Crayon

Q2 2024 Financial Report

Contents

Highlights

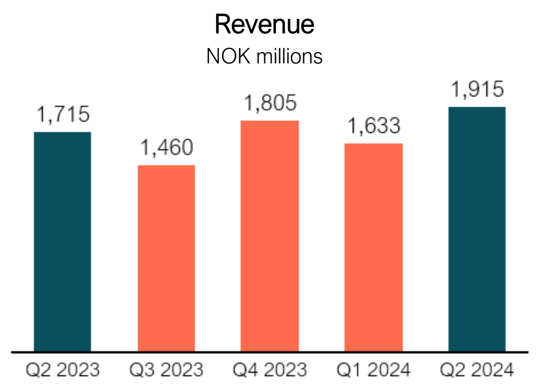
In Q2 2024:
- Gross Profit increased 13% (14% in constant currency) to NOK 1,737m.
- Adj. EBITDA ended at NOK 412m, reflecting a margin of 24%.
- Net working capital ended at an all-time best at minus NOK 1,403m.
- Long term financing successfully completed.
- Reduced net interest-bearing debt due to strong cash flow.

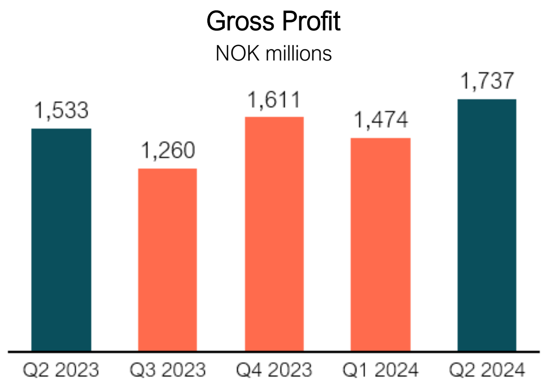
Key figures

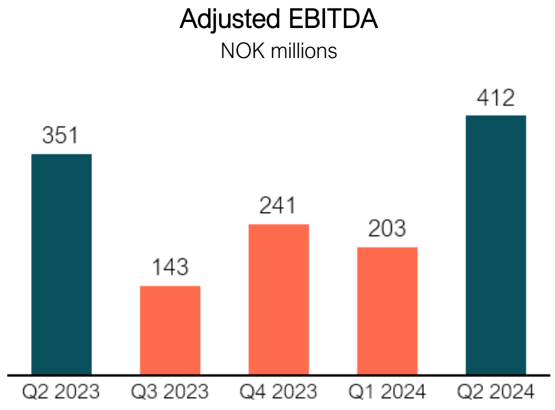
(NOK millions)	Q2 2024 Unaudited	Q2 2023 Unaudited	Year to date Q2 2024 Unaudited	Year to date Q2 2023 Unaudited	Full year 2023 Audited
Gross Sales	18,167	15,361	32,103	27,037	49,077
Revenue	1,915	1,715	3,548	3,132	6,397
Gross profit	1,737	1,533	3,211	2,790	5,662
EBITDA	394	296	572	480	745
Adjusted EBITDA	412	351	615	536	919
Operating profit/EBIT	311	217	408	319	442
Net income	134	68	143	-23	-159
Cash flow from operations	599	164	696	240	1,413
Adjusted EBITDA margin (%)	23.7%	22.9%	19.2%	19.2%	16.2%
Basic earnings per share (NOK)	1.40	0.69	1.54	-0.33	-1.29
Diluted earnings per share (NOK)	1.38	0.68	1.52	-0.33	-1.29

	Jun 30, 2024	Jun 30, 2023	Dec 31, 2023
Net interest-bearing debt	724	1,840	1,189
Liquidity reserve	3,205	2,165	2,726
Leverage ratio (multiple)	0.7	2.0	1.2
Net working capital	-1,403	-132	-1,121
Full time equivalents (FTE)	4,114	3,878	4,021

See last section for details on Alternative Performance Measures.







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Business review

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

Gross Profit grew 13% in the quarter to NOK 1,737m, while Adj. EBITDA increased NOK 61m to NOK 412m. Growth was solid across regions while Europe delivered another strong performance with 26% growth.

