Crayon

Q4 2023 Financial Report

Contents

Highlights

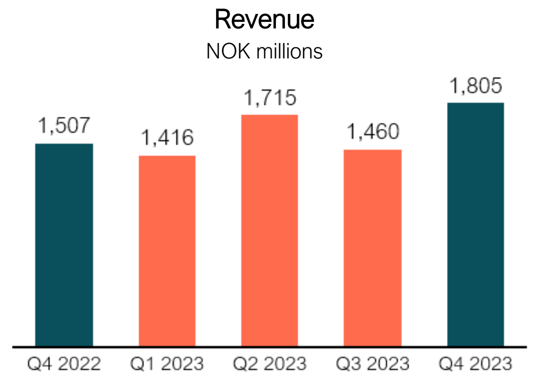
In Q4 2023:
- Gross profit increased 27% (21% in constant currency) to NOK 1,611m mainly driven by Nordics and Europe
- Adj. EBITDA ended at NOK 241m down NOK 17m compared to the same quarter previous year, mainly due to underperformance in Consulting.
- Operating cash flow was strong at NOK 2,117m, driven by working capital changes.
- Impairment effects related to the group's operations in Oman and Qatar impacted reported EBITDA with NOK 80m.

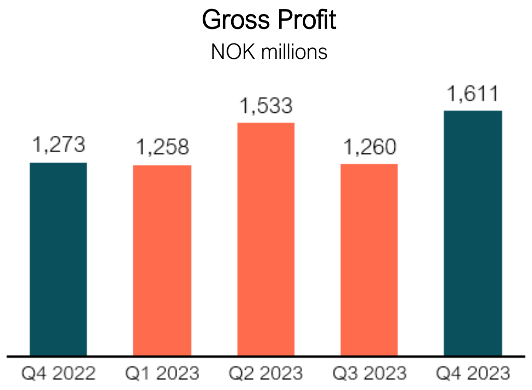
For the full year:
- Gross Profit grew 26% (18% in constant currency) to NOK 5,662
- Adj. EBITDA increased NOK 80m to NOK 919m, corresponding to a margin of 16%
- Operating cash flow ended at NOK 1,390m, an increase of NOK 1,288m compared to 2022.

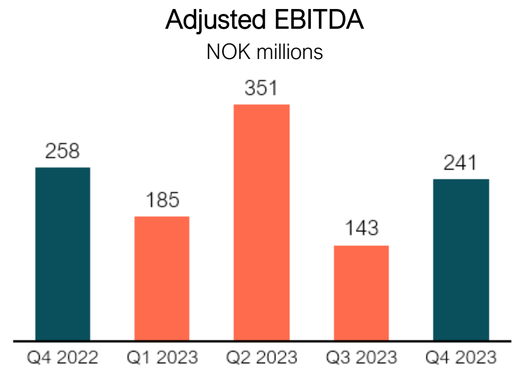
Key figures

(NOK millions)	Q4 2023 Unaudited	Q4 2022 Unaudited	Full year 2023 Unaudited	Full year 2022 Audited
Gross Sales	12,472	10,141	49,077	38,761
Revenue	1,805	1,507	6,397	5,200
Gross profit	1,611	1,273	5,662	4,496
EBITDA	130	185	745	751
Adjusted EBITDA	241	258	919	839
Operating profit/EBIT	54	66	442	417
Net income	-123	24	-159	23
Cash flow from operations	2,117	478	1,390	102
Adjusted EBITDA margin (%)	14.9%	20.3%	16.2%	18.7%
Basic earnings per share (NOK)	-0.87	0.38	-1.29	0.29
			Dec 31, 2023	Dec 31, 2022
Net interest-bearing debt			1,189	1,805
Liquidity reserve			2,726	1,487
Leverage ratio (multiple)			1.2	2.2
Net working capital			-1,121	-121
Full time equivalents (FTE)			4,021	3,447

See last section for details on Alternative Performance Measures.







Crayon

Business review

(Figures in parentheses refer to the same period in the previous year)

Growth momentum continued in 2023 with Gross Profit growing 26%, driven by strong growth in Europe at 40% and Nordics at 21%. Adj. EBITDA increased by NOK 80m to NOK 919m (839m), while the margin declined from 19% to 16%. The decline is mainly attributable to the weak performance in Consulting where Adj. EBITDA ended at NOK 23m, a decline of NOK 124m compared to 2022. Operating cash flow ended at NOK 1,390m (102m) a substantial improvement from 2022.

During the fourth quarter Gross Profit grew with 27% to NOK 1,611m while Adj. EBITDA ended at NOK 241m, reflecting a margin of 15%, a decline of 5bps compared to the same quarter previous year. The decline is driven by weaker performance in the service businesses. Adj. EBITDA for the services businesses ended at NOK -6m compared to NOK 49m in Q4 2022. High attention and focus on working capital yielded results and operating cash flow was record high at NOK 2,117m.

Market Clusters

The Nordics remains Crayon´s largest market and demand remains strong. Gross Profit ended at NOK 603m (496m) a growth of 22% driven in particular by Norway and Denmark. Software and Cloud Direct delivered a solid quarter growing 28%, while Consulting contributed with a growth of 18%. Adj. EBITDA in the Nordics ended at NOK 160m (175m), reflecting a margin of 27%, a decline from 35% in the same period prior year. Margin development in the software and cloud businesses remains solid while profitability in Consulting declined substantially compared to the previous year.

Performance in Europe has been solid throughout the year with Gross Profit growing 40% for the full year. In Q4, 2023 Gross Profit ended at NOK 334m (266m), a growth of 26%. Software and Cloud Channel was exceptionally strong growing 40%. The Direct business grew 15%, somewhat impacted by high comparable as several significant wins materialized during Q4 prior year. Investments in service businesses are yielding results with Software and Cloud Economics and Consulting growing 17% and 51% respectively. In the fourth quarter Adj. EBITDA declined NOK 32m to NOK 28m (60m) compared to the same quarter the previous year. The negative profitability performance is driven mainly by Direct business as growth was slower than expected. In addition, profitability in Consulting was significantly below the same quarter in the prior year, driven by cost related to AI and Cloud investments as well as lower utilization.

Gross Profit in APAC & MEA grew 9% to NOK 365m (334m). Performance in Software and Cloud Direct was strong with Gross Profit growing 39% to NOK 121m (87m) driven mainly by India with 90% growth as well as a solid performance in Australia. Software and Cloud Channel declined 4% to NOK 139m (145m). Channel performance in the APAC region is mixed. Business performance and demand remain solid in Australia and New Zealand. Rhipe Australia's Channel business, which represents appr. 60% of Gross Profit in APAC & MEA remains healthy with a 10% growth in Gross Profit, while offset by weaker performance in other regions. Adj. EBITDA ended at NOK 55m (60m) corresponding to a margin of 15%, down from 18% in the comparable quarter prior year. The decline is mainly driven by Channel and weaker profitability in the service businesses.

