



# Third Quarter 2020 Results

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Q3 2020

# Business Update

CEO Torgrim Takle





# Q3 2020 Highlights

- 1 Record-Breaking Financial Quarter
- 2 Strong Performance Across Markets & Business Areas
- 3 Q3 Customer Wins Confirming Strategic Value Potential
- 4 All-time High Cloud Mix With MNOK 150 “Profit Backlog”



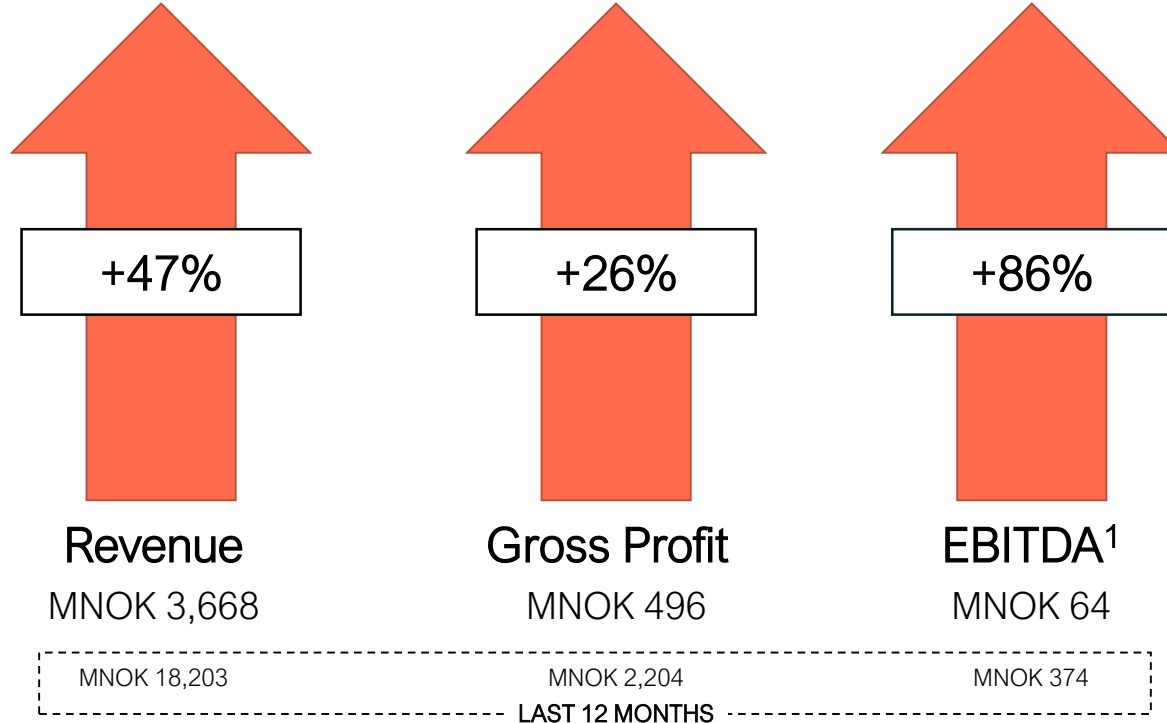
Crayon  
leadership  
summit  
Sep 2020

“More than 70 Crayon leaders from around the world met in a customized virtual environment and were able to talk with each other, write on whiteboards and even high-five each other like in the real world.”

Q3 2020 HIGHLIGHTS

# 1 11<sup>th</sup> Consecutive Record-breaking Quarter

*Compared to corresponding period last year*



1 Adjusted EBITDA – EBITDA adjusted for share based compensation and other one-off income and expenses

Q3 2020 HIGHLIGHTS

## 2 Strong Performance Across Markets; US leading

*Compared to corresponding period last year*

EBITDA improvement

NOK millions

10

Size = Q3 2020  
gross profit

8

6

4

2

0

Nordics

APAC & MEA

US


Europe



















Gross profit: +42% ↑

EBITDA: MNOK +7 ↑

Gross profit growth  
%

# 2 Strong Performance Across Business Areas

 YoY change

	SOFTWARE		SERVICES	
	Software & Cloud Direct	Software & Cloud Channel	Software & Cloud Economics	Consulting
Gross profit growth <sup>1</sup>	+15%	+40%	+32%	+25%
EBITDA margin <sup>2</sup>	32%  -6pp	44%  +10pp	12%  +12pp	14%  -4pp
Significant client wins	   	   	  	  
Q3 drivers and outlook	<ul style="list-style-type: none"> <li>Digital collaboration &amp; remote operations</li> <li>Shift to monthly subscription models</li> <li>Security investments</li> <li>Capacity increase</li> </ul>	<ul style="list-style-type: none"> <li>Security &amp; mobility investments</li> <li>Low churn combined with strong focus on partner sign-up</li> <li>Growth on new technology platforms (AWS) and partner segments (ISVs)</li> </ul>	<ul style="list-style-type: none"> <li>Strong market demand for in Cloud Economics &amp; optimization services</li> <li>86% YoY growth in recurring contracts</li> <li>Exceptional strong performance in US</li> </ul>	<ul style="list-style-type: none"> <li>Continued surge demand for “remote of everything”</li> <li>All-up stable market growth, yet flat for certain capabilities</li> <li>Capacity increase, particularly for AI/ML practice</li> </ul>

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

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

# 3 Q3 customer wins confirm strategic value creation levers

AI/ML



Cloud economics



Multi-cloud/  
AWS

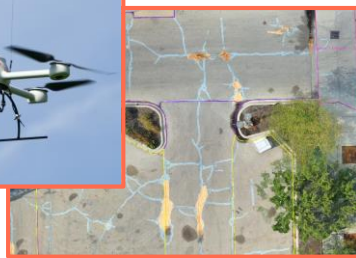


## Q3 customer win

**Road maintenance optimization**  
Automate defect detection & evaluation



UNDISCLOSED US CUSTOMER



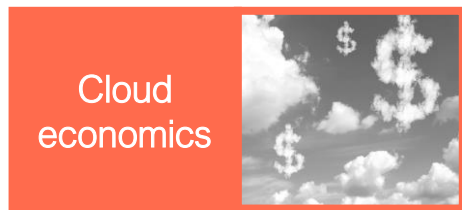
- Replace manual and biased inspection with drones & AI technology
- Crayon developed Computer Vision models for surface segmentation and defect detection

## Strategic value creation levers

- Emerging, massive market with “uncapped” RoI driven spending
- Significant cloud consumption to optimize and manage
- Opportunity to re-use knowledge & model structure/code (Crayon IP)



# 3 Q3 customer wins confirm strategic value creation levers

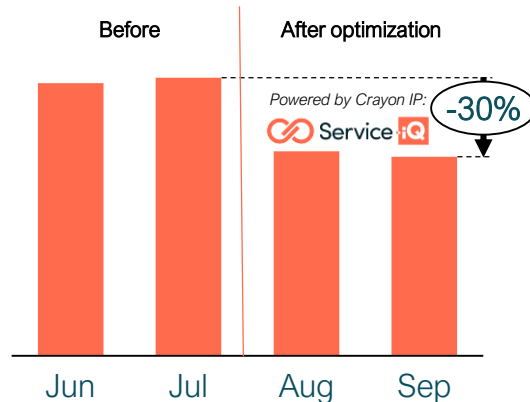


## Q3 customer win



### Cost optimization

Cloud infrastructure spend, \$/month



## Strategic value creation levers

- Massive market opportunity (~2/3 of global infrastructure yet to be transition to public cloud)
- Instant spend optimization & value capture for customer
- Recurring business & increasing value of Crayon IP

