

# Q3 2019 Presentation

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

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# Unique Business Model

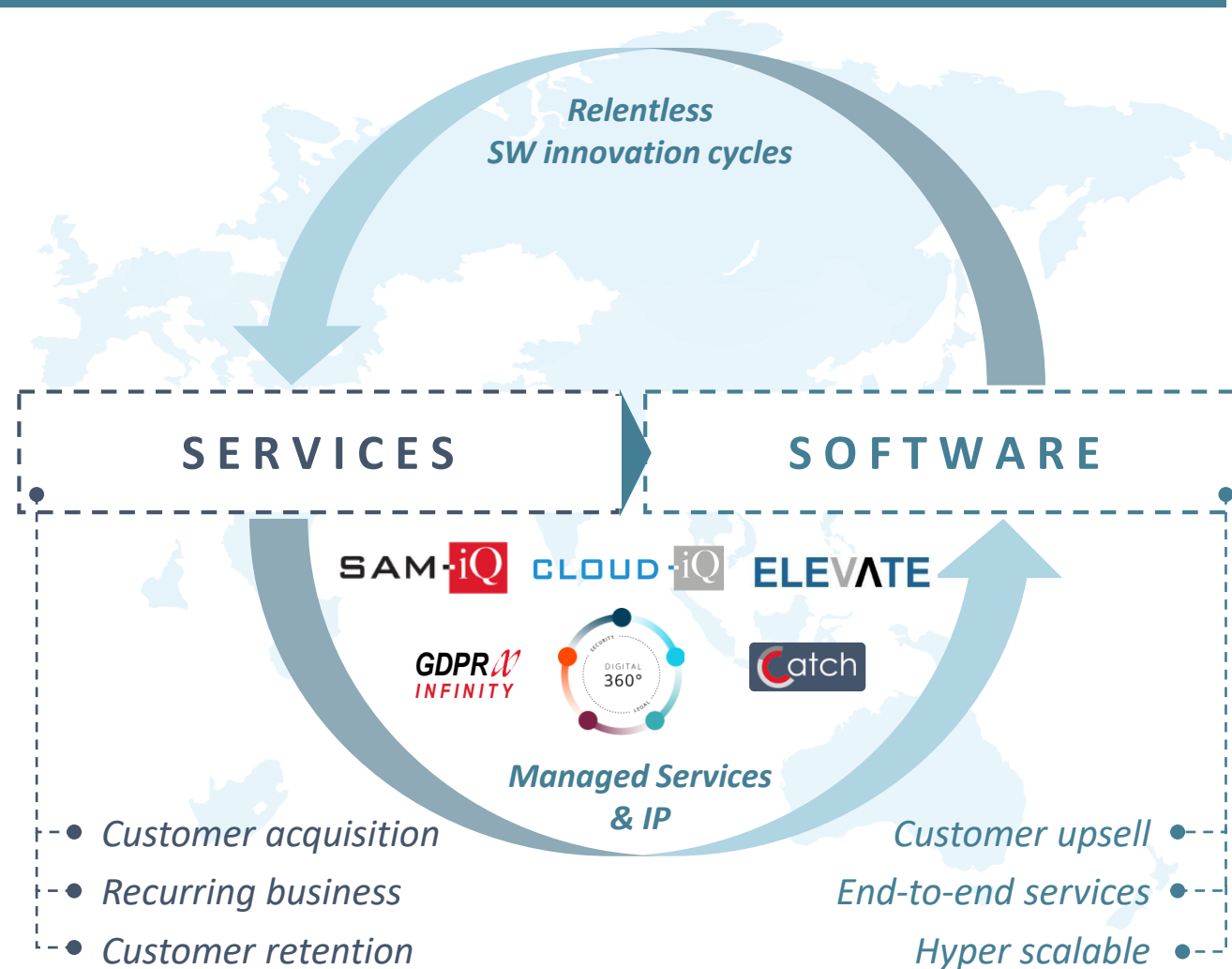
Customers' key challenges within IT

 Crayon | Business Model

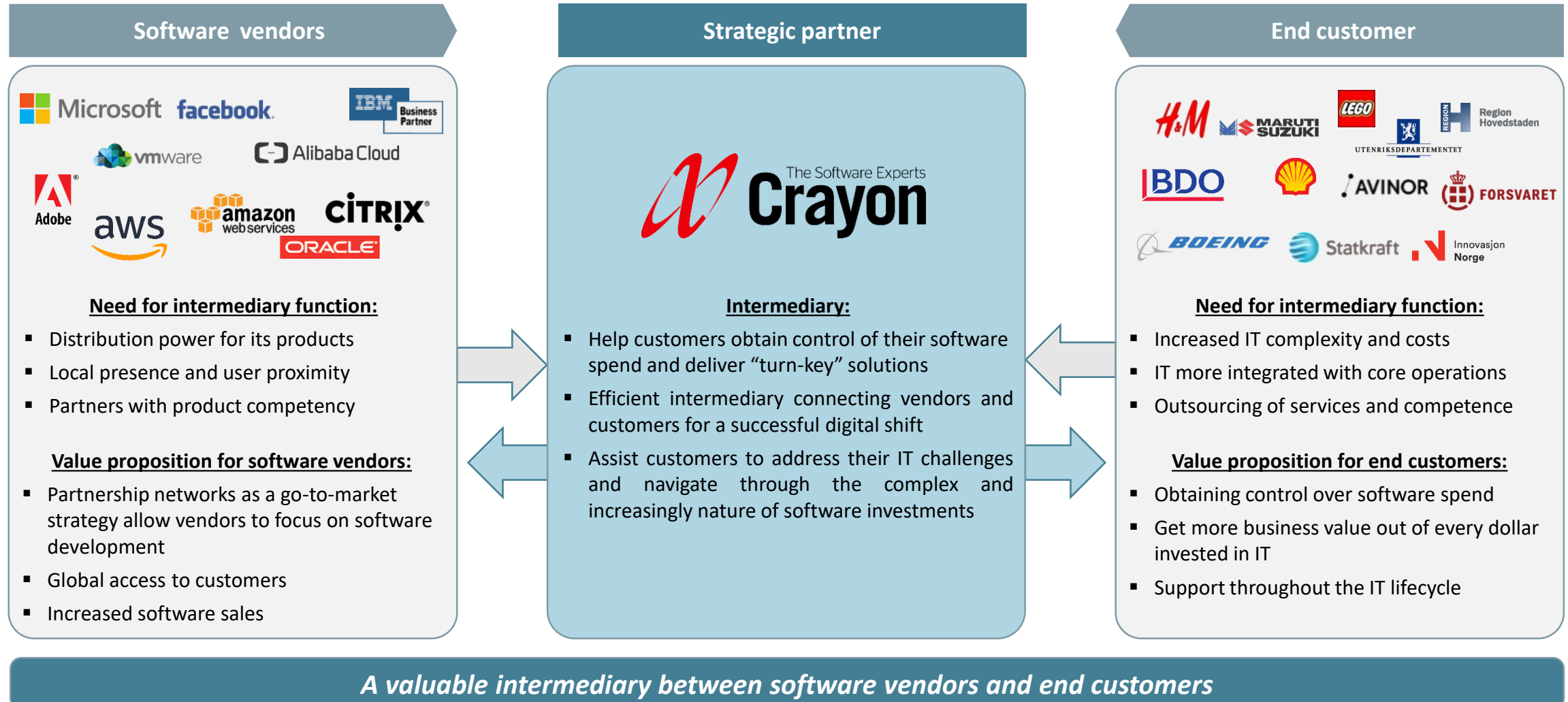


How to optimize SW spending?

Costs    Business Value  
Procurement & Deployment



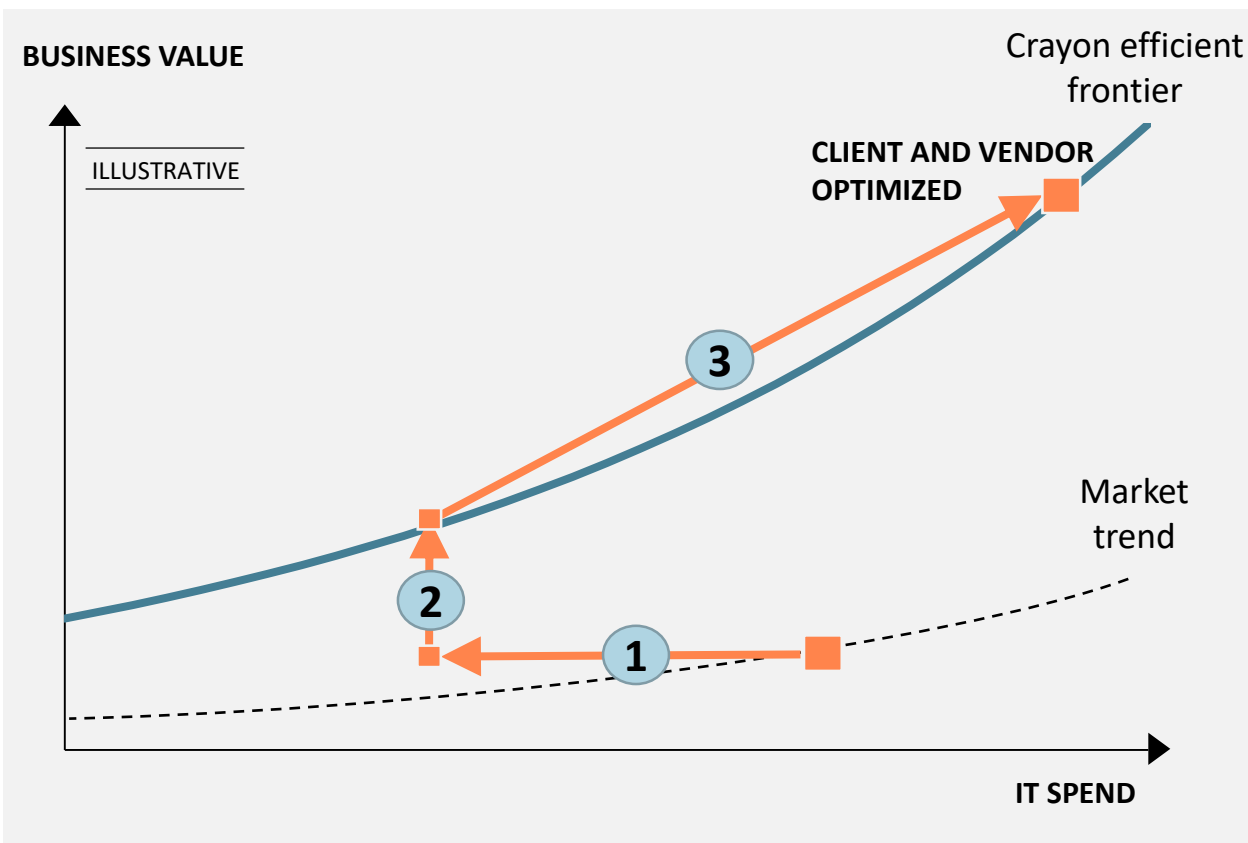
# Creating value for software vendors and customers



# Crayon is the preferred digital transformation partner...



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

**1**

### Reduce IT spend

Reduce or right-size spending based on customer's existing needs and capabilities

**2**

### Improve business value

Enabling the customer to get more business value out of every dollar invested

**3**

### Invest in technology

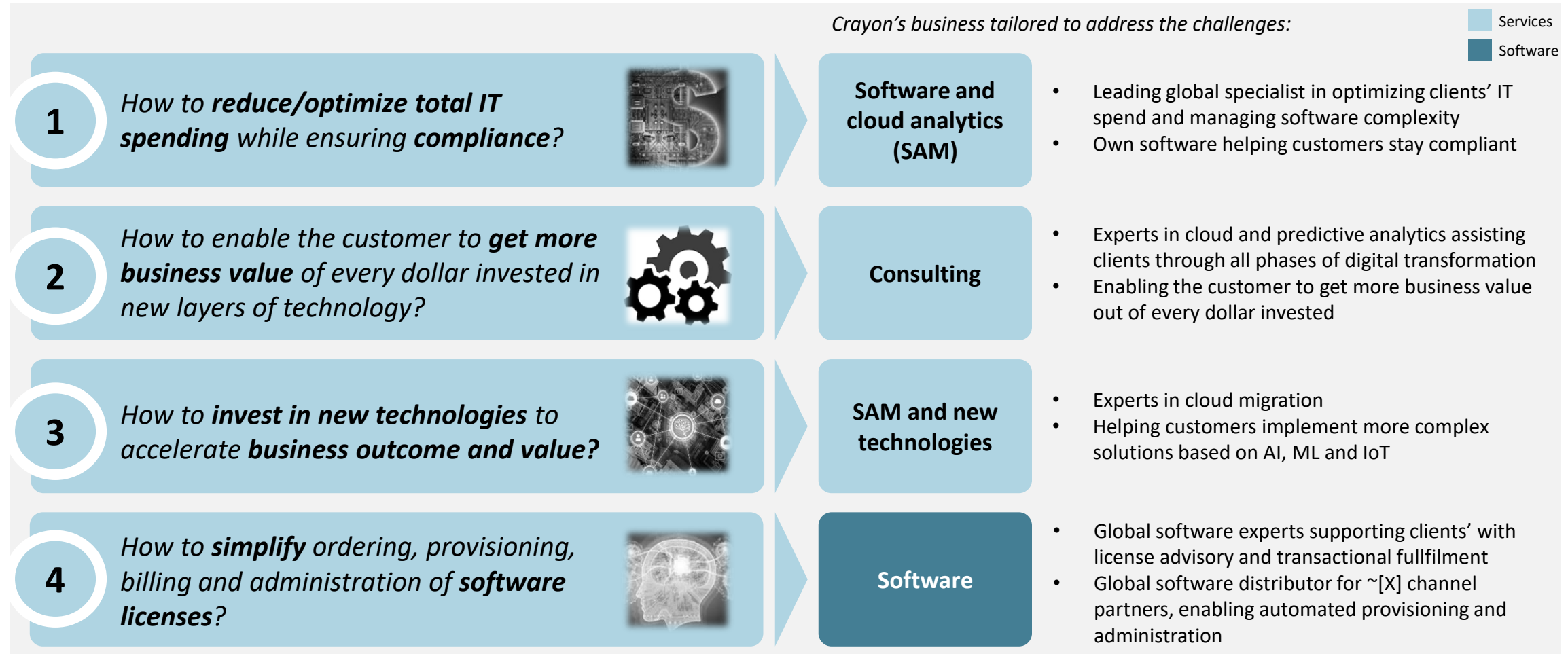
Investing in new technology to accelerate business outcome and value