US Gross Profit grew 12% to NOK 166m (149m) driven by strong performance in Software and Cloud Economics, growing 11% to NOK 86m (78m). Performance in the Direct business was also solid with a Gross Profit growth of 18%. Adj. EBITDA ended at NOK 8m (13m). The US business continues to execute on the strategy and is progressing as planned. Margin development reflects the ongoing investments to build scale and further support growth.

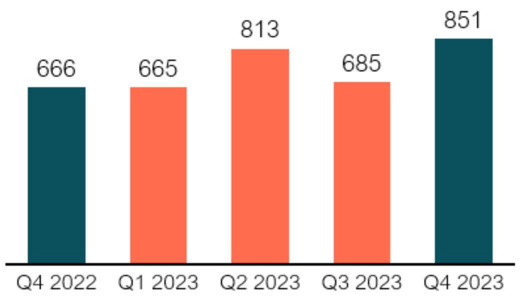
Business areas

In the fourth quarter Software and Cloud Direct delivered a strong performance with Gross Profit growing 47% to NOK 601m (408m) driven by the Nordics and APAC & MEA with 28% and 39% respectively. Adj. EBITDA development remains strong and ended at NOK 295m (181m) reflecting a margin of 49% an increase from 44% in the comparable quarter the prior year.

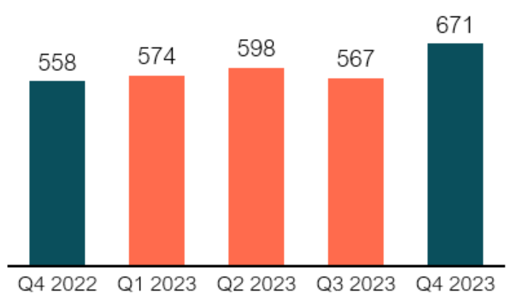
Software and Cloud Channel Gross Profit declined 3% to NOK 250m (257m). Growth in the Nordics and Europe were strong at 27% and 40% respectively but offset by a 4% decline in APAC & MEA. Profitability in Channel declined NOK 25m to NOK 130m (155m) reflecting a margin of 52%, down from 60% in the comparable quarter the prior year, mainly due to performance in APAC & MEA.

Gross Profit in the services businesses, Software and Cloud Economics and Consulting, grew 20% combined, driven in particular by strong performance in Europe growing 32% to NOK 124m (94m). For services combined, Adj. EBITDA ended at NOK- 6m (49m) a margin of -1%, driven by underperformance in the Consulting division, were Adj. EBITDA declined with NOK 37m to minus NOK 22m. The company invested heavily in new tech talents in Consulting during the first half of 2023. Market demand during the second half has been slower than anticipated and thereby impacting utilization. Measures to improve profitability have already been initiated. In the second half of the year hiring have been significantly slower and the company will continue to implement actions to ensure its resources are optimized to market demand.

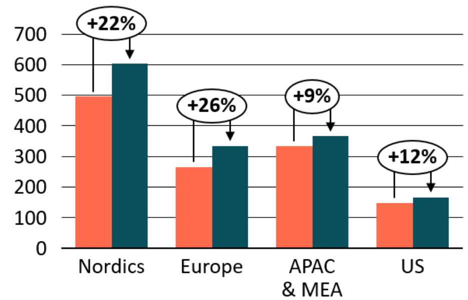
Software & Cloud Gross Profit
NOK millions



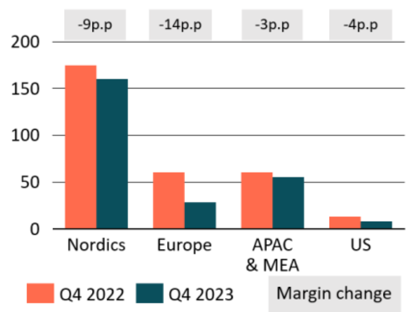
Services Gross Profit
NOK millions



Gross Profit by Market Cluster
NOK millions



Adj. EBITDA by Market Cluster
NOK millions



Financial review

(Figures in parentheses refer to the same period in the previous year)

Revenue and Gross profit

Revenue in Q4, 2023 increased 20% YoY to NOK 1,805m. Gross profit increased 27% to NOK 1,611m. The constant currency Gross profit growth was 21% and distributed across all market clusters, but with Nordic, Europe and HQ contributing most.

Adjusted EBITDA

Adjusted EBITDA was NOK 241m compared to NOK 258m last year. Full year adjusted EBITDA grew 10% to NOK 919m (NOK 839m). The increase derives from an increase in Gross profit of 26%. Payroll and other operating expenses ended at a full year increase of 30%.

Adjustments include share-based compensations and other income and expenses. Gross expenses for share-based payments amounted to NOK 16m for the quarter (NOK -9m).

Other income and expenses of NOK 95m include a provision for possible losses related to a franchise partnering agreement in Oman and Qatar amounting to NOK 80m. Under the agreement, the partner has collected on behalf of Crayon without settling the full amount. Crayon has filed criminal charges against the partner and started own operations in the markets in 2023. The intention was to take over the business, but as no agreements have been signed it is likely to end up as a legal claim. As collection under any such legal claim is considered highly uncertain, a full provision has been made for all outstanding balances. Crayon has historically not had, and are not planning for, any similar business set up that was used to access the market in a period with political instability in the region. The possible loss is therefore considered non-recurring and reported as an adjustment.

For the full year the Oman and Qatar provision constitute NOK 102m. The remaining NOK 30m consists of fair value adjustments of contingent considerations related to prior acquisitions and other M&A related expenses.

Net income

Depreciation, amortization and impairment decreased 36% YoY to NOK 76m in Q4, mainly due to an impairment charge last year amounting to NOK 31m.

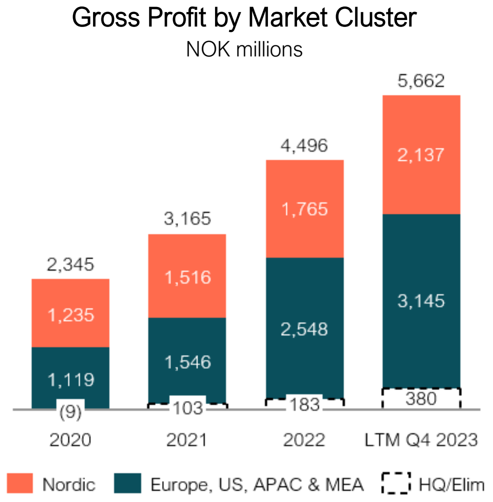
Interest expenses increased YoY by NOK 20m in Q4 to NOK 78m, due to increase in both rates and net interest-bearing debt including new leases. Net interest-bearing debt was reduced at the end of the quarter due to the strong operating cash flows.

