



# Quarterly Results

Q1 2023

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23 May 2023

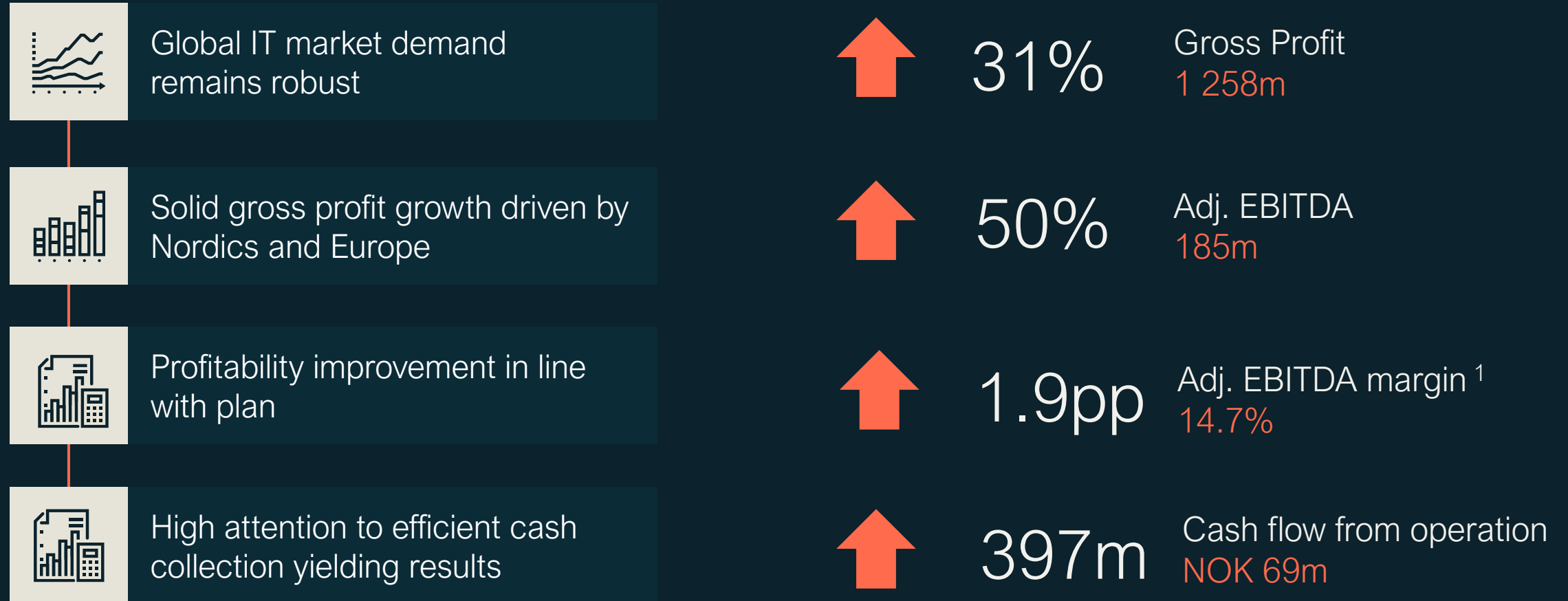
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## Q1 HIGHLIGHTS

# Strong business performance

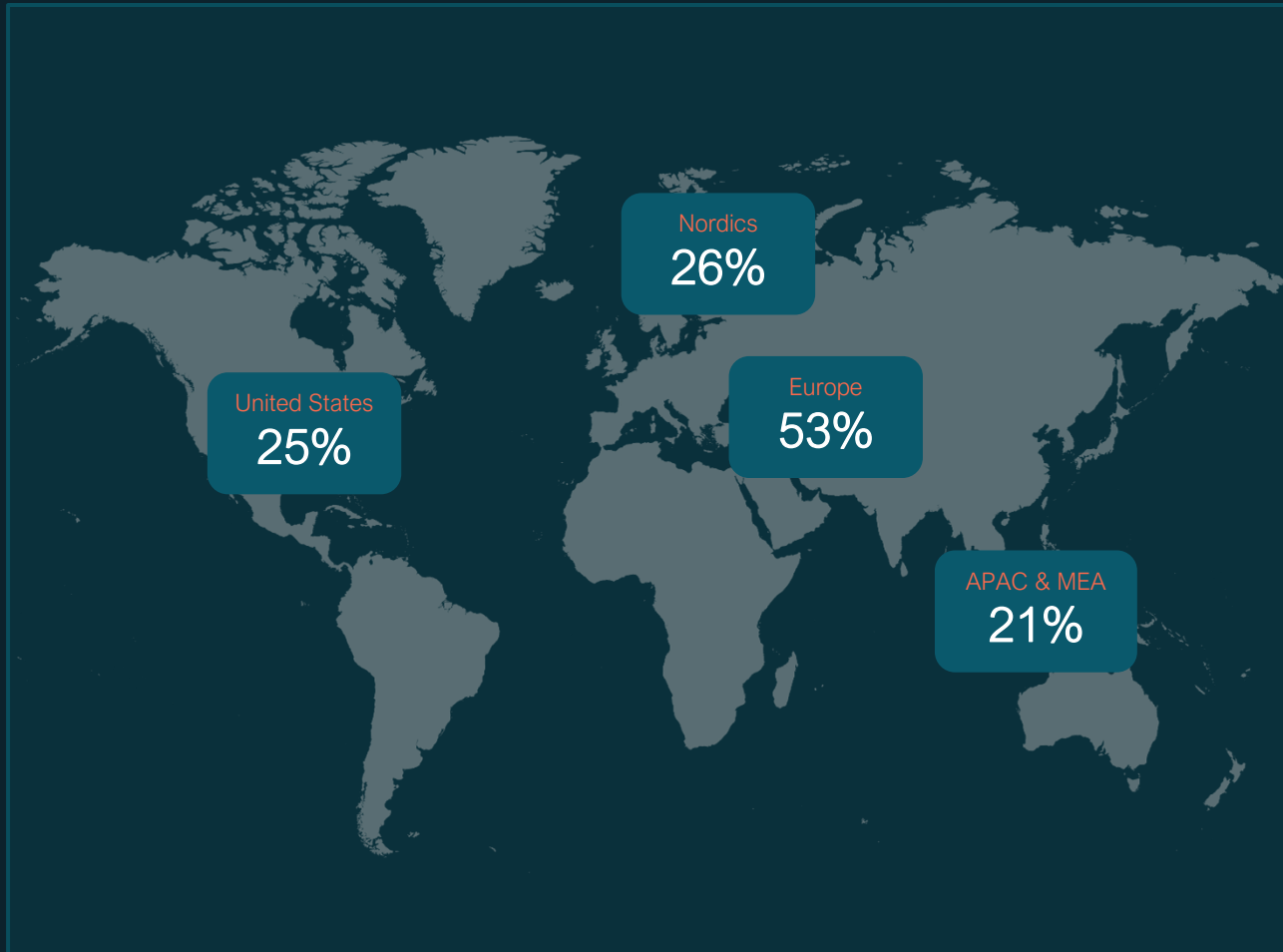
Amounts in NOK



<sup>1</sup> Adjusted EBITDA divided by Gross Profit

## Q1 HIGHLIGHTS

# Strong gross profit growth across geos and businesses



Software and Cloud Direct  
54%



Software and Cloud Channel  
34%



Software and Cloud Economics  
32%



Consulting  
25%

YoY Gross Profit growth

## MARKET

# Customers challenged by increased complexity in IT ecosystems and uncertain macro economic climate

Macro economic uncertainties remain

Digital transformation accelerating

Cloud adoption / migration - multi cloud environment

Cost savings and optimization - Managing cloud spend

Addressing security risk

Demand for Data and AI exploding

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

1

Reduce IT spend

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

2

Maximize business value

Enabling the customer to maximize every dollar invested with value-added services