Adj. EBITDA increased to NOK 412m. Margin ended at 23.7% an improvement from 22.9% in Q2, 2023. Measures to improve profitability in the Consulting business are yielding results with Adj. EBITDA margin ending at 11%, up from 4% in the prior year.

Net working capital was record strong for the quarter at minus NOK 1,4bn. The performance demonstrates the continued focus on working capital management throughout the organization, as well as the inherent working capital dynamics in the business model.

Market Clusters

Gross Profit in the Nordics increased 13%, driven in particular by the Direct business which delivered solid growth across all countries. Performance in the Consulting business improved significantly, growing 7% in the second quarter. Adj. EBITDA increased from NOK 158m to NOK 189m, reflecting a margin of 31%, an improvement of 2 percentage points. The improvement is driven in particular by improved profitability in the service segments as a result of the measures taken in Q1, 2024.

Crayons performance in Europe continues to be strong, with Gross Profit growing 26% and Adj. EBITDA at 25%, at the same level as the same quarter in the prior year. The Channel business declined 18%. The negative performance is mainly driven by the exceptionally high comparable as Q2 previous year saw 89% growth in Gross Profit. Software and Cloud Economics and Consulting grew Gross Profit with 55% and 77% respectively.

Gross Profit in APAC & MEA increased by 16% driven by the strong growth of 30% in the Channel business. Software and Cloud Direct grew 4%. Performance in the Consulting business was solid with Gross profit growing 11% to NOK 91m. Adj. EBITDA increased from NOK 43m to NOK 70m. Margin ended at 18.8% and increase from 13.4% prior year.

In the US Gross Profit grew 6% to NOK 181m. The low growth was mainly impacted by performance in both the Direct and Channel business, with 0% and minus 25% growth respectively. Gross Profit in Software and Cloud Economics remain solid with 7% Gross Profit growth.

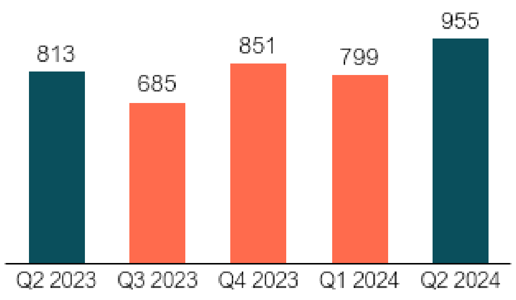
Business areas

Software and Cloud demand remains strong across multiple vendors, growing Gross Profit with 17% compared to the same quarter the previous year. Adj. EBITDA increased by NOK 132m, and the margin increased from 53% to 59%, demonstrating the scalability in the business. The margin improvement is particularly driven by the Channel business which increased margin from 51% to 63%.

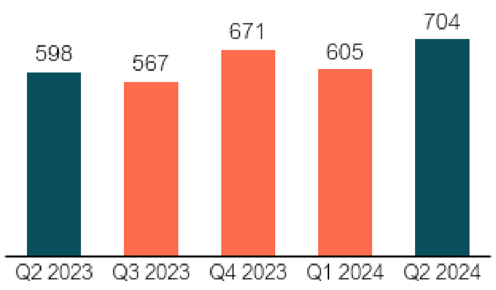
Gross Profit in the Service segments increased 18% to NOK 704m. The Nordic represents approximately 60% of Gross Profit in Consulting and grew 7% in what has been a muted market during the first half of 2024. Software and Cloud Economics had a strong performance in the quarter, growing Gross Profit with 23%, mainly driven by 55% growth in Europe. The strong growth is a result of focused investments as well as a strong drive from customers to optimize and reduce cost in their IT infrastructure.

In the beginning of the year, the company took actions to improve profitability in the Consulting business and these are yielding results. Adj. EBITDA increased with NOK 50m to NOK 73m reflecting a margin of 11%. This is a significant improvement compared to the same quarter in the previous year.