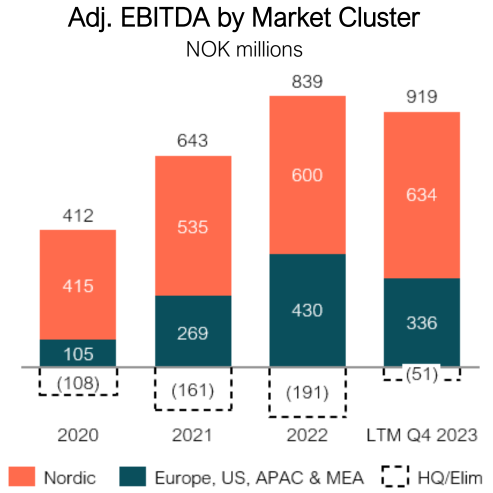
Net other financial items contributed with an expense for the quarter of NOK 22m compared to a net income of NOK 55m in the same quarter last year. The full year expense was NOK 249m (NOK 164m), largely consisting of currency effects. Having a significant number of transactions and settlements in foreign currencies, several companies in the Group, and particularly Norway, are sensitive to currency changes on monetary assets such as accounts receivables, accounts payables, loans and cash, including group internal balances. Several measures have been implemented to reduce the sensitivity and most of the expense relate to Q1 and Q2 of 2023.

Tax expense ended at NOK 77m (NOK 42m). Unrecognized deferred tax assets related to tax losses carried forward in certain subsidiaries aggregated NOK 123m.

Net income amounted to NOK -123m for the quarter, compared to NOK 24m last year.

Earnings per share for the quarter amounted to NOK -0.87, compared to NOK 0.38 last year.





For illustration purposes. 2020 is based on historical numbers while 2021 and 2022 are in accordance with new accounting policy.

Balance sheet

Total intangible and deferred tax assets decreased by NOK -177m to NOK 4,039m during the quarter, largely due to currency adjustments. NOK strengthened towards our main currencies compared to last quarter.

Total receivables increased by 18% to NOK 10,171m compared to Q4, 2022. The balance is significantly impacted by currency as NOK has weakened significantly from last year. Our gross sales grew 23% from Q4, 2022.

There has been no material change in the process of collecting the significant delayed public sector receivable in the Philippines amounting to approximately USD 45m. The Department of Budget and Management Procurement Services ("PS-DBM") was in 2023 subject to an audit by the Commission of Audit (CoA). The audit led to a stop in payments, as timing was dependent on official audit completion. The Annual Audit Report was released in July 2023 and CoA recommended PS-DBM to proceed with the payment of USD 37m. The remaining outstanding amount of USD 8m relates to new taxation included in the price of the licenses, where PS-DBM is recommended to coordinate with NEDA (National Economic and Development Authority) and endorses the request for the pricing change. The process of having PS-DBM to clarify approval of payments with CoA is still ongoing. The assessments of the management and our legal advisor have not changed, and we expect the full payment to be processed. No bad debt provision has been made for this agreement. The receivable has had a significant negative impact on the Net Working Capital. At year end the Company, however, achieved extended terms on certain accounts payables largely offsetting this effect.

Total bad debt provisions increased by NOK 35m to NOK 197m at the end of the quarter. The full year net bad debt expense on trade receivables amounted to NOK 81m, which constituted 0.17% of gross sales for the same period, compared to 0.15% last year.

Crayon has non-recourse factoring agreements, which have been implemented for a set of customers in Norway, Denmark and India. On December 31, 2023, factoring reduced accounts receivable by NOK 460m (NOK 311m).

Total interest-bearing liability decreased by NOK 1,131m to NOK 2,607m during the quarter, mainly due to repayment of RCF and overdraft facility of NOK 603m in total and reduced utilization of supplier financing of NOK 414m. Total cash of NOK 1,467m increased by NOK 577m from the last quarter. Restricted cash decreased by NOK 99m mainly due to transfer to deposit receivables. Net interest-bearing debt decreased by NOK 1,790m to NOK 1,189m during the quarter.

Total equity decreased by NOK 250m to NOK 2,479m during the quarter driven by the net income of NOK -123m, and other comprehensive income loss on currency translation of NOK -22m. In addition, the repurchase of our own shares amounted to NOK 100m during the quarter. The equity ratio was 15%.

Cash flow

Cash flow from operations in Q4 increased significantly to NOK +2,117m (NOK +478m). The full year operating cash flow was NOK +1,390m (NOK 102m). The operating cash flow was supported by a favorable development in Net Working Capital ending at NOK -1,121m, mainly due to Trade Working Capital decreasing with NOK 1,967m during the quarter. Due to gross sales flowing through our books and seasonal variances, the short-term cash flow can be volatile. Historically, Q2 and Q4 provide better operating cash flow than Q1 and Q3.

Cash paid for investing activities amounted to NOK 48m in the quarter (NOK 110m) and relates to ordinary CAPEX.

Cash flow from financing activities amounted to NOK -1,492m (NOK +512m). Included are a repayment of revolving credit facilities from NOK -500m to NOK 0m during the quarter, supplier financing arrangements repayment of NOK -414m, decrease in overdraft facility of NOK -103m to NOK 0m and the repurchase of own shares of NOK -100m. The remaining relate to ordinary interest payments, lease payments, and changes in other financial arrangements.

The liquidity position remained strong, with a total liquidity reserve of NOK 2,726m on December 31, 2023.

Leverage

Net interest-bearing debt as of December 31, 2023, was NOK 1,189m, with a corresponding leverage ratio of 1.2x Adj. EBITDA[1)], providing significant headroom with regards to bank covenants (4.5x Adj. EBITDA[1.]) at the end of the quarter.

Employees

Our people are our greatest asset, and we strive to continuously attract, develop, and retain top talent, but even more importantly, we empower our employees to perform at the best of their abilities every day.

The number of full-time equivalents on December 31, 2023, increased by 17% to 4,021 compared to 3,447 on December 31, 2022. In the Software & Cloud business division, full-time equivalents increased by 45, representing a 4% increase, while in the Services business division, it increased by 350 employees, an increase of 19%. Other employees increased by 180 YoY.

1) On an LTM basis, excluding non-controlling interests.