3

Invest in technology

Investing in new technology to accelerate business outcome and value

Optimizing IT spend – Crayon's DNA

## MARKET

# Macroeconomic environment uncertainties remain but global IT market continues to be resilient

### Nordics

- Nordic economies still solid – strong digitalization drive
- Nordics frontrunners in cloud – high demand for cloud migration and optimization capabilities
- Demand for Data & AI capabilities accelerating
- Highly competitive talent market

### Europe

- Demand in DACH region remain strong
- Highly competitive market situation
- Strong drive in UK tech sector
- Eastern Europe demand strong despite Ukraine war

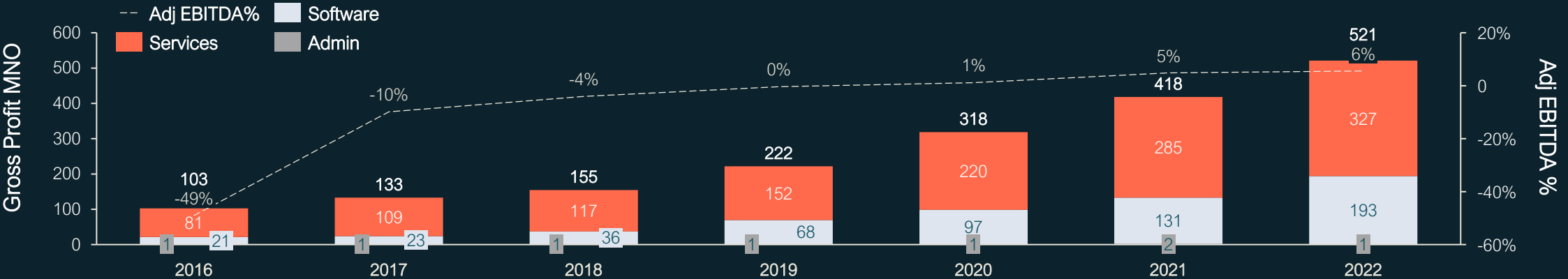
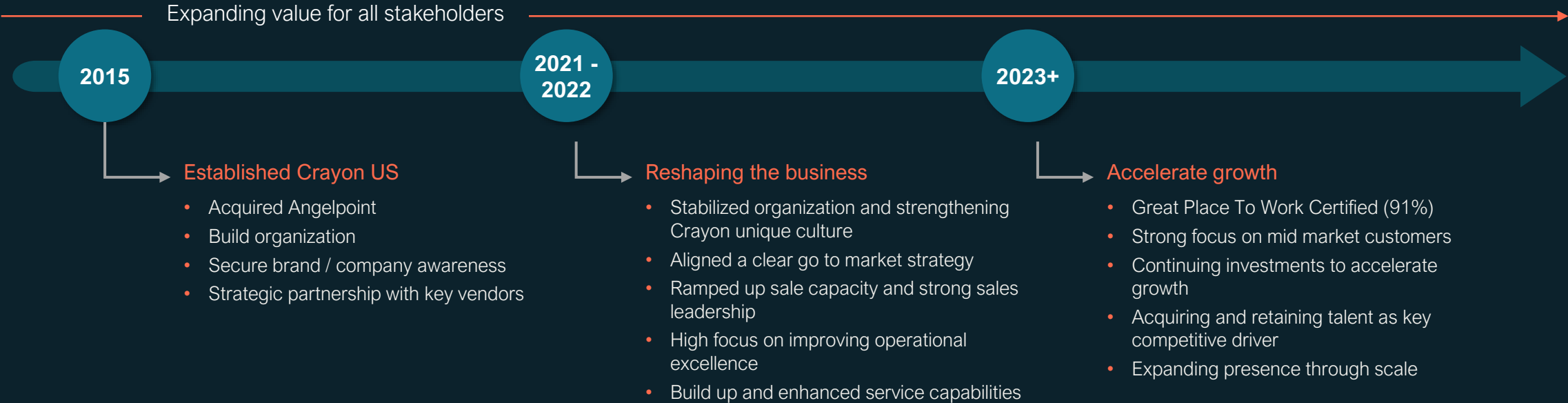
### United States

- Challenging economic environment: Increased interest rates, wage inflation, and recessionary pressures
- Cost optimization, Data and AI, and security among top CIO priorities
- Highly competitive market
- Significant tech sector layoffs but talent market remains competitive for certain skills

### APAC & MEA

- Economic challenges drive demand for cost savings and optimization services
- Recent Deloitte study shows roughly 84% enterprises in India prefer hybrid or multi-cloud environment
- India seeing continued strong growth in public cloud spending- Gartner forecast 27% in 2023

# US status





## STRATEGY AND AMBITION

# AWS and Crayon: A renewed and expanded partnership

- ● Crayon signs four-year Strategic Collaboration Agreement with Amazon Web Services

New agreement expands existing **AWS Premier Tier Services Partnership** to help accelerate cloud adoption and cloud migration for Crayon customers.

### This significant agreement:



Creates a Crayon team of 500 certified AWS experts worldwide



Strengthens our Crayon Cloud Center of Excellence



Recognizes Crayon's deep technical expertise



Provides easier access to best-in-class services





# Our Global Data & AI Practice

## Mission

We enable our customers to become data-driven enterprises by generating value from data with scalable data platforms and AI powered solutions.

## Purpose

The Crayon Data & AI Practice was established to serve the increasing global demand on data-driven business.

## Delivery



*Specialized sales in local **subsidiaries**.*



*Delivery is executed through a globally managed **Center of Excellence**.*

## Crayon Differentiators



Close relationship to customers



Proven, industry-specific solutions



Certified, highest quality services



Managed services

## Center of Excellence Stats

**140**

FTEs dedicated resources

**300+**

Projects successfully delivered

**10**

Years average of experience in the field

### 4 Locations:

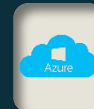
Oslo

Vienna

Singapore

Saudi Arabia

Vendor Independent



**ISO**

certified delivery blueprint with **responsible AI** at its core

**100+**

Solutions in production

**80+**

Dedicated certifications

# Our Global Data & AI Practice

## Purpose-built AI Solutions



Decision Intelligence



Computer Vision



Language Technologies

## Industry-specific Solutions



Manufacturing  
Visual Quality  
Inspection



Data-driven  
Maintenance  
for Production



Incident &  
Safety  
Management



Agricultural  
Remote  
Sensing

## Data & AI Platforms



Cloud Data Platform Advisory



Cloud Data Platforms Delivery



Machine Learning Operations  
(MLOps)

## Maintenance and Support



Production  
Start



Technical  
Updates



Bug Fixing



Operations



Change  
Management

## CUSTOMER STORY

# Data & MLOps platform for biotech industry

*AgriTech's Data-Driven Future: Enabling ML-powered gene editing with a modern Data and MLOps Platform*



### Customer Challenge

- Limited governance over machine learning experiments and data assets
- Diverse tooling hinders maintainability of the platform and incurs cost
- Existing setup had limited scalability potential



### Crayon Solution

- Building scalable and unified Data Platform for efficient data governance
- Building MLOps Platform to optimize costs, performance and maintainability
- Moving several gene-editing projects into production on the new architecture



### Outcome

- Better performance: running the experiments up to 10 times faster
- Cost optimization due to unified tool stack
- Scalability and operationalization of research for production: more resilient solution for scaling into production with high operational visibility
- Time saving with easier maintainability of the solution

INARI™





# Crayon AI & remote sensing aids conservation efforts

The ESG innovation fund was launched in 2021 as an internal initiative to inspire employees to be creative and introduce ESG-related innovation to support non-governmental organizations (NGOs) in becoming more impactful.