# 3 Q3 customer wins confirm strategic value creation levers

AI/ML



Cloud economics



Multi-cloud/  
AWS



Q3 customer win

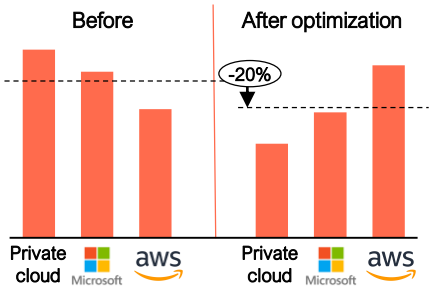
Strategic value creation levers

s.Oliver®

ILLUSTRATIVE

Workloads

Cloud consumption mix



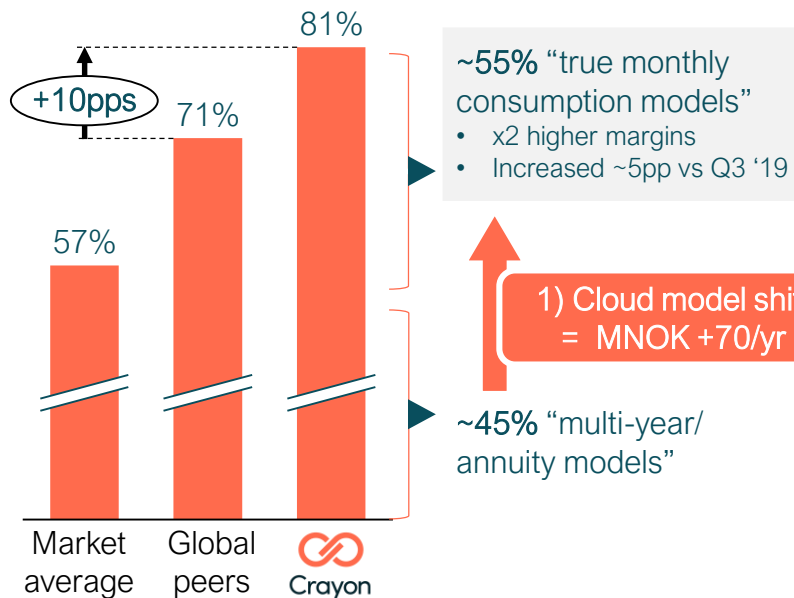
- Increasing share of enterprises on a multi-cloud environment; 2/3 of large enterprises already using more than three clouds (private & public)
- Increasingly complex to manage (cost, control & functionality)
- AWS represents a \$1bn revenue opportunity

## Q3 2020 HIGHLIGHTS

# 4 All-time High Cloud Mix with MNOK ~150 “Profit Backlog”

### Cloud mix<sup>1</sup>

Percent of total software & cloud revenues, Q3 2020



### # Cloud subscriptions

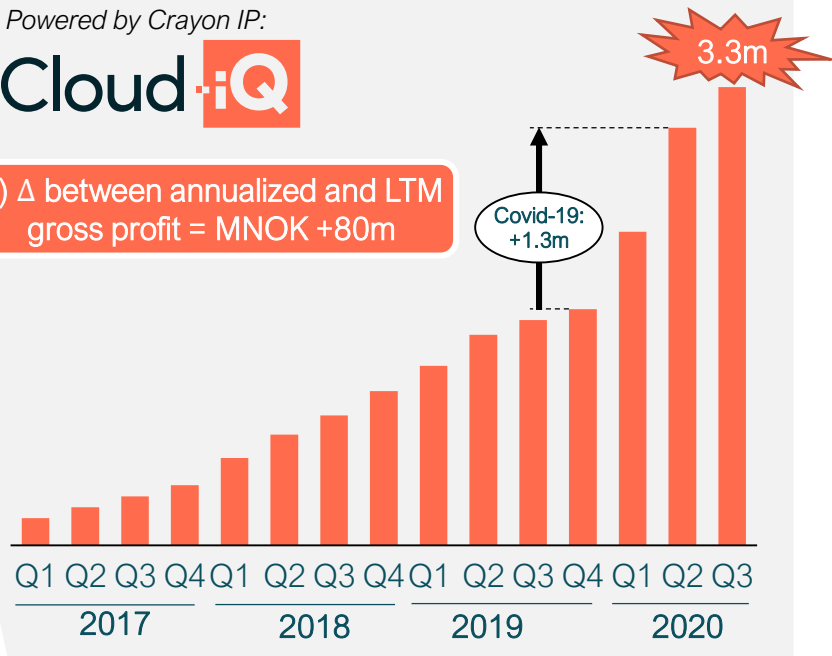
Number of active end-users, million

X Cloud value drivers/ “profit backlog”

Powered by Crayon IP:

Cloud-iQ

2) Δ between annualized and LTM gross profit = MNOK +80m



<sup>1</sup> Based on Microsoft revenues; Cloud Revenue Metrics includes Public Cloud + Hybrid Cloud (SPLA & System Center)  
<sup>2</sup> Software & Cloud Channel: LTM = Last Twelve Months. Annualized = September 2020 gross profit x 12