*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 Highlights



1 7<sup>th</sup> CONSECUTIVE RECORD FINANCIAL QUARTER

2 INTERNATIONAL MARKETS OUTPERFORMING

3 NEW CUSTOMER SEGMENT MANIFESTED: ISVs<sup>1</sup>

4 STRENGTHENED GLOBAL FOOTPRINT & SCALE

*“ Navigating licensing options, use rights and agreements is becoming more complex. 69% of organizations want software resellers to also take the role as licensing advisor or service provider. ”*

**Gartner**

**Survey Analysis: How Software Resellers Are  
Used in a Cloud-Led Market,  
7 October, 2019**

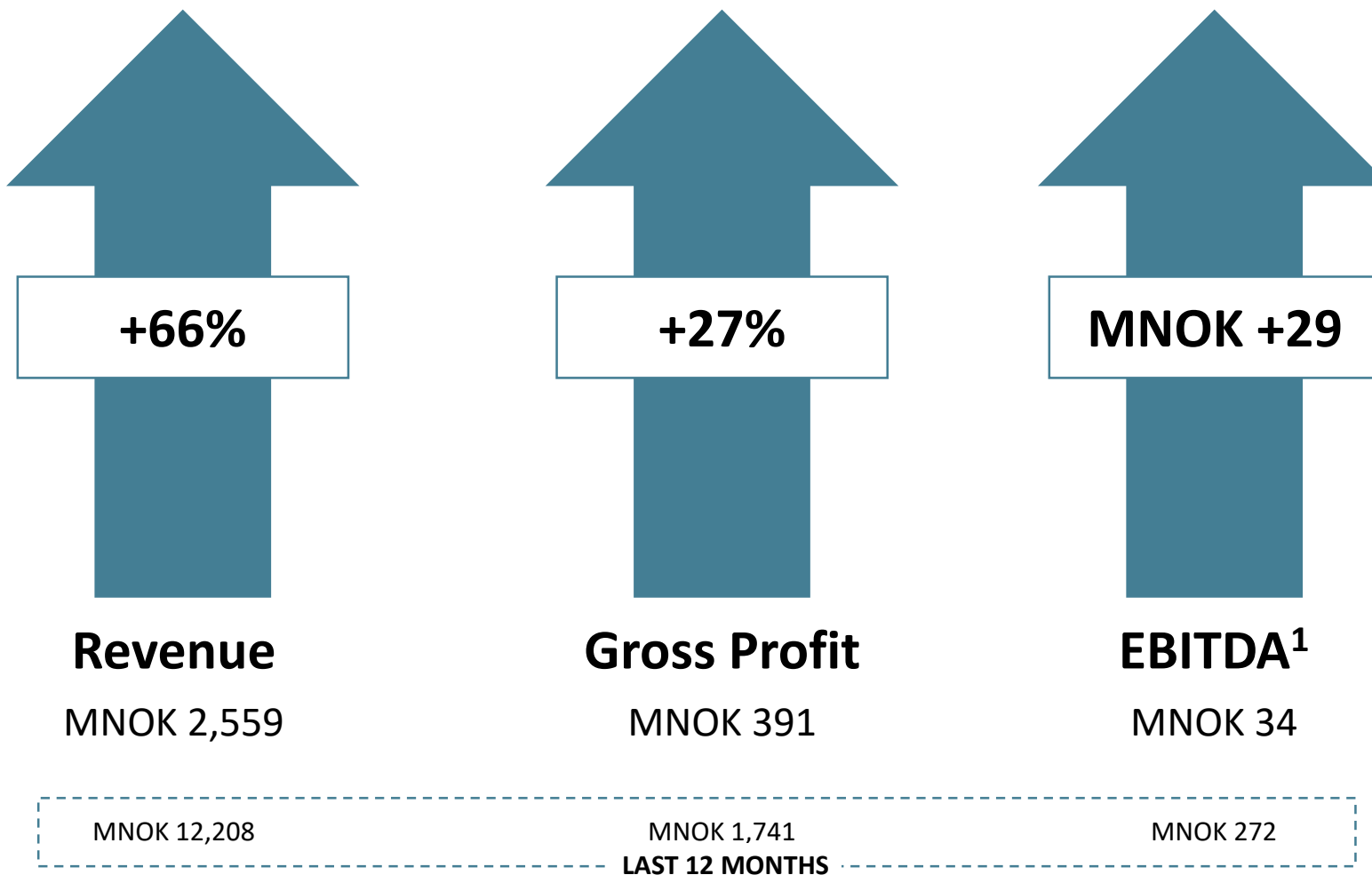


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# 7<sup>th</sup> Consecutive Record-breaking Quarter












*Compared to corresponding period last year*



<sup>1</sup> Adjusted EBITDA – EBITDA adjusted for share based compensation and other one-off income and expenses.

# Strong Performance Across Business Areas



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

<sup>1</sup> Gross profit growth Year over Year ("YoY")

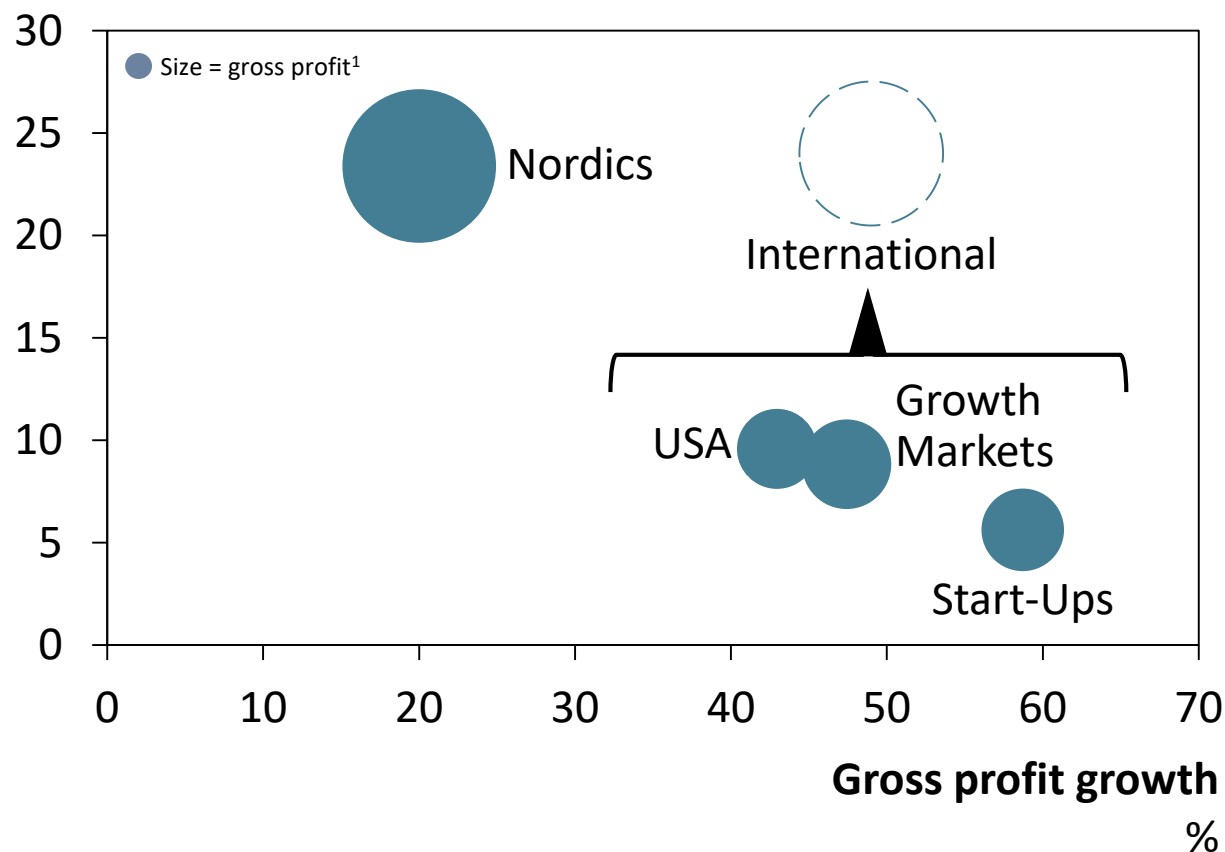
<sup>2</sup> EBITDA as a percentage of gross profit

# International Markets Outperforming

*Compared to corresponding period last year*

## EBITDA improvement

NOK millions



## International Market YoY performance<sup>2</sup>

Gross profit growth: +47%



EBITDA: MNOK +24



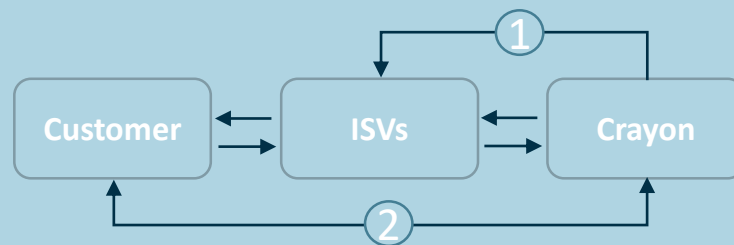
<sup>1</sup> Q3 2019  
<sup>2</sup> International Markets defined as USA, Growth Markets and Start-Ups combined (i.e., all markets outside the Nordics)



# Accelerated Cloud Leadership Through ISVs

## Crayon ISV practice...

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

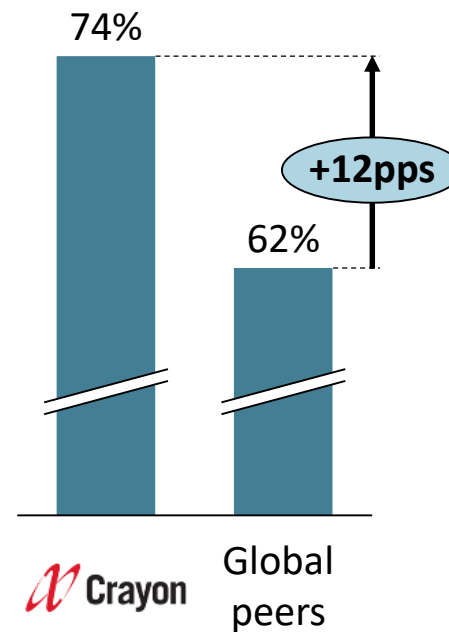


### Crayon Offers – ISV development centres:

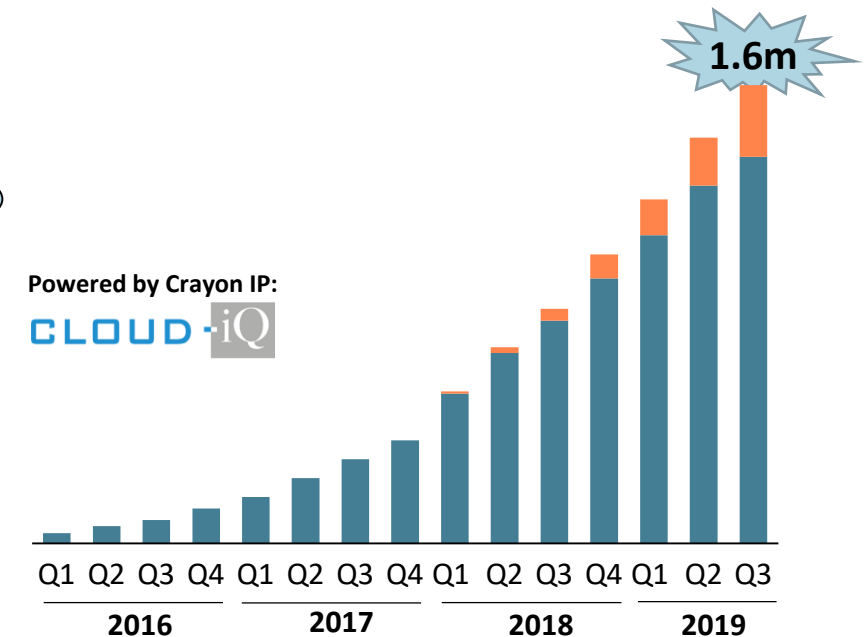
- **Modernize** - Cloud architects for DevOps and Migration
- **Optimize** – SCA and Cloud Economics
- **Accelerate** – Lead generation, marketplace & networks

## ...accelerating cloud leadership

All-up:  
**Cloud mix<sup>1</sup>**



CSP<sup>2</sup> :  
**# Cloud subscriptions**



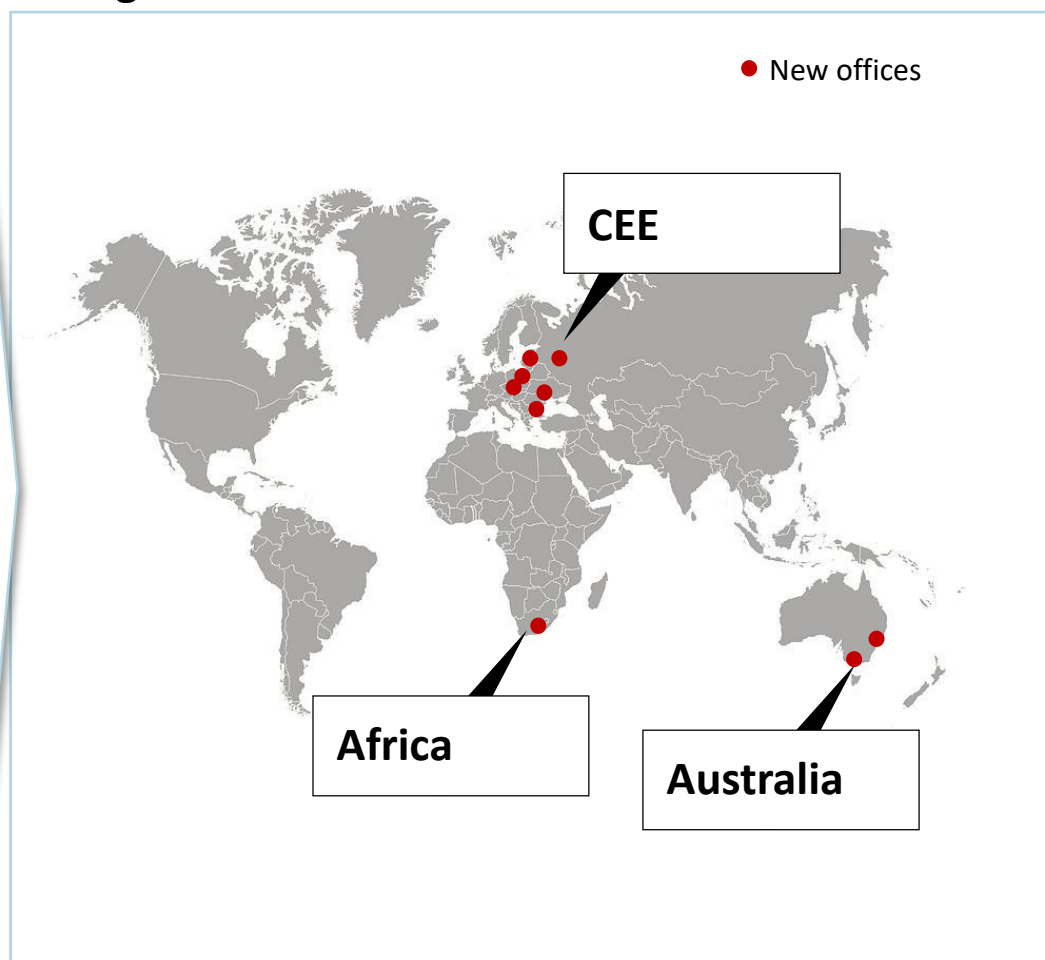
<sup>1</sup> Microsoft strategic partners; Cloud Revenue Metrics includes Public Cloud + Hybrid Cloud (SPLA & System Center); Percent of total Microsoft revenue Q3 2019  
<sup>2</sup> Cloud Solution Provider; Microsoft licensing program