Condensed Consolidated Statement of Income

(NOK millions)	Note	Q4 2023 Unaudited	Q4 2022 Unaudited	Full year 2023 Unaudited	Full year 2022 Audited
Revenue	6	1,805	1,507	6,397	5,200
Cost of sales		-193	-234	-735	-704
Gross profit		**1,611**	**1,273**	**5,662**	**4,496**
Payroll and related expenses		-1,137	-862	-3,986	-3,077
Other operating expenses		-234	-153	-756	-580
Share based compensation		-16	-9	-42	-13
Other income and expenses		-95	-64	-132	-74
EBITDA		**130**	**185**	**745**	**751**
Adjustments		111	73	175	88
Adjusted EBITDA		**241**	**258**	**919**	**839**
Depreciation, amortization and impairment	4	-76	-119	-302	-334
Operating profit/EBIT		**54**	**66**	**442**	**417**
Share of profit (loss) from associated companies		-1	0	-0	7
Interest expense		-78	-58	-276	-194
Other financial expense, net	5	-22	55	-249	-164
Net income before tax		**-47**	**63**	**-82**	**65**
Income tax expense on ordinary result		-76	-40	-77	-42
Net income		**-123**	**24**	**-159**	**23**
Comprehensive income					
Items that are or may be reclassified subsequently to profit or loss					
Currency translation		-22	-166	189	134
Comprehensive income net of tax		**-145**	**-143**	**29**	**157**
Allocation of net income					
Non-controlling interests		-45	-10	-44	-2
Owners of Crayon Group Holding ASA		-78	33	-115	25
Net income allocated		**-123**	**24**	**-159**	**23**
Earnings per share (NOK)		-0.87	0.38	-1.29	0.29
Allocation of comprehensive income					
Non-controlling interests		-46	-6	-41	7
Owners of Crayon Group Holding ASA		-99	-136	70	150
Comprehensive income allocated		**-145**	**-143**	**29**	**157**

Condensed Consolidated Balance Sheet Statement

(NOK millions)		Dec 31, 2023	Dec 31, 2022
ASSETS	**Note**	**Unaudited**	**Audited**
Non-current assets:			
Total intangible and deferred tax assets			
Development Costs	8	148	120
Technology and software	8	22	37
Contracts	8	489	541
Software licenses (IP)	8	1	2
Goodwill	9	3,262	3,147
Deferred tax asset		117	145
Total intangible and deferred tax assets		**4,039**	**3,991**
Tangible assets			
Equipment		103	90
Right-of-use assets	12	547	451
Total tangible assets		**650**	**542**
Investment in associated companies		43	43
Other non-current receivables		156	71
Total financial assets		**199**	**114**
Total non-current assets		**4,888**	**4,646**
Current assets:			
Inventory		18	17
Total inventory		**18**	**17**
Accounts receivable	11	7,847	6,563
Other current receivables	13	2,324	2,077
Total receivables		**10,171**	**8,640**
Cash & cash equivalents	10	1,467	1,530
Total current assets		**11,656**	**10,187**
Total assets		**16,544**	**14,833**

(NOK millions)		Dec 31, 2023	Dec 31, 2022
LIABILITIES AND SHAREHOLDERS' EQUITY	**Note**	**Unaudited**	**Audited**
Shareholders' equity:			
Share capital		90	89
Own shares		-100	-0
Share premium		1,821	1,818
Total paid-in equity		**1,810**	**1,907**
Retained earnings		686	604
Total equity attributable to parent company shareholders		**2,497**	**2,511**
Non-controlling interests		-17	30
Total shareholders' equity		**2,479**	**2,540**
Non-current liabilities:			
Interest-bearing liabilities	10	1,792	2,678
Deferred tax liabilities		115	200
Lease liabilities	10	488	410
Other non-current liabilities		33	33
Total non-current liabilities		**2,428**	**3,321**
Current liabilities:			
Accounts payable		8,753	6,563
Income taxes payable		74	76
Public duties		659	613
Current lease liabilities	10	93	73
Other current interest-bearing liabilities	10	233	122
Other current liabilities		1,824	1,525
Total current liabilities		**11,636**	**8,972**
Total liabilities		**14,065**	**12,293**
Total equity and liabilities		**16,544**	**14,833**

Condensed Consolidated Statement of Cash Flows

(NOK millions)	Q4 2023 Unaudited	Q4 2022 Unaudited	Full year 2023 Unaudited	Full year 2022 Audited
Cash flows from operating activities:				
Net income before tax	-47	63	-82	65
Taxes paid	-84	-25	-167	-118
Depreciation, amortization and impairment	76	119	302	334
Interest expense	78	58	276	194
Interest income	-3	-3	-23	-29
Changes in trade working capital	1,967	209	905	-333
Changes in other working capital and other adjustments	130	57	180	-11
Net cash flow from operating activities	**2,117**	**478**	**1,390**	**102**
Cash flows from investing activities:				
Payment for capitalized assets	-48	-48	-153	-142
Acquisition of subsidiaries - (net of cash acquired)	0	-36	-31	-57
Divestment - net of cash	0	-26	0	-26
Net cash flow from investing activities	**-48**	**-110**	**-185**	**-225**
Cash flows from financing activities:				
Interest paid	-76	-72	-270	-203
Interest received	3	3	23	29
Share issues	0	0	3	73
Repurchase of shares	-100	0	-100	0
Acquisition/disposal of non-controlling interests	-20	-8	-42	-50
Repayment of bond loan	0	-300	0	-300
Payment of lease liability	-23	-11	-80	-51
Change in RCF utilization	-500	900	-900	900
Net change in other credit facilities utilization	-689	0	108	0
Change in deposits	-87	0	-87	0
Net cash flow from financing activities	**-1,492**	**512**	**-1,344**	**398**
Net increase (decrease) in cash and cash equivalents	**577**	**880**	**-139**	**275**
Cash and cash equivalents at beginning of period	907	605	1,530	1,217
Currency translation	-18	45	76	38
Cash and cash equivalents at end of period	**1,467**	**1,530**	**1,467**	**1,530**

Condensed Consolidated Statement of Changes in Shareholder's Equity

Year to date period ending

Dec 31, 2022	Attributable to equity holders of Crayon Group Holding ASA						
(NOK millions)	Share capital	Own shares	Share premium	Other Equity	Total	Non-controlling interests	Total equity
Balance at Jan 1, 2022	88	-0	1,734	494	2,316	36	2,353
Net income	0	0	0	25	25	-2	23
Currency translation	0	0	0	125	125	9	134
Total comprehensive income	0	0	0	150	150	7	157
Share issues	1	0	75	0	76	0	76
Share capital increase not registered	0	0	9	0	9	0	9
Share-based compensation	0	0	0	27	27	2	29
Transactions with non-controlling interests	0	0	0	-68	-68	-15	-83
Transactions with owners	1	0	84	-41	44	-13	31
Balance as of end of period	89	-0	1,818	604	2,511	30	2,540

Dec 31, 2023	Attributable to equity holders of Crayon Group Holding ASA						
(NOK millions)	Share capital	Own shares	Share premium	Other Equity	Total	Non-controlling interests	Total equity
Balance at Jan 1, 2023	89	-0	1,818	604	2,511	30	2,540
Net income	0	0	0	-115	-115	-44	-159
Currency translation	0	0	0	186	186	3	189
Total comprehensive income	0	0	0	70	70	-41	29
Share repurchase (net)	0	-100	0	0	-100	0	-100
Share issues	0	0	3	0	3	0	3
Share-based compensation	0	0	0	41	41	2	43
Transactions with non-controlling interests	0	0	0	-29	-29	-8	-37
Transactions with owners	0	-100	3	13	-84	-6	-90
Balance as of end of period	90	-100	1,821	686	2,497	-17	2,479

Notes

Note 1 – Corporate information

The Board of Directors has approved the condensed interim financial statements as at December 31, 2023, for publication on February 14, 2024. These Group financial statements have not been subject to audit or review.