# Financial Review

Q3 2020

CFO Jon Birger Syvertsen



# Q3 2020 - Summary

1

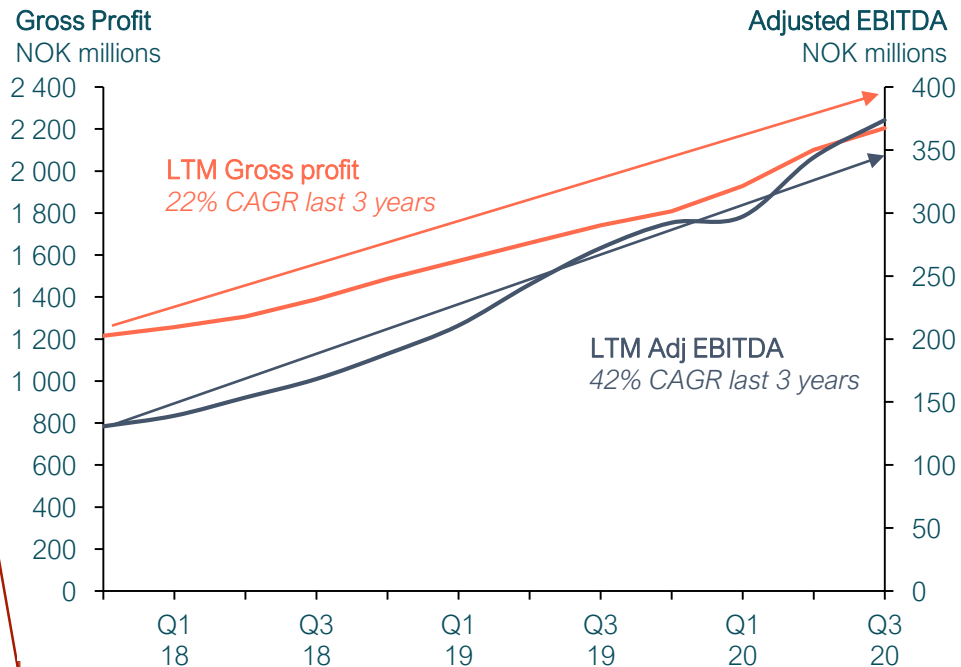
Sustained GP and EBITDA growth

2

EBITDA margin improvement across all regions

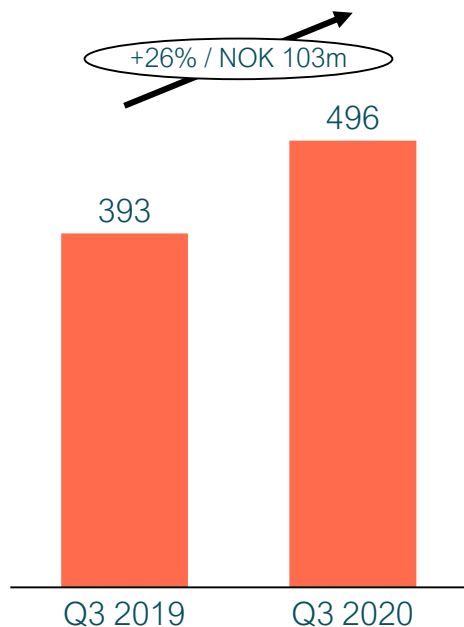
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Strong liquidity position of NOK 652 mn

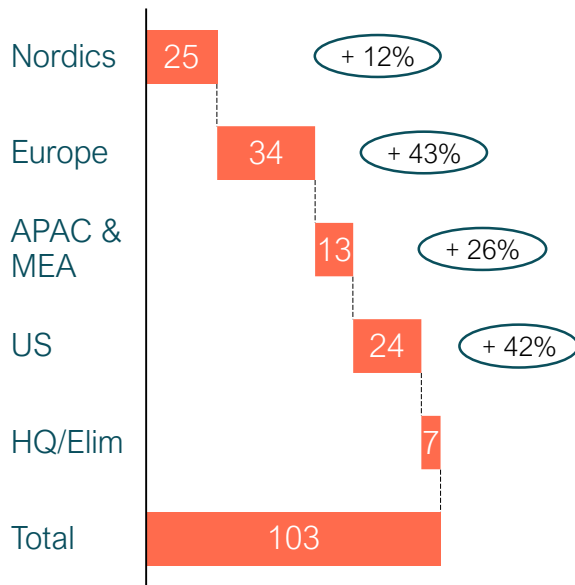


# Strong GP growth across markets and segments

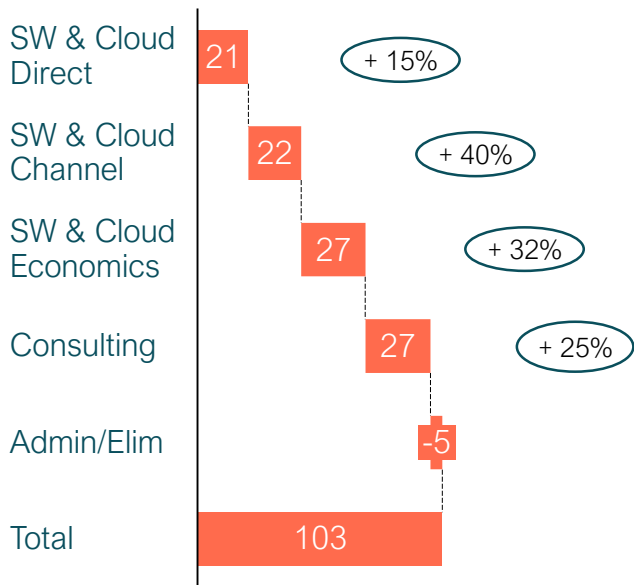
Gross profit  
NOK million



YoY gross profit growth by market cluster  
NOK million



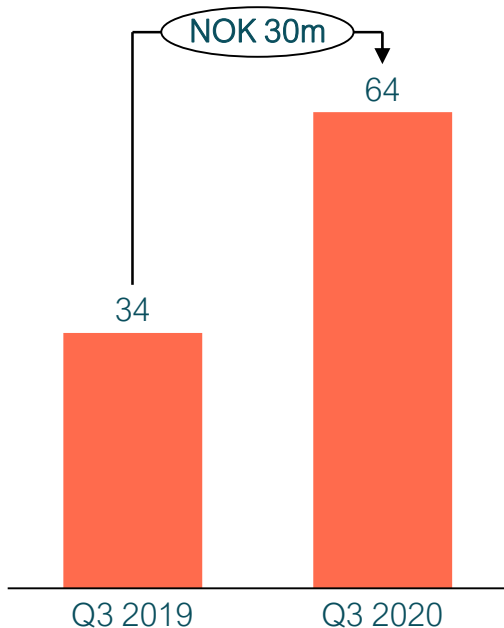
YoY gross profit growth by business area  
NOK million