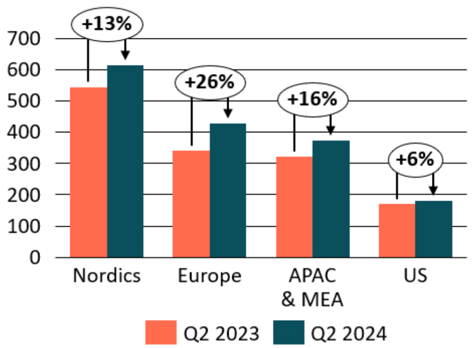
Software & Cloud Gross Profit
NOK millions



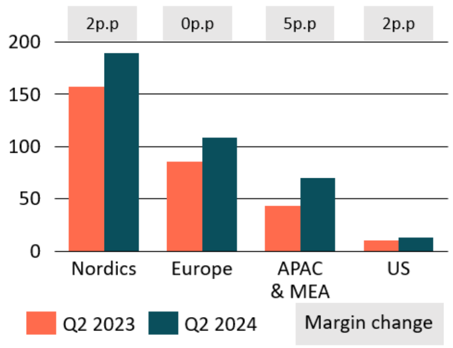
Services Gross Profit
NOK millions



Gross Profit by Market Cluster
NOK millions



Adj. EBITDA by Market Cluster
NOK millions



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Financial review

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

Revenue and Gross profit

Revenue in Q2, 2024 increased 12% YoY to NOK 1,915m. Gross profit increased 13% to NOK 1,737m.

Adjusted EBITDA

Adjusted EBITDA was NOK 412m compared to NOK 351m last year, corresponding to an increase of 17%. The increase derives from an increase in Gross profit of 13%, higher than the net off increase in payroll and other operating expenses of 12%, resulting in an Adj. EBITDA margin of 23.7% (22.9%).

Adjustments include share-based compensations and other income and expenses. Other income and expenses amount to NOK 3m for the quarter and is M&A related.

Net income

Depreciation, amortization and impairment increased 5% compared to last year.

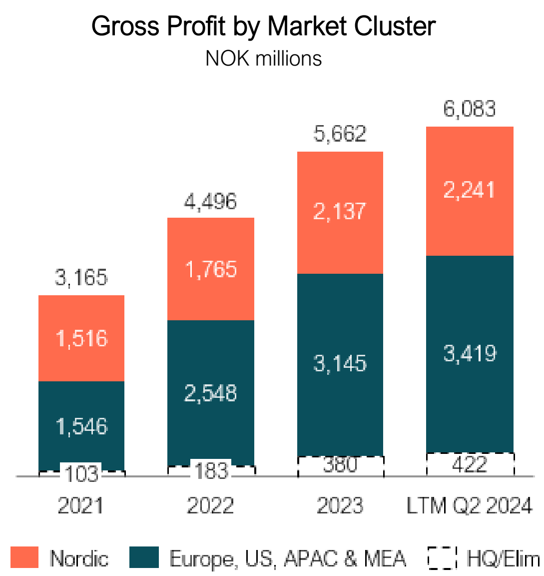
Interest expense decreased YoY by NOK 2m in Q2 to NOK 66m.

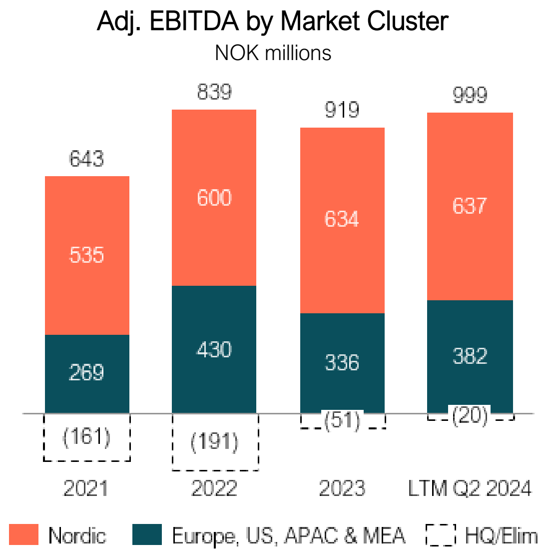
Net other financial items contributed with an expense for the quarter of NOK 57m same as last year. The expense includes termination cost related to refinancing the bond amounting to NOK 34m. The rest mainly consist of net currency exchange losses. Last year the full amount related to currency losses.