# Strengthened Global Footprint & Scale

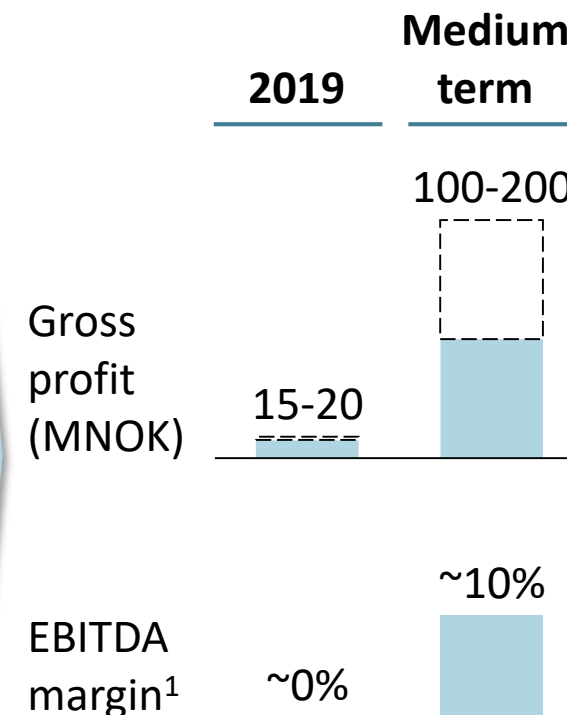
## Rationale

- 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



<sup>1</sup> EBITDA as percent of gross profit



# Financial Review

Q3 2019 | CFO Jon Birger Syvertsen



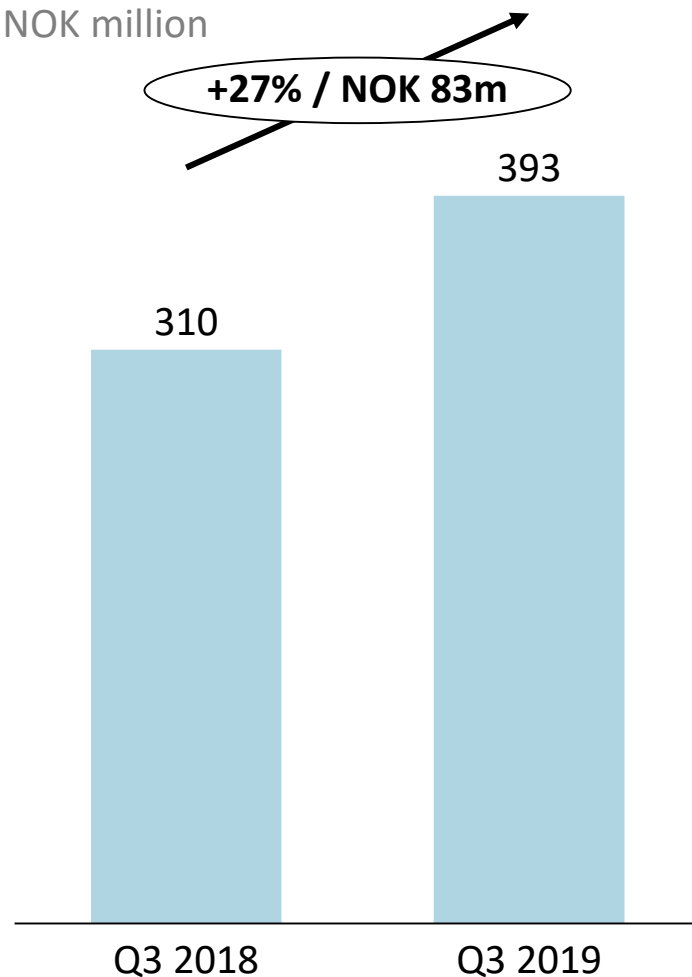
Q3 2019

# Strong GP growth driven by international markets



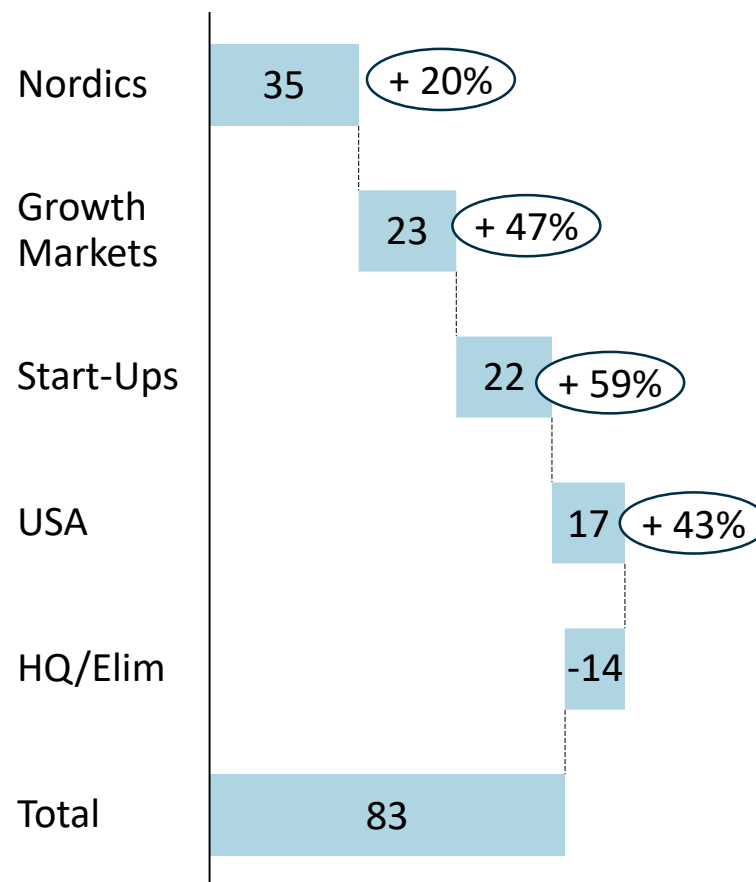
## Gross profit

NOK million



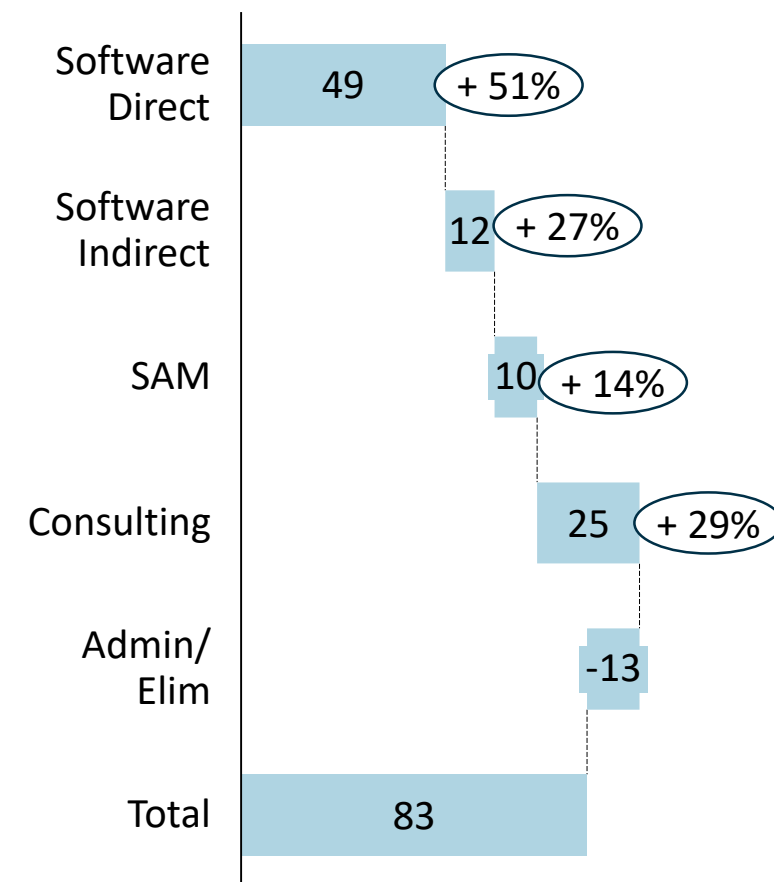
## YoY gross profit growth by market cluster

NOK million



## YoY gross profit growth by business area

NOK million



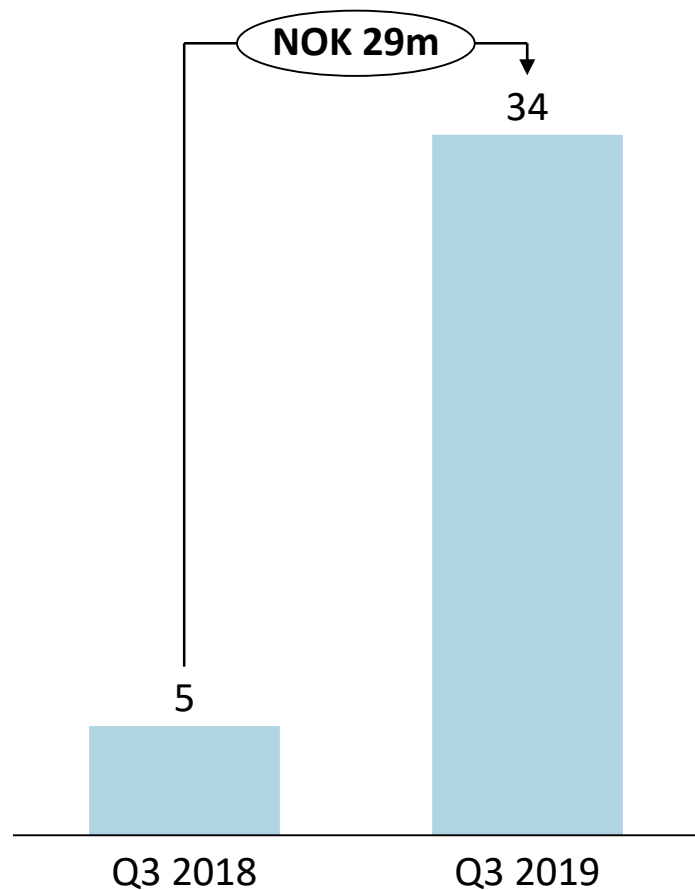
Q3 2019

# Strong EBITDA growth in Q3 2019



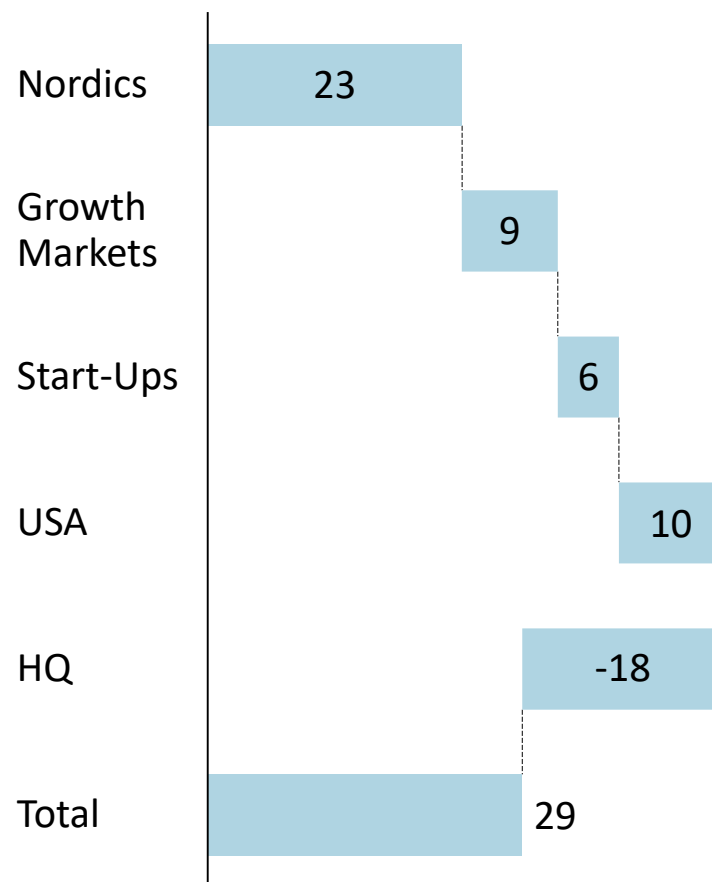
## Adjusted EBITDA

NOK million



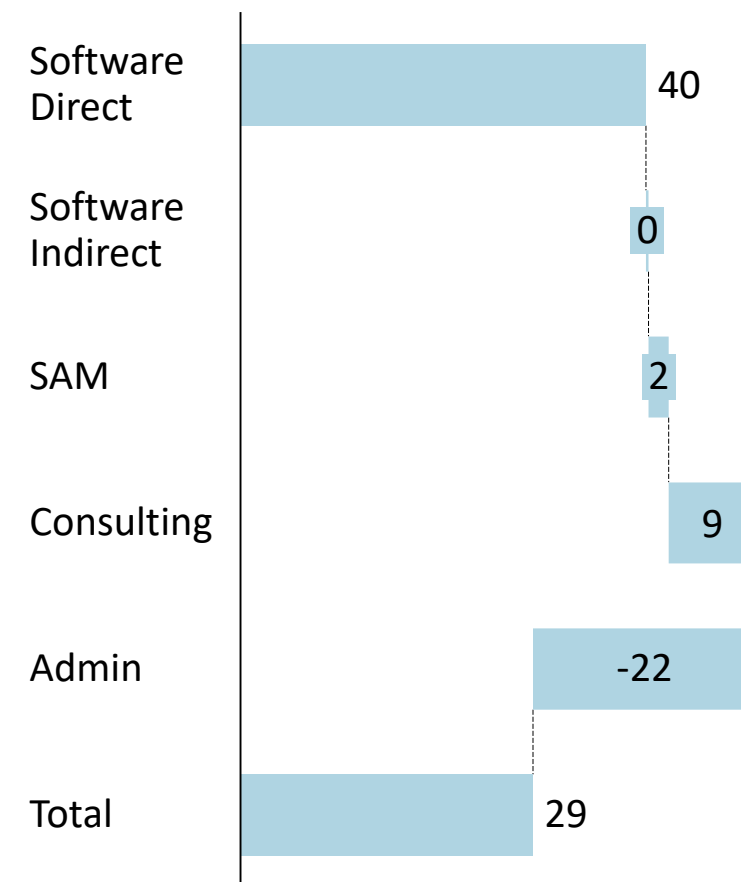
## YoY Adj EBITDA growth by market cluster