Crayon Group Holding ASA is a public limited company registered in Norway. The headquarters is located at Gullhaug Torg 5, 0484 Oslo, Norway. Crayon Group Holding ASA is listed on Oslo Stock Exchange (Oslo Børs) under the ticker "CRAYN".

Crayon specializes in supporting customers across all industry sectors with complex local, regional and global IT estates. Crayon helps clients specify, plan, deploy, manage and optimize technology ecosystems.

Crayon had 4,021 full-time equivalents across 46 countries at the end of the period.

Note 2 – Basis of preparation

The consolidated condensed interim financial statements have been prepared in accordance with International Financial Reporting Standard (IFRS), IAS 34 "Interim Financial Reporting". The condensed interim financial statements do not include all information and disclosures required in the annual financial statement and should be read in accordance with the Group's Annual Report for 2022, which has been prepared according to IFRS as adopted by EU.

The preparation of interim financial statements requires the Group to make certain estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Estimates and judgements are continually evaluated by the management based on historical experience and other factors, including expectations of future events that are deemed to be reasonable under the circumstances. Actual results may differ from these estimates. The most significant judgements used in preparing these interim financial statements and the key areas of estimation uncertainty are the same as those applied in the consolidated annual report for 2022.

Note 3 – Significant accounting principles

The accounting policies applied in the preparation of the consolidated interim financial statement are consistent with those applied in the preparation of the annual IFRS financial statement for the year ended December 31, 2022.

Note 4 – Depreciation, amortization and impairment

Depreciation, amortization and impairment consist of the following:

(NOK millions)	Q4 2023	Q4 2022	Full year 2023	Full year 2022
Depreciation	36	37	129	111
Amortization of intangibles	39	50	173	192
Impairment	0	31	0	31
Total	76	119	302	334

See Note 8 for breakdown of intangible assets. See Note 12 for more information on Right-of-use assets.

Note 5 – Other financial income and expenses

Other financial income and expenses consist of the following:

(NOK millions)	Q4 2023	Q4 2022	Full year 2023	Full year 2022
Interest income	3	3	23	29
Impairment losses on financial assets	0	-14	0	-14
Other financial expense, net	-24	66	-272	-180
Total	-22	55	-249	-164

Other financial expenses largely relate to currency exchange effects from foreign to functional currencies in each unit on monetary assets such as accounts receivables, accounts payables, loans and cash, including group internal balances. The volatility of the NOK towards some of our main currencies such as the EUR, USD, DKK and SEK during the year is the most important reason for the full year numbers. Translation differences from functional currencies in the subsidiaries to the Group reporting currency (NOK) reported as Other Comprehensive Income amounted to NOK 189m for the full year, of which effect of translating cash in subsidiaries to NOK contributed with NOK 76m.

Note 6 – Segment information

The Group regularly reports revenue, gross profit and adjusted EBITDA in operating segments and geographical market clusters to the Board of Directors (the Group's chief operating decision makers). While Crayon uses all three measures to analyze performance, the Group's strategy of profitable growth means that adjusted EBITDA is the prevailing measure of performance. Our internal operating and reporting model focuses on us acting as a principal rather than an agent, and consequently our segment information reports accounting to our prior year principle except for revenues being reported net. The adjustment to the accounting principle following the IFRIC decision incorporated in 2022 for the Group accounts, is included as an adjustment under Eliminations for the reporting segments and under HQ for Market Clusters.

The reporting segments are Software & Cloud Direct, Software & Cloud Channel, Software & Cloud Economics and Consulting in addition to Admin & Shared services. Further information is found in Note 2 in the Annual report for 2022.

- Software & Cloud Direct is Crayon's license offering from software vendors (e.g., Microsoft, Adobe, Symantec, Citrix, Vmware, Oracle, IBM and others). The emphasis is towards standard software, which customers consistently use year after year, and which plays a key role in their technological platforms and critical commercial processes.
- Software & Cloud Channel is Crayon's offering towards hosters, system integrators and independent software vendors (ISV) which includes license advisory/optimization, software license sales and access to Crayons proprietary tools and IP.
- Software & Cloud Economics services include processes and tools for enabling clients to build in-house Software Asset Management (SAM) capabilities, license spend optimization, and support for clients in vendor audits.
- Consulting consists of Cloud Consulting and Solution Consulting services related to infrastructure consulting, cloud migration and deployment, bespoke software deployment and follow-up of applications.
- Admin & Shared services includes administrative income and costs, corporate administrative costs (excluding other income and expenses), unallocated global shared costs and eliminations.

The market clusters are composed of operations in the different geographical areas. Crayon operates with five main geographical areas: Nordics, Europe, APAC & MEA and US in addition to HQ.

HQ includes corporate admin costs excluding other income and expenses, while Eliminations includes unallocated global shared cost, IFRS 15 adjustments and eliminations.

Segment information December 31, 2023

	Q4 2023						Full year 2023					
	Software & Cloud		Services				Software & Cloud		Services			
(NOK millions)	Software & Cloud Direct	Software & Cloud Channel	Software & Cloud Economics	Consulting	Admin & Eliminations	Total	Software & Cloud Direct	Software & Cloud Channel	Software & Cloud Economics	Consulting	Admin & Eliminations	Total
Revenue												
Nordics	217	57	58	401	0	733	707	221	201	1,493	-1	2,621
Europe	155	52	77	138	3	425	566	201	256	367	7	1,397
APAC & MEA	121	139	19	195	30	505	384	557	73	698	31	1,742
US	43	14	103	31	0	191	174	60	380	105	1	720
HQ	33	0	-2	-1	82	112	90	0	-7	8	411	501
Eliminations	32	-12	-2	-12	-168	-162	35	19	-2	-12	-624	-584
Revenue	**601**	**250**	**254**	**753**	**-53**	**1,805**	**1,957**	**1,057**	**900**	**2,657**	**-175**	**6,397**
Gross profit												
Nordics	217	57	47	282	0	603	707	221	173	1,037	-1	2,137
Europe	155	52	63	61	3	334	566	201	211	200	7	1,186
APAC & MEA	121	139	14	88	3	365	384	557	55	329	4	1,328
US	43	14	86	23	0	166	174	60	327	69	1	631
HQ	33	0	-2	-1	111	141	90	0	-7	7	440	530
Eliminations	32	-12	0	10	-27	2	35	19	0	10	-214	-150
Gross profit	**601**	**250**	**209**	**462**	**89**	**1,611**	**1,957**	**1,057**	**760**	**1,651**	**237**	**5,662**
Operating expenses	-306	-120	-193	-484	-379	-1,482	-1,020	-489	-691	-1,628	-1,089	-4,917
EBITDA	**295**	**130**	**16**	**-22**	**-290**	**130**	**936**	**568**	**69**	**23**	**-852**	**745**
Depreciation and Amortization						-76						-302
Share of results from associates						-1						-0
Net financial income and expenses						-100						-524
Net income before tax						**-47**						**-82**
Adjustments					111	111					175	175
Adjusted EBITDA	**295**	**130**	**16**	**-22**	**-179**	**241**	**936**	**568**	**69**	**23**	**-677**	**919**