Income tax expense ended at NOK 54m for the quarter, compared to NOK 24m last year.

Net income amounted to NOK 134m for the quarter, compared to NOK 68m last year.

Basic and diluted earnings per share for the quarter amounted to NOK 1.40 and 1.38 respectively (0.69 and 0.68).





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Balance sheet

Total non-current assets reduced by NOK 8m to NOK 4,976m during the quarter.

Total current assets increased by 14% to NOK 15,613m compared to Q2, 2023, less than the increase in gross sales of 18% for the quarter compared to last year.

There have been no material changes 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. A provision of NOK 30m has been considered as part of the bad debt provision on June 30, 2024, an increase of NOK 9m in the quarter. The provision is calculated based on the time value of the expected settlement applying a scenario analysis where the timing of the payment is the main variable. The assessments of the management and our legal advisor have not changed, and we expect the full payment to be processed.

The extended terms on certain accounts payables achieved by the Company at year end 2023 is still valid and are largely offsetting the negative effect the overdue receivable in the Philippines had on the Net Working Capital.

Total bad debt provisions increased during the quarter by NOK 16m to NOK 247m at the end of the quarter. The increase relates to net allowance for bad debt of NOK 23m (including the impairment loss described above of NOK 9m for the quarter) and currency effects of NOK -7m.

Crayon has non-recourse factoring agreements. On June 30, 2024, factoring reduced accounts receivable by NOK 124m (NOK 317m) and related to India. Total factoring also reduced from NOK 247m end of last quarter.

Interest-bearing liability decreased by NOK 455m to NOK 2,109m during the quarter, mainly due to refinancing and repayment of bond by NOK 600m from NOK 1,800m to NOK 1,200m. Total cash of NOK 1,435m increased by NOK 33m from the last quarter. Net interest-bearing debt decreased by NOK 490m to NOK 724m supported by the operating cash flow.

Total equity increased by NOK 159m to NOK 2,749m during the quarter driven by the net income of NOK 134m, and positive effect from sale of own shares of NOK 38m. The equity ratio was 13%.

Cash flow

Cash flow from operations in Q2 was NOK 599m (NOK 164m) due to the adjusted EBITDA of NOK 412m and a favorable NWC development. 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 39m in the quarter (NOK 39m) and mainly relates to ordinary CAPEX.

Cash flow from financing activities amounted to NOK -509m (NOK -149m) and relates to repayment of bond loan of NOK 600m during the quarter, in addition to ordinary interest payments, lease payments, and changes in credit facilities utilization.

The liquidity position remained strong, with a total liquidity reserve of NOK 3,205m on June 30, 2024.

Leverage

Net interest-bearing debt as of June 30, 2024, was NOK 724m, with a corresponding leverage ratio of 0.7x 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 June 30, 2024, increased by 6% to 4,114 compared to 3,878 on June 30, 2023. In the Software & Cloud business division, full-time equivalents increased by 96, representing a 4% increase, while in the Services business division, it increased by 64 employees, an increase of 3%. Other employees increased by 76 YoY.

