



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

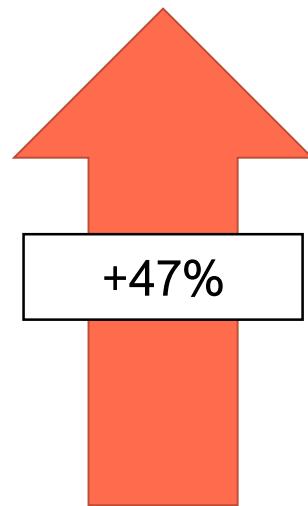
4 All-time High Cloud Mix With MNOK 150 “Profit Backlog”



Q3 2020 HIGHLIGHTS

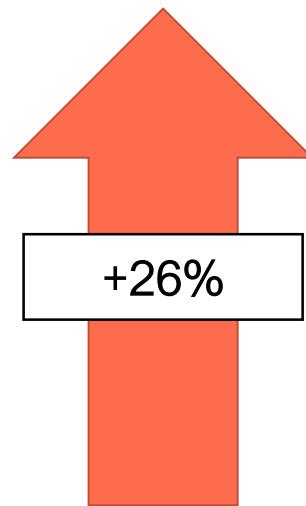
1 11th Consecutive Record-breaking Quarter

Compared to corresponding period last year



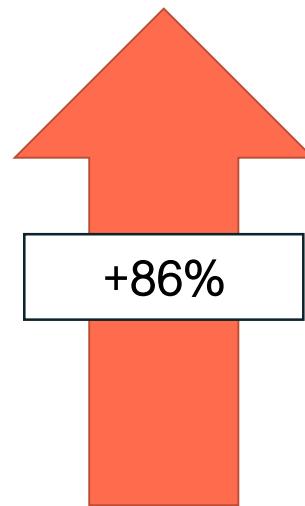
Revenue

MNOK 3,668



Gross Profit

MNOK 496



EBITDA¹

MNOK 64

MNOK 18,203

MNOK 2,204

MNOK 374

LAST 12 MONTHS

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

Strong Performance Across Markets; US leading

Compared to corresponding period last year

EBITDA improvement

NOK millions

10

8

6

4

2

0

Size = Q3 2020
gross profit

Nordics

APAC & MEA

US

Europe

20%

30%

40%

50%

60%

Gross profit growth
%

Gross profit: +42%



EBITDA: MNOK +7



2 Strong Performance Across Business Areas


 YoY change

SOFTWARE		SERVICES	
Software & Cloud Direct	Software & Cloud Channel	Software & Cloud Economics	Consulting
Gross profit growth ¹	+15%	+40%	+25%
EBITDA margin ²	32%  -6pp	44%  +10pp	14%  -4pp
Significant client wins	   	  	  
Q3 drivers and outlook	<ul style="list-style-type: none"> Digital collaboration & remote operations Shift to monthly subscription models Security investments Capacity increase 	<ul style="list-style-type: none"> Security & mobility investments Low churn combined with strong focus on partner signup Growth on new technology platforms (AWS) and partner segments (ISVs) 	<ul style="list-style-type: none"> Strong market demand for in Cloud Economics & optimization services 86% YoY growth in recurring contracts Exceptional strong performance in US

¹ Gross profit growth Year over Year ("YoY")

² EBITDA as a percentage of gross profit

3

Q3 customer wins confirm strategic value creation levers



Q3 customer win Strategic value creation levers

Road maintenance optimization
Automate defect detection & evaluation



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

- 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

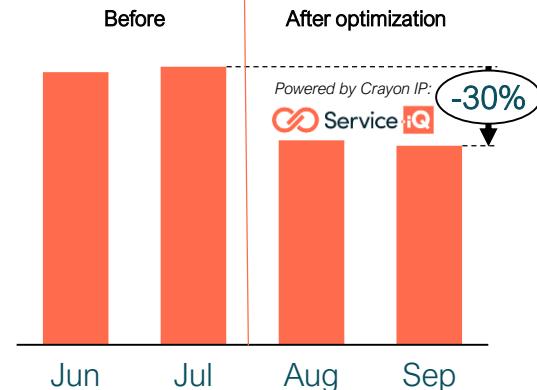
Q3 customer wins confirm strategic value creation levers



Q3 customer win | Strategic value creation levers



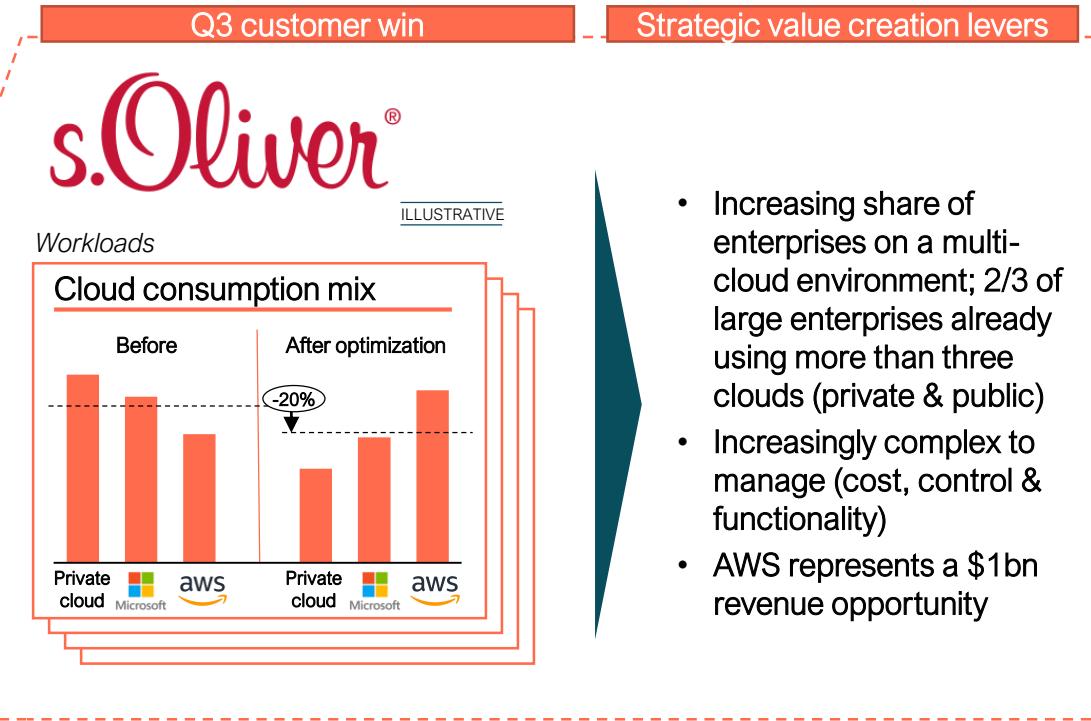
Cost optimization
Cloud infrastructure spend, \$/month



- 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

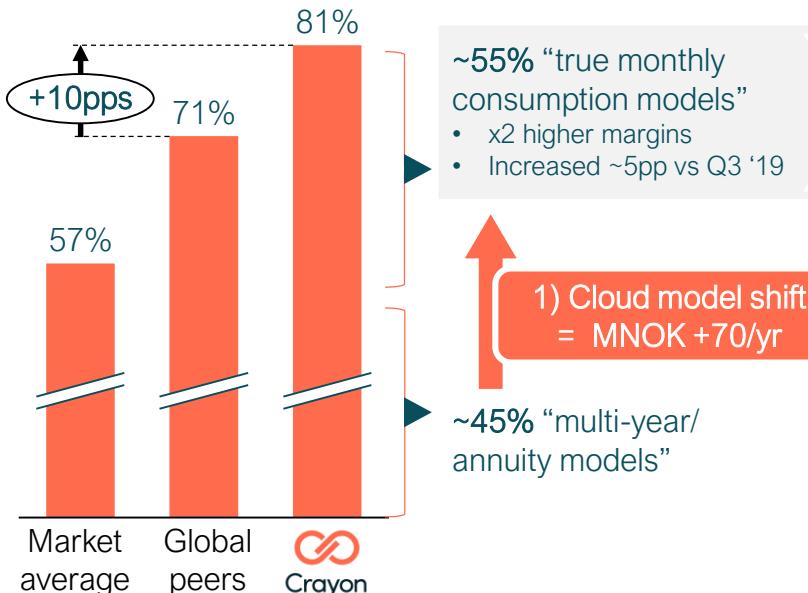


Q3 2020 HIGHLIGHTS

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

Cloud mix¹

Percent of total software & cloud revenues, Q3 2020



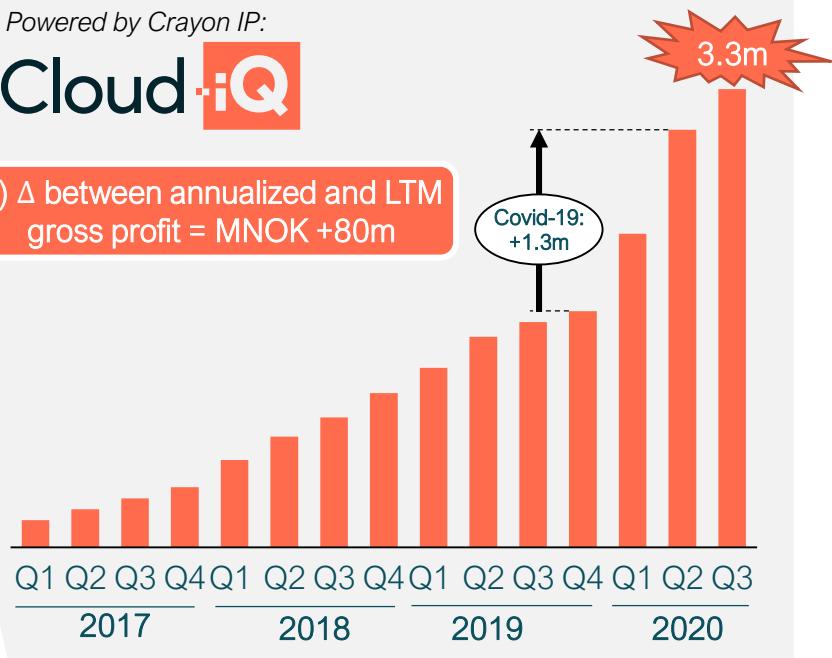
Cloud subscriptions

Number of active end-users, million

Powered by Crayon IP:



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



1 Based on Microsoft revenues; Cloud Revenue Metrics includes Public Cloud + Hybrid Cloud (SPLA & System Center)

2 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

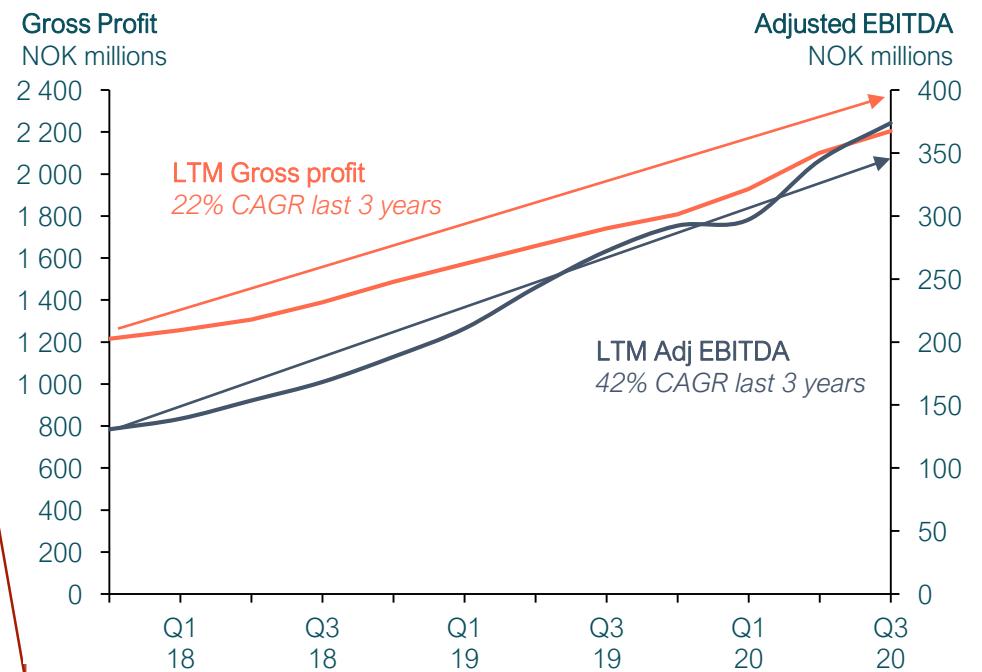
Sustained GP and EBITDA growth

2

EBITDA margin improvement across all regions

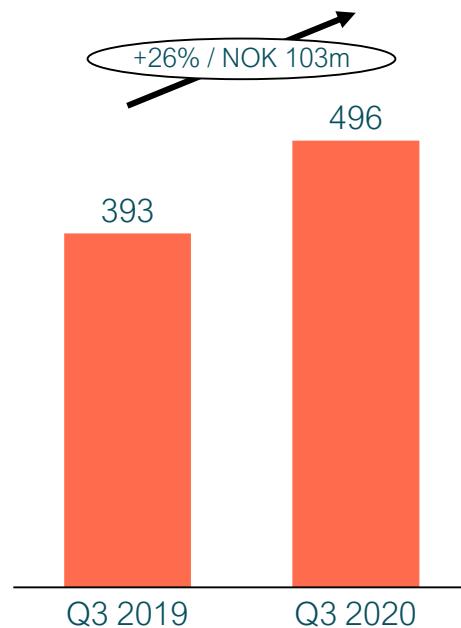
3

Strong liquidity position of NOK 652 mn

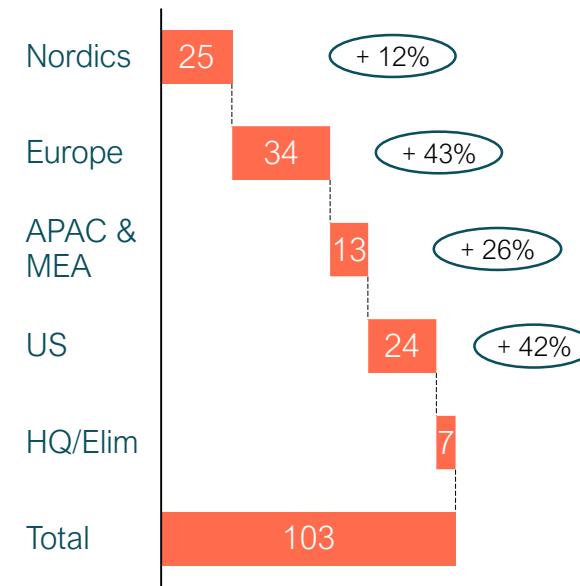


Strong GP growth across markets and segments

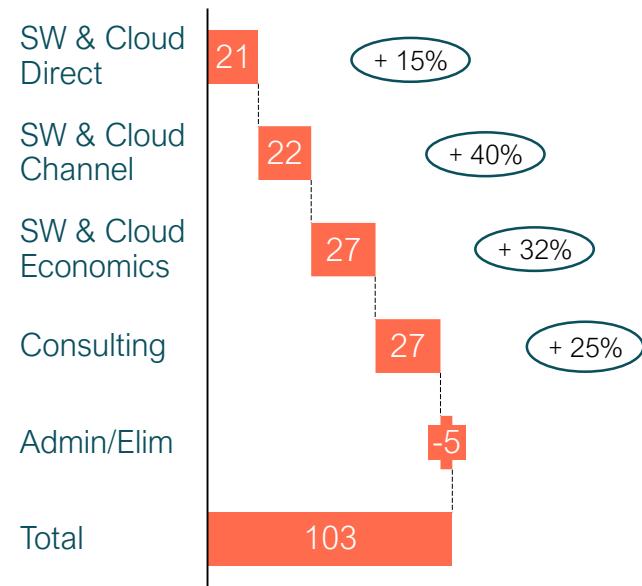
Gross profit
NOK million



YoY gross profit growth by market cluster
NOK million

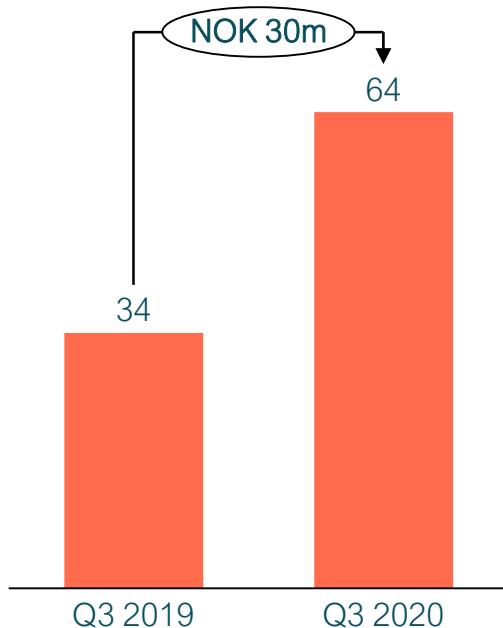


YoY gross profit growth by business area
NOK million

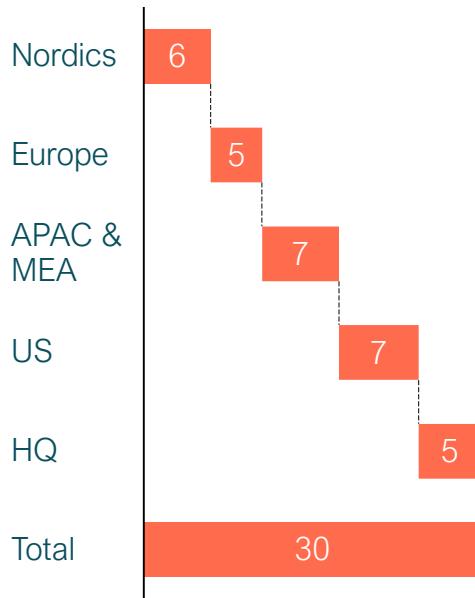


EBITDA growth balanced across all markets

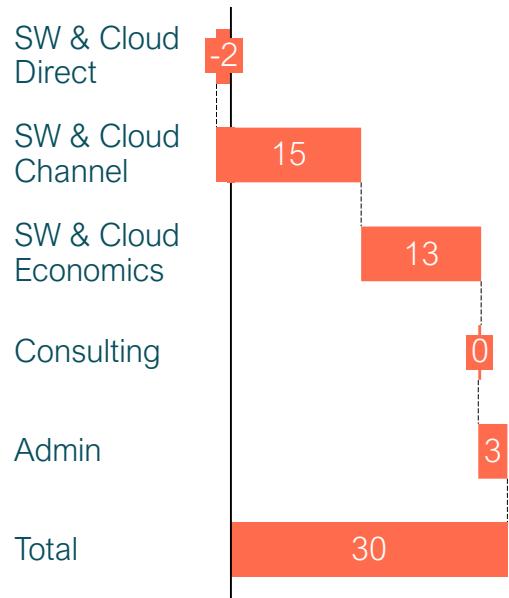
Adjusted EBITDA
NOK million



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.

International
GP share

31%

36%

38%

43%

47%

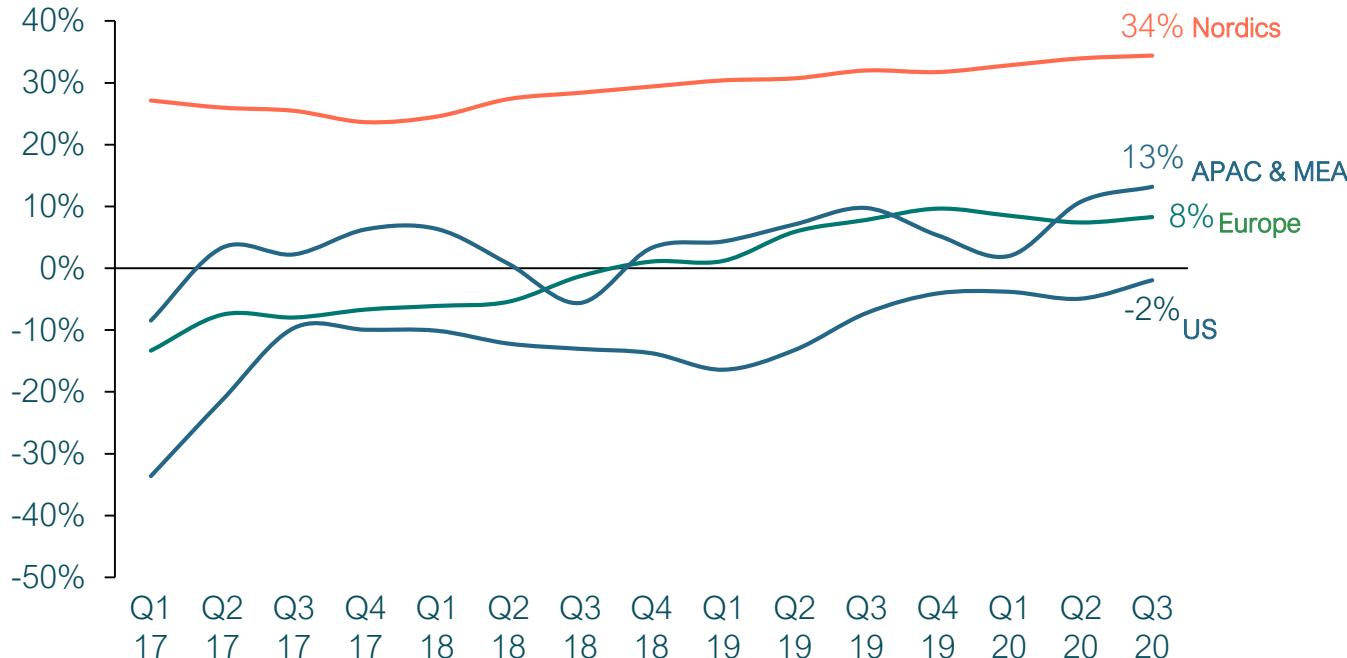
Adjusted EBITDA¹
NOK million



- 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

¹ 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

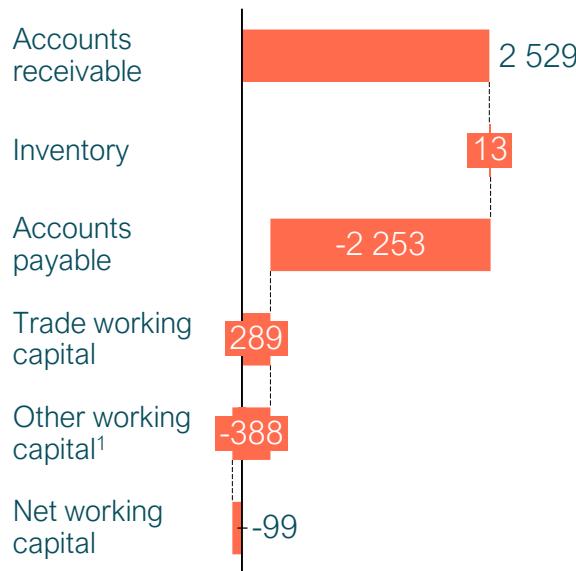
LTM adjusted EBITDA margin¹

- 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

¹ Adjusted EBITDA as share of Gross Profit

Working capital driven by seasonality

2020 Q3 net working capital
NOK million



Net working capital over time
NOK million



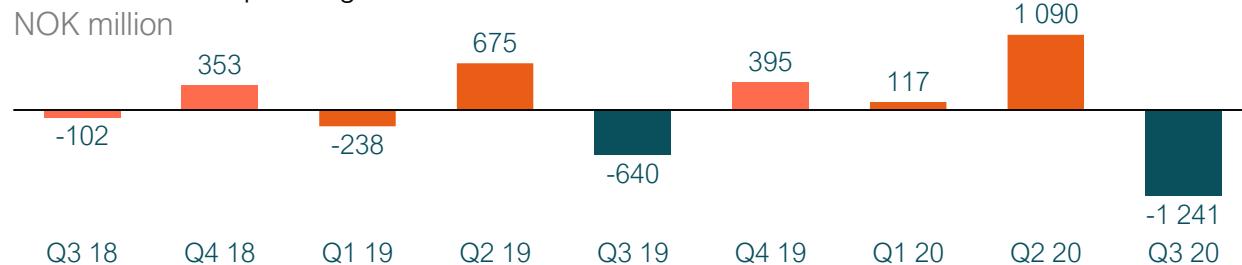
- Q3 2020 net working capital is 74 MNOK more negative than Q3 2019, driven by a decrease of trade working capital of 124 MNOK and increase in other working capital of 50 MNOK
- Improvement driven by a combination of improved collection processes and renegotiated payment terms in light of Covid-19 –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

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

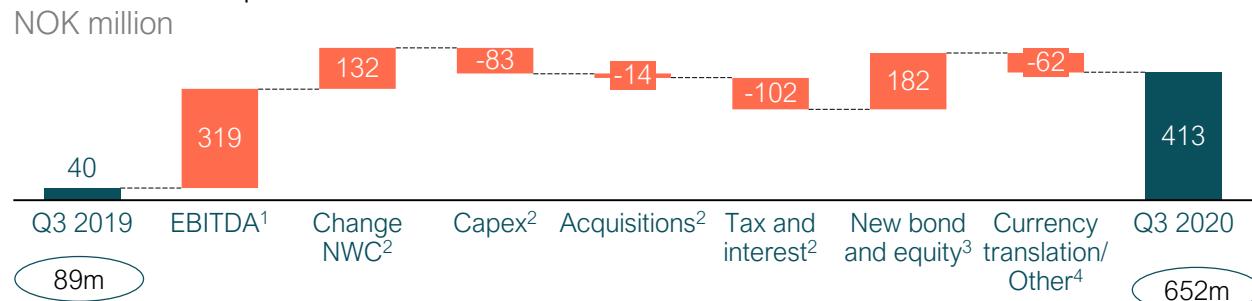
Q3 2020 FINANCIAL REVIEW

Strong liquidity position end Q3

Cash flow from operating activities



LTM cash development



¹ EBITDA (non-adjusted)

² As seen from the cash flow statement;

³ 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

⁴ Also includes cash flow effects from IFRS 16, cash flow from financing activities etc

⁵ 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

- 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

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
Gross profit	393.1	496.3	1 282.1	1 677.3
Payroll and related costs	-309.0	-409.9	-949.8	-1 255.3
Other operating expenses	-52.9	-54.1	-166.4	-186.8
Total operating expenses	-362.0	-464.0	-1 116.2	-1 442.1
EBITDA	31.2	32.3	165.9	235.3
Depreciation	-9.6	-13.9	-29.6	-39.6
Amortisation	-18.3	-21.9	-53.7	-63.5
EBIT	3.2	-3.5	82.6	132.2
Interest expense	15.8	8.7	44.5	31.9
Other financial expense, net	-4.4	10.5	-3.2	32.6
Ordinary result before tax	-8.2	-22.7	41.4	67.6
Income tax expense on ordinary result	-9.9	3.9	-22.6	-35.5
Net (loss) income	-18.0	-18.8	18.8	32.1
Adjusted EBITDA reconciliation				
Reported EBITDA	31.2	32.3	165.9	235.3
Other income and expenses	3.1	31.6	28.4	40.5
Adjusted EBITDA	34.3	64.0	194.4	275.7

- 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 decrease 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
ASSETS		
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
Total intangible assets	1 086.1	1 078.5
Equipment	33.2	39.8
Right of use assets	120.5	133.9
Total tangible assets	153.6	173.7
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
Total current assets	1 835.8	3 143.0
Total assets	3 097.3	4 417.6
LIABILITIES AND SHAREHOLDERS' EQUITY		
Share capital	75.4	81.2
Own shares	-0.0	-0.0
Share premium	588.4	914.2
Sum paid-in equity	663.8	995.4
Retained Earnings	-59.1	2.7
Total equity attributable to parent company sh	604.6	998.1
Non-controlling interests	-10.6	-7.4
Total shareholders' equity	594.1	990.7
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
Total long-term liabilities	187.4	499.7
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	-
Total current liabilities	2 315.9	2 927.3
Total liabilities	2 503.3	3 426.9
Total equity and liabilities	3 097.3	4 417.6

	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
Net interest bearing debt (NIBD)	470,4	-10,9

- 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 ¹	-611.3	-942.4	-316.3	-83.2
Changes in other current assets	-56.8	-313.4	-33.2	-125.1
Net cash flow from operating activities	-640.1	-1 240.5	-203.7	-33.8
Net cash flow from financing activities	-24.0	-18.3	-81.3	268.9
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
Net cash flow from investing activities	-12.3	-17.7	-54.2	-65.2

- 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
Gross profit growth	+21.7 %	+26.6%	+25-30%	+10-15 %	Strong 2020 growth rates based on growth opportunity and currency tailwind
Adjusted EBITDA as share of gross profit	16.2%	17.0%	16-17%	Gradually increase to 19%	Higher growth rates has a short term negative impact on EBITDA margin
NWC¹	-10.7 %	-24.9%	-20% to -25%	-10% to -15%	Expect NWC to fluctuate around historic levels in the medium term
Capex	NOK 76m	NOK 82.6m	NOK 80-85 m	NOK~70m	Updated outlook to reflect continued investments in platforms and IP

¹Average 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





Appendix

Strong Q3 leads to 27% gross profit growth LTM

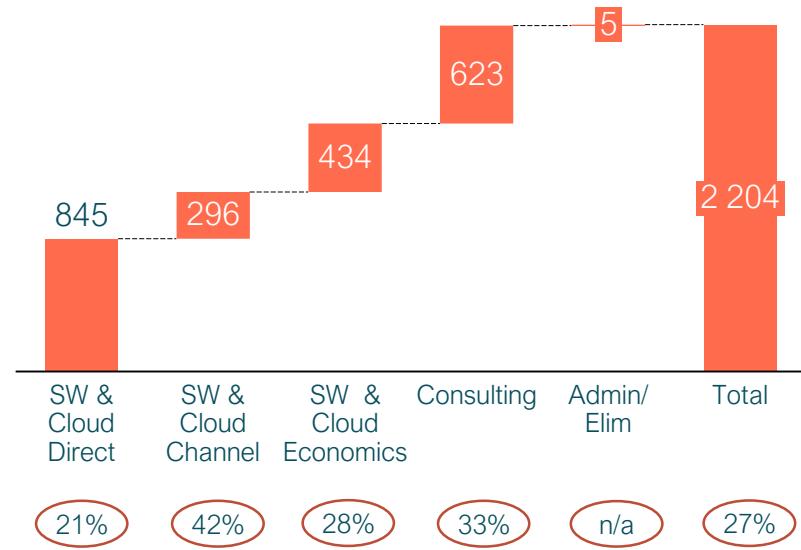
LTM gross profit by market cluster

NOK million



YoY gross profit growth by business area

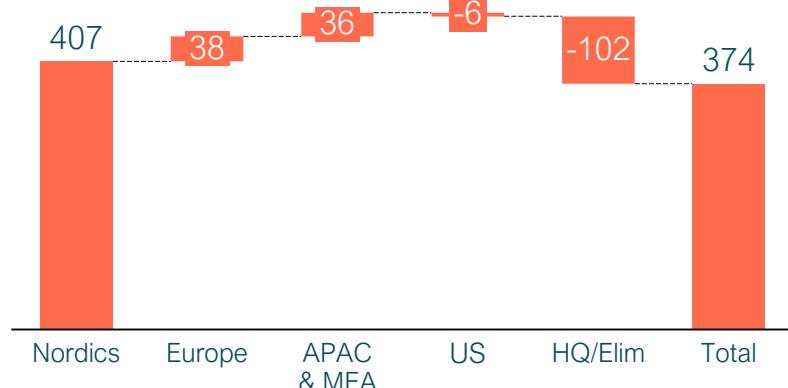
NOK million



¹ LTM vs previous LTM period

LTM Adjusted EBITDA of NOK 374 million

LTM adjusted EBITDA by market cluster
NOK million



EBITDA margin ¹	34%	8%	13%	-2%	n/a	17%
Change in EBITDA margin ²	+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



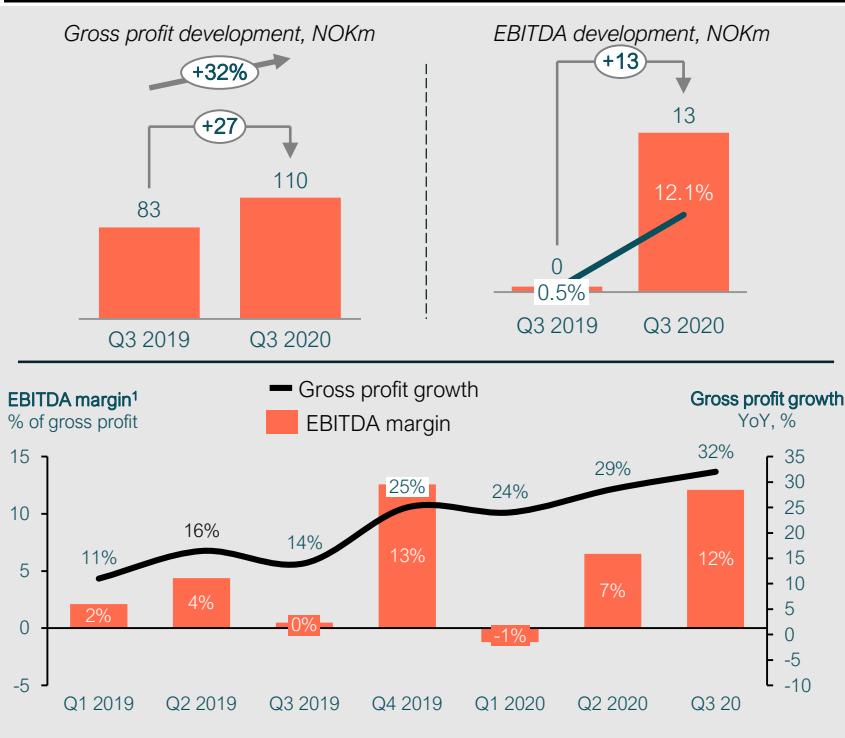
EBITDA margin ¹	45%	38%	8%	17%	n/a	17%
Change in EBITDA margin ²	-2.6 pp	-0.4 pp	+3.4 pp	-0.2 pp	n/a	+1.3 pp

1 adjusted EBITDA as share of Gross Profit

2 LTM vs previous LTM period

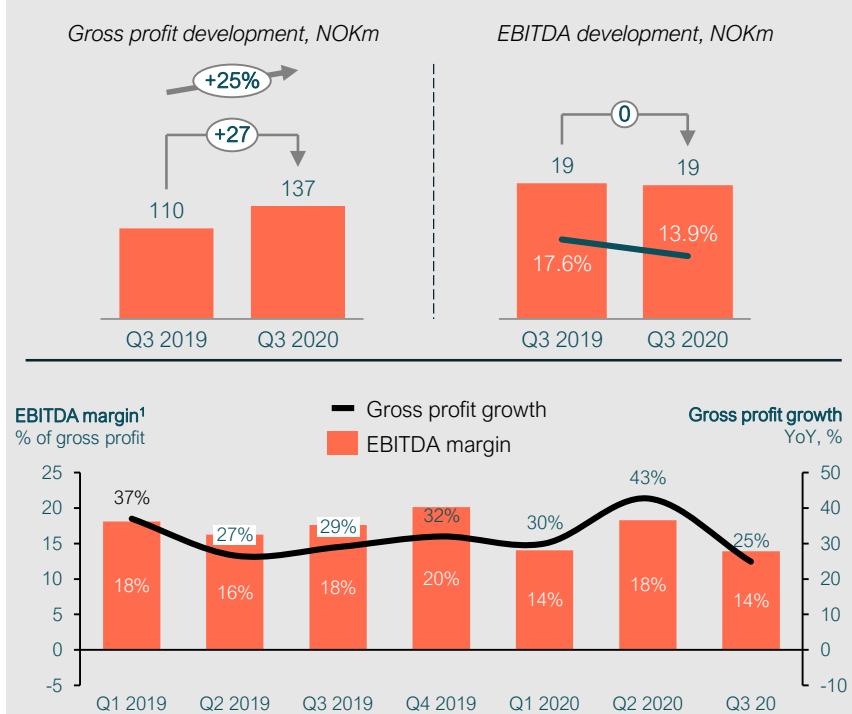
Services

SW & Cloud Economics



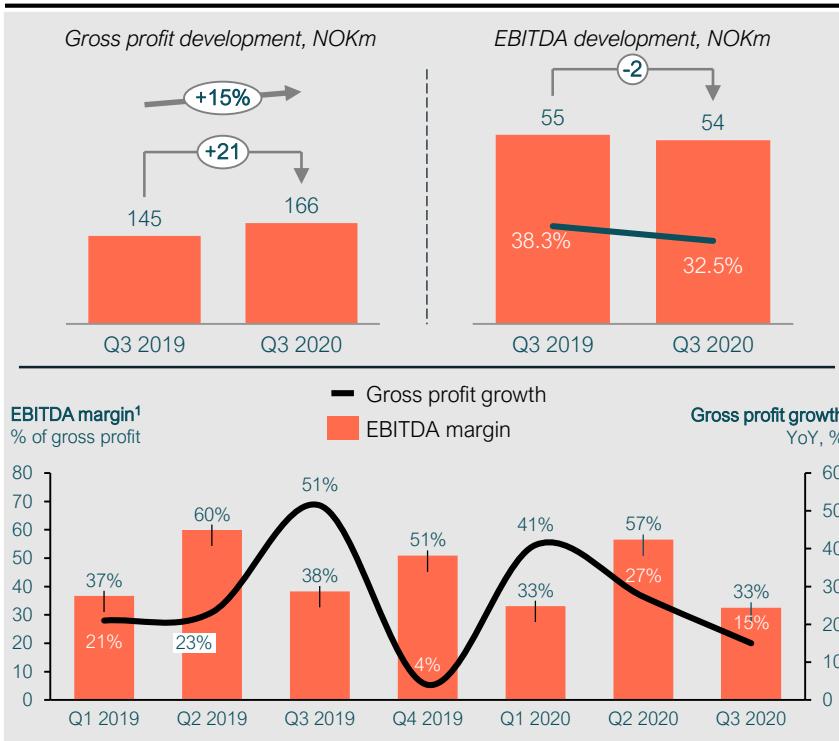
¹ Adj. EBITDA divided by reported gross profit

Consulting

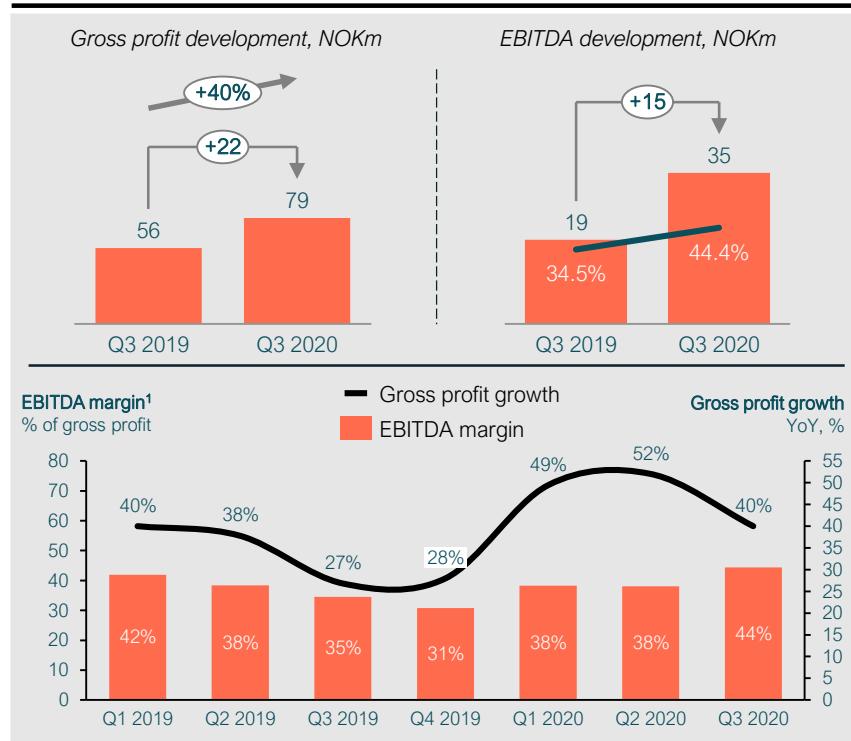


Software

SW & Cloud Direct



SW & Cloud Channel



¹ EBITDA divided by reported gross profit

Global SW&Cloud vs Services Split