Since launching, Crayon has delivered the first funded project in collaboration with Fauna & Flora and AI for Good.



## About the client:

Fauna & Flora is an international conservation charity and non-governmental organization dedicated to protecting the diversity of life on Earth.



## Key business challenges:

- Track changes in the fragile ecosystem of Mu Cang Chai forest, home to Vietnam's last population of western black gibbons
- Measure the extent of degradation in the gibbon's habitat caused by cardamom cultivation



## The Crayon solution:

Crayon developed a cost-effective Proof-of-Concept computer vision-based solution that utilized remote sensing and machine learning to detect illegal cardamom cultivation in satellite imagery.



*"Without Crayon's help, we wouldn't be on our way to a solution to monitoring forest degradation. This is a critical step towards saving Vietnam's last population of western black gibbons."*

- Dr Oliver Wearn  
Senior Technical Specialist, Fauna & Flora

## CUSTOMER STORY

# STADA cloud journey



**Worldwide  
HQ - Serbia**



*STADA is a leading manufacturer of high-quality pharmaceuticals. Worldwide, STADA operates in 120 countries. Infrastructure is spread into more than 40 local on-prem Data Centers and 13,000 users.*



### Client Challenges

- STADA wanted to consolidate distributed data centers, provide robust and cost-optimized IT services to enable easier, faster, and more flexible integrations.



### Crayon Solution

- Crayon helped STADA develop a cloud strategy based on cost optimization, standardization, and innovation. A unified approach for management, governance, and compliance for all distributed data center.
- Crayon acted as a consultant during the RFP process between AWS and Azure.



### Outcome

- Through Crayon's Cloud Migration Assessment, TCO Analysis and Business Value Assessment, STADA says savings of €3.3M (USD3.6M)
- Moving to Cloud through the established cost economics and FinOps processes STADA saved 43% of Cloud revenue, €1M (USD1.1M)