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

Condensed Consolidated Statement of Income

(NOK millions)	Note	Q2 2024 Unaudited	Q2 2023 Unaudited	Year to date Q2 2024 Unaudited	Year to date Q2 2023 Unaudited	Full year 2023 Audited
Revenue	6	1,915	1,715	3,548	3,132	6,397
Cost of sales		-178	-183	-337	-341	-735
Gross profit		**1,737**	**1,533**	**3,211**	**2,790**	**5,662**
Payroll and related expenses		-1,110	-1,007	-2,191	-1,923	-3,986
Other operating expenses		-215	-174	-405	-331	-756
Share based compensation		-16	-25	-24	-26	-42
Other income and expenses		-3	-30	-20	-30	-132
EBITDA		**394**	**296**	**572**	**480**	**745**
Adjustments		19	55	43	57	175
Adjusted EBITDA		**412**	**351**	**615**	**536**	**919**
Depreciation, amortization and impairment	4	-83	-79	-164	-161	-302
Operating profit/EBIT		**311**	**217**	**408**	**319**	**442**
Share of profit (loss) from associated companies		0	0	0	-0	-0
Interest expense		-66	-68	-138	-128	-276
Other financial expense, net	5	-57	-57	-67	-210	-249
Net income before tax		**188**	**92**	**204**	**-19**	**-82**
Income tax expense on ordinary result		-54	-24	-61	-5	-77
Net income		**134**	**68**	**143**	**-23**	**-159**
Comprehensive income						
Items that are or may be reclassified subsequently to profit or loss						
Currency translation		-2	122	89	319	189
Comprehensive income net of tax		**132**	**189**	**232**	**295**	**29**
Allocation of net income						
Non-controlling interests		8	6	6	6	-44
Owners of Crayon Group Holding ASA		125	61	138	-29	-115
Net income allocated		**134**	**68**	**143**	**-23**	**-159**
Earnings per share (NOK)		1.40	0.69	1.54	-0.33	-1.29
Dilutive earnings per share (NOK)		1.38	0.68	1.52	-0.33	-1.29
Allocation of comprehensive income						
Non-controlling interests		8	8	6	10	-41
Owners of Crayon Group Holding ASA		123	181	226	285	70
Comprehensive income allocated		**132**	**189**	**232**	**295**	**29**

Condensed Consolidated Balance Sheet Statement

(NOK millions)		Jun 30, 2024	Jun 30, 2023	Dec 31, 2023
ASSETS	Note	Unaudited	Unaudited	Audited
Non-current assets:				
Goodwill	9	3,331	3,349	3,262
Other intangible assets	8	640	701	660
Deferred tax asset		156	213	117
Equipment		102	103	103
Right-of-use assets	12	530	448	547
Investment in associated companies		43	42	43
Other non-current assets		174	70	156
Total non-current assets		4,976	4,925	4,888
Current assets:				
Inventory		-0	19	18
Accounts receivable	11	11,132	9,314	7,847
Other current receivables and current assets	13	3,046	2,930	2,324
Cash & cash equivalents	10	1,435	1,405	1,467
Total current assets		15,613	13,669	11,656
Total assets		20,589	18,594	16,544

(NOK millions)		Jun 30, 2024	Jun 30, 2023	Dec 31, 2023
LIABILITIES AND SHAREHOLDERS' EQUITY	Note	Unaudited	Unaudited	Audited
Shareholders' equity:				
Share capital		90	89	90
Own shares		-23	-0	-100
Share premium		1,821	1,818	1,821
Total paid-in equity		1,888	1,907	1,810
Retained earnings		869	901	686
Total equity attributable to parent company shareholders		2,756	2,808	2,497
Non-controlling interests		-7	33	-17
Total shareholders' equity		2,749	2,841	2,479
Non-current liabilities:				
Interest-bearing liabilities	10	1,190	1,790	1,792
Deferred tax liabilities		123	232	115
Lease liabilities	10	466	403	488
Other non-current liabilities		27	32	33
Total non-current liabilities		1,805	2,457	2,428
Current liabilities:				
Accounts payable		12,332	9,506	8,753
Income taxes payable		117	88	74
Public duties		1,050	894	659
Current lease liabilities	10	105	76	93
Other current interest-bearing liabilities	10	348	824	233
Other current liabilities		2,082	1,907	1,824
Total current liabilities		16,034	13,296	11,636
Total liabilities		17,839	15,753	14,065
Total equity and liabilities		20,589	18,594	16,544