Segment information December 31, 2022

	Q4 2022						Full year 2022					
	Software & Cloud		Services				Software & Cloud		Services			
(NOK millions)	Software & Cloud Direct	Software & Cloud Channel	Software & Cloud Economics	Consulting	Admin & Eliminations	Total	Software & Cloud Direct	Software & Cloud Channel	Software & Cloud Economics	Consulting	Admin & Eliminations	Total
Revenue												
Nordics	170	45	55	376	2	647	574	184	171	1,328	17	2,274
Europe	135	37	77	58	26	334	429	127	205	245	29	1,035
APAC & MEA	87	145	27	133	15	408	309	535	88	501	25	1,459
US	37	12	75	33	1	158	150	44	279	75	1	547
HQ	-0	0	0	1	26	26	-0	-0	0	1	102	103
Eliminations	-20	18	0	0	-64	-67	-33	18	0	0	-202	-218
Revenue	**408**	**257**	**235**	**600**	**6**	**1,507**	**1,428**	**908**	**742**	**2,150**	**-28**	**5,200**
Gross profit												
Nordics	170	45	40	239	2	496	574	184	138	861	7	1,765
Europe	135	37	54	40	-1	266	429	127	159	130	3	848
APAC & MEA	87	145	17	67	17	334	309	535	54	254	27	1,179
US	37	12	78	22	0	149	150	44	278	49	1	521
HQ	-0	0	-0	0	26	26	-0	-0	-0	0	102	102
Eliminations	-20	18	0	0	5	3	-33	18	0	0	96	81
Gross profit	**408**	**257**	**189**	**369**	**49**	**1,273**	**1,428**	**908**	**629**	**1,295**	**235**	**4,496**
Operating expenses	-227	-102	-155	-354	-250	-1,088	-701	-404	-541	-1,147	-951	-3,744
EBITDA	**181**	**155**	**34**	**15**	**-201**	**185**	**727**	**504**	**88**	**148**	**-715**	**751**
Depreciation and Amortization						-119						-334
Share of results from associates						0						7
Net financial income and expenses						-3						-358
Net income before tax						**63**						**65**
Adjustments					73	73					88	88
Adjusted EBITDA	**181**	**155**	**34**	**15**	**-127**	**258**	**727**	**504**	**88**	**148**	**-627**	**839**

(NOK millions)	Q4 2023	Q4 2022	Full year 2023	Full year 2022
Adj EBITDA - Operating Segment				
- Software & Cloud Direct	295	181	936	727
- Software & Cloud Channel	130	155	568	504
Total Adj EBITDA - Software & Cloud	426	337	1,505	1,231
- Software & Cloud Economics	16	34	69	88
- Consulting	-22	15	23	148
Total Adj EBITDA - Services	-6	49	93	236
Admin & shared services	-179	-127	-678	-628
Total Adjusted EBITDA	241	258	919	839

(NOK millions)	Q4 2023	Q4 2022	Full year 2023	Full year 2022
Adj EBITDA per Market Cluster				
- Nordics	160	175	634	600
- Europe	28	60	154	132
- APAC & MEA	55	60	185	269
- US	8	13	-3	29
- HQ & Eliminations	-11	-51	-51	-191
Total Adjusted EBITDA	241	258	919	839

Note 7 – Share options

Please refer to Note 6 in Annual Report 2022 for overview and details on the different ongoing option and employee share purchase programs.

Cost related to share-based compensation, as displayed in the table below, includes employee social security tax. Negative amounts are related to reversal of accrued employee social security tax because of a reduction in share price during the quarter.

(NOK millions)	Q4 2023	Q4 2022	Full year 2023	Full year 2022
Share incentive scheme (IPO)	0	-0	-0	-4
Employee share purchase programs	4	1	21	9
Management share option programs	12	8	21	8
Total	16	9	42	13

Note 8 – Intangible assets

(NOK millions)	Software licenses (IP)	Development costs	Contracts	Technology and software	Total
Cost at Jan 1, 2023	9	479	1,011	215	1,714
Additions	0	100	0	0	100
Disposals	0	-25	-0	0	-25
Currency translation	0	2	31	2	34
Cost at Dec 31, 2023	9	555	1,041	217	1,823
Amortization and impairment Jan 1, 2023	7	359	469	179	1,015
Amortization	0	74	83	16	173
Amortization disposals	0	-25	-0	0	-25
Accumulated amortization and impairment at Dec 31, 2023	7	408	552	195	1,162
Net book value at Dec 31, 2023	1	148	489	22	660

The company recognizes intangible assets if it is likely that the expected future economic benefits attributable to the asset will flow to the company and the cost of the asset can be measured reliably. Intangible assets with a limited useful life are measured at cost less accumulated amortization and impairments. Amortization is recognized on a straight-line basis over the estimated useful life. Amortization period is reviewed annually.

Amortization of intangible assets identified as fair value adjustments as part of purchase price allocation from acquisitions amount to NOK 84m for the full year.

The company divides its Intangible assets into the following categories in the balance sheet:

Software licenses (IP):

Intangible assets from historical acquisitions.

Development cost:

Crayon capitalizes expenses related to development activities according to IAS 38. Expenses capitalized include costs of materials and services used or consumed in generating the intangible asset and costs of employee benefits arising from the generation of the intangible asset. Capitalized development costs are amortized on a straight-line basis over the estimated useful life.

Contracts:

The intangible asset value related to contractual customers is mainly from the acquisitions of Sensa and rhipe. These assets are amortized on a straight-line basis over the estimated useful lifetime.

Technology and software:

Technology and software include intangible assets arising from the business combinations of Anglepoint and rhipe. Anglepoint contains capitalized software and technology developed internally by Anglepoint. Intangible assets from the rhipe acquisition are related to an internally developed subscription management platform used in the licensing business.

Note 9 – Goodwill

Goodwill arising on business combinations is initially measured at cost, being the excess of the cost of an acquisition over the net identifiable assets (including intangible assets) and liabilities assumed at the date of acquisition and relates to the future economic benefits arising from assets which are not capable of being identified and separately recognized. Following initial recognition, goodwill is measured at cost less accumulated impairment losses. Reconciliation of the carrying amount of goodwill is presented below:

(NOK millions)	Goodwill
Acquisition cost at Jan 1, 2023	3,256
Additions	4
Currency translation	110
Acquisition cost at Dec 31, 2023	**3,371**
Impairment at Jan 1, 2023	110
Impairment during the period	0
Accumulated Impairment at Dec 31, 2023	**110**
Net book value at Dec 31, 2023	**3,262**

The Group performs an impairment test for goodwill on an annual basis or when there are impairment indicators. There were no impairment indicators during Q4, 2023. See Note 9 in the Annual Report for 2022 for further information.