NOK million



## YoY Adj EBITDA growth by business area

NOK million



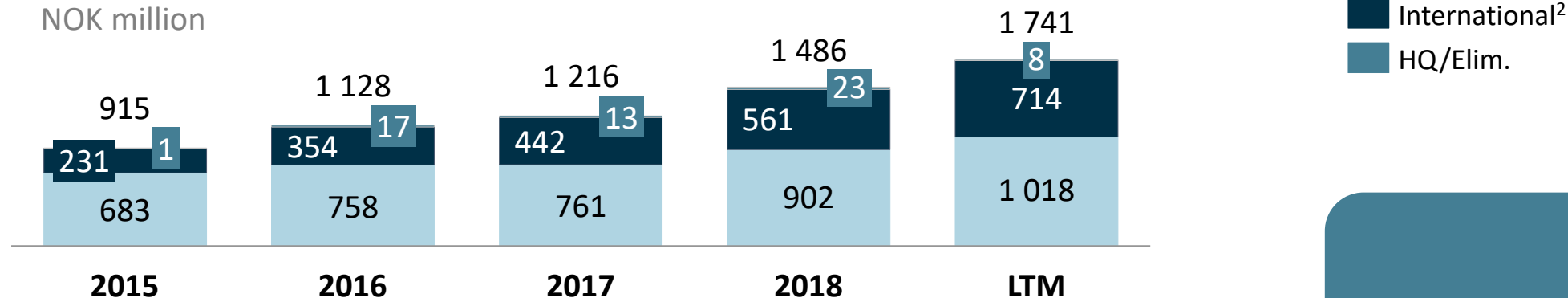
Q3 2019

# International expansion momentum continues



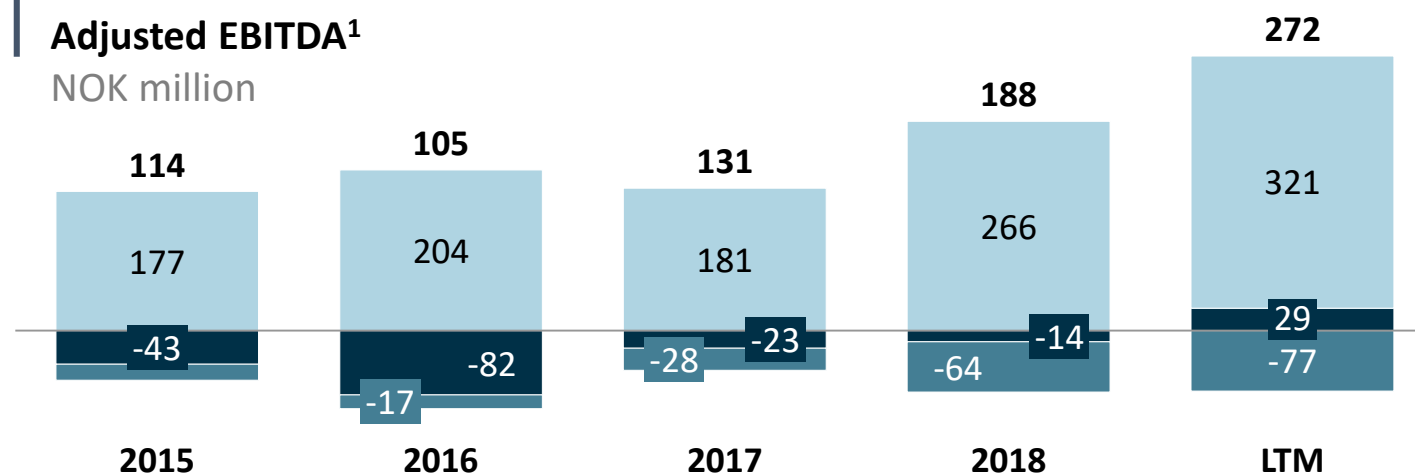
## Gross profit

NOK million



## Adjusted EBITDA¹

NOK million



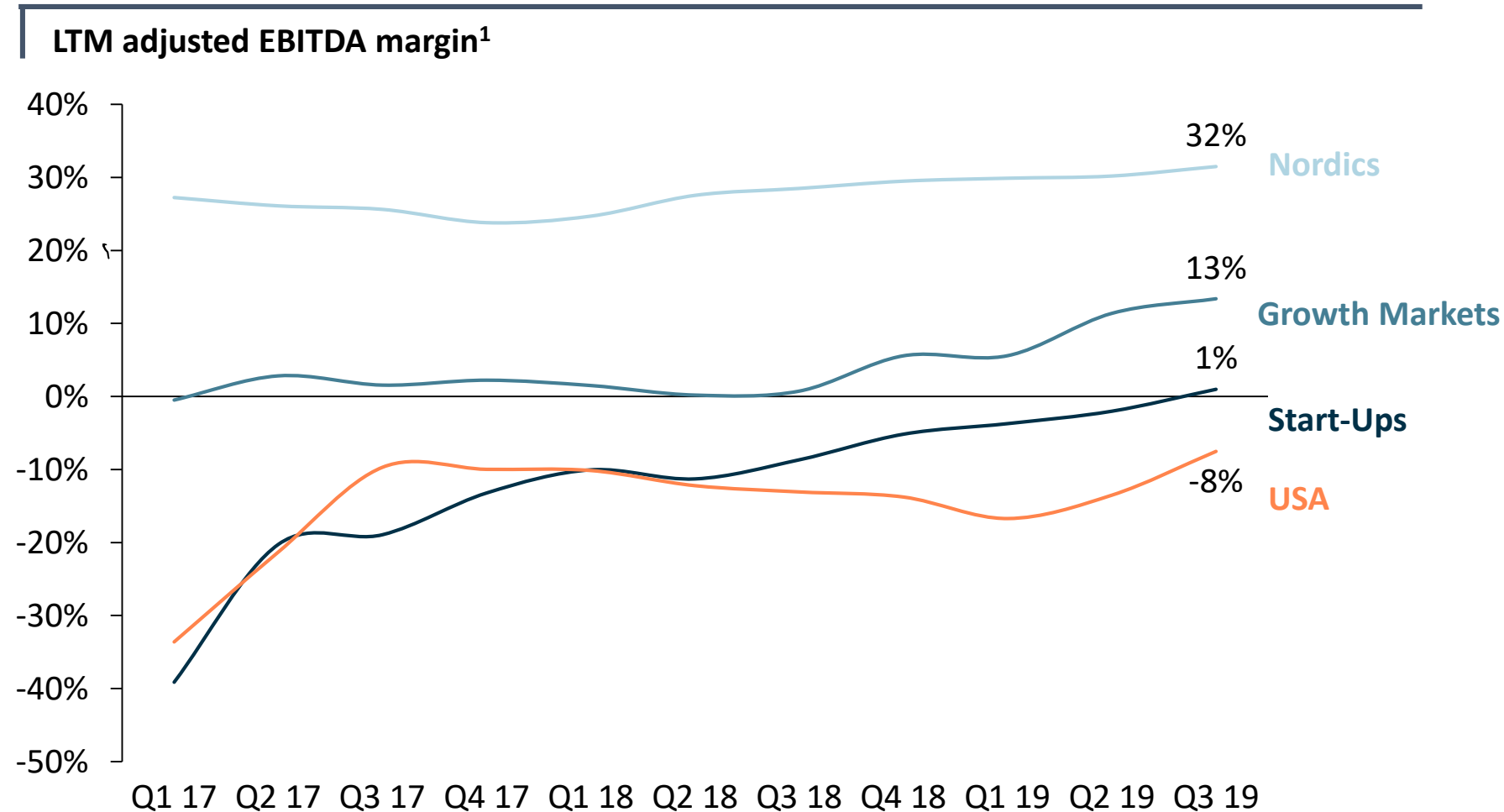
- Continued gross profit growth in international markets, with a > 3x growth since 2015
- International expansion now delivering positive EBITDA on an LTM basis

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



# International EBITDA margins continues to improve



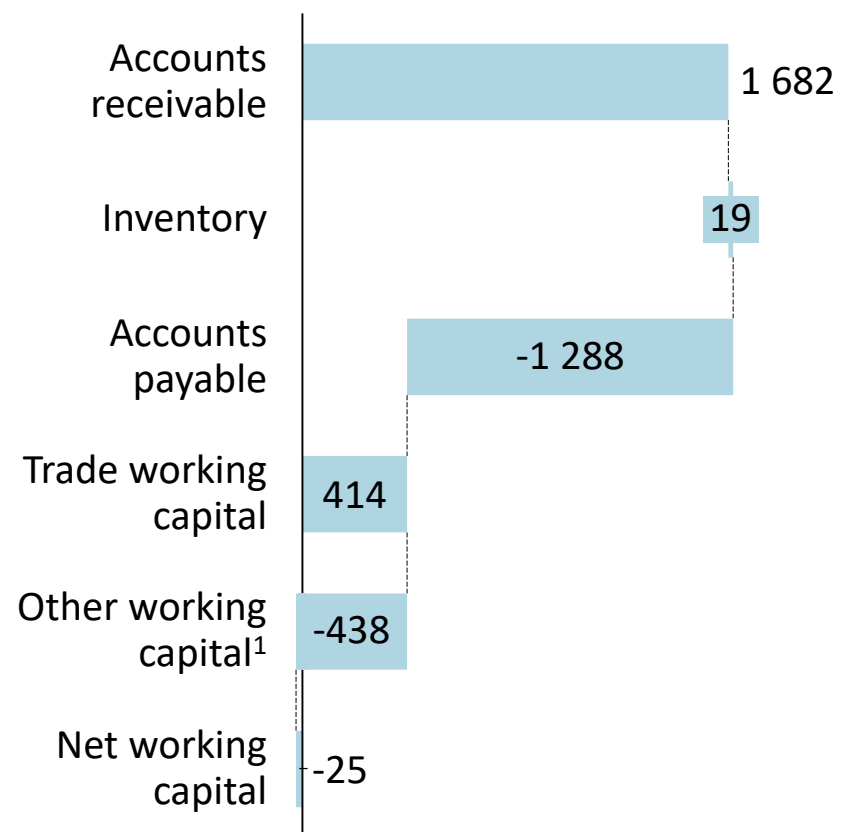
- Nordics with continued strong EBITDA margins
- Growth Markets EBITDA margin improvements driven by strong growth in reach and relevance in core markets such as Germany and Middle East
- USA, Start-Ups margins continue to improve despite significant investments in growth