Condensed Consolidated Statement of Cash Flows

(NOK millions)	Q2 2024 Unaudited	Q2 2023 Unaudited	Year to date Q2 2024 Unaudited	Year to date Q2 2023 Unaudited	Full year 2023 Audited
Cash flows from operating activities:					
Net income before tax	188	92	204	-19	-82
Taxes paid	-16	-40	-36	-66	-167
Depreciation, amortization and impairment	83	79	164	161	302
Net interest expense	62	62	128	115	252
Interest received	4	6	9	12	23
Changes in trade working capital	274	-472	312	189	905
Changes in other working capital and other adjustments	4	437	-86	-154	179
Net cash flow from operating activities	**599**	**164**	**696**	**240**	**1,413**
Cash flows from investing activities:					
Payment for capitalized assets	-39	-39	-71	-73	-153
Acquisition of subsidiaries - (net of cash acquired)	0	-32	0	-32	-31
Change in other investments	0	0	-14	0	-87
Net cash flow from investing activities	**-39**	**-71**	**-85**	**-105**	**-271**
Cash flows from financing activities:					
Interest paid	-77	-68	-148	-124	-270
Share issues	0	0	0	0	3
Net purchase and sale of own shares	38	0	38	0	-100
Acquisition/disposal of non-controlling interests	-15	0	-15	-24	-42
Repayment of bond loan	-600	0	-600	0	0
Payment of lease liability	-27	-22	-51	-37	-80
Change in RCF utilization	0	-350	0	-500	-900
Net change in other credit facilities utilization	171	291	97	291	109
Net cash flow from financing activities	**-509**	**-149**	**-679**	**-394**	**-1,280**
Net increase (decrease) in cash and cash equivalents	**50**	**-56**	**-67**	**-259**	**-139**
Cash and cash equivalents at beginning of period	1,402	1,413	1,467	1,530	1,530
Currency translation	-17	48	35	134	76
Cash and cash equivalents at end of period	**1,435**	**1,405**	**1,435**	**1,405**	**1,467**

Condensed Consolidated Statement of Changes in Shareholder's Equity

Year to date period ending

Jun 30, 2023			Attributable to equity holders of Crayon Group Holding ASA					
(NOK millions)	Share capital	Own shares	Share premium	Translation difference	Other Equity	Total	Non-controlling interests	Total equity
Balance at Jan 1, 2023	89	-0	1,818	209	395	2,511	30	2,540
Net income	0	0	0	0	-29	-29	6	-23
Other comprehensive income	0	0	0	314	0	314	4	319
Total comprehensive income	0	0	0	314	-29	285	10	295
Share-based compensation	0	0	0	0	24	24	1	25
Transactions with non-controlling interests	0	0	0	0	-8	-8	-8	-16
Transactions with owners	0	0	0	0	16	16	-7	9
Balance as of end of period	89	-0	1,818	523	382	2,812	33	2,845

Jun 30, 2024			Attributable to equity holders of Crayon Group Holding ASA					
(NOK millions)	Share capital	Own shares	Share premium	Translation difference	Other Equity	Total	Non-controlling interests	Total equity
Balance at Jan 1, 2024	90	-100	1,821	394	292	2,497	-17	2,479
Net income	0	0	0	0	138	138	6	143
Other comprehensive income	0	0	0	88	0	88	1	89
Total comprehensive income	0	0	0	88	138	226	6	232
Net purchase and sale of own shares	0	77	0	0	-39	38	0	38
Share-based compensation	0	0	0	0	12	12	0	13
Transactions with non-controlling interests	0	0	0	0	-13	-13	-1	-14
Other changes	0	0	0	0	-4	-4	5	1
Transactions with owners	0	77	0	0	-44	34	4	38
Balance as of end of period	90	-23	1,821	483	386	2,756	-7	2,749

Notes

Note 1 – Corporate information

The Board of Directors has approved the condensed interim financial statements as at June 30, 2024, for publication on August 29, 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 4,114 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 2023, 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 2023.

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, 2023.

Note 4 – Depreciation, amortization and impairment

Depreciation, amortization and impairment consist of the following:

(NOK millions)	Q2 2024	Q2 2023	Year to date Q2 2024	Year to date Q2 2023	Full year 2023
Depreciation	41	31	82	60	129
Amortization of intangibles	42	49	82	101	173
Impairment	0	0	0	0	0
Total	83	79	164	161	302

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)	Q2 2024	Q2 2023	Year to date Q2 2024	Year to date Q2 2023	Full year 2023
Interest income	4	6	9	12	23
Other financial expense, net	-61	-63	-76	-222	-272
Total	-57	-57	-67	-210	-249

Other financial expenses largely relate to currency exchange effects from foreign to functional currencies in each unit on monetary transactions and 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 and USD during the quarter is the most important reason for the expense recognized year to date Q2, 2023. Measures were implemented during second half of 2023 to reduce the sensitivity of currency and is the main reason for the significant decrease year to date 2024. Included in other financial expense for the quarter is a termination cost related to refinancing the bond amounting to NOK 34m. See Note 10 for further information.