**TOTAL SAVINGS:**  
**€4.3M (USD4.7M)**

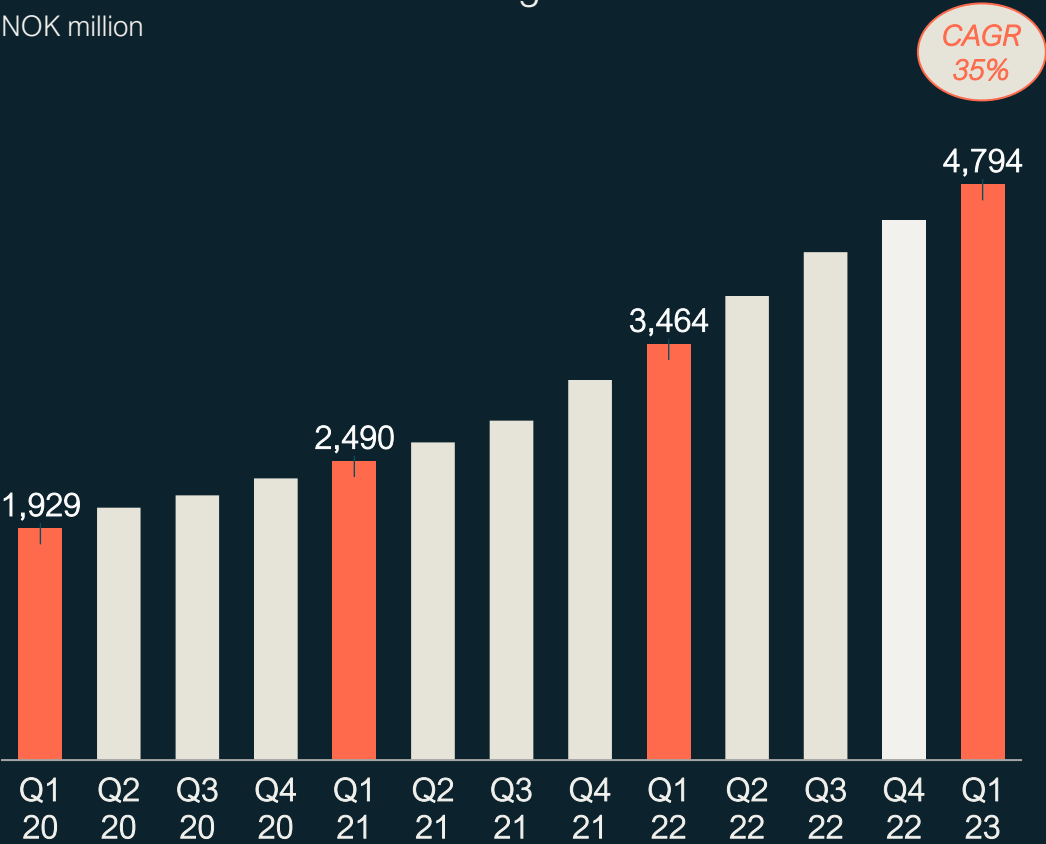


# Financial Review

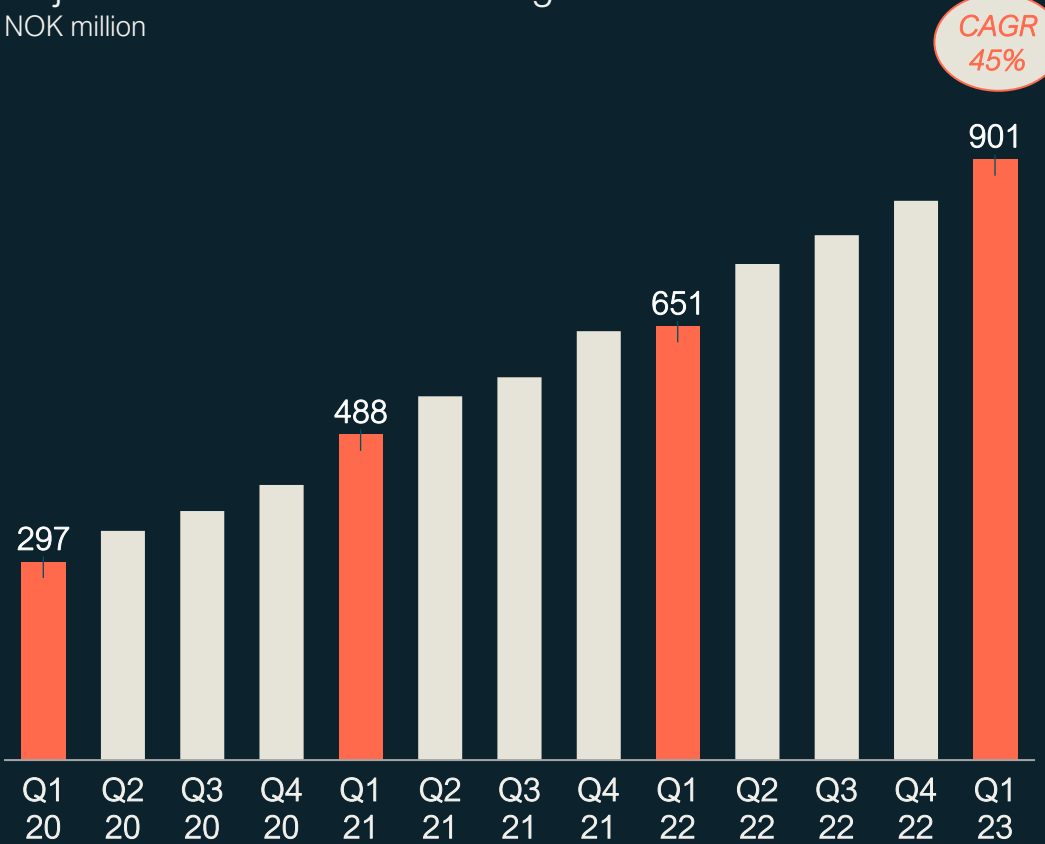


# Continued strong growth momentum and value creation

Gross Profit 12 months rolling  
NOK million



Adj. EBITDA 12 months rolling  
NOK million

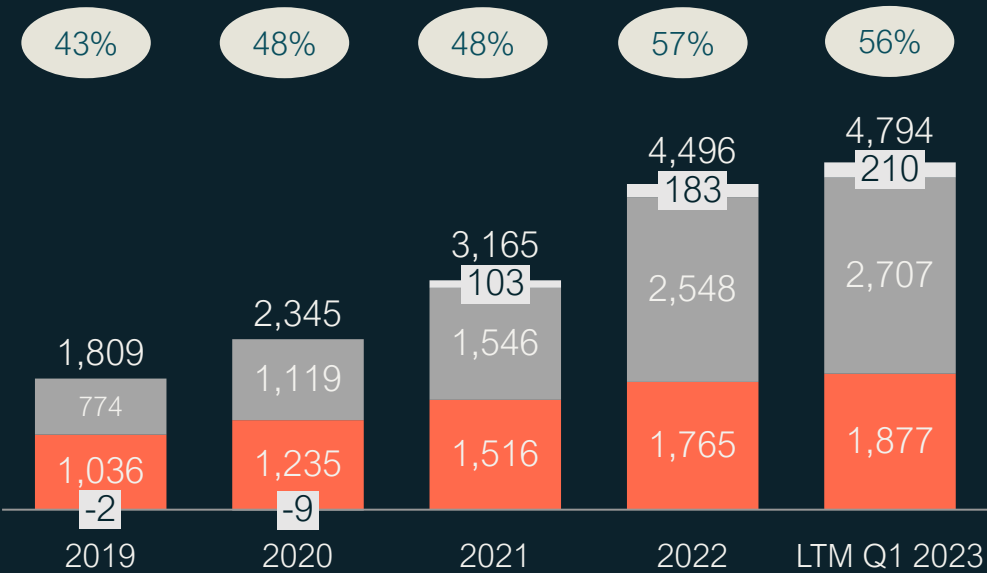


FINANCIAL REVIEW

56% of Gross Profit coming from international markets

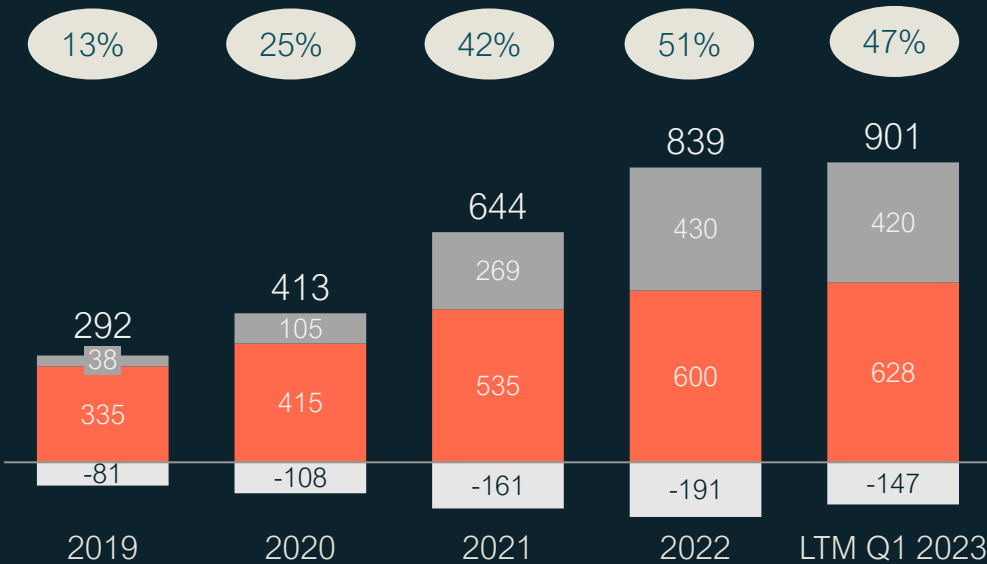
Gross Profit <sup>1</sup>

NOK million



Adj. EBITDA <sup>1</sup>

NOK million



Nordic International HQ/Elim. % International share

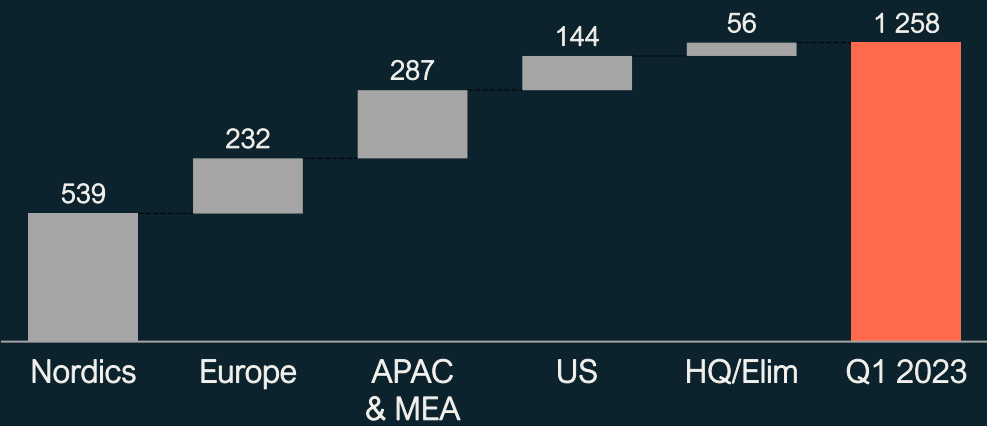
1) 2018 – 2020 based on reporting as principle - restated as agent in 2021