# Working capital driven by seasonality



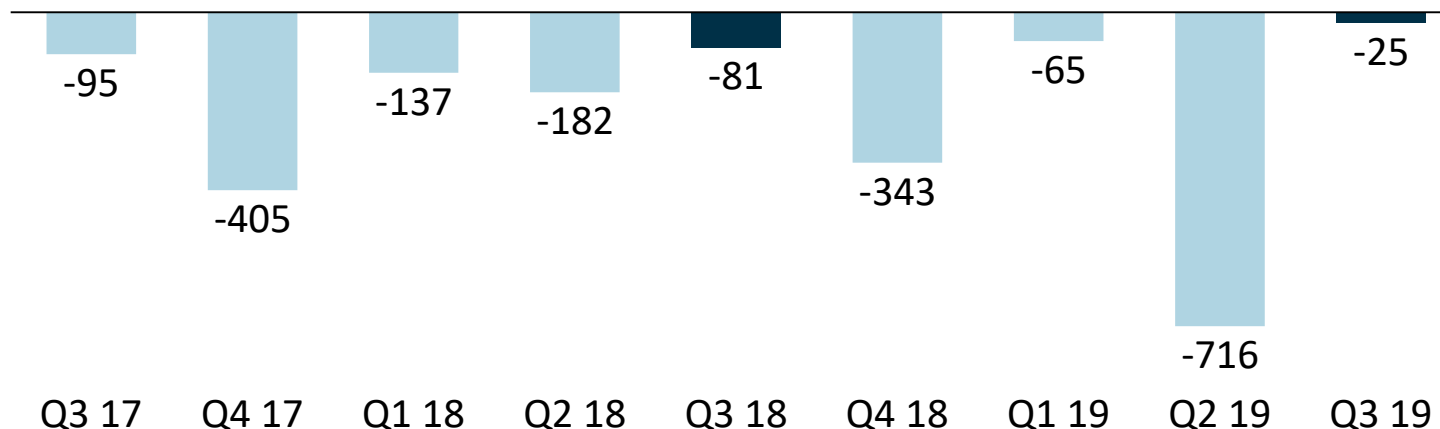
## 2019 Q3 net working capital

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

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

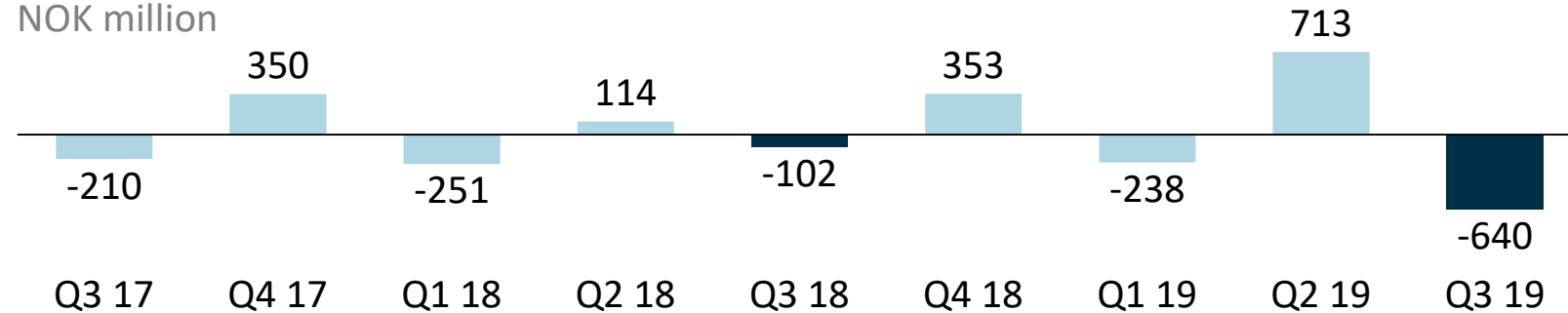
Q3 2019

# Cash flow is driven by working capital



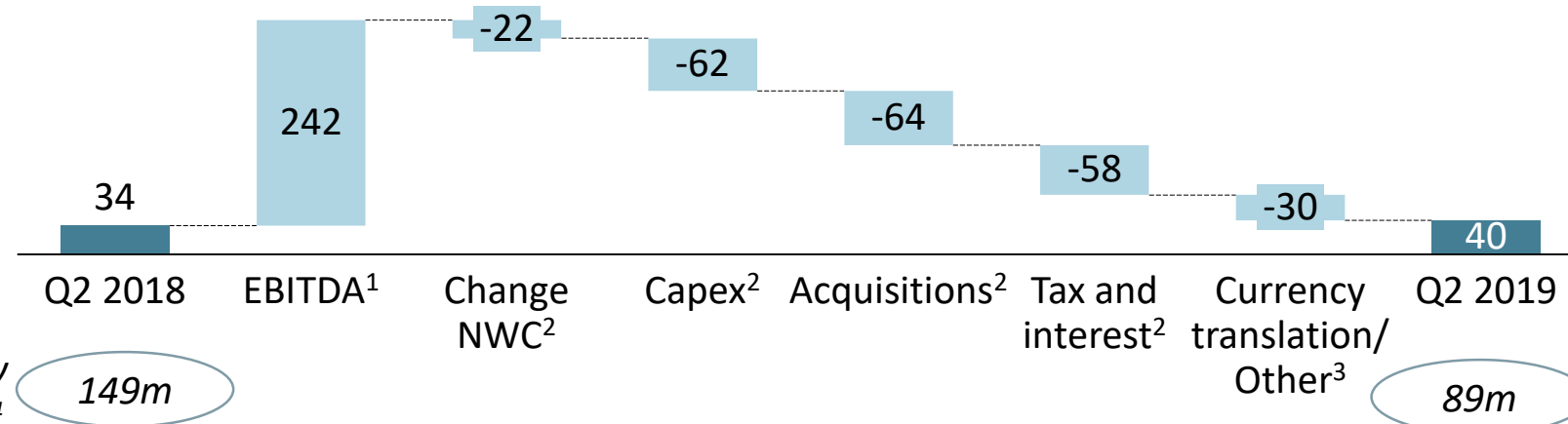
## Cash flow from operating activities

NOK million



## LTM cash development

NOK million



- 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

<sup>1</sup> EBITDA (non-adjusted)

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

<sup>3</sup> Also includes cash flow effects from IFRS 16, cash flow from financing activities etc

<sup>4</sup> 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
<b>Gross profit</b>	<b>309.8</b>	<b>393.1</b>	<b>1 027.1</b>	<b>1 282.1</b>
Payroll and related costs	-258.8	-309.0	-786.9	-949.8
Other operating expenses	-51.8	-52.9	-139.2	-166.4
<b>Total operating expenses</b>	<b>-310.6</b>	<b>-362.0</b>	<b>-926.2</b>	<b>-1 116.2</b>
<b>EBITDA</b>	<b>-0.8</b>	<b>31.2</b>	<b>100.9</b>	<b>165.9</b>
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
<b>EBIT</b>	<b>-20.2</b>	<b>3.2</b>	<b>45.3</b>	<b>82.6</b>
Net financial expense	-14.6	-11.4	-33.6	-41.2
<b>Ordinary result before tax</b>	<b>-34.8</b>	<b>-8.2</b>	<b>11.7</b>	<b>41.4</b>
Income tax expense on ordinary result	4.1	-9.9	-5.4	-22.6
<b>Net income</b>	<b>-30.7</b>	<b>-18.0</b>	<b>6.3</b>	<b>18.8</b>
<b>Adjusted EBITDA reconciliation</b>				
Reported EBITDA	-0.8	31.2	100.9	165.9
Other income and expenses	6.1	3.1	9.5	28.4
<b>Adjusted EBITDA</b>	<b>5.3</b>	<b>34.3</b>	<b>110.4</b>	<b>194.4</b>

- 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



Q3 2019

# Balance sheet and net interest bearing debt



NOKm	30.09.2018	30.09.2019
<b>Assets</b>		
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
<b>Total current assets</b>	<b>1 241.4</b>	<b>1 835.8</b>
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
<b>Total non-current assets</b>	<b>1 091.3</b>	<b>1 261.5</b>
<b>Total assets</b>	<b>2 332.8</b>	<b>3 097.3</b>
<b>Equity and liabilities</b>		
<b>Total equity</b>	<b>558.5</b>	<b>594.1</b>
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
<b>Total current liabilities</b>	<b>1 288.4</b>	<b>1 867.6</b>
Long-term debt	443.2	448.3
Deferred tax liabilities	31.2	31.2
Other long-term liabilities	11.6	118.0
Lease liabilities	0.0	38.2
<b>Total long-term liabilities</b>	<b>485.9</b>	<b>635.7</b>
<b>Total liabilities</b>	<b>1 774.3</b>	<b>2 503.3</b>
<b>Total equity &amp; liabilities</b>	<b>2 332.8</b>	<b>3 097.3</b>

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
<b>Net interest bearing debt (NIBD)</b>	<b>428.5</b>	<b>470.4</b>

- 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

1 The Company reports its cash balance net of drawdown on its revolving credit facility ("RCF")

2 Approx. NOK 556m of goodwill as of year-end 2016 relates to the Oslo Stock Exchange delisting of Inmeta-Crayon in 2012

3 Note that bond transactional costs of around NOK 10m are capitalized, and accretion expensed over the lifetime of the bond, cf. IAS 39

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 <sup>1</sup>	112.4	-611.3	-198.8	-316.3
Changes in other current assets	-204.5	-56.2	-117.6	5.4
<b>Net cash flow from operating activities</b>	<b>-101.6</b>	<b>-639.5</b>	<b>-238.6</b>	<b>-165.1</b>
<b>Net cash flow from financing activities</b>	<b>-14.8</b>	<b>-14.4</b>	<b>-27.4</b>	<b>-25.6</b>
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
<b>Net cash flow from investing activities</b>	<b>-14.2</b>	<b>-22.5</b>	<b>-54.2</b>	<b>-148.5</b>

- 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

<sup>1</sup> AR = Accounts Receivable, AP = Accounts Payable

# Outlook

Q3 2019

# 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% <sup>2</sup> ]	16-17%	Gradually increase to 17%	Continued margin improvement, driven by International markets
NWC <sup>1</sup>	-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:

Company	Analyst	Telephone
Carnegie	Hans Rettedal Christiansen	<a href="tel:+4722009321">+47 22 00 93 21</a>
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DNB	Christoffer Wang Bjørnsen	<a href="tel:+4724169143">+47 24 16 91 43</a>
SpareBank 1	Petter Kongslie	<a href="tel:+4798411080">+47 98 41 10 80</a>

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**Data pack available at  
[crayon.com](http://crayon.com)**



# Appendix



# Introduction to key P&L drivers

NOK million	2015	2016	2017	2018
<b>Operating revenue</b>	<b>4 687.9</b>	<b>6 015.2</b>	<b>7 301.7</b>	<b>9 047.5</b>
<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
<b>Gross profit</b>	<b>914.9</b>	<b>1 128.4</b>	<b>1 215.8</b>	<b>1 486.1</b>
<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
<b>Total operating expenses</b>	<b>-817.4</b>	<b>-1 036.7</b>	<b>-1 085.2</b>	<b>1 309.1</b>
<b>EBITDA</b>	<b>97.5</b>	<b>91.7</b>	<b>103.8</b>	<b>177.1</b>
<i>EBITDA % of gross profit</i>	10.7%	8.1%	8.5%	11.9%
Exceptional items	16.3	13.5	26.8	11.1
<b>Adjusted EBITDA</b>	<b>113.7</b>	<b>105.2</b>	<b>130.6</b>	<b>188.1</b>
<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 billing<sup>1</sup>

## 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

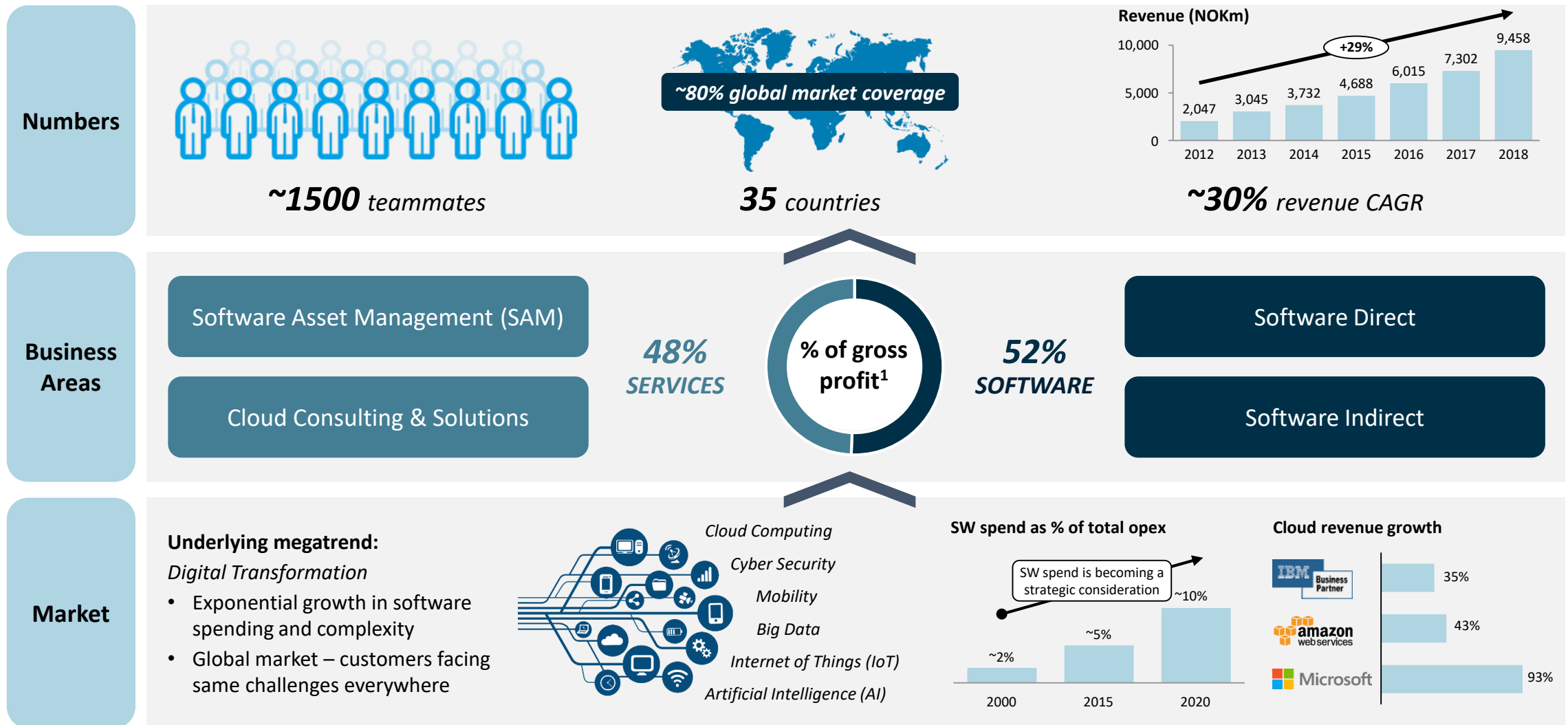
### Software

- 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



<sup>1</sup> Based on 2018 gross profit, excl. admin & eliminations

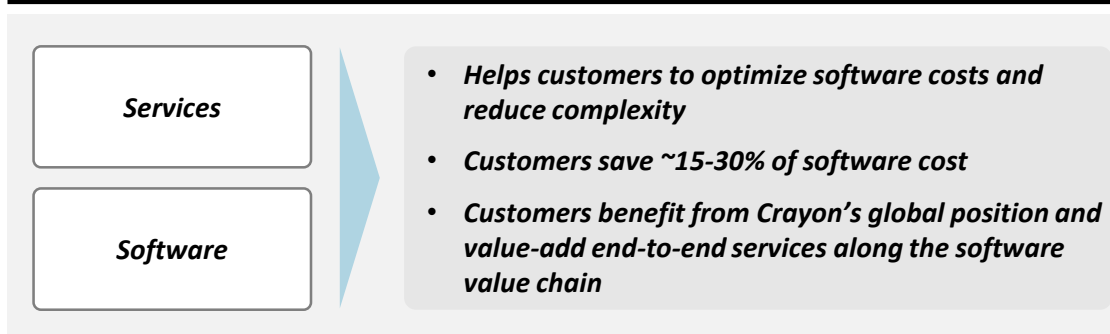
# Crayon – a fast growing global software and services expert



