.7	-1 085.2	1 309.1
EBITDA	97.5	91.7	103.8	177.1
<i>EBITDA % of gross profit</i>	10.7%	8.1%	8.5%	11.9%
Exceptional items	16.3	13.5	26.8	11.1
Adjusted EBITDA	113.7	105.2	130.6	188.1
<i>Adj. EBITDA % of gross profit</i>	12.4%	9.3%	10.7%	12.7%

#FTEs

807

945

977

1,128

- Revenue will be subject to fluctuations that do not impact absolute gross profit level as customers shift between direct and indirect billing¹

Revenue model

Services

- 3-5 years managed service agreements (SAM)
- Frame agreements
- Hours sold

Software

- ~3 year subscription/ARPU model where a certain percentage is contractually recurring
- Frame agreements
- Traditional licensing deals (one-time fee)

Services

- Number of FTEs
- Hourly rate / Fixed price agreements
- Utilization
- Recurring agreements

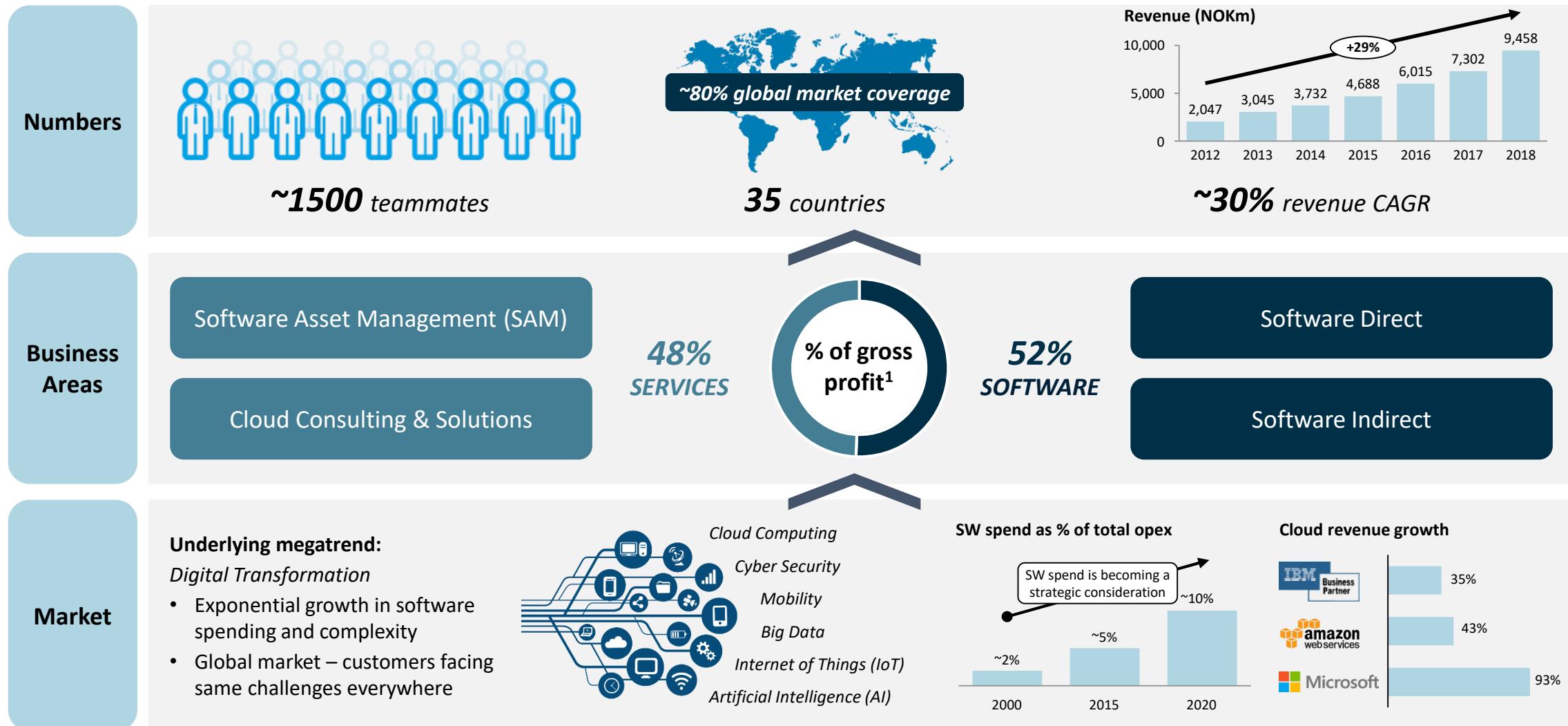
Software

- Number of FTEs
- Gross profit per FTE
 - Vendor, product, new vs. existing customers etc.

- Payroll and related costs driven by number of FTEs – of which ~15-20% is variable salary
- Other opex driven by size and geographical width of organization
- Other opex primarily consisting of rented premises (~25%), professional services e.g. accounting and legal (~25%), travel (~20%) and IT and office equipment (~15%)

- Adjusted EBITDA as percentage of gross profit a suitable metric for comparison across Market Clusters and Business Areas due to gross margin variation