FINANCIAL REVIEW

Strong growth momentum across all market clusters

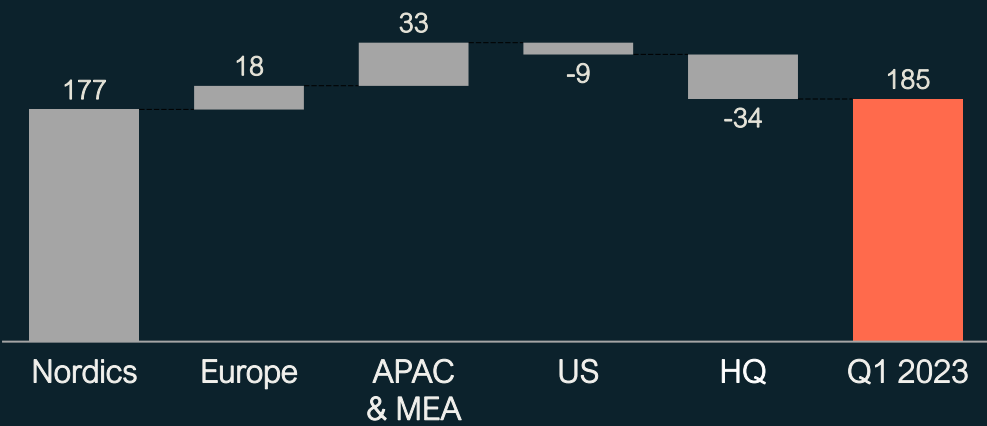
Q1 Gross Profit by market cluster

NOK million

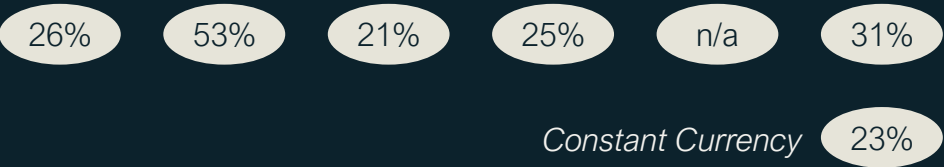


Q1 Adj. EBITDA by market cluster

NOK million



Growth  
YoY



EBITDA  
Margin <sup>1</sup>

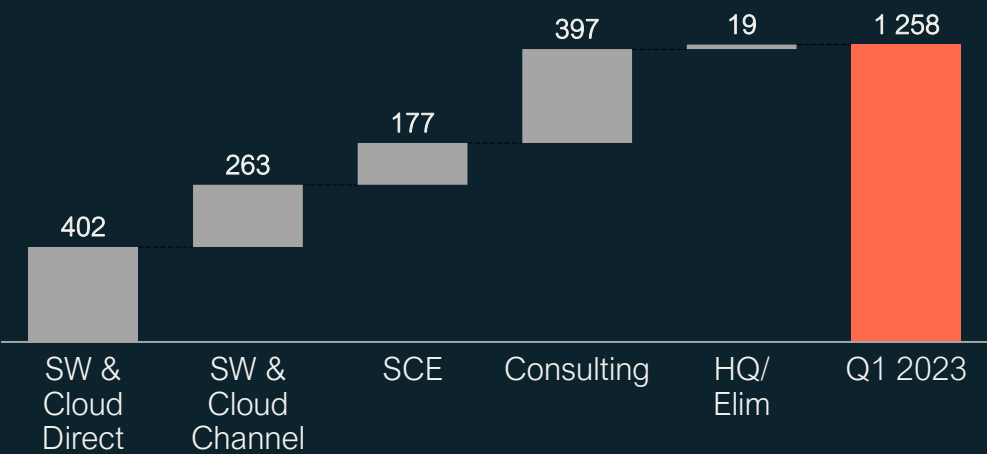


<sup>1</sup> Adjusted EBITDA divided by Gross Profit

# Solid growth across all business areas

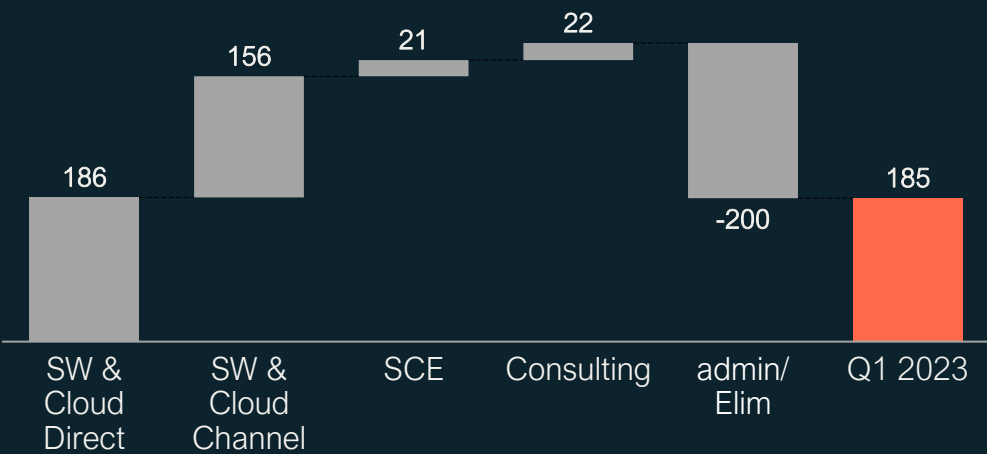
Q1 Gross Profit by business area

NOK million

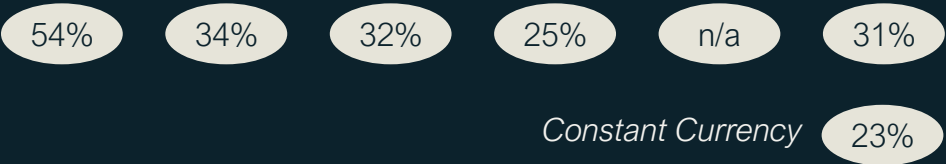


Q1 Adj. EBITDA by business area <sup>1</sup>

NOK million



Growth  
YoY



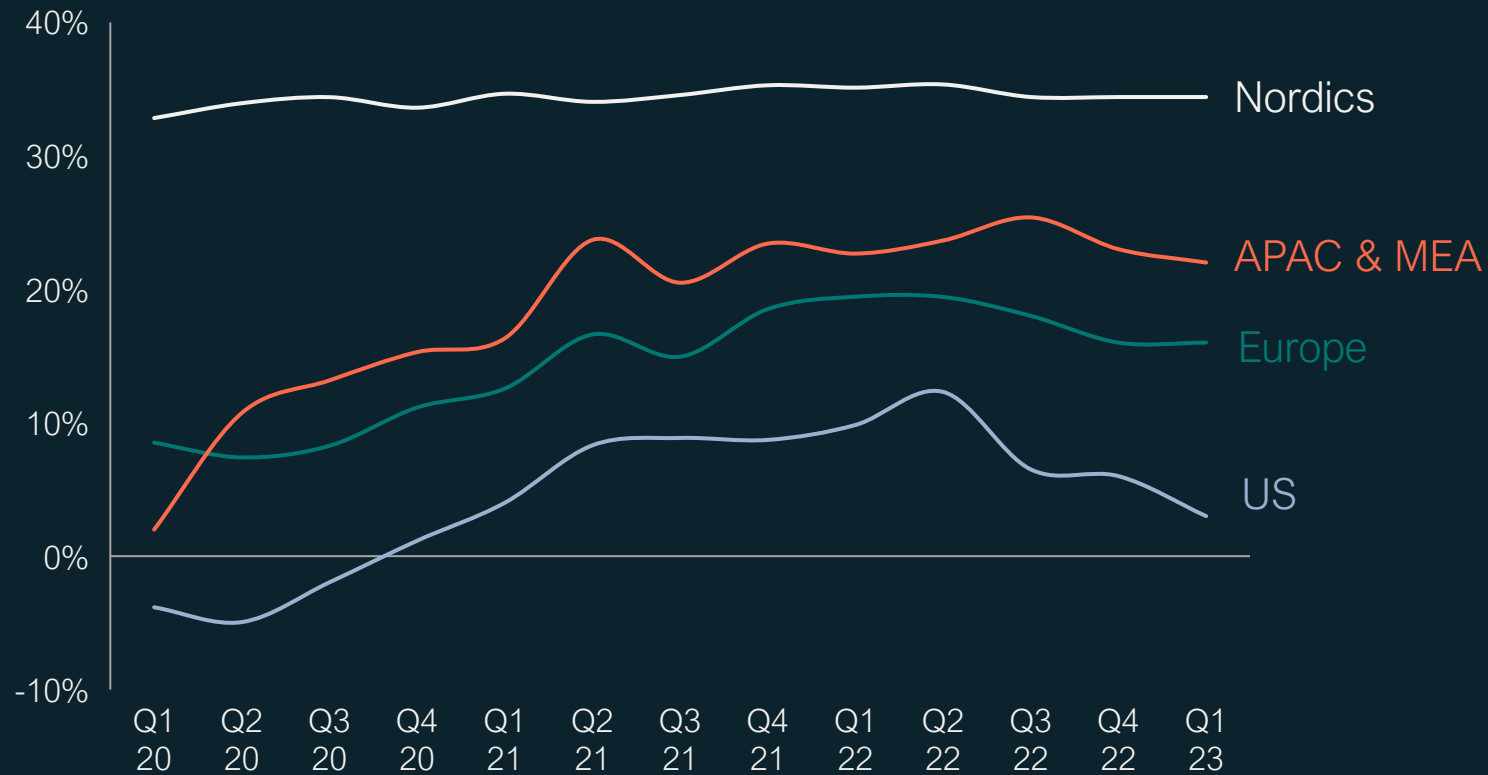
EBITDA  
Margin <sup>2</sup>



<sup>1</sup> Adjusted EBITDA divided by Gross Profit

# Margin development

12-months rolling EBITDA margin <sup>1</sup>



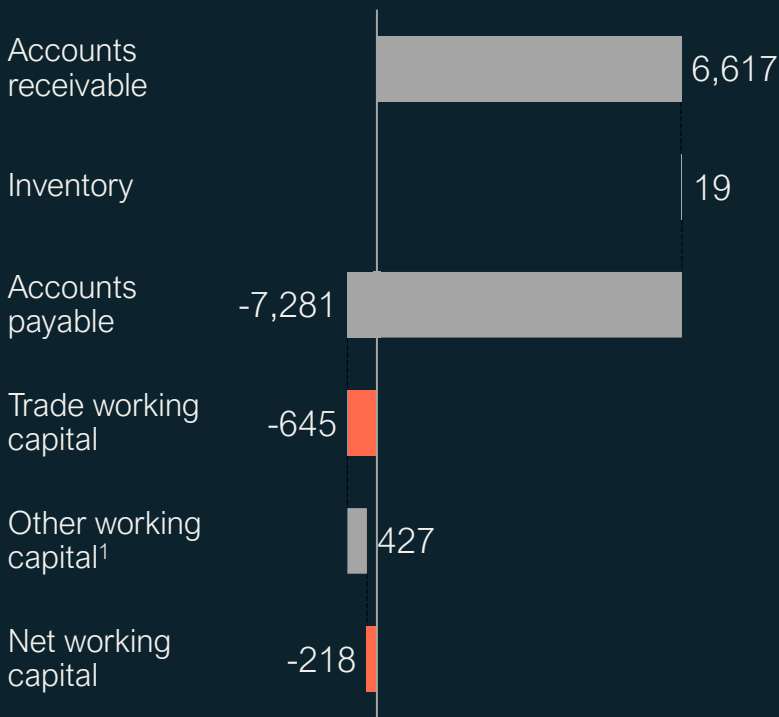
- Nordic margin stable - representing margin potential for businesses operating at scale
- Stable development in APAC & MEA - impacted by significant one-time cost in Q4 22 of NOK 40m
- Scale benefits materializing in Europe