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 and executive management (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.

The reporting segments are Software & Cloud Direct, Software & Cloud Channel, Software & Cloud Economics and Consulting in addition to General & Administration. Further information is found in Note 2 in the Annual report for 2023.

- Software & Cloud Direct is Crayon's license offering from software vendors (e.g., Microsoft, Adobe, Symantec, Citrix, Broadcom, 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.
- General & Administration includes certain Group incentives and internal and external administrative income and expenses.

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 certain Group incentives and internal and external administrative income and expenses.

Group Adjustments include certain IFRS 15 adjustments related to timing of revenue recognition following the IFRIC decision incorporated in 2022.

Segment information June 30, 2024

	Q2 2024							Year to date Q2 2024						
	Software & Cloud		Services					Software & Cloud		Services				
(NOK millions)	Software & Cloud Direct	Software & Cloud Channel	Software & Cloud Economics	Consulting	General & Administration	Eliminations	Total	Software & Cloud Direct	Software & Cloud Channel	Software & Cloud Economics	Consulting	General & Administration	Eliminations	Total
Revenue														
Nordics	232	58	59	382	1	0	733	435	123	106	749	4	0	1,417
Europe	226	45	90	150	0	0	510	351	99	160	250	3	0	863
APAC & MEA	105	156	23	191	3	0	478	193	311	43	324	5	0	876
US	56	11	112	29	0	0	208	101	24	215	53	0	0	393
HQ	27	0	0	0	127	0	154	48	0	0	-1	267	0	314
Group Adjustments	25	16	0	0	0	0	41	21	48	0	0	0	0	69
Eliminations	0	0	0	0	0	-207	-207	0	0	0	0	0	-385	-385
Revenue	670	285	284	752	131	-207	1,915	1,149	605	525	1,375	279	-385	3,548
Gross profit														
Nordics	232	58	50	272	1	0	614	435	123	92	534	4	0	1,188
Europe	226	45	77	81	0	0	428	351	99	140	138	3	0	731
APAC & MEA	105	156	18	91	3	0	373	193	311	32	160	5	0	701
US	56	11	91	23	0	0	181	101	24	178	35	0	0	339
HQ	27	0	0	0	127	0	154	48	0	0	-1	267	0	314
Group Adjustments	25	16	0	0	0	0	41	21	48	0	0	0	0	69
Eliminations	0	0	0	0	0	-54	-54	0	0	0	0	0	-131	-131
Gross profit	670	285	237	467	131	-54	1,737	1,149	605	441	867	279	-131	3,211
Payroll and other operating expenses	-293	-104	-215	-415	-351	54	-1,324	-573	-202	-408	-833	-711	131	-2,595
Adjusted EBITDA	377	182	22	52	-220	0	412	576	403	34	35	-432	0	615