Crayon at a glance



¹ Based on 2018 gross profit, excl. admin & eliminations

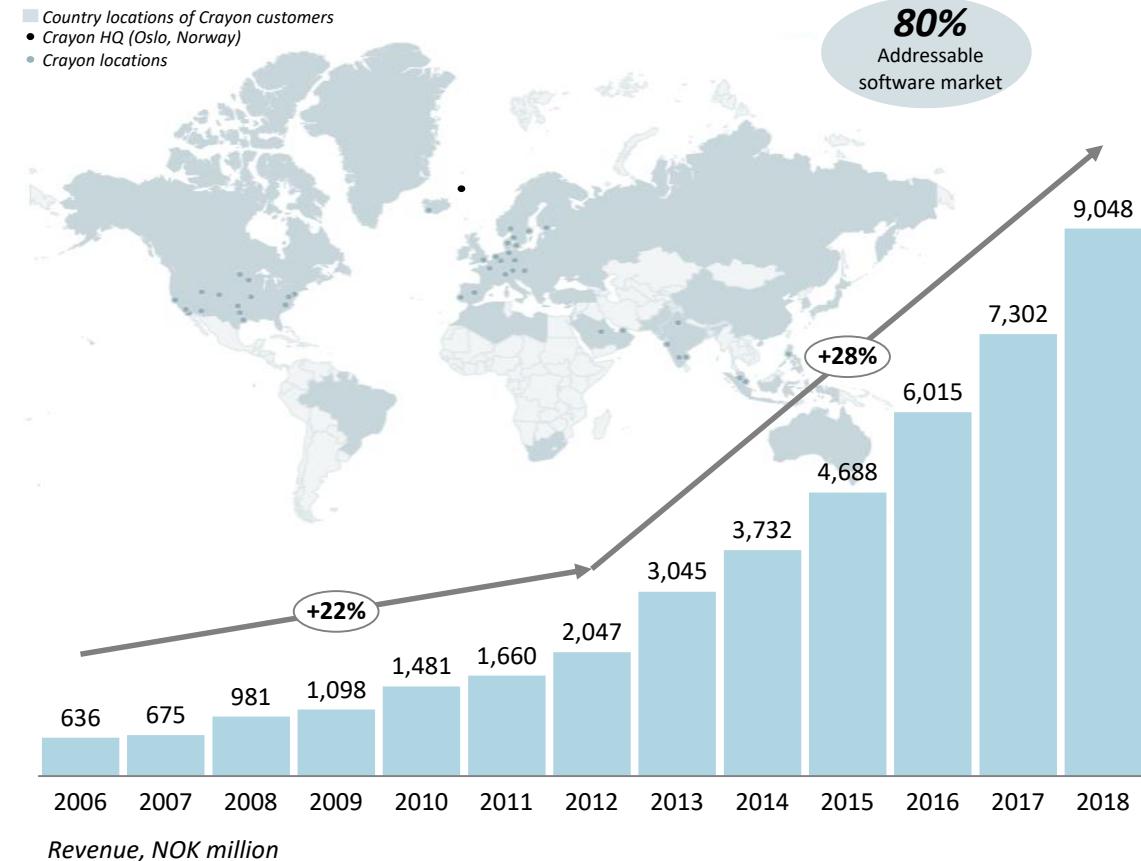
Crayon – a fast growing global software and services expert



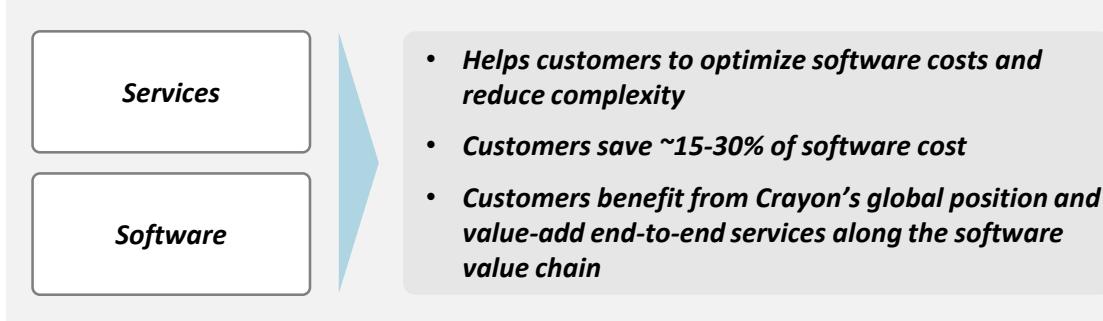
Company at a glance

- Founded in 2002 with headquarters in Oslo, Norway
- Publicly listed company in 2017
- ~1,500 employees and ~10,000 customers of which more than 40% public¹
- Strategic partnerships with the largest software vendors globally
- Extensive IP portfolio yielding competitive advantages
- Presence in 25 countries covering 80% of addressable market
- Revenues of NOK 9.5bn with high growth and strong cash conversion

An international growth story with strengthening momentum



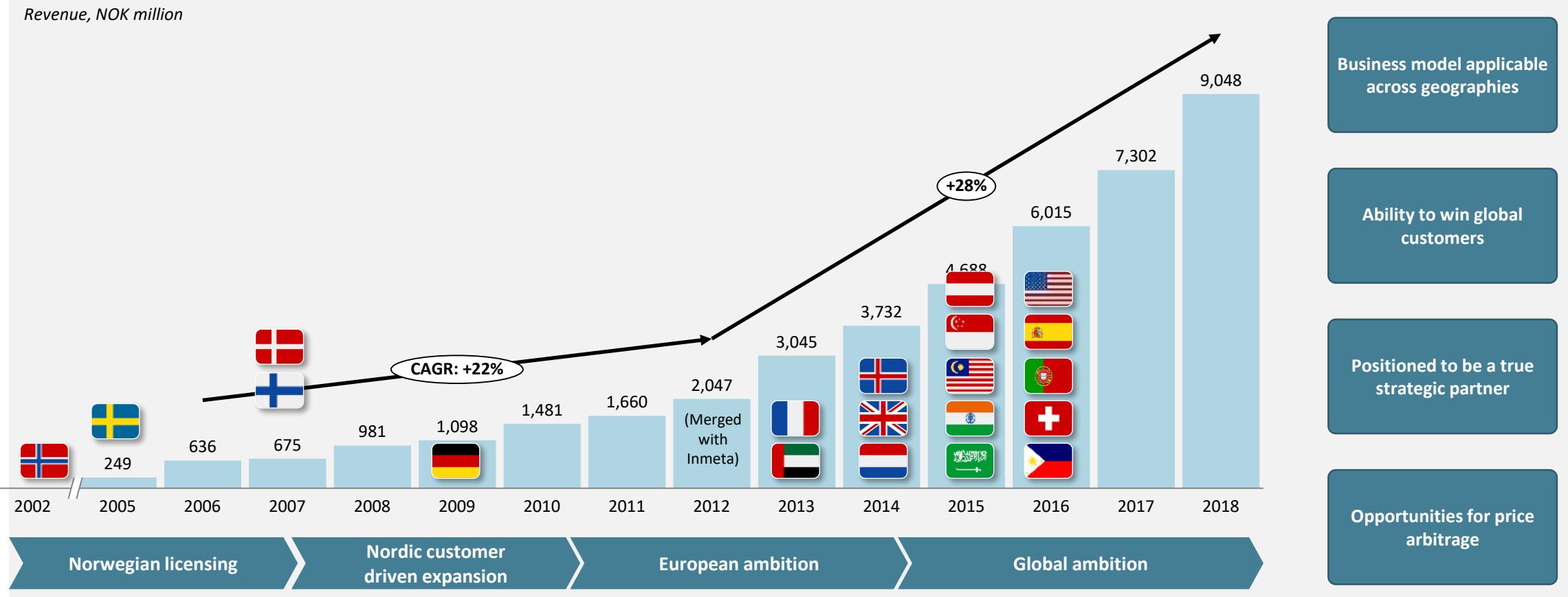
Offering and value proposition



Crayon is a trusted advisor for customers in their digital transformation journey