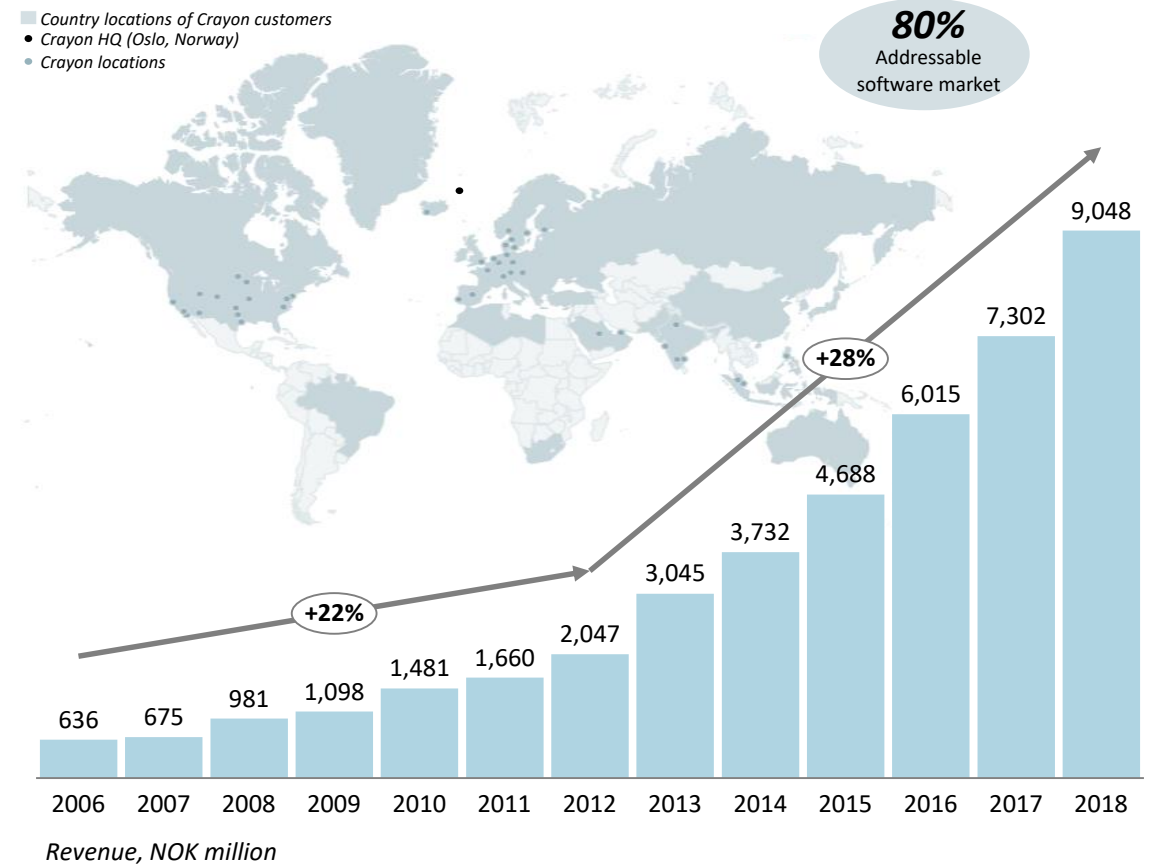
## Company at a glance

- 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% public<sup>1</sup>
- 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

## Offering and value proposition



## An international growth story with strengthening momentum



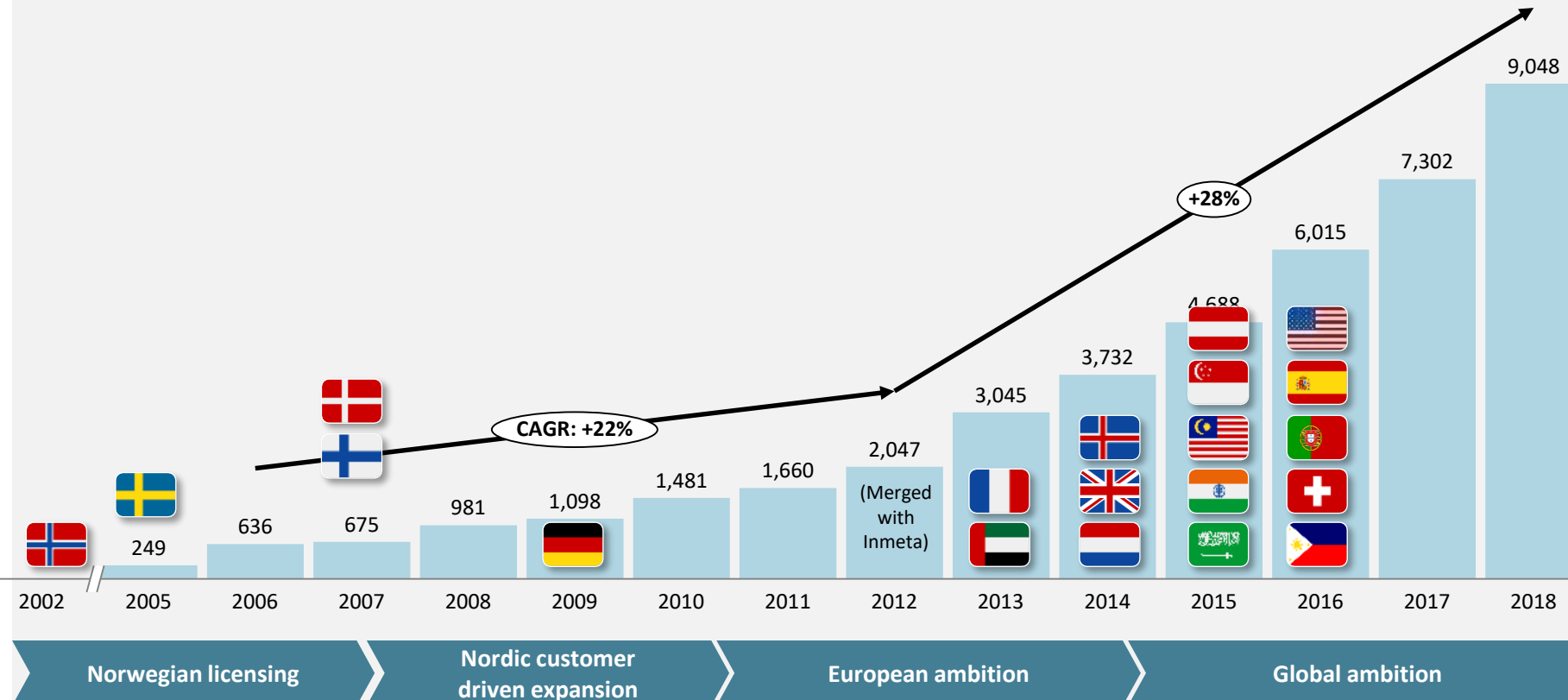
*Crayon is a trusted advisor for customers in their digital transformation journey*

<sup>1</sup> Based on share of gross profit 2018

# Proven execution of international expansion strategy

## Successful development from being a Norwegian licensing provider to global ambitions

Revenue, NOK million



Business model applicable  
across geographies

Ability to win global  
customers

Positioned to be a true  
strategic partner

Opportunities for price  
arbitrage



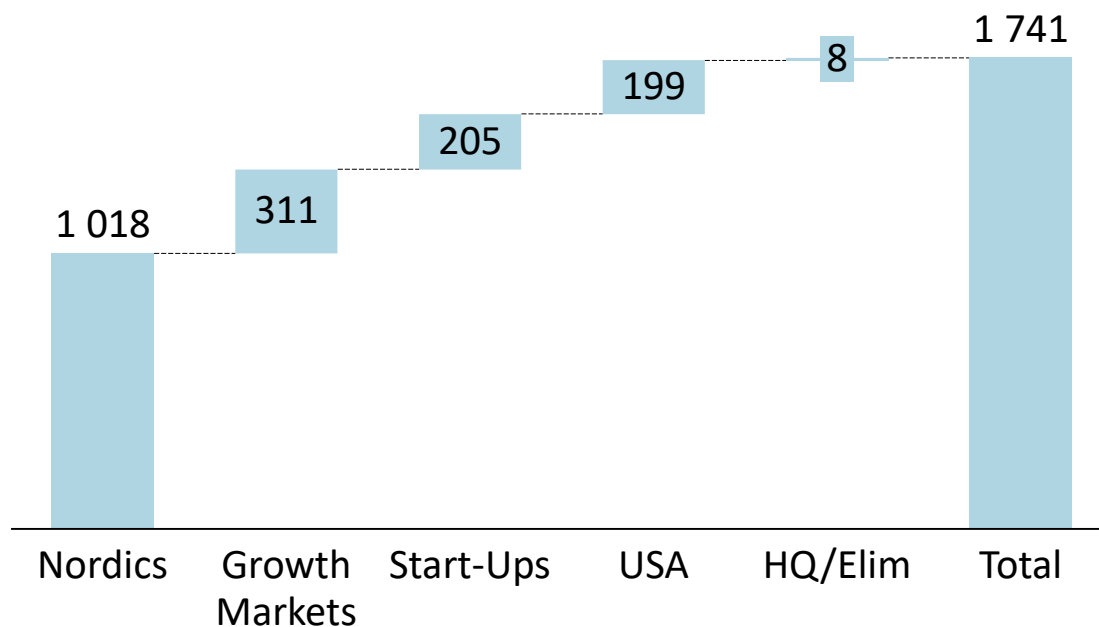
Q3 2019

# Strong Q3 leads to 25% gross profit growth LTM



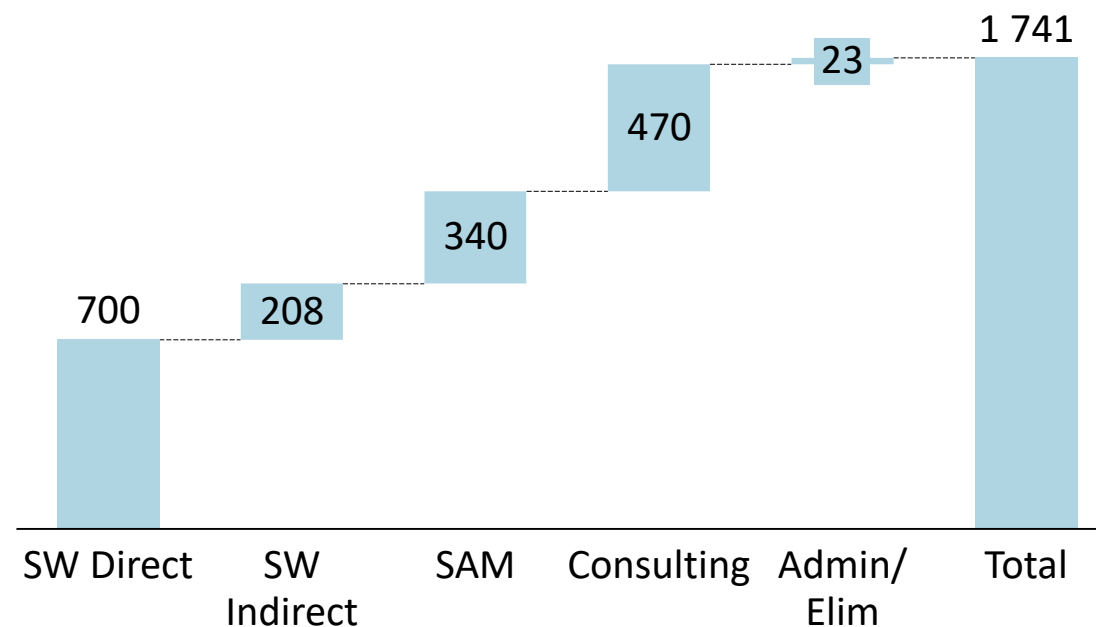
## LTM gross profit by market cluster

NOK million



## LTM gross profit by business area

NOK million



Growth  
rate<sup>1</sup>

19%

32%

56%

38%

n/a

25%

29%

34%

15%

30%

n/a

25%

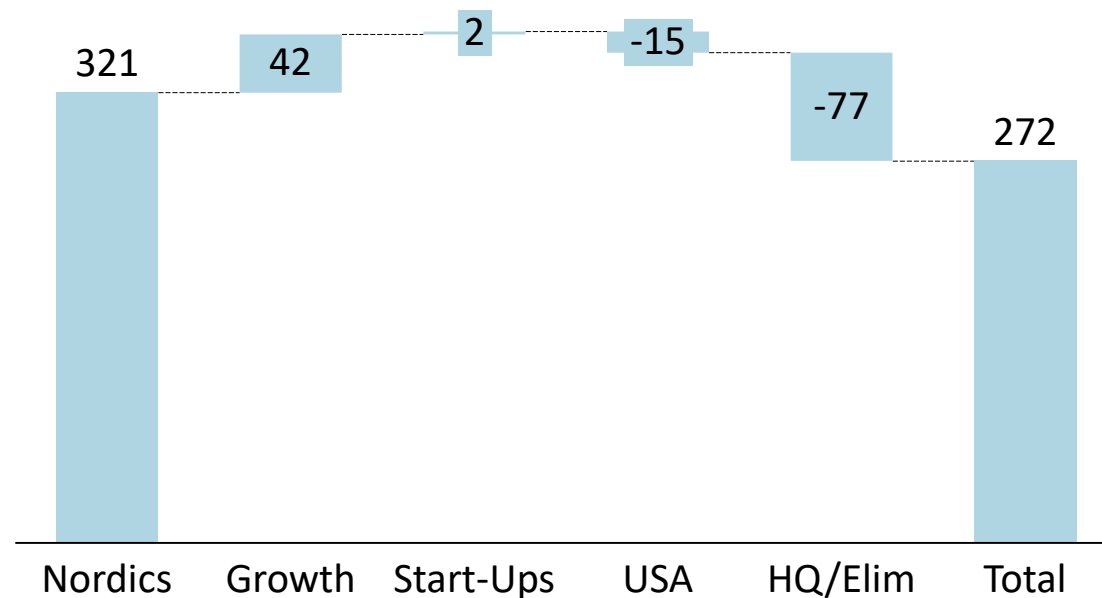
Q3 2019

# LTM Adjusted EBITDA of NOK 272 million



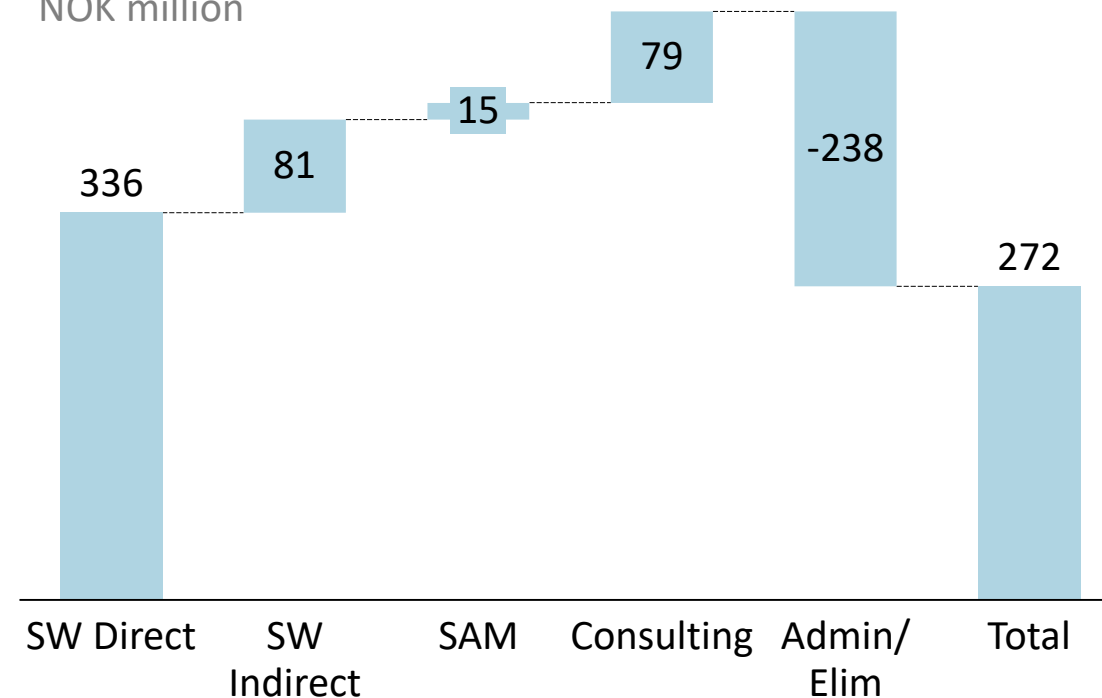
## LTM adjusted EBITDA by market cluster