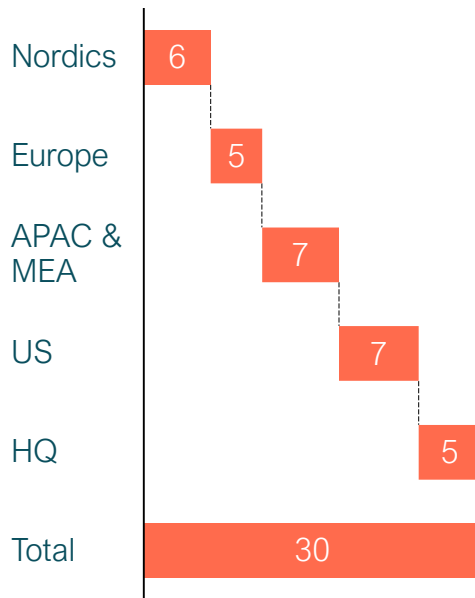


# EBITDA growth balanced across all markets

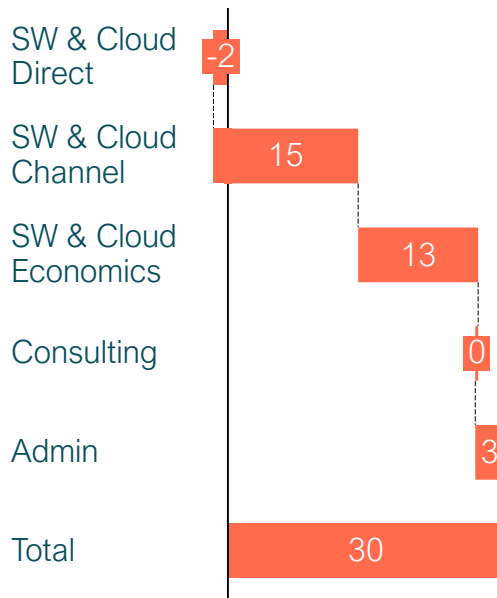
Adjusted EBITDA  
NOK million



YoY Adj EBITDA growth by market cluster  
NOK million



YoY Adj EBITDA growth by business area  
NOK million

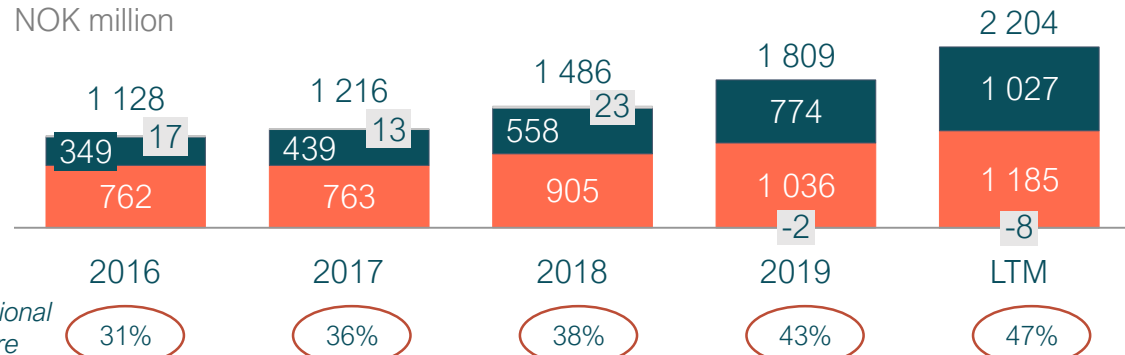


Q3 2020

# International expansion momentum continues

## Gross profit

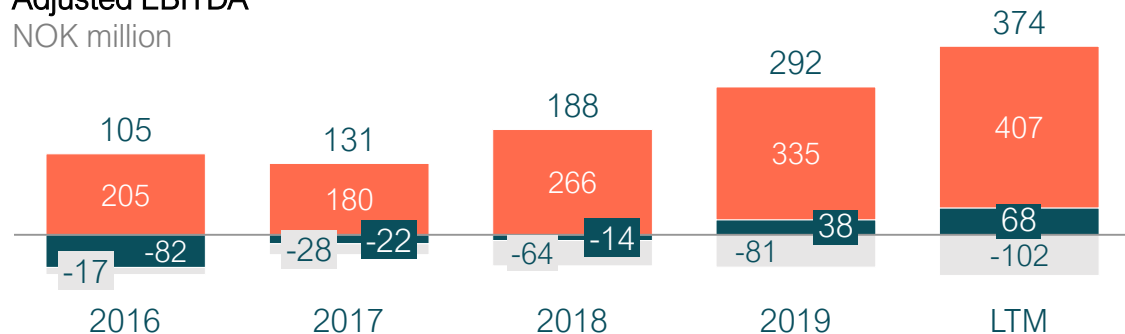
NOK million



Nordic  
International  
HQ/Elim.

## Adjusted EBITDA<sup>1</sup>

NOK million

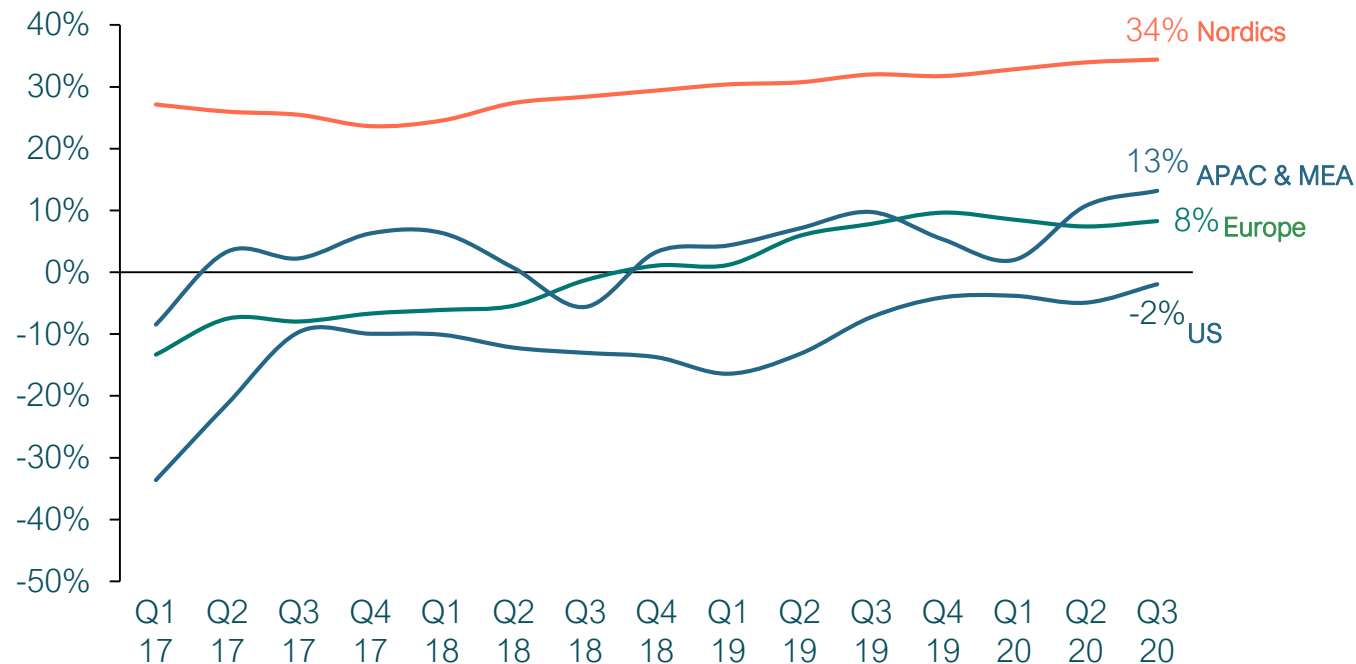


- Continued gross profit growth in international markets – more than doubled since 2017
- In Q3 2020, 52% of the gross profit was from International markets
- EBITDA contribution from International markets continue to improve

<sup>1</sup> Adjusted EBITDA is reported EBITDA less other income & expenses items netted under HQ, hence not reflected on Market Cluster / Business Area level

# International EBITDA margins continue to improve

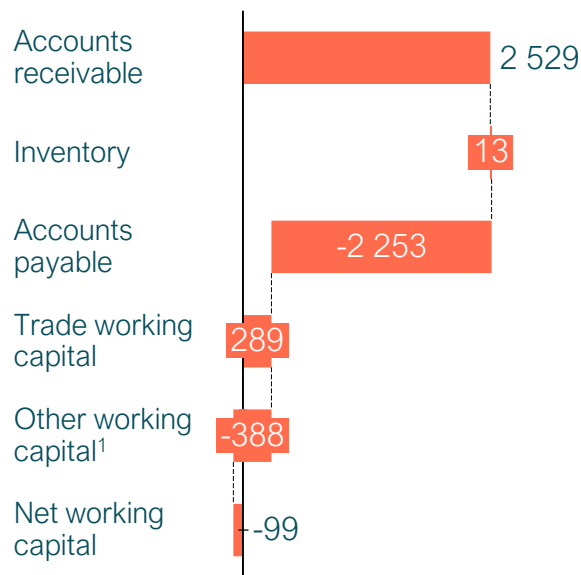
LTM adjusted EBITDA margin<sup>1</sup>



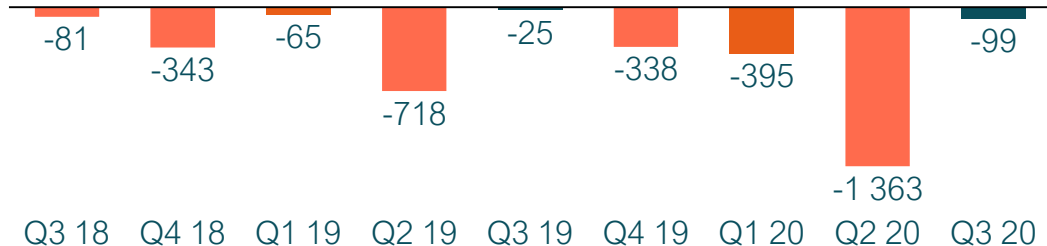
- Nordics with continued strong EBITDA margins
- APAC&MEA EBITDA margins improving
- Europe EBITDA margins improving, despite negative influence from investments into CEE
- US EBITDA margins improving

# Working capital driven by seasonality

2020 Q3 net working capital  
NOK million



Net working capital over time  
NOK million



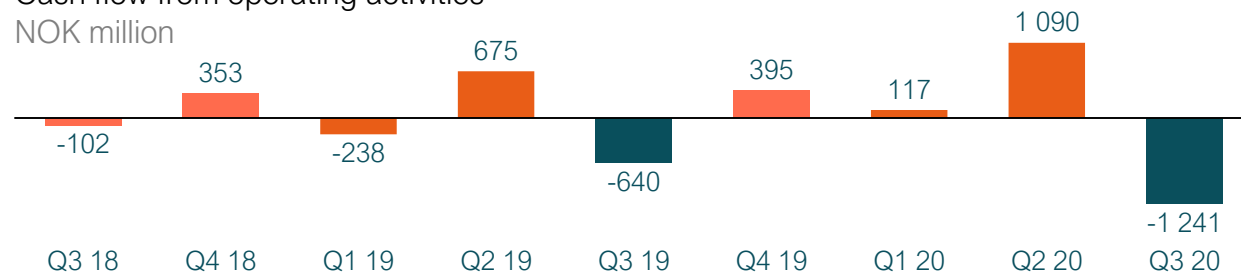
- Q3 2020 net working capital is 74 MNOK more negative than Q3 2019, driven by a decrease of trade working capital of 124 MNOK and increase in other working capital of 50 MNOK
- Improvement driven by a combination of improved collection processes and renegotiated payment terms in light of Covid-19 – vendor payment terms expected to return to normal during Q4

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

# Strong liquidity position end Q3

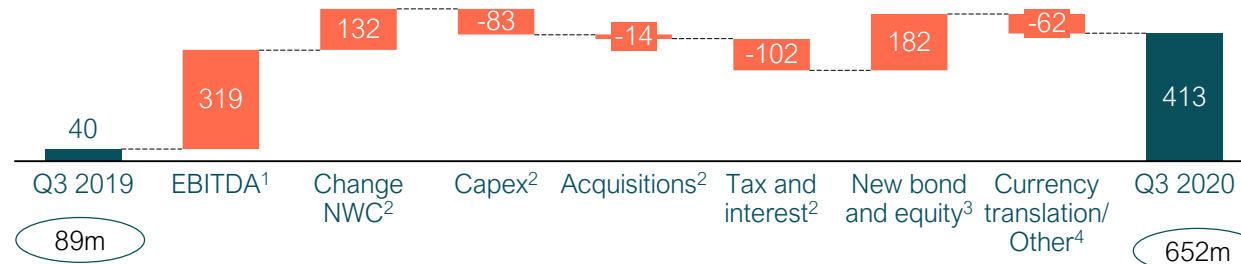
## Cash flow from operating activities

NOK million



## LTM cash development

NOK million



- Cash flow from operations is seasonal and driven by changes to net working capital, with negative cash flow in Q3 as working capital position is less negative than in Q2
- Strong liquidity position of NOK 652mn as a consequence of strong business and working capital performance combined with the NOK 300mn equity raise in May

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

<sup>2</sup> As seen from the cash flow statement;

<sup>3</sup> Delverage of 150 MNOK on the bond; 297 MNOK new equity from share issue May 2020 and 35 MNOK new equity from ESPP in Q4 2019

<sup>4</sup> Also includes cash flow effects from IFRS 16, cash flow from financing activities etc

<sup>5</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

# P&L - summary

NOKm	Q3 2019	Q3 2020	YTD Q3 2019	YTD Q3 2020
Operating revenue	2 500.3	3 668.1	9 382.3	13 967.1
Cost of sales	-2 107.2	-3 171.8	-8 100.2	-12 289.8
<b>Gross profit</b>	<b>393.1</b>	<b>496.3</b>	<b>1 282.1</b>	<b>1 677.3</b>
Payroll and related costs	-309.0	-409.9	-949.8	-1 255.3
Other operating expenses	-52.9	-54.1	-166.4	-186.8
<b>Total operating expenses</b>	<b>-362.0</b>	<b>-464.0</b>	<b>-1 116.2</b>	<b>-1 442.1</b>
<b>EBITDA</b>	<b>31.2</b>	<b>32.3</b>	<b>165.9</b>	<b>235.3</b>
Depreciation	-9.6	-13.9	-29.6	-39.6
Amortisation	-18.3	-21.9	-53.7	-63.5
<b>EBIT</b>	<b>3.2</b>	<b>-3.5</b>	<b>82.6</b>	<b>132.2</b>
Interest expense	15.8	8.7	44.5	31.9
Other financial expense, net	-4.4	10.5	-3.2	32.6
<b>Ordinary result before tax</b>	<b>-8.2</b>	<b>-22.7</b>	<b>41.4</b>	<b>67.6</b>
Income tax expense on ordinary result	-9.9	3.9	-22.6	-35.5
<b>Net (loss) income</b>	<b>-18.0</b>	<b>-18.8</b>	<b>18.8</b>	<b>32.1</b>
<b>Adjusted EBITDA reconciliation</b>				
Reported EBITDA	31.2	32.3	165.9	235.3
Other income and expenses	3.1	31.6	28.4	40.5
<b>Adjusted EBITDA</b>	<b>34.3</b>	<b>64.0</b>	<b>194.4</b>	<b>275.7</b>

- Depreciation and amortization in line with plan, with higher depreciation driven by higher investments in previous periods
- Interest expense reduced following the refinancing of the bond, while net financial expense is positive due to currency effects
- Income tax expenses decreases as a consequence of negative pre-tax earnings of NOK -22.7m
- EBITDA adjustments of NOK 31.6m in Q3 2020 primarily related to share-based compensation, with strong share performance driving accruals for social tax contributions



# Balance sheet and net interest-bearing debt

NOKm	30.09.2019	30.09.2020
<b>ASSETS</b>		
Development Costs	75.8	86.5
Technology and software	28.8	22.0
Contracts	75.1	61.7
Software licenses (IP)	1.0	2.3
Goodwill	889.3	870.0
Deferred tax asset	16.1	36.0
<b>Total intangible assets</b>	<b>1 086.1</b>	<b>1 078.5</b>
Equipment	33.2	39.8
Right of use assets	120.5	133.9
<b>Total tangible assets</b>	<b>153.6</b>	<b>173.7</b>
Other long-term receivables	21.8	22.4
Inventory	18.8	13.4
Accounts receivable	1 682.5	2 528.6
Other receivables	94.5	188.2
Cash & cash equivalents	40.1	412.8
<b>Total current assets</b>	<b>1 835.8</b>	<b>3 143.0</b>
<b>Total assets</b>	<b>3 097.3</b>	<b>4 417.6</b>

## LIABILITIES AND SHAREHOLDERS' EQUITY

Share capital	75.4	81.2
Own shares	-0.0	-0.0
Share premium	588.4	914.2
<b>Sum paid-in equity</b>	<b>663.8</b>	<b>995.4</b>
Retained Earnings	-59.1	2.7
<b>Total equity attributable to parent company sh</b>	<b>604.6</b>	<b>998.1</b>
Non-controlling interests	-10.6	-7.4
<b>Total shareholders' equity</b>	<b>594.1</b>	<b>990.7</b>
Bond loan	-	294.6
Deferred tax liabilities	31.2	23.7
Lease liabilities	118.0	108.6
Other long-term liabilities	38.2	72.7
<b>Total long-term liabilities</b>	<b>187.4</b>	<b>499.7</b>
Accounts payable	1 287.7	2 252.5
Income taxes payable	22.1	38.3
Public duties	204.9	97.0
Current lease liabilities	4.5	31.2
Other short-term interest bearing debt	42.5	67.3
Other current liabilities	305.9	441.0
Bond loan, current liabilities	448.6	-
Derivative financial liabilities	-0.3	-
<b>Total current liabilities</b>	<b>2 315.9</b>	<b>2 927.3</b>
<b>Total liabilities</b>	<b>2 503.3</b>	<b>3 426.9</b>
<b>Total equity and liabilities</b>	<b>3 097.3</b>	<b>4 417.6</b>

	30.09.2019	30.09.2020
Long-term interest bearing debt	7,2	317,2
Bond loan short term	450,0	0,0
Short-term interest bearing debt	42,5	67,3
Cash and cash equivalents	-40,1	-412,8
Restricted cash	10,9	17,3
<b>Net interest bearing debt (NIBD)</b>	<b>470,4</b>	<b>-10,9</b>

- Increase in other long-term liabilities driven by provisions for earn-out from acquisitions
- Refinancing of bond in November 19 decrease long-term debt, offset by a corresponding increase in RCF
- NIBD to LTM EBITDA of -0.03x vs 1.7x on September 30 2019
- Strong liquidity position end Q3 2020, with a total liquidity reserve of NOK 652m

- The Company reports its cash balance net of drawdown on its revolving credit facility ("RCF")
- Approx. NOK 556m of goodwill as of year-end 2016 relates to the Oslo Stock Exchange delisting of Inmeta-Crayon in 2012
- Note that bond transactional costs of around NOK 7m are capitalized, and accretion expensed over the lifetime of the bond, cf. IAS 39

# Cash flow development

NOKm	Q3 2019	Q3 2020	YTD Q3 2019	YTD Q3 2020
Net income before tax	-8.2	-22.7	41.4	67.6
Taxes paid	-3.3	-5.3	-14.2	-20.7
Depreciation and amortisation, incl. impairment	27.9	35.9	83.3	103.1
Net interest to credit institutions	11.6	7.5	35.2	24.5
Changes in inventory, AR/AP <sup>1</sup>	-611.3	-942.4	-316.3	-83.2
Changes in other current assets	-56.8	-313.4	-33.2	-125.1
<b>Net cash flow from operating activities</b>	<b>-640.1</b>	<b>-1 240.5</b>	<b>-203.7</b>	<b>-33.8</b>
<b>Net cash flow from financing activities</b>	<b>-24.0</b>	<b>-18.3</b>	<b>-81.3</b>	<b>268.9</b>
Acquisition of assets	-11.8	-17.7	-46.3	-52.6
Acquisition of subsidiaries - net of cash acquired/ Business combinations	-0.5	0.0	-8.0	-12.6
<b>Net cash flow from investing activities</b>	<b>-12.3</b>	<b>-17.7</b>	<b>-54.2</b>	<b>-65.2</b>

- Cash flow from operations in Q3 driven by change in net working capital, in line with underlying seasonality and normalization from a very strong Q2 working capital position
- Acquisition of assets in Q3 2020 of NOK 17.7m mainly related to investments in new ERP system and Cloud IQ platform



# Outlook



# 2020 outlook updated to reflect growth opportunity

	2019 actuals	2020 Q3 LTM	2020 outlook	Medium term	Comment
<b>Gross profit growth</b>	+21.7 %	+26.6%	+25-30%	+10-15 %	Strong 2020 growth rates based on growth opportunity and currency tailwind
<b>Adjusted EBITDA as share of gross profit</b>	16.2%	17.0%	16-17%	Gradually increase to 19%	Higher growth rates has a short term negative impact on EBITDA margin
<b>NWC<sup>1</sup></b>	-10.7 %	-24.9%	-20% to -25%	-10% to -15%	Expect NWC to fluctuate around historic levels in the medium term
<b>Capex</b>	NOK 76m	NOK 82.6m	NOK 80-85 m	NOK~70m	Updated outlook to reflect continued investments in platforms and IP

<sup>1</sup>Average NWC last 4 quarters as share of gross profit last 4 quarters



# 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 , Oslo Stock Exchange

## Financial calendar 2020:

- 16.02.21 – Q4 report released

## For IR-related requests:

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CRAYON GROUP

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

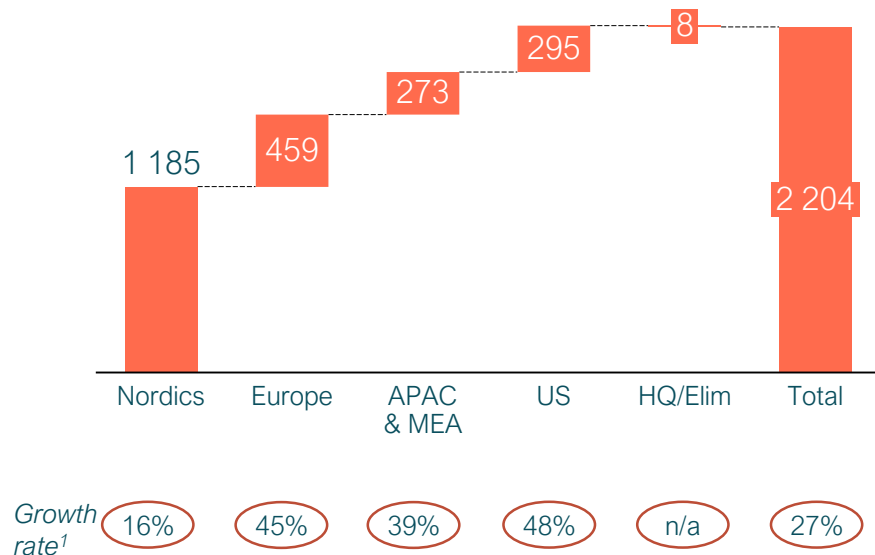




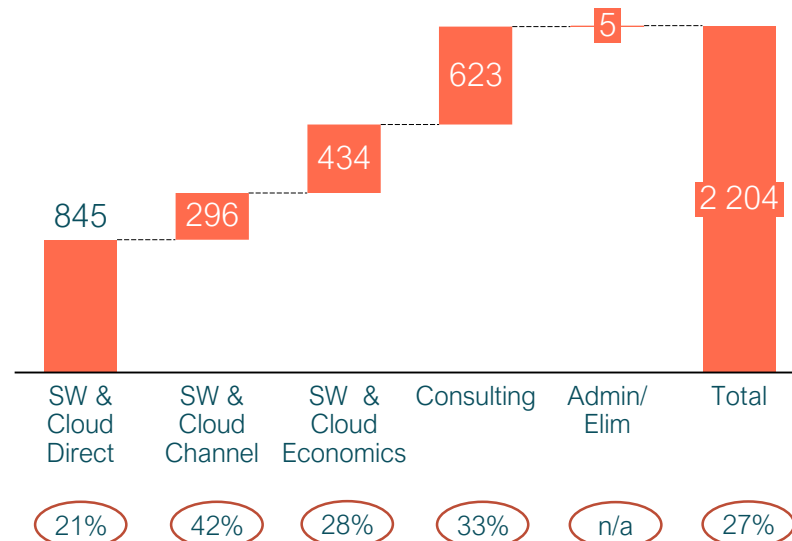
Appendix

# Strong Q3 leads to 27% gross profit growth LTM

LTM gross profit by market cluster  
NOK million



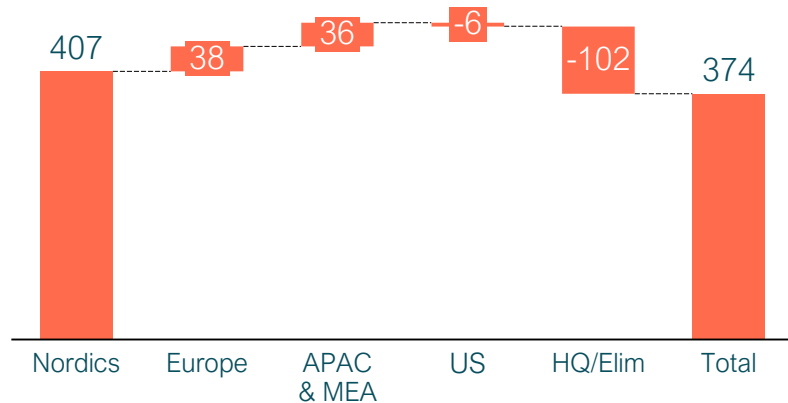
YoY gross profit growth by business area  
NOK million



<sup>1</sup> LTM vs previous LTM period

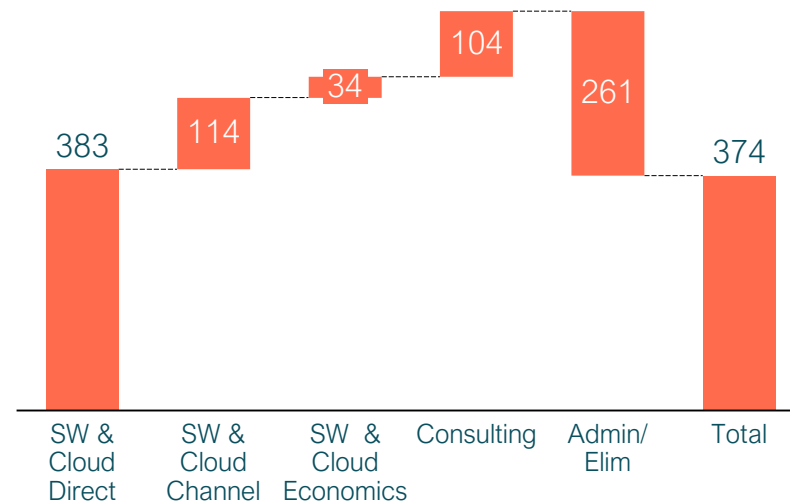
# LTM Adjusted EBITDA of NOK 374 million

LTM adjusted EBITDA by market cluster  
NOK million



EBITDA margin <sup>1</sup>	34%	8%	13%	-2%	n/a	17%
Change in EBITDA margin <sup>2</sup>	+2.4 pp	+0.5 pp	+3.4 pp	+5.3 pp	n/a	+1.3 pp

LTM adjusted EBITDA by business area  
NOK million

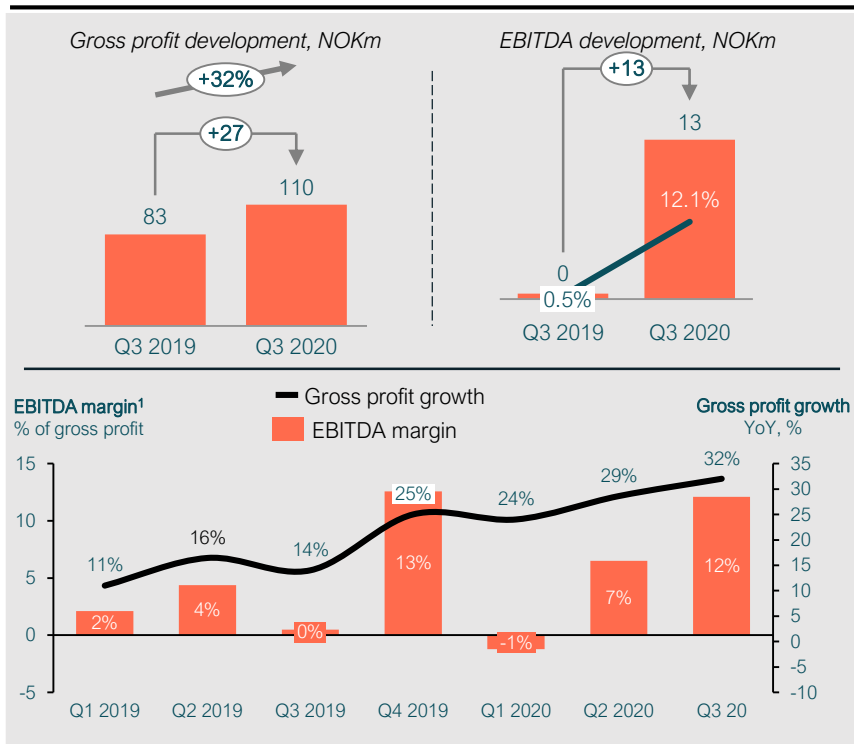


45%	38%	8%	17%	n/a	17%
-2.6 pp	-0.4 pp	+3.4 pp	-0.2 pp	n/a	+1.3 pp

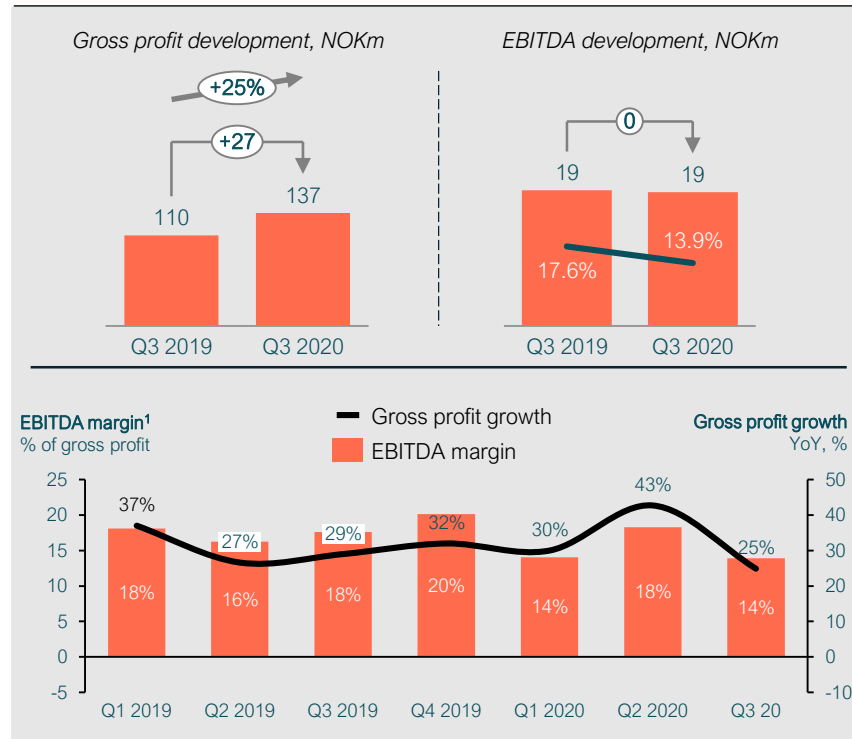
<sup>1</sup> adjusted EBITDA as share of Gross Profit  
<sup>2</sup> LTM vs previous LTM period

# Services

## SW & Cloud Economics



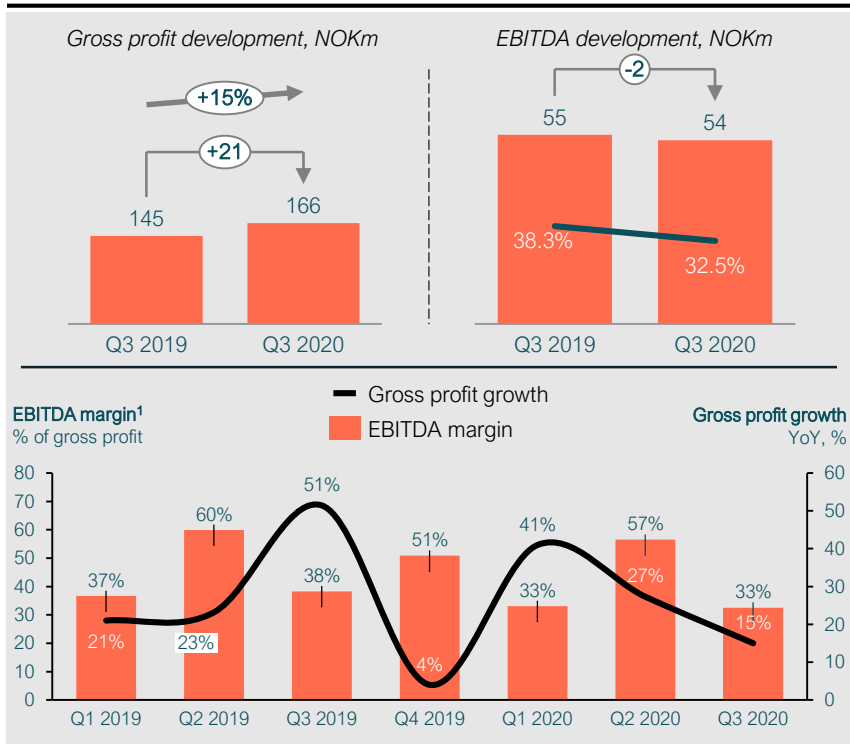
## Consulting



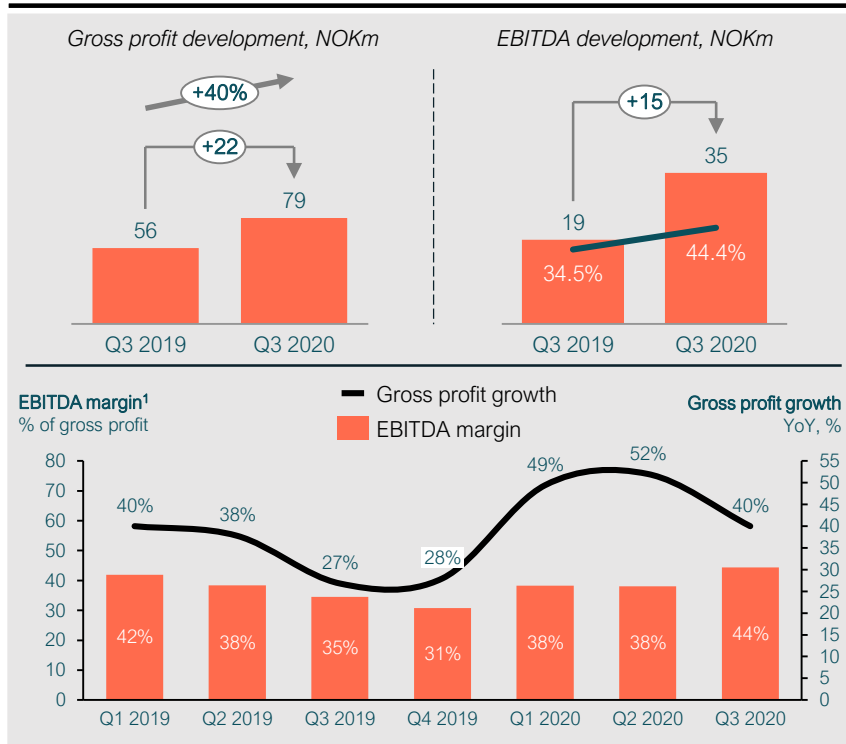
• 1 Adj. EBITDA divided by reported gross profit

# Software

## SW & Cloud Direct



## SW & Cloud Channel



• 1 EBITDA divided by reported gross profit



# Global SW&Cloud vs Services Split