Proven execution of international expansion strategy

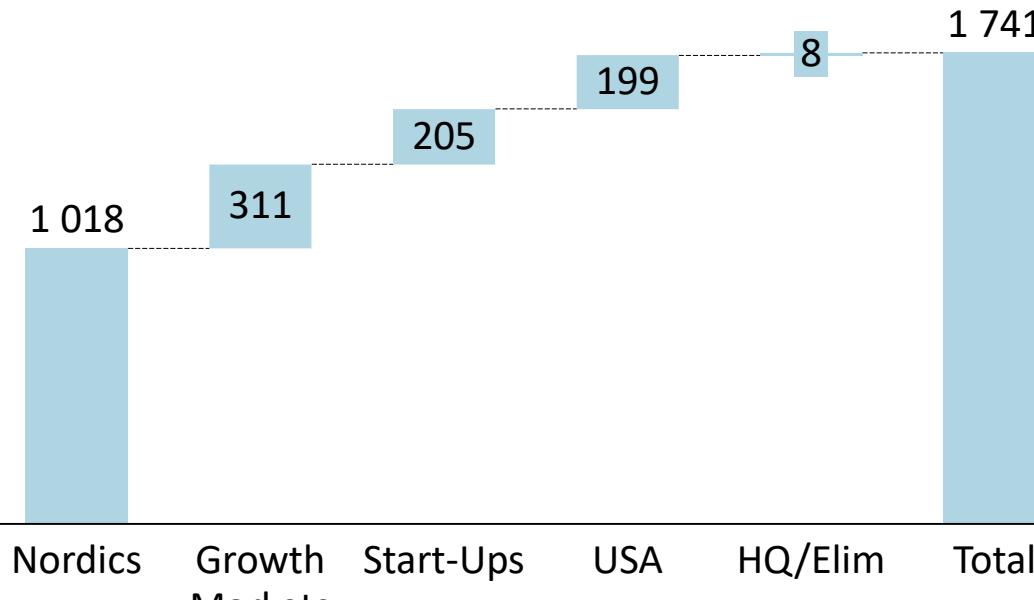
Successful development from being a Norwegian licensing provider to global ambitions