Note 10 – Net interest-bearing debt

Interest-bearing debt is recognized at amortized cost.

As of July 1, 2021, Crayon entered a NOK 1,800m 4-year senior unsecured floating rate bond with a coupon of 3 months NIBOR + 375 bps. The bond was issued July 15, 2021, matures July 15, 2025 and is listed on the Oslo Stock Exchange (CRAYON 04). Transaction costs of NOK 29m related to the NOK 1,800m bond and the RCF are carried at amortized cost.

As of December 31, 2023, the Group has not utilized the revolving credit facility (RCF). The facility matures on April 15, 2025. However, as the facility will be repaid to zero on a regular basis, the liability was reclassified to current in Q2, 2023.

The Group entered into short term supplier financing agreements during Q2, 2023. Total liability end of the quarter amounted to NOK 127m.

Total unused credit facilities (RCF and cash pool) amounted to NOK 1,308m at the end of the quarter.

Net interest-bearing debt means senior debt to credit institutions and other interest-bearing debt including leasing less non-restricted cash.

(NOK millions)	Dec 31, 2023	Dec 31, 2022
Bond loan, non-current liabilities	1,792	1,778
Revolving credit facility	0	900
Overdraft facility	0	0
Supplier financing	127	0
Bond loan, current liabilities	0	0
Lease liabilities	488	410
Current lease liabilities	93	73
Other current interest-bearing liabilities	106	122
Cash & cash equivalents	-1,467	-1,530
Restricted cash	49	52
Net interest-bearing debt	**1,189**	**1,805**

Note 11 – Financial Risk

Crayon Group is exposed to a number of risks, including foreign currency exchange risk, interest rate risk, liquidity risk and credit risk. For a detailed description of these risks and how they are managed, please see the 2022 Annual Report, Note 19.

On April 26, 2022, Crayon announced its decision to cease operations in Russia due to the war in Ukraine. An agreement was signed in December 2022 for a management buyout. The transaction is still subject to governmental approval in Russia. The risk of the transaction not being approved was considered low, and consequently the sale transaction was recognized in December 2022.

Market risk

Interest rate exposure

The Group's interest rate risk arises from interest-bearing debt at a floating rate (cash flow interest rate risk). The Group is sensitive to changes in NIBOR having an impact on the NOK 1,800m bond, utilized amounts under the NOK 1,000m revolving credit facility and the NOK 400m cash-pool facility. The Group can also be sensitive to interests on other currencies due to a multicurrency cash-pool in Danske Bank and to other interest-bearing debt, including lease liabilities. No interest positions are hedged.

Foreign currency risk exposure

Crayon has revenues and operating costs in various currencies. The global expansion of Crayon has led to significant business growth as well as currency exposure. The gross cost and sales of licenses and proceeds for incentives are largely determined in international markets, primarily denominated in Euro (EUR), US Dollar (USD), Swedish Kroner (SEK) and Australian Dollar (AUD) in addition to Norwegian Kroner (NOK), while our operating cost more often are denominated in local currencies. A rather comprehensive volume of transactions and balances in foreign currencies make the group volatile for exchange rate changes. The Group assesses business opportunities carefully to mitigate any current and future currency risks. The Group has a limited number of cash flow hedges to cover the risk of sale and purchase in different currencies. Crayon seeks primarily natural hedge to the extent it is economically viable, e.g. by having gross sales and gross cost of licences sold in same currency.

By having operational units in different functional currencies, the Group is exposed to currency translation risks related to subsidiaries. Crayon aims to establish natural hedging positions if this is possible and economically viable. Hedging derivatives have been considered on larger acquisitions involving currency exposure.

Liquidity risk

Liquidity risk is the risk that the Group will be unable to meet its financial obligations when they are due, and that financing will not be available at a reasonable price. Crayon Group is impacted by liquidity fluctuation associated with its gross sales and growth. The cash flow from operating activities is mainly impacted by EBITDA and changes in the net working capital managed by the subsidiaries.

The Group's covenants are attached to the revolving credit facilities and the bond loan. Net interest-bearing debt as of December 31, 2023, was NOK 1,189m, with a corresponding leverage ratio of 1.2x of Adj. EBITDA, providing significant headroom with regards to bank covenants (4.5x Adj. EBITDA) as of the end of the quarter.

The Group Treasury Department is responsible for Group cash flow forecasting and optimizing liquidity flows centrally. Group Treasury monitors forecasts of the Group's liquidity frequently and ensures that the operational requirements are met as well as always maintaining sufficient headroom on debt facilities. The Group has significant liquidity reserves available both through cash, multicurrency cash-pool and RCF, amounting to NOK 2,762m at the end of the quarter and the liquidity risk is therefore considered low.

Credit risk

The Group is exposed to credit risk from its operational activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions. The Group have deposits with sound financial institutions.

Management makes assessments of the credit risk and updates its estimates of losses and the corresponding provision for bad debt on a regular basis. Historical losses and ageing are analyzed, and additional credit risk premium based on geographical analysis and other statistic information on country risk have been incorporated in the loss provision model. Crayon measures allowance for bad debt based on lifetime expected credit losses (ELCs). This involves both backward and forward-looking information and analysis. The management estimate is most sensitive to the forward-looking analysis.

The Group Treasury overlooks the credit risk on a centralized level whilst the subsidiaries are responsible for enforcing standard payment and delivery terms and conditions towards the clients. Credit risk exposure is largely impacted by outstanding receivables related to gross sales and contract assets. Credit check and control procedure conducted by local subsidiaries ensure the credit quality of the customers of Crayon. The Group continues to intensify collection efforts over accounts receivable as a precaution against risk brought about by increased operations in new markets outside the core Nordic region.

Crayon presents losses on accounts receivable as operating expenses. The impact of accounts receivable is presented below.

Allowance for doubtful accounts in the balance sheet

(NOK millions)	Dec 31, 2023	Dec 31, 2022
Balance at Jan 1	116	86
Currency translation	6	-0
Net reversal/allowance	76	30
Closing balance	197	116

Profit or loss effect of bad debt

(NOK millions)	Q4 2023	Q4 2022	Full year 2023	Full year 2022
Realized losses	-1	8	6	28
Allowance for doubtful accounts	40	11	76	30
Net accounting losses on trade receivables	39	19	82	58

Net accounting losses on trade receivables of NOK 82m for 2023 constitutes 0.17% of Gross Sales compared to 0.15% for 2022.

There has been no material change in the process of collecting the significant delayed public sector receivable in the Philippines amounting to approximately USD 45m. The Department of Budget and Management Procurement Services ("PS-DBM") was in 2023 subject to an audit by the Commission of Audit (CoA). The audit led to a stop in payments, as timing was dependent on official audit completion. The Annual Audit Report was released in July 2023 and CoA recommended PS-DBM to proceed with the payment of USD 37m. The remaining outstanding amount of USD 8m relates to new taxation included in the price of the licenses, where PS-DBM is recommended to coordinate with NEDA (National Economic and Development Authority) and endorses the request for the pricing change. The process of having PS-DBM to clarify approval of payments with CoA is still ongoing. The assessments of the management and our legal advisor have not changed, and we expect the full payment to be processed. No bad debt provision has been made for this agreement.