Segment information June 30, 2023

	Q2 2023							Year to date Q2 2023						
	Software & Cloud		Services					Software & Cloud		Services				
(NOK millions)	Software & Cloud Direct	Software & Cloud Channel	Software & Cloud Economics	Consulting	General & Administration	Eliminations	Total	Software & Cloud Direct	Software & Cloud Channel	Software & Cloud Economics	Consulting	General & Administration	Eliminations	Total
Revenue														
Nordics	190	54	52	376	1	0	674	362	107	99	759	-0	0	1,326
Europe	190	55	54	72	1	0	371	300	90	120	135	3	0	647
APAC & MEA	100	120	21	172	3	0	415	169	262	39	297	-2	0	766
US	56	14	99	27	0	0	197	94	28	185	49	0	0	356
HQ	19	0	-4	8	180	0	203	24	0	-4	8	257	0	285
Group Adjustments	4	11	0	0	0	0	15	14	30	0	-1	0	0	43
Eliminations	0	0	0	0	0	-161	-161	0	0	0	0	0	-292	-292
Revenue	560	253	223	654	185	-161	1,715	962	516	439	1,249	258	-292	3,132
Gross profit														
Nordics	190	54	44	255	1	0	545	362	107	86	530	-0	0	1,084
Europe	190	55	49	46	1	0	341	300	90	95	85	3	0	572
APAC & MEA	100	120	18	82	3	0	322	169	262	31	149	-2	0	610
US	56	14	86	14	0	0	171	94	28	162	30	0	0	315
HQ	19	0	-4	8	180	0	203	24	0	-4	8	257	0	285
Group Adjustments	4	11	0	0	0	0	15	14	30	0	0	0	0	44
Eliminations	0	0	0	0	0	-65	-65	0	0	0	0	0	-119	-119
Gross profit	560	253	193	405	185	-65	1,533	962	516	370	803	258	-119	2,790
Payroll and other operating expenses	-264	-123	-174	-401	-284	65	-1,181	-480	-230	-330	-777	-556	119	-2,254
Adjusted EBITDA	296	130	19	5	-99	0	351	483	286	40	26	-298	0	536

(NOK millions)	Q2 2024	Q2 2023	Year to date Q2 2024	Year to date Q2 2023	Full year 2023
Adj EBITDA - Operating Segment					
- Software & Cloud Direct	377	296	576	483	936
- Software & Cloud Channel	182	130	403	286	568
Total Adj EBITDA - Software & Cloud	559	427	979	769	1,505
- Software & Cloud Economics	22	19	34	40	69
- Consulting	52	5	35	26	23
Total Adj EBITDA - Services	73	24	68	66	93
General & Administration	-220	-99	-432	-298	-678
Total Adjusted EBITDA	412	351	615	536	919

(NOK millions)	Q2 2024	Q2 2023	Year to date Q2 2024	Year to date Q2 2023	Full year 2023
Adj EBITDA per Market Cluster					
- Nordics	189	158	337	334	634
- Europe	108	86	106	103	154
- APAC & MEA	70	43	108	77	185
- US	13	10	13	1	-3
- HQ	-9	40	-17	-22	-106
- Group Adjustments	41	15	69	44	54
Total Adjusted EBITDA	412	351	615	536	919

Note 7 – Share based compensation

Please refer to Note 6 in Annual Report 2023 for overview and details on the different ongoing option and employee share purchase programs.

Cost in Q2, 2024 includes general manager share grant program for 2024. In addition, an offer under the employee share purchase program (ESPP) was given during Q2, 2024. Both programs are subject to similar conditions as previous years. Under the ESPP, employees were offered to subscribe for shares with subscription price of NOK 62.19 per share. A total of 398,807 shares were subscribed for and allocated, including a total of 25,076 shares subscribed for by primary insiders and close associates.

In Q2, 2024 a total of 992,680 shares were allocated to employees. This includes shares vested under the general manager share grant programs, shares subscribed for under the ESPP 2024, bonus shares under the ESPP 2022 and options exercised under the 2017 IPO program.

Shares were allocated to employees using Treasury shares. The weighted average cost price of the shares allocated was NOK 77.83. A total loss of NOK 39m from the difference between strike price paid by employees and cost price for the allocated shares are recognized to equity.

Cost related to share-based compensation is displayed in the table below.

(NOK millions)	Q2 2024	Q2 2023	Year to date Q2 2024	Year to date Q2 2023	Full year 2023
Cost related to equity-settled share-based compensation transactions	4	18	13	23	43
Change in accrued employee social security tax	11	7	11	3	-1
Total	16	25	24	26	42

Note 8 – Intangible assets

(NOK millions)	Software licenses (IP)	Development costs	Customer relationships	Technology and software	Total
Cost at Jan 1, 2024	9	555	728	217	1,509
Additions	0	49	0	0	49
Currency translation	0	6	16	6	29
Cost at Jun 30, 2024	9	610	744	224	1,587
Amortization and impairment Jan 1, 2024	7	408	239	195	849
Amortization	0	41	40	1	82
Currency translation	0	5	5	6	16
Accumulated amortization and impairment at