Strong Q3 leads to 25% gross profit growth LTM

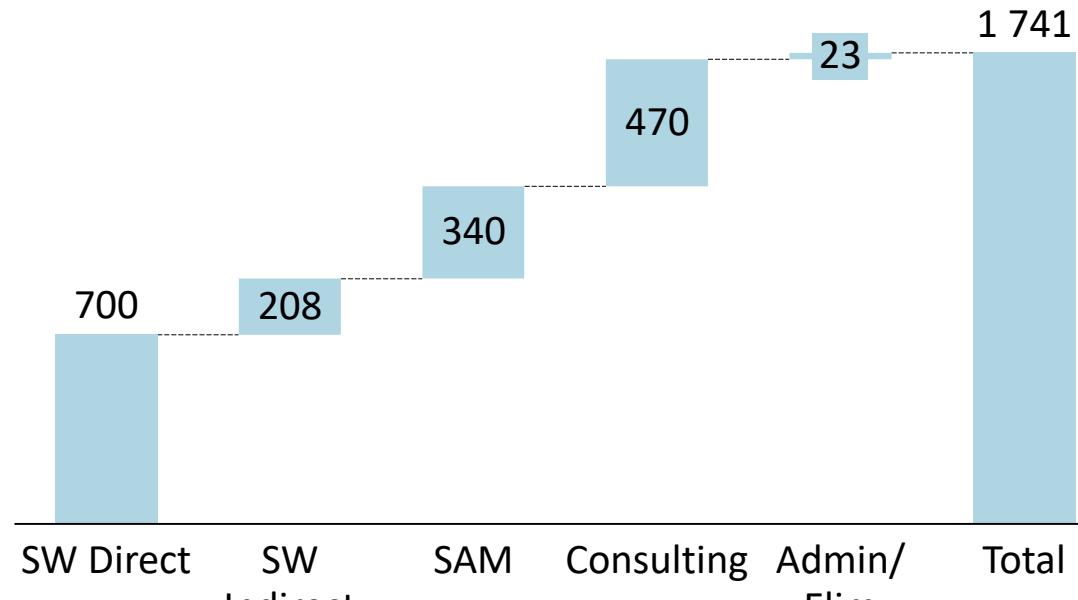
LTM gross profit by market cluster

NOK million



LTM gross profit by business area

NOK million



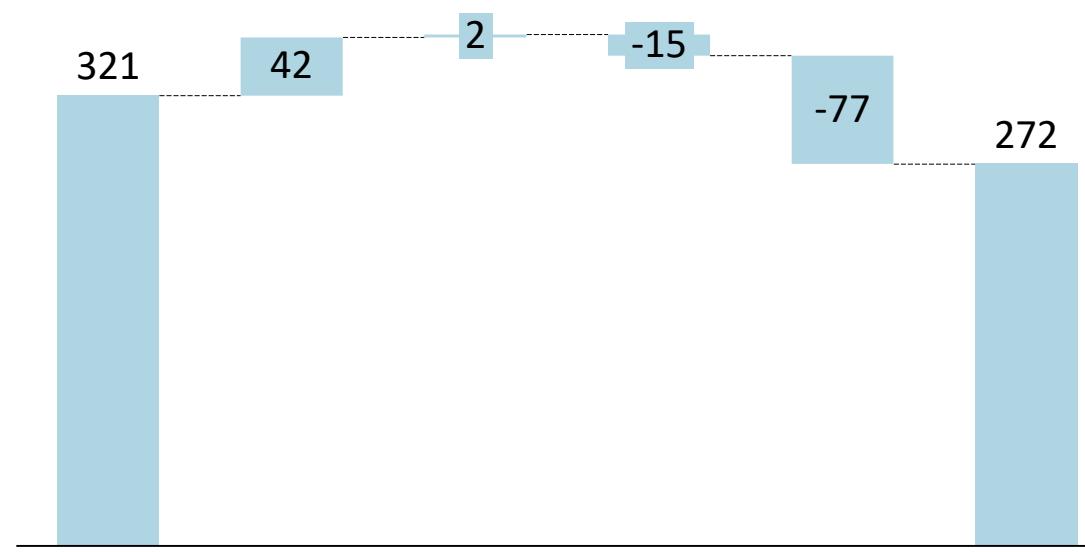
Growth rate¹



LTM Adjusted EBITDA of NOK 272 million

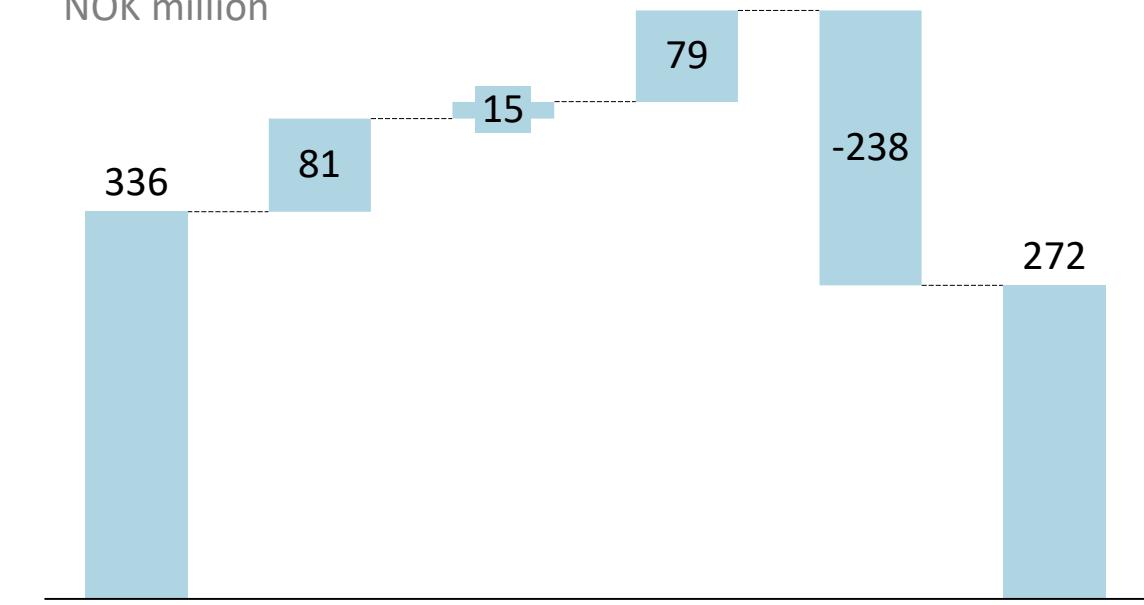
LTM adjusted EBITDA by market cluster

NOK million



LTM adjusted EBITDA by business area

NOK million



Nordics Growth Markets Start-Ups USA HQ/Elim Total

SW Direct SW Indirect SAM Consulting Admin/Elim Total

EBITDA margin¹
 32% 13% 1% -8% n/a 15.6%

48% 39% 4% 17% n/a 15.6%

Change in EBITDA margin²
 +3.0 pp +12.6 pp +9.6 pp -5.5 pp n/a +4.6 pp

+6.7 pp +2.4 pp -2.1 pp +4.4 pp n/a +3.5 pp

¹ Adjusted EBITDA as share of Gross Profit

² LTM vs previous LTM period

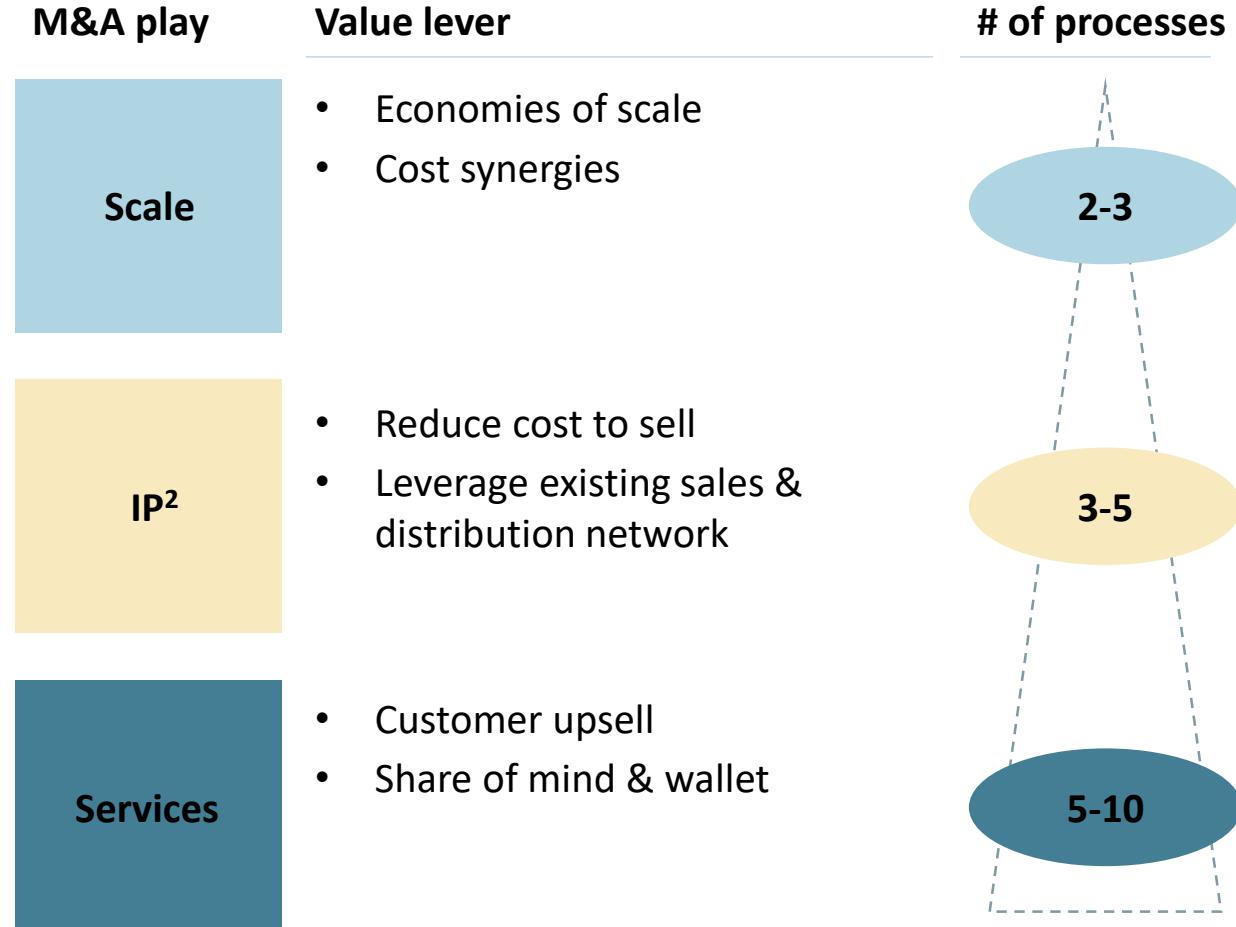
Consolidation Trend: Significant Value Potential for Crayon