Note 12 – Right-of-use assets

(NOK millions)	Right-of-use assets
Acquisition cost at Jan 1, 2023	630
Additions	161
Disposals	-92
Adjustments	7
Currency translation	20
Acquisition cost at Dec 31, 2023	725
Depreciation at Jan 1, 2023	178
Depreciation during the period	89
Disposals	-92
Currency translation	4
Accumulated amortization at Dec 31, 2023	179
Net book value at Dec 31, 2023	547
Depreciation period	1-10 years
Depreciation method	Linear

Note 13 – Contract assets

Contract assets are included in Other current receivables and amount to:

(NOK millions)	Dec 31, 2023	Dec 31, 2022
Contract assets	253	199
Total	253	199

Contract assets are subsequent period net payments for multiple-period contracts where Crayon transfers services to a customer before the customer pays consideration. The assets are related to contracts under the software and cloud divisions.

Note 14 – Seasonality of operations

The Group's operating results and cash flows has varied, and are expected to continue to vary, from quarter to quarter. These fluctuations relate to a variety of factors including contractual renewals being skewed towards Q2 and Q4, year-end campaigns by key vendors (Microsoft's fiscal year ends June 30, Oracle fiscal year ends May 31), number of working days in a quarter impacting production periods for consultants and bank days toward the end of the period impacting cash and cash flow for the period.

Note 15 – Events after the balance sheet date

No significant events to report after the balance sheet date.

Alternative Performance Measures and definitions

The financial information in this report is prepared under International Financial Reporting Standards (IFRS), as adopted by the EU. To enhance the understanding of Crayon's performance, the company has presented several alternative performance measures (APMs). An APM is defined by ESMA guidelines as a financial measure of historical or future financial performance, financial position, or cash flows, other than a financial measure defined or specified in the relevant accounting rules (IFRS). Alternative performance measures should not be viewed as a substitute for financial information presented in accordance with IFRS but rather as a complement. The Group believes that APMs such as adjusted EBITDA are commonly reported by companies in the markets in which Crayon compete and are widely used by investors in comparing performance on a consistent basis without regard to factors such as other share-based payments and other income and expenses, which can vary significantly from period to period, especially due to M&A transactions, related reorganizations or other significant non-recurring items. Crayon discloses the APMs to permit a more complete and comprehensive analysis of its underlying operating performance relative to other companies and across periods. Because companies may calculate gross sales, gross profit, adjusted EBITDA, other income and expenses, net working capital and liquidity reserve differently, the Company's presentation of these APMs may not be comparable to similar titled measures used by other companies.

Crayon uses the following APM's and definitions:

Adjusted (Adj) EBITDA: EBITDA excluding share-based compensation and other income and expenses.

(NOK millions)	Full year 2023	Full year 2022
EBITDA	745	751
Adjustments:		
Share based compensation	42	13
Other income and expenses	132	74
Adjusted EBITDA	919	839

Adjusted EBITDA margin: Adjusted EBITDA / Gross profit.

CAPEX: Capital expenditures that mainly consist of office equipment and capitalizes expenses related to development activities according to IAS 38.

Constant currency: Foreign currency transactions converted to constant currency.

EBIT: Earnings before interest expense, other financial items, and income taxes.

EBITDA: Earnings before interest expense, other financial items, income taxes, depreciation, impairment and amortization.

Gross profit: Operating Revenue less materials and supplies.

Gross sales: Gross revenues assuming we were principal and not agent on all software resale being restated and reflect the actual billing for the relevant period.

(NOK millions)	Full year 2023	Full year 2022
Gross Sales	49,077	38,761

Leverage ratio: Net interest-bearing debt (Note 10), divided by LTM adjusted EBITDA.

Liquidity reserve: Non-restricted cash and available credit facilities in each company where Crayon operates. The liquidity reserve does not consider any restrictions on cross border cash transfers.

(NOK millions)	Dec 31, 2023	Dec 31, 2022
Cash & cash equivalents	1,467	1,530
Restricted cash	-49	-52
Non-restricted cash	1,418	1,477
Available credit facility	1,308	10
Liquidity reserve	2,726	1,487

LTM: Last twelve months.

Net interest-bearing debt: Interest-bearing debt including leasing less unrestricted cash (Note 10).

Net Working Capital: Non- interest-bearing current assets less non- interest-bearing current liabilities. Net Working Capital gives a measure of the funding required by the operations of the business.

(NOK millions)	Dec 31, 2023	Dec 31, 2022
Inventory	18	17
Accounts receivable	7,847	6,563
Accounts payable	-8,753	-6,563
Trade working capital	-888	17
Unbilled gross sales	1,297	1,010
Public duty receivables	553	490
Contract assets	253	199
Prepaid expenses & other	220	378
Income taxes payable	-74	-76
Public duties	-659	-613
Accruals	-1,249	-973
Employee benefits related accruals	-440	-367
Prepayments & other	-135	-185
Other working capital	-233	-138
Net working capital	-1,121	-121

Crayon

Other income and expenses: Other income and expenses consist of M&A expenses and directly related reorganizations, subsequent adjustment of contingent considerations or other subsequent adjustments in business combinations including earn-out payments recognized in profit or loss and any other significant non-recurring items.

(NOK millions)	Full year 2023	Full year 2022
M&A expenses	-10	-5
Contingent considerations, fair value adjustments	-18	-28
Restructuring expenses	-1	-11
Other non-recurring items	-102	-30
Other income and expenses	-132	-74

Other non-recurring items include a provision for possible losses related to a franchise partnering agreement in Oman and Qatar amounting to NOK 102m. Under the agreement, the partner has collected on behalf of Crayon but not fulfilled the agreement towards Crayon. Crayon started own operations in the respective markets in 2023 and intended to take over the business of the partner but has not succeeded in getting any agreements. As collection under the legal claim is considered uncertain, a full provision has been made for any outstanding receivables. Crayon has historically not had, and are not planning for, any similar business set up. The possible loss is therefore considered as other income and expenses.

Organic growth: Comparable growth excluding effect of business combinations.

Trade Working Capital: The net amount of inventory, accounts receivables and accounts payables.

Restricted cash: The amount consists of employee taxes withheld and cash as collateral for bank guarantees.

YoY: Year over year, i.e. comparable period (e.g. quarter or YTD) last year.

YTD: Year to date.

Crayon Group Holding ASA
Gullhaug Torg 5
P.O. box 4384 Nydalen
0484 Oslo, Norway

+47 23 00 67 00
www.crayon.com

Investor Relations
https://www.crayon.com/investor-relations
ir@crayon.com