NOK million



## LTM adjusted EBITDA by business area

NOK million



EBITDA  
margin<sup>1</sup>

32%	13%	1%	-8%	n/a	15.6%	48%	39%	4%	17%	n/a	15.6%
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Change in  
EBITDA  
margin<sup>2</sup>

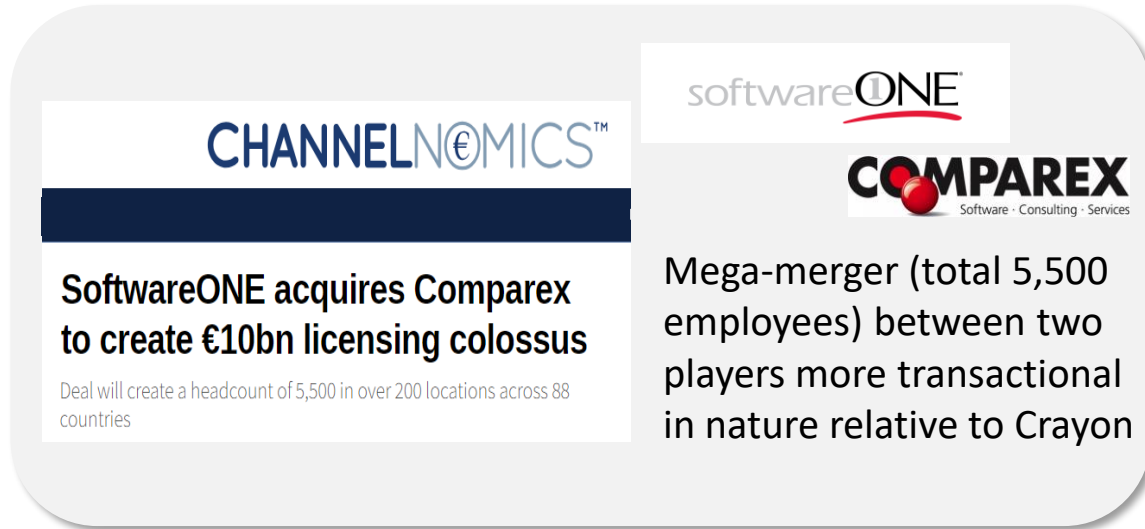
+3.0 pp	+12.6 pp	+9.6 pp	-5.5 pp	n/a	+4.6pp	+6.7 pp	+2.4 pp	-2.1 pp	+4.4 pp	n/a	+3.5 pp
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<sup>1</sup> Adjusted EBITDA as share of Gross Profit  
<sup>2</sup> LTM vs previous LTM period

# Consolidation Trend: Significant Value Potential for Crayon



## Consolidation trend demonstrated by SW1/Comparex merger



## Crayon has an attractive consolidation platform

### M&A play

Scale

IP<sup>2</sup>

Services

### Value lever

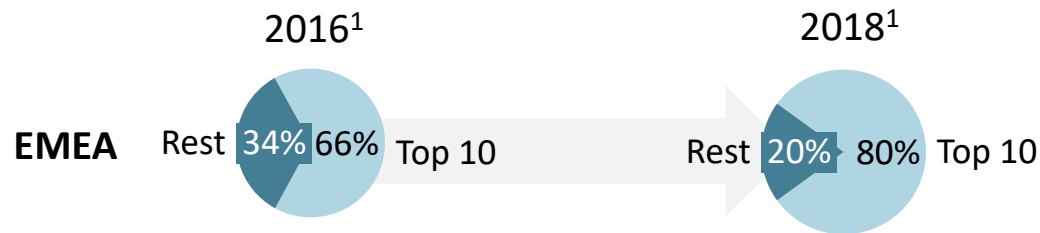
- Economies of scale
- Cost synergies
- Reduce cost to sell
- Leverage existing sales & distribution network
- Customer upsell
- Share of mind & wallet

### # of processes

2-3

3-5

5-10

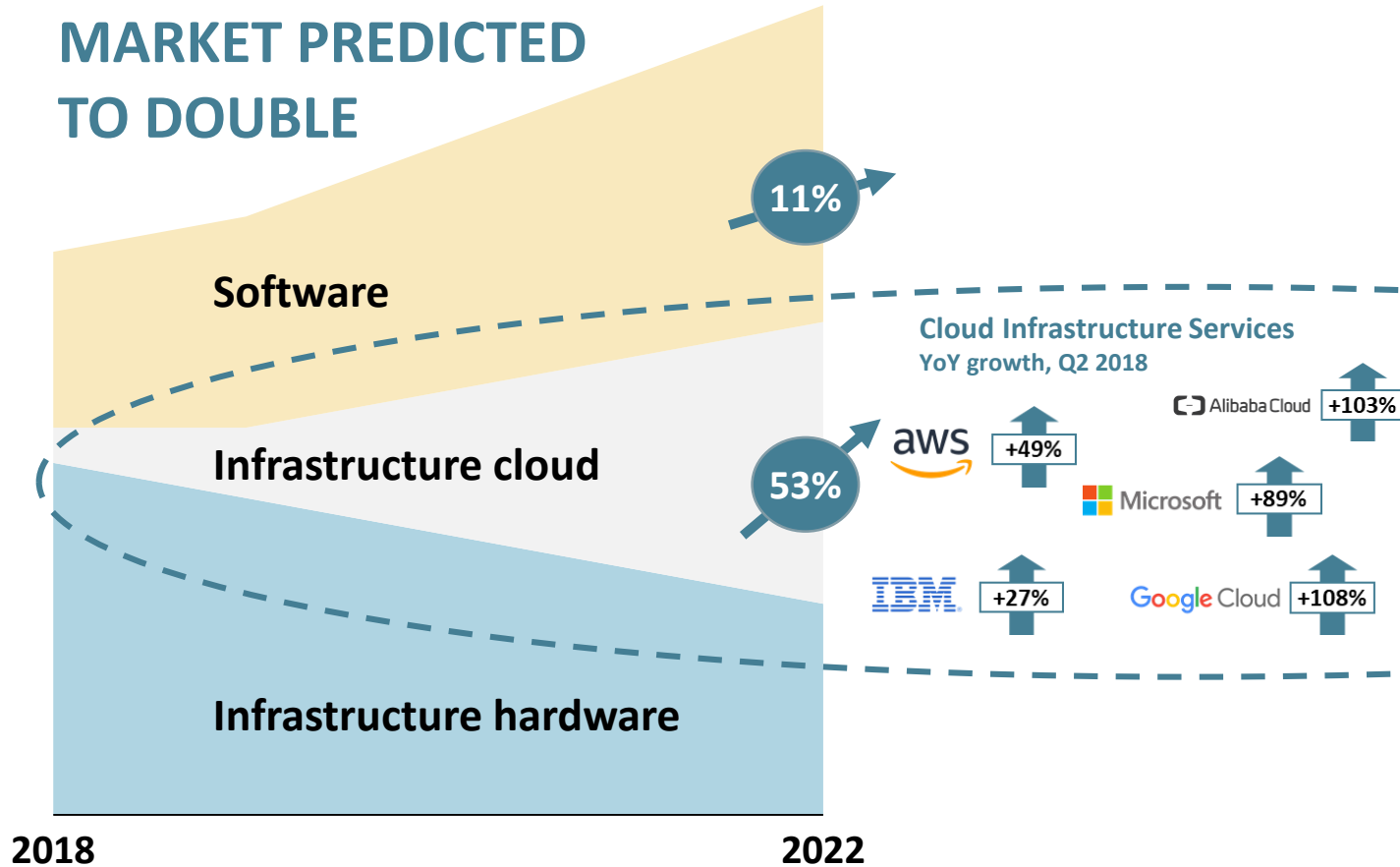


<sup>1</sup> Management estimate based on Microsoft revenue numbers for LSP  
<sup>2</sup> Intellectual Property (i.e., bespoke products, systems, tools etc.)

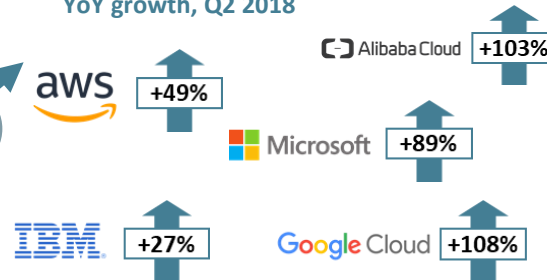
# Strong Market Momentum

 Market growth, 2017-2018

## CRAYON ADDRESSABLE MARKET PREDICTED TO DOUBLE



### Cloud Infrastructure Services YoY growth, Q2 2018

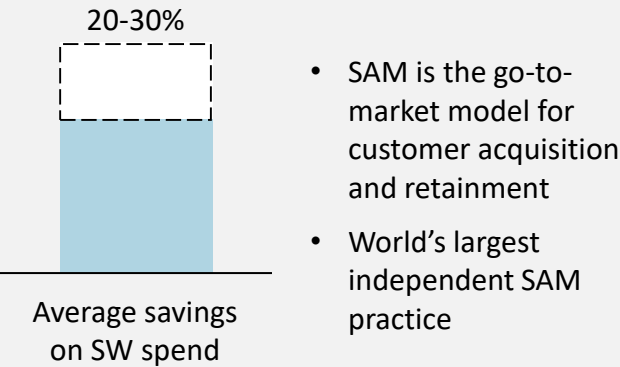


- New, fast growing market
- Strategically positioned
- More services
- Better margins



# Unique business model resulting in strong & loyal customer base

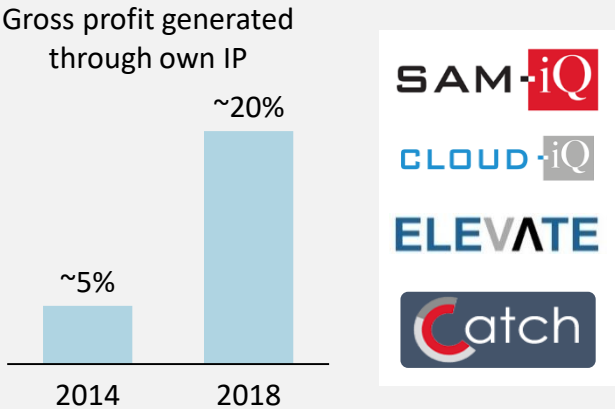
## Unique customer value proposition



+

x

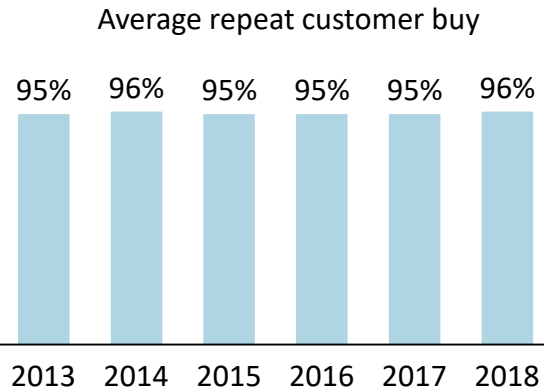
## Extensive portfolio of Intellectual Property (IP)



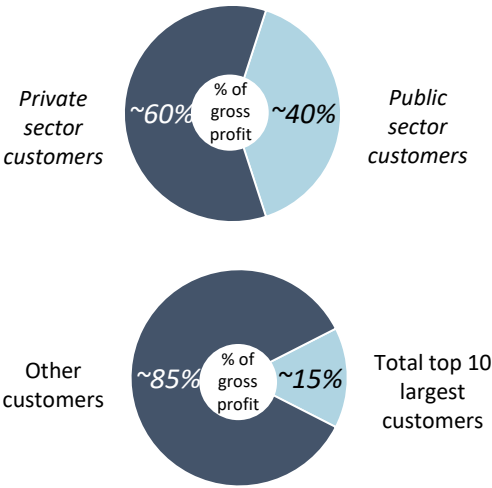
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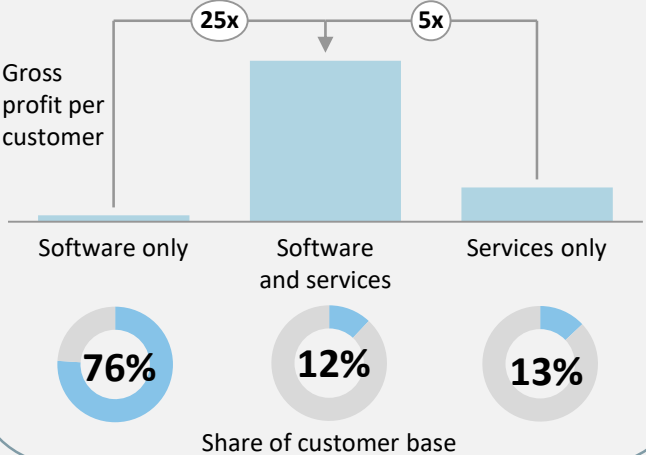
## Unparalleled customer loyalty