Consolidation trend demonstrated by SW1/Comparex merger

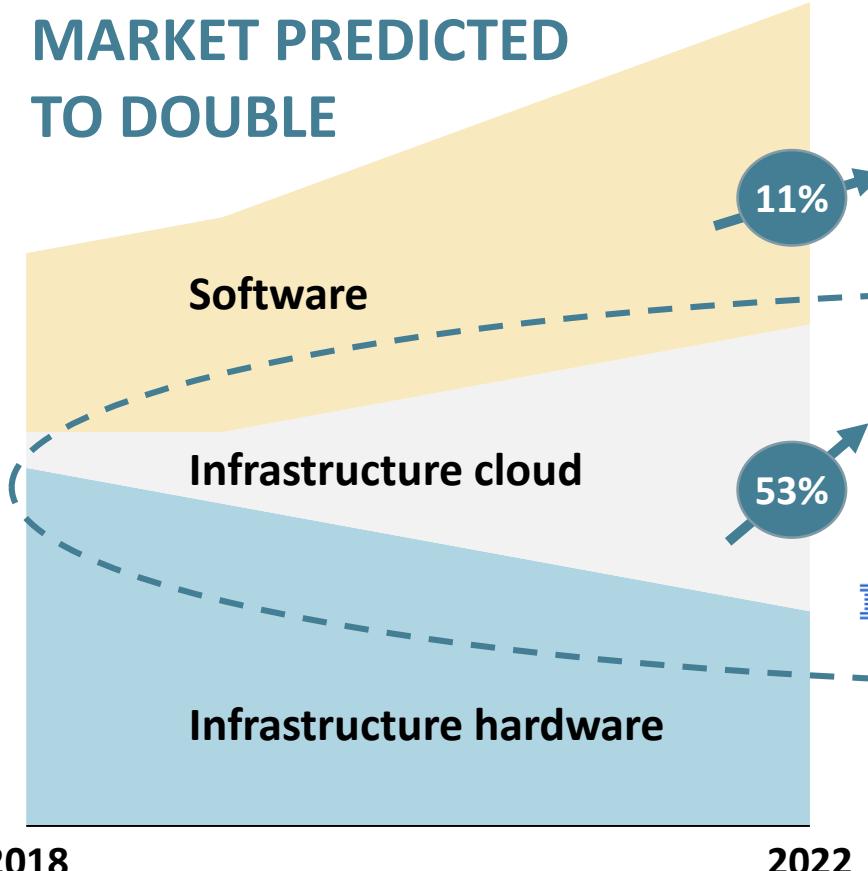


Crayon has an attractive consolidation platform

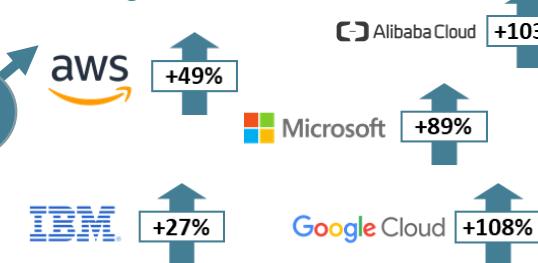


Strong Market Momentum

CRAYON ADDRESSABLE
MARKET PREDICTED
TO DOUBLE



Cloud Infrastructure Services
YoY growth, Q2 2018



Market growth, 2017-2018



Unique business model resulting in strong & loyal customer base

Unique customer value proposition

20-30%



Average savings
on SW spend

- SAM is the go-to-market model for customer acquisition and retention
- World's largest independent SAM practice

Extensive portfolio of Intellectual Property (IP)