- US continues to invest in growth

<sup>1</sup> EBITDA divided by Gross Profit

# Improved working capital performance

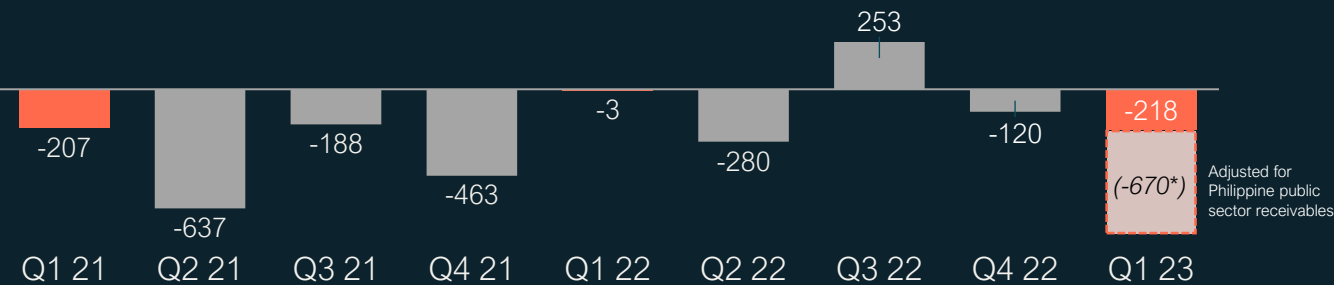
Net working capital Q1 2023

NOK million



Net working capital over time

NOK million



Change in net working capital driven by a NOK 567m decrease in trade working capital while offset by NOK 469m increase in other working capital mainly due to VAT accruals.

Adjusted for outstanding Philippine public sector receivables net working capital totals apprx. NOK -670m.

Average LTM NWC as share of LTM gross profit -2% (-4% adjusted for Philippine's public sector receivables)

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

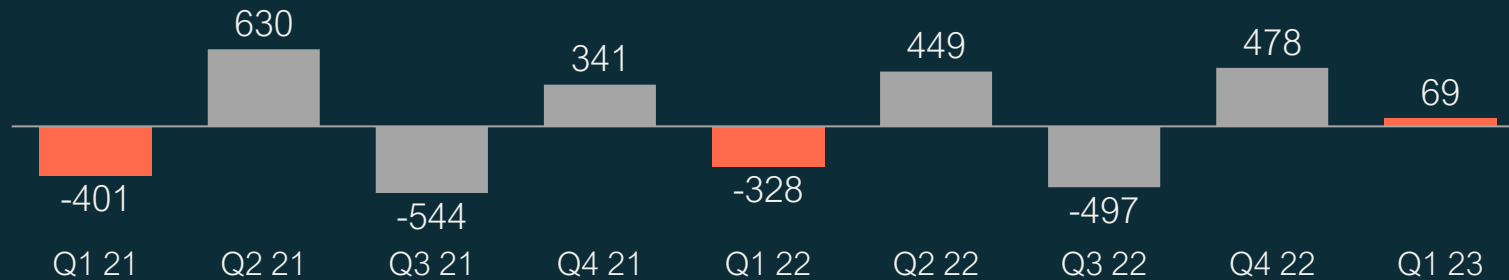


## FINANCIAL REVIEW

# Cash flow in Q1 2023 reflecting improving working capital

### Cash flow from operating activities

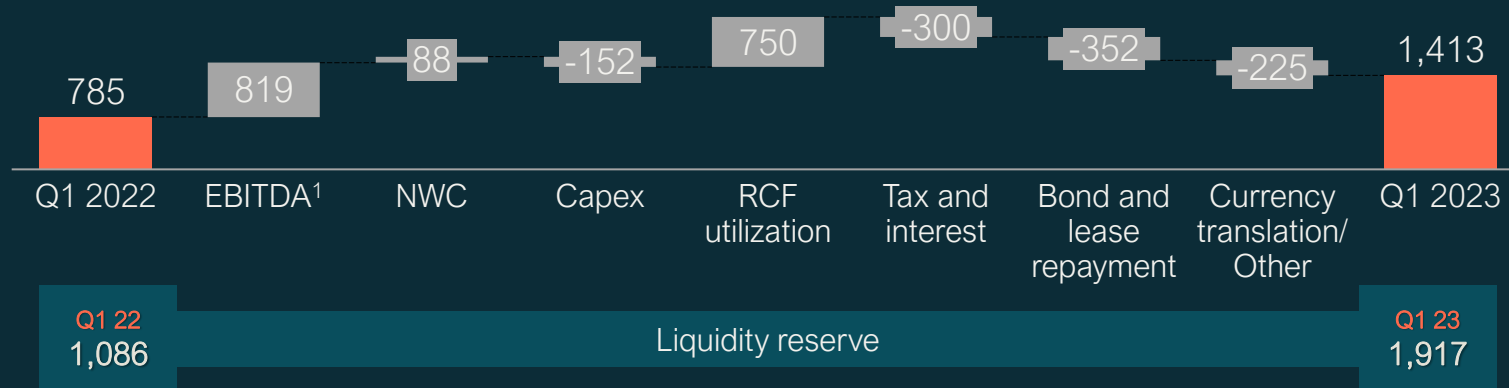
NOK million



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

### LTM cash development

NOK million



Strong cash position and liquidity reserve of NOK 1,917m included undrawn credit facilities