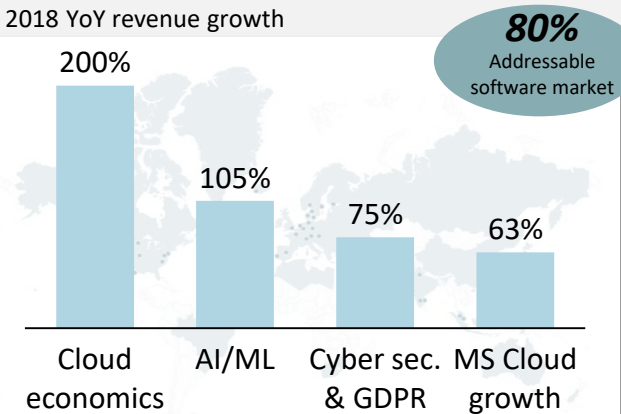
## Diversified customer portfolio



## End-to-end services with upsell potential



## Strategically positioned in attractive market



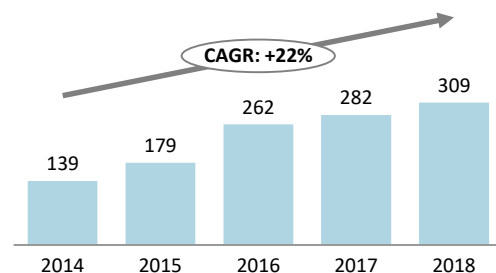
# Services – SAM and Consulting



## 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 world<sup>1</sup>

### Gross profit<sup>2</sup> (NOKm)



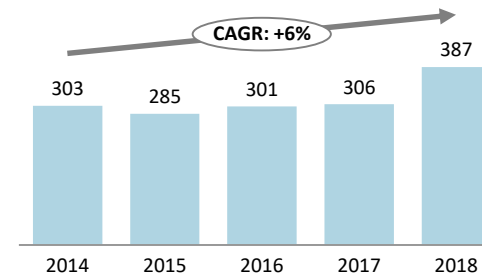
### KPIs

Repeat buy	<b>87%</b> (Annual repeat buy <sup>3</sup> )
Public vs. private mix	<b>20%</b> (Public customers <sup>4</sup> )
Customer concentration	<b>30%</b> (Gross profit of top 10 customers <sup>4</sup> )

## 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 region<sup>5</sup>, predominantly in Norway

### Gross profit<sup>2</sup> (NOKm)



### KPIs

Repeat buy	<b>93%</b> (Annual repeat buy <sup>3</sup> )
Public vs. private mix	<b>45%</b> (Public customers <sup>4</sup> )
Customer concentration	<b>50%</b> (Cloud) <b>52%</b> (Solutions) (Gross profit of top 10 customers <sup>4</sup> )

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

<sup>2</sup> 2014-2018 Source: Crayon Group Holding AS financial accounts.

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

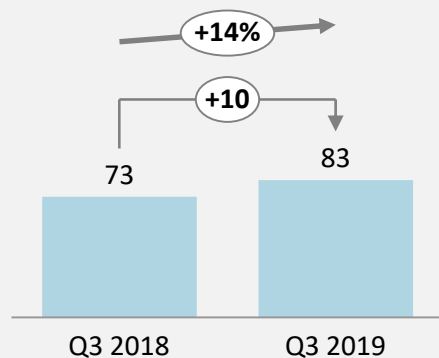
<sup>4</sup> Based on 2018 figures. Source: Crayon sales report

<sup>5</sup> Gross profit 2018 figures excluding Admin and eliminations

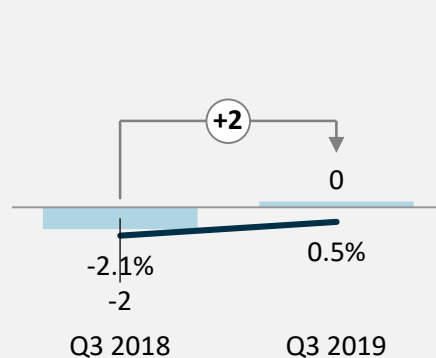
# Services

## SAM

Gross profit development, NOKm



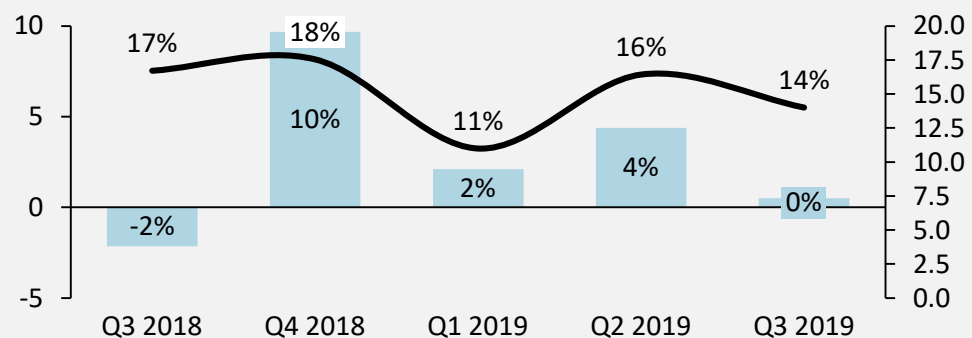
EBITDA development, NOKm



EBITDA margin<sup>1</sup>  
% of gross profit

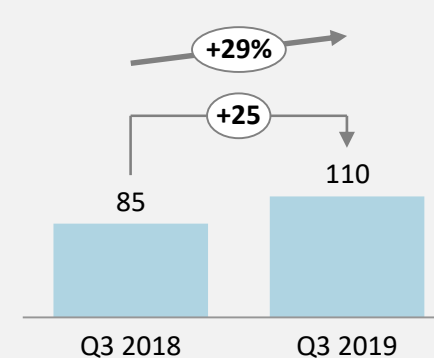
— Gross profit growth  
■ EBITDA margin

Gross profit growth  
YoY, %

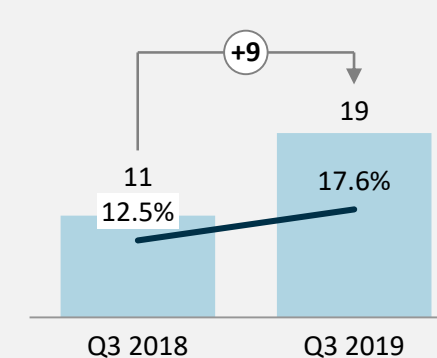


## Consulting

Gross profit development, NOKm



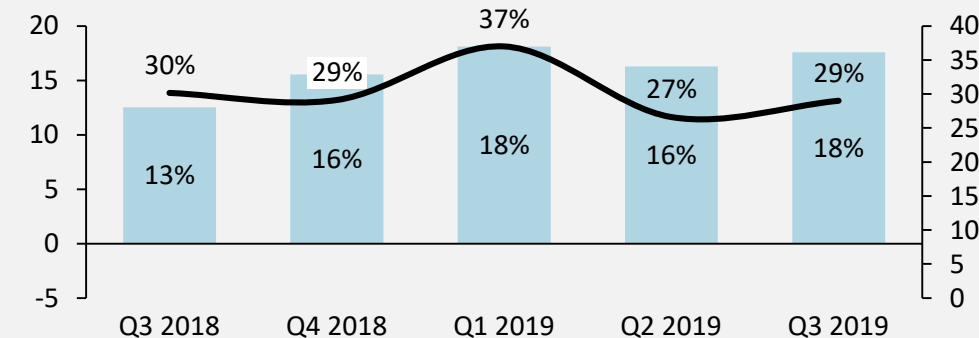
EBITDA development, NOKm



EBITDA margin<sup>1</sup>  
% of gross profit

— Gross profit growth  
■ EBITDA margin

Gross profit growth  
YoY, %



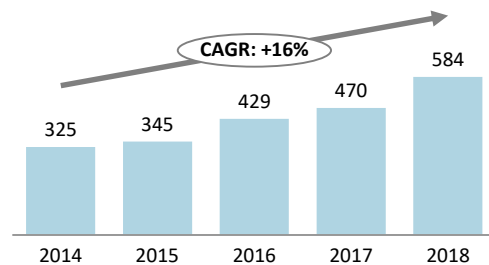
<sup>1</sup> EBITDA divided by reported gross profit

# 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 1<sup>st</sup> 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


### Gross profit<sup>1</sup> (NOKm)



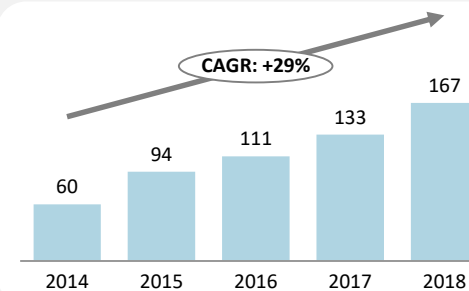
### KPIs

Repeat buy	<b>96%</b> (Annual repeat buy <sup>2</sup> )
Public vs. private mix	<b>40%</b> (Public customers <sup>3</sup> )
Customer concentration	<b>14%</b> (Gross profit of top 10 customers <sup>3</sup> )

## 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

### Gross profit<sup>1</sup> (NOKm)



### KPIs

Repeat buy	<b>99%</b> (Annual repeat buy <sup>2</sup> )
Public vs. private mix	<b>0%</b> (Public customers <sup>3</sup> )
Customer concentration	<b>7%</b> (Gross profit of top 10 customers <sup>3</sup> )

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

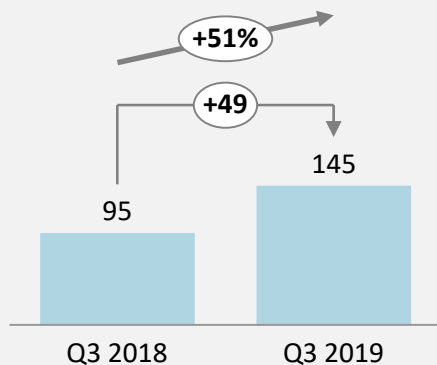
4 Crayon direct billing of Microsoft's share of gross profit. Based on 2018 figures. Source: Crayon sales report



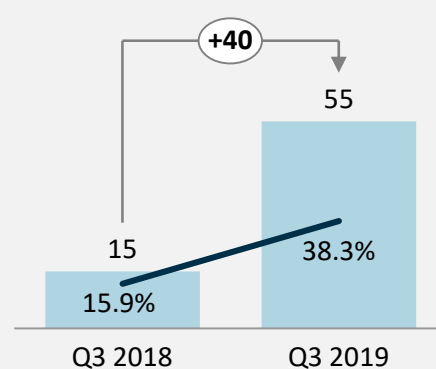
# Software

## Software Direct

Gross profit development, NOKm



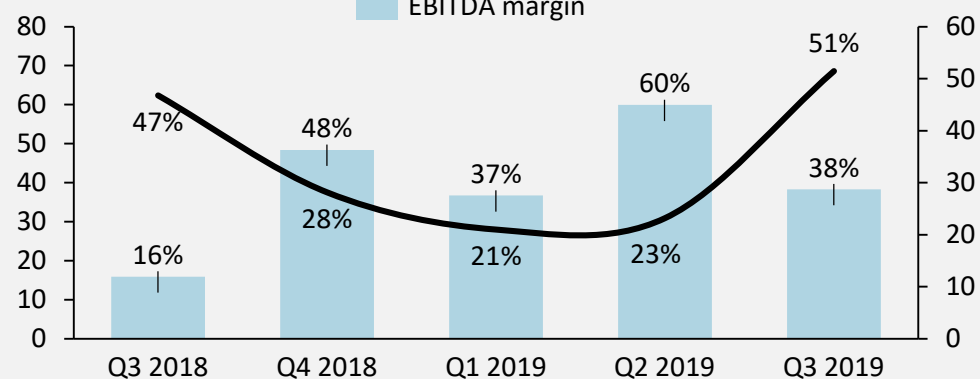
EBITDA development, NOKm



EBITDA margin<sup>1</sup>  
% of gross profit

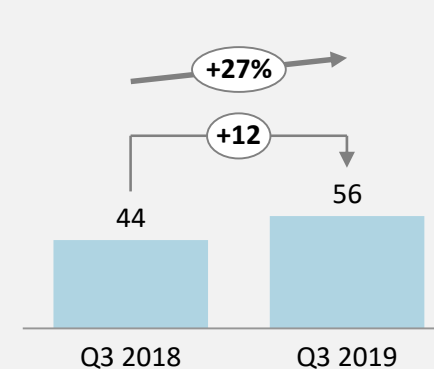
— Gross profit growth  
■ EBITDA margin

Gross profit growth  
YoY, %

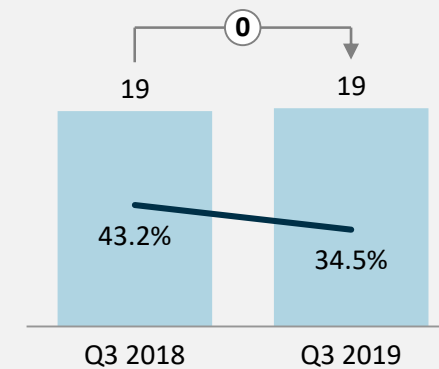


## Software Indirect

Gross profit development, NOKm



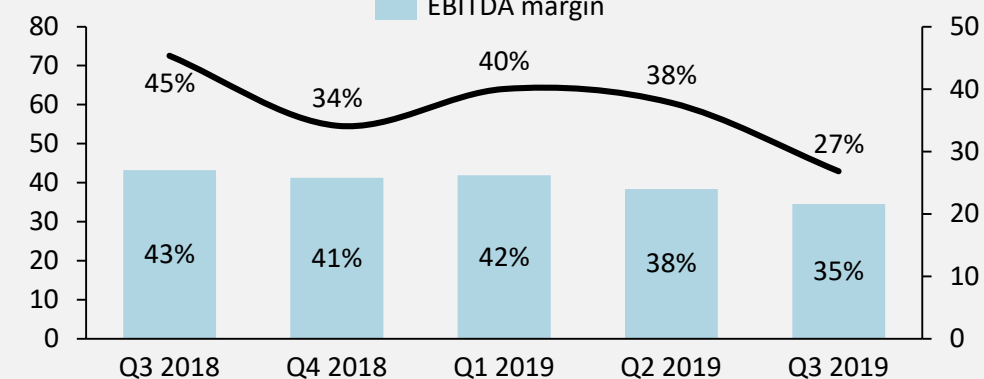
EBITDA development, NOKm



EBITDA margin<sup>1</sup>  
% of gross profit

— Gross profit growth  
■ EBITDA margin

Gross profit growth  
YoY, %









<sup>1</sup> EBITDA divided by reported gross profit

# Extensive portfolio of intellectual property



## Unique proprietary intellectual property portfolio...

## ...providing differentiation and customer stickiness

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

Source: Sales reports

<sup>1</sup> Based on end of 2018 data<sup>2</sup> Based on 2018 gross profit<sup>3</sup> ~25% of total revenue relates to use of Crayon's own IP portfolio