Gross profit generated
through own IP

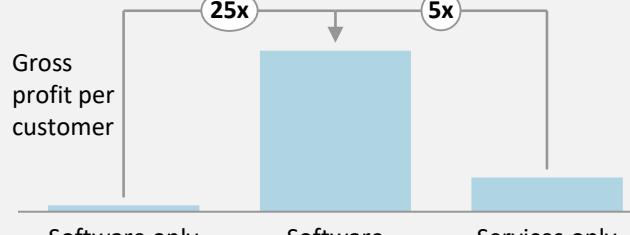
~20%

~5%

2014 2018



End-to-end services with upsell potential



76%

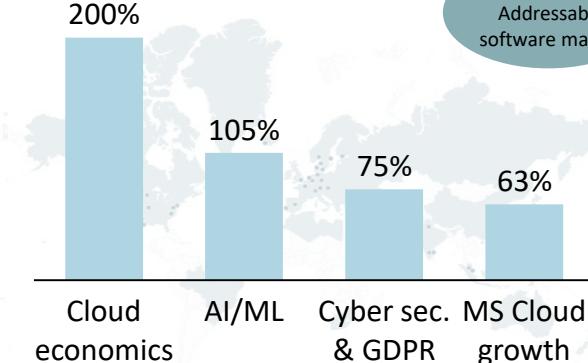
12%

13%

Share of customer base

Strategically positioned in attractive market

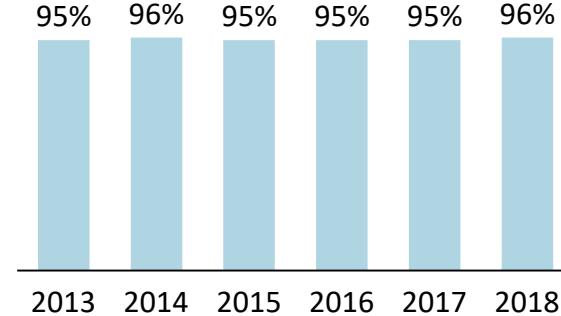
2018 YoY revenue growth



80%
Addressable
software market

Unparalleled customer loyalty

Average repeat customer buy



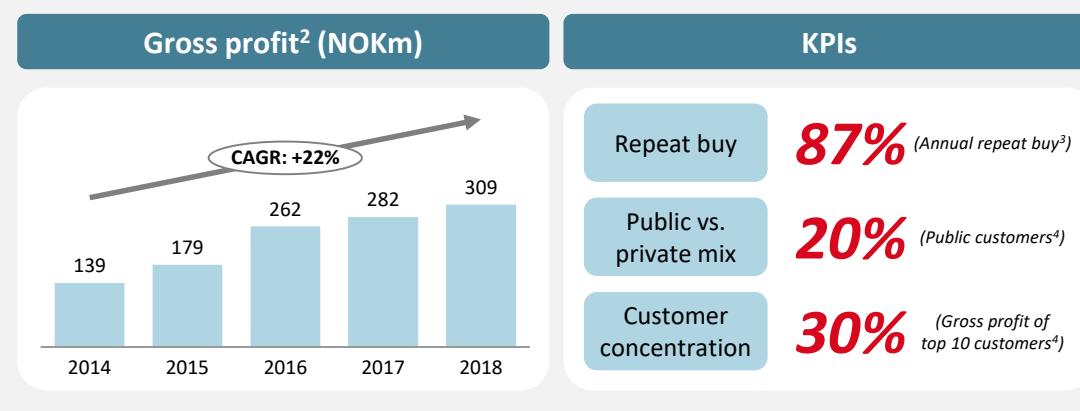
Diversified customer portfolio



Services – SAM and Consulting

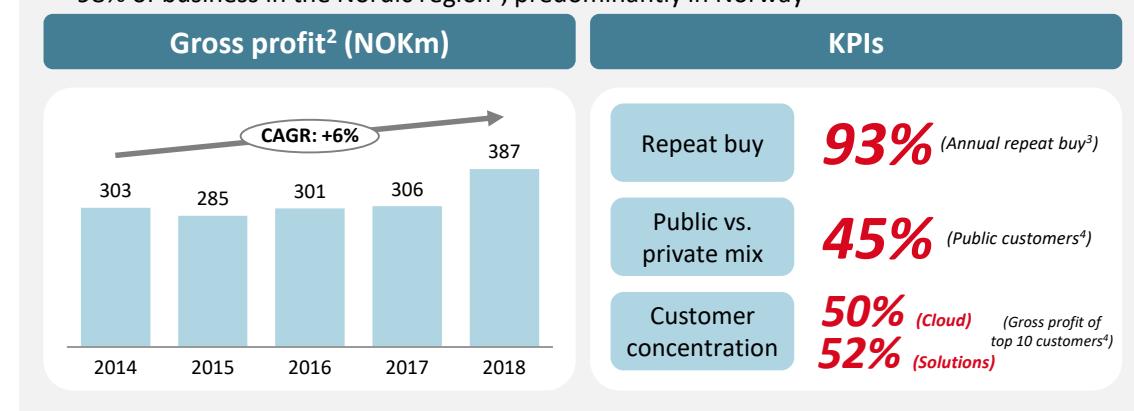
SAM – IT optimization; Crayon's customer acquisition tool

- Crayon's offering seeks to optimize the IT structure of customers by
 - improving software ROI
 - helping customers stay compliant
 - and helping customer to avoid fines
- SAM is the go-to-market model and has been deployed as a customer acquisition tool when Crayon have entered new geographical markets
- SAM comprise both tactical advisory to mid-level management and strategic advice with customer top management as counterparties
- Crayon uses proprietary IP to differentiate from competitors and to build customer stickiness – IP applied in SAM offering comprises Elevate, SAM-IQ and Catch
- With +300 SAM consultants, Crayon is a leading global player on SAM, and has the highest number of SAM consultants in the world¹



Consulting – cloud and solutions consulting services

- Crayon offers consulting services in principally two areas: Cloud and Solutions
 - **Cloud Consulting:** Generic support and services on universal technology platforms
 - **Solutions Consulting:** Bespoke application development tailored to customers' needs
- Total of ~300 consultants per year end 2018 (FTEs)
- Core offering includes:
 - IT infrastructure services (planning and analysis support related to larger IT upgrade projects)
 - Cloud Consulting: helping customer migrate to the cloud
 - Tailored software solution or application development and the resolving of complex IT problems including on-site support
- Providing value to customer through helping to solve complex problems that customers are unable to solve internally
- 98% of business in the Nordic region⁵, predominantly in Norway



¹ Crayon Management estimates based on number of independent SAM consultants (independent SAM consultants meaning consultants working for the customer, not the software vendor)

² 2014-2018 Source: Crayon Group Holding AS financial accounts.

³ 2018 gross profit repeat buy adjusted for FAST acquisition in the UK for SAM. Repeat buy is (1-churn). Source: Sales data

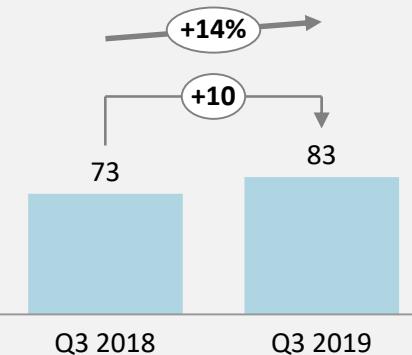
⁴ Based on 2018 figures. Source: Crayon sales report