Net debt / EBITDA 2x

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

## FINANCIAL REVIEW

# Profit and loss – Q1 2023

| NOK million                             | Q1 2023      | Q1 2022    | 2022         | 2021         |
|---|--------------|------------|--------------|--------------|
| Revenue                                 | 1,416        | 1,071      | 5,200        | 3,650        |
| Cost of sales                           | (159)        | (111)      | (704)        | (494)        |
| <b>Gross Profit</b>                     | <b>1,258</b> | <b>960</b> | <b>4,496</b> | <b>3,165</b> |
| Operating expenses                      | (1,074)      | (844)      | (3,744)      | (2,585)      |
| <b>EBITDA</b>                           | <b>184</b>   | <b>116</b> | <b>752</b>   | <b>580</b>   |
| Adjustments                             | 1.0          | 7          | 88           | 64           |
| <b>Adj. EBITDA</b>                      | <b>185</b>   | <b>123</b> | <b>839</b>   | <b>644</b>   |
| Depreciation & Amortization             | (81)         | (69)       | (334)        | (175)        |
| <b>EBIT</b>                             | <b>102</b>   | <b>47</b>  | <b>417</b>   | <b>405</b>   |
| Interest expense                        | (59)         | (39)       | (194)        | (83)         |
| Other financial income/expense          | (153)        | 70         | (164)        | (29)         |
| <b>Net income before tax</b>            | <b>(110)</b> | <b>79</b>  | <b>66</b>    | <b>292</b>   |
| Tax expense                             | 19           | (23)       | (42)         | (47)         |
| <b>Net income</b>                       | <b>(91)</b>  | <b>57</b>  | <b>23</b>    | <b>245</b>   |
| EPS                                     | (1.01)       | 0.66       | 0.29         | 2.59         |
| <b>Comprehensive income</b>             |              |            |              |              |
| Currency translation                    | 197          | (26)       | 134          | 11           |
| <b>Comprehensive income, net of tax</b> | <b>106</b>   | <b>31</b>  | <b>157</b>   | <b>257</b>   |

- Increased Depreciation & Amortization compared to Q1 22 but as same level as Q4 22 when excluding impairment of NOK 31m
- Interest expenses increased largely due to increased market rates but at same level as Q4 22
- Other financial expense driven by revaluation of balance sheet items due to currency movements – NOK depreciation of 7-8% towards main trading currencies
- Positive effect of NOK 197m in comprehensive income from currency translation of subsidiaries to NOK – booked against Equity

## FINANCIAL REVIEW

# Balance sheet – Q1 2023

| Assets                          | 31 Mar.<br>2023 | 31 Mar.<br>2022 |
|---------------------------------|-----------------|-----------------|
| Contracts                       | 554             | 581             |
| Goodwill                        | 3,279           | 3,004           |
| Other intangible assets         | 157             | 191             |
| Tangible assets                 | 552             | 168             |
| Deferred tax assets             | 197             | 70              |
| Non-current receivables         | 61              | 37              |
| Investments in assoc.<br>comp.  | 42              | 36              |
| <b>Total non-current assets</b> | <b>4,841</b>    | <b>4,087</b>    |
| Inventory                       | 19              | 2               |
| Accounts receivable             | 6,617           | 4,866           |
| Other current receivables       | 2,559           | 1,760           |
| Cash & cash equivalents         | 1,413           | 785             |
| <b>Total current assets</b>     | <b>10,608</b>   | <b>7,413</b>    |
| <b>Total assets</b>             | <b>15,449</b>   | <b>11,500</b>   |

| Equity and Liabilities               | 31 Mar.<br>2023 | 31 Mar.<br>2022 |
|--------------------------------------|-----------------|-----------------|
| <b>Shareholders' equity</b>          | <b>2,630</b>    | <b>2,350</b>    |
| Lease liabilities                    | 414             | 80              |
| Other interest-bearing debt          | 2,529           | 1,773           |
| Deferred tax liabilities             | 203             | 185             |
| Other non-current liabilities        | 39              | 31              |
| <b>Total non-current liabilities</b> | <b>3,184</b>    | <b>2,069</b>    |
| Accounts payable                     | 7,281           | 4,945           |
| Public duties                        | 484             | 415             |
| Current lease liabilities            | 73              | 37              |
| Income taxes payables                | 100             | 52              |
| Other interest-bearing debt          | 147             | 413             |
| Other current liabilities            | 1,549           | 1,219           |
| <b>Total current liabilities</b>     | <b>9,634</b>    | <b>7,081</b>    |
| <b>Total equity and liabilities</b>  | <b>15,449</b>   | <b>11,500</b>   |

- Other current receivables includes NOK 800m in public duty receivables relating to refundable VAT in Norway
- Bad debt provisions NOK 122m, an increase of NOK 6m due to currency effects
- RCF drawdown NOK 750m
- NIBD/Adj. EBITDA 2x – significant headroom to bank covenants

## 2023 OUTLOOK

# 2023 outlook

|                                  | 2022     | LTM               | FY 2023 Outlook | Medium term             | Comment  |
|----------------------------------|----------|-------------------|-----------------|-------------------------|--|
| Gross Profit growth              | 42%      | 38%<br>(32% org.) | ~20%            | ~20%                    | 2023 outlook implies organic growth in line with medium-term outlook     |
| Adj. EBITDA margin <sup>1</sup>  | 18.7%    | 18.8%             | 20-21%          | Gradual increase to 25% | Continuing growth while also improving cost efficiency                   |
| Net working capital <sup>2</sup> | -1%      | -2%               | -5% to -15%     | -15% to -20%            | Expected to normalize medium-term driven by working capital improvements |
| Capex                            | NOK 142m | NOK 152m          | NOK ~125m       | NOK ~125m               | Q1 capex NOK 34m - in line with FY guidance                              |

<sup>1</sup> Adjusted EBITDA divided by Gross Profit

<sup>2</sup> Average NWC last 4 quarters as share of gross profit last 4 quarters