⁵ Gross profit 2018 figures excluding Admin and eliminations

Services

SAM

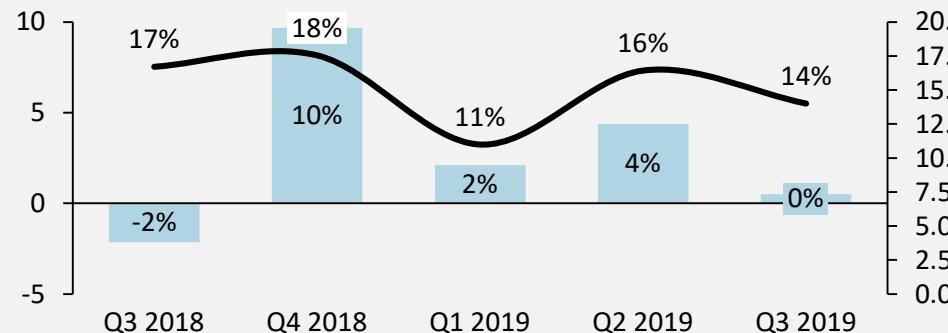
Gross profit development, NOKm



EBITDA development, NOKm

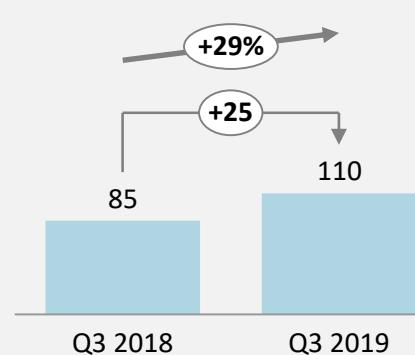
EBITDA margin¹
% of gross profit

— Gross profit growth
■ EBITDA margin

Gross profit growth
YoY, %

Consulting

Gross profit development, NOKm



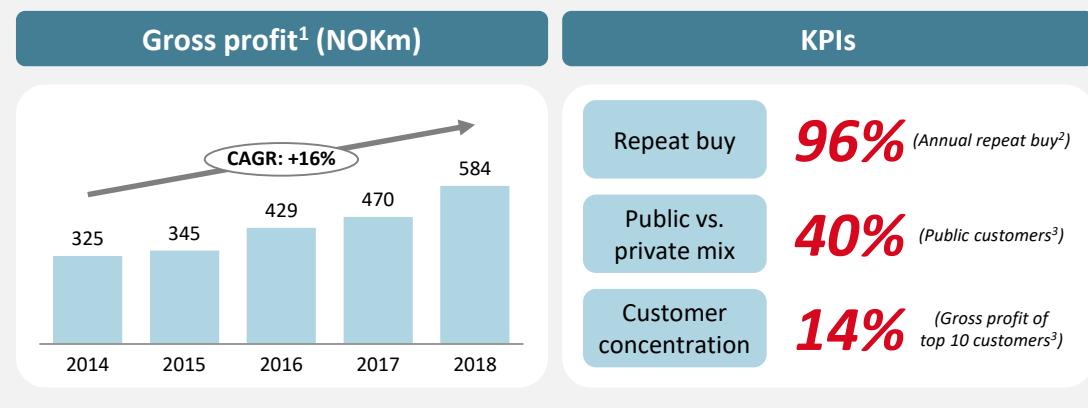
EBITDA development, NOKm



Software – Direct and Indirect

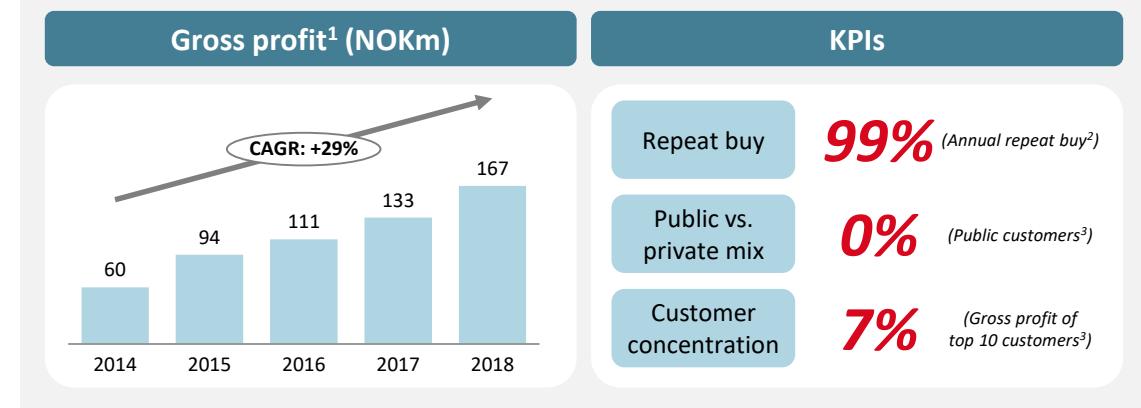
Direct – license offering directly from vendor to customers

- Focus on standard software that customers use consistently year after year, and which play a key role in their technological platforms and critical commercial processes
- 320 sales and 1st line support employees per year end 2018 (FTEs)
- Clients acquired through SAM approach
- Majority of billing is done through Crayon – meaning Crayon are billing clients directly, strengthening client relationships
 - 60% direct billing per 2018
- Solid level of recurring revenues from 3-5 year agreements with customers
 - Base for recurring and sticky customer relationships further supported by proprietary IP applied (Navigator)
- License advisory and transactional support related to purchase of 3rd party software



Indirect – license offering towards channel partners

- Crayon's license offering towards channel partners:
 - License advisory / optimization, software license sale and access to Crayon's reporting portal
- Crayon sells software licenses through a diverse group of leading channel partners:
 
- Crayon not the customers direct point-of-contact, hence Crayon revenue is generated through channel partner network
- 100 sales and 1st line support employees per year end 2018 (FTEs)
- ~100% recurring revenue driven by multi-year agreements with monthly invoicing
- Proprietary IP applied comprise Cloud-IQ



¹ 2014-2018 Source: Crayon Group Holding AS financial accounts

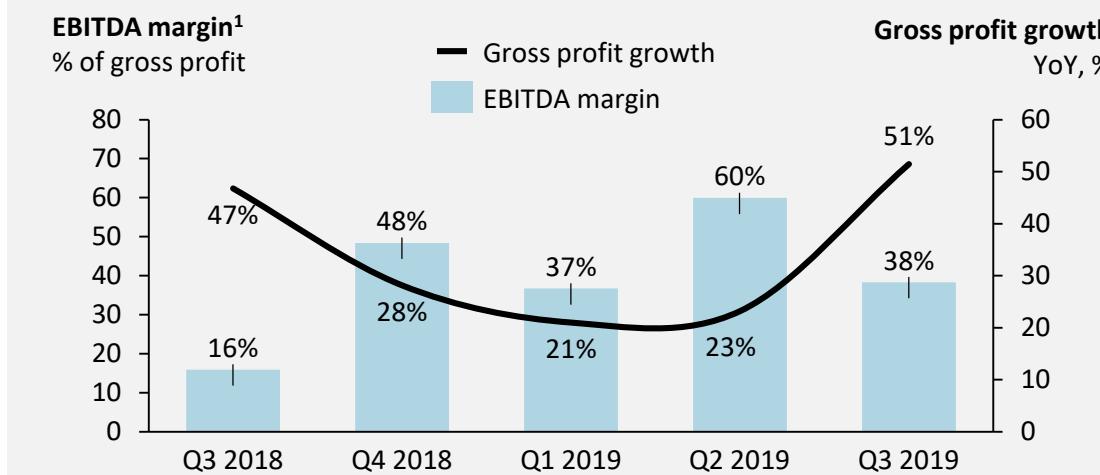
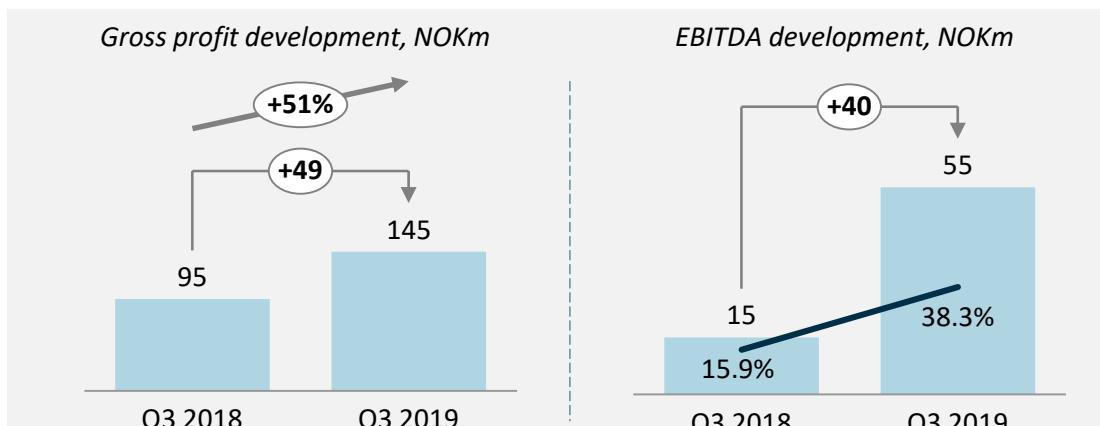
² 2018 gross profit repeat buy. Repeat buy is (1-churn). Source: Sales data

³ Based on 2018 figures. Source: Crayon sales report

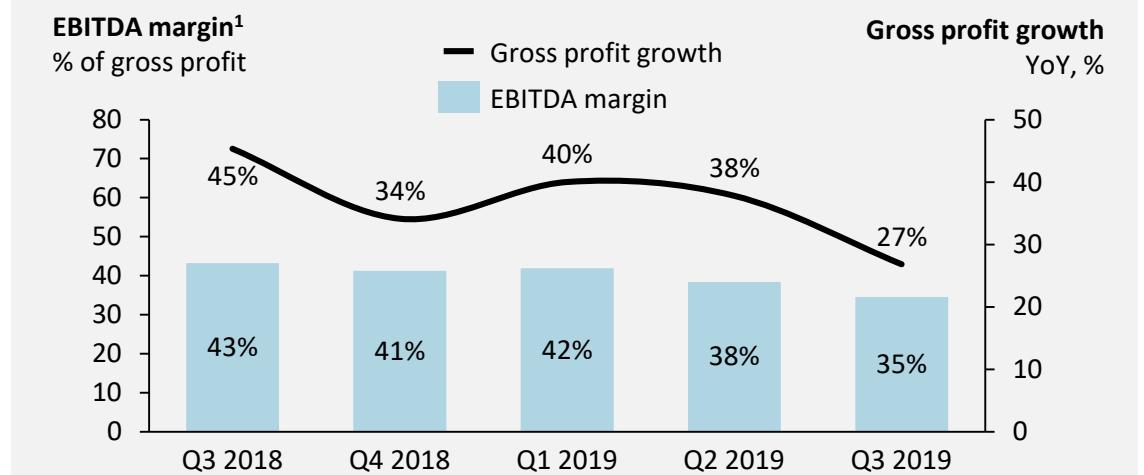
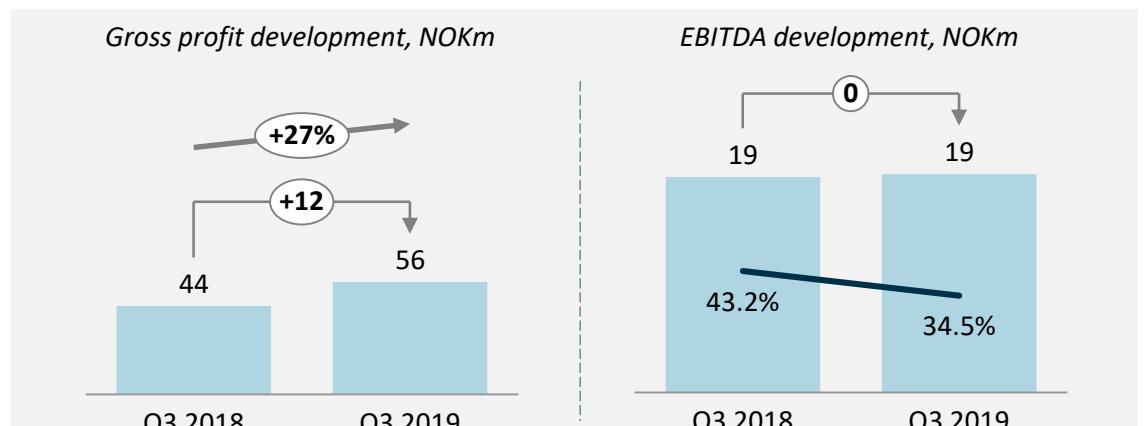
⁴ Crayon direct billing of Microsoft's share of gross profit. Based on 2018 figures. Source: Crayon sales report

Software

Software Direct



Software Indirect



Extensive portfolio of intellectual property



Unique proprietary intellectual property portfolio...

Services	SAM-iQ	<ul style="list-style-type: none"> ✓ Help customers improve internal processes and capabilities ✓ Web portal providing tools and scripts 	<p>~500 customers signed up on a subscription model, typically on multi-year agreements¹</p>	<p>...of total gross profit relates to use of Crayon's own IP portfolio^{2,3}</p> <p>~20%</p>
	ELEVATE	<ul style="list-style-type: none"> ✓ SAM delivery and collaboration platform 	Used by Crayon for various SAM services	
	Catch	<ul style="list-style-type: none"> ✓ License management tool for monitoring software usage and inventory 	Used by Crayon and licensed to customers	
	CLOUD-iQ	<ul style="list-style-type: none"> ✓ Self-provisioning web portal ✓ Effective provision and administration of cloud services for customers 	<p>~1,500 customers signed up on a monthly subscription model¹</p>	
Software	 	<ul style="list-style-type: none"> ✓ Software webshop and self-provisioning portals for customers and partners 	<p>~2,000 customers signed up on a monthly subscription model¹</p>	<p>...of the customers are signed up on subscription models for the Crayon IP¹</p> <p>~50%</p>

Source: Sales reports

1 Based on end of 2018 data

2 Based on 2018 gross profit

3 ~25% of total revenue relates to use of Crayon's own IP portfolio