# Summary



## KEY TAKEAWAYS

# Key takeaways



Resilient market demand



Continued customer first approach



Focus on margin improvement





CRAYON EARNINGS Q1 2023

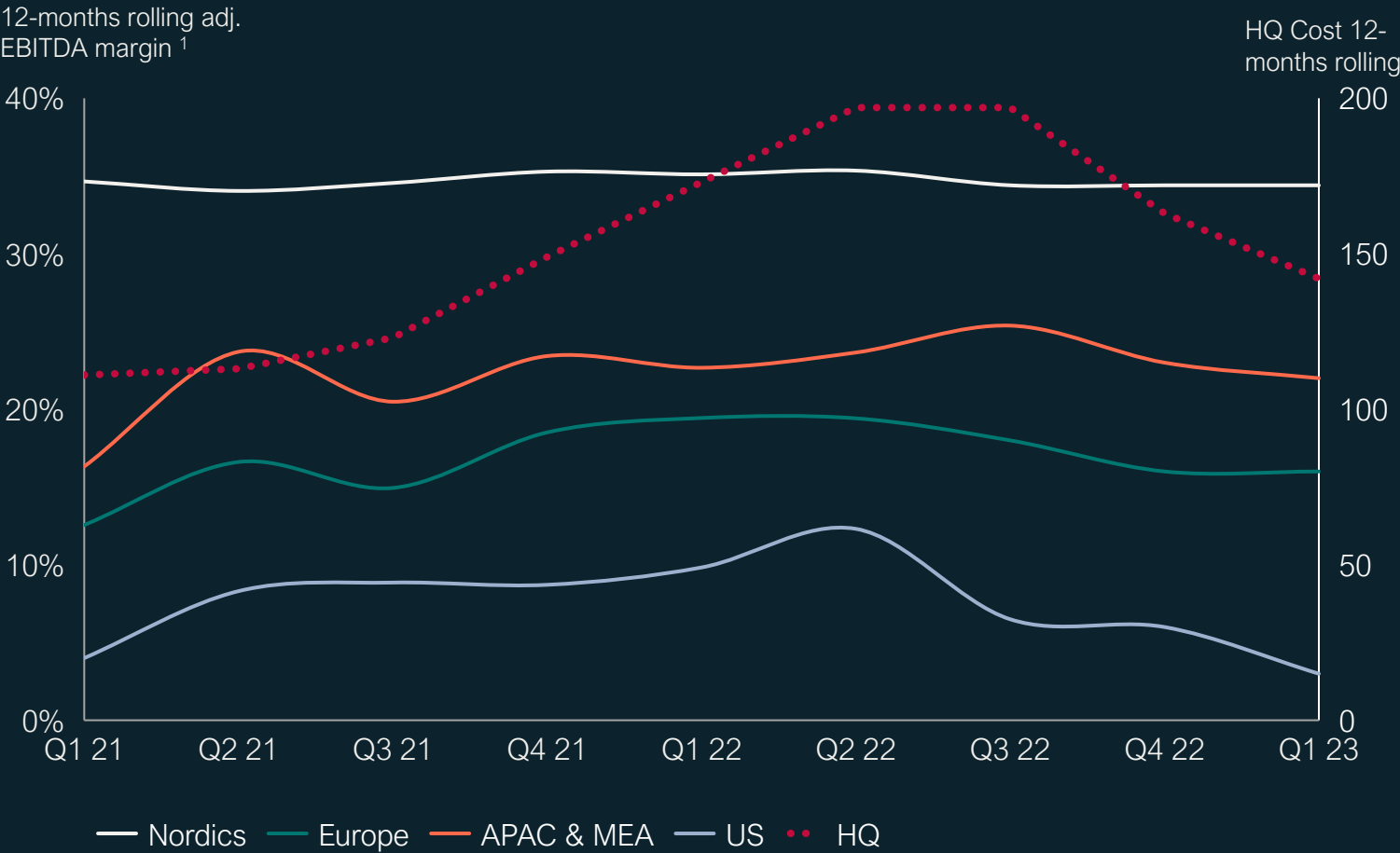
Q&A





Appendix

# Margin development

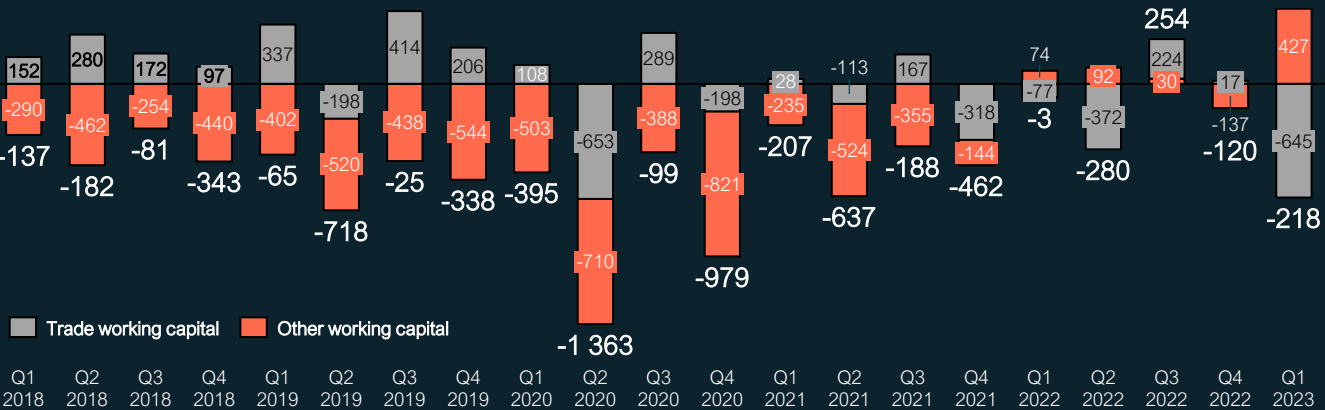


- Nordic margin stable - representing margin potential for businesses operating at scale
- Stable development in APAC & MEA - impacted by significant one-time cost in Q4 22 of NOK 40m
- Scale benefits materializing in Europe
- US continues to invest in growth

<sup>1</sup> Adjusted EBITDA divided by Gross

# Inherent business seasonality impacting net working capital

Net working capital <sup>1</sup>  
NOK million



## Trade Working Capital

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

Average NWC as share of LTM gross profit <sup>1</sup>



## Other Working Capital <sup>2</sup>

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

1) 2018-2021 based on historic accounting policy – for comparability

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

# Foreign exchange impact

## FX exposure

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

## P&L impact – Other financial income and expense

- Other financial expense relates to currency changes (foreign to functional) in monetary assets such's as:
  - Cash
  - Accounts receivables
  - Accounts payables
  - Loans
  - Group internal balances
- During Q123 NOK weakened 7-8% towards main currencies
- As a result other financial expense, net negatively impacted the quarter with NOK 159m

| P&L                          | Q1 23 | Q1 22 |
|------------------------------|-------|-------|
| Other financial expense, net | -152  | 71    |

## Equity impact – Other comprehensive income

- Other comprehensive income relates to positive effect from currency translation (functional to reporting) of subsidiaries to NOK;
  - Equity / net assets (including cash and other monetary assets)
  - Goodwill and other fair value adjustments
- In Q1 2023 currency translation in net comprehensive income amounted to NOK 197m, whereof cash related currency translation amounted to NOK 86m

| Comprehensive income       | Q1 23 | Q1 22 |
|----------------------------|-------|-------|
| Currency translation       | 197   | -26   |
| Cashflow statement         | Q1 23 | Q1 22 |
| Currency translation, cash | 87    | 3     |



## APPENDIX

# Foreign exchange impact - Illustrative example

| Balance sheet 1/1<br>EURNOK 10 | Crayon<br>Norway NOK   | Crayon<br>France EUR | Crayon<br>France NOK | Crayon<br>Group NOK |
|--------------------------------|------------------------|----------------------|----------------------|---------------------|
| Cash pool balance              | -1000 NOK<br>(-100EUR) | +100EUR              | 1000 NOK             | 0NOK                |
| Other assets                   | 2000 NOK               | +100 EUR             | 1000 NOK             | 3000 NOK            |
| Retained earnings              | -1000 NOK              | -200EUR              | -2000 NOK            | -3000 NOK           |

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

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

## Consolidating Crayon Norway and Crayon France

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

## Two impacts from changes in EURNOK rate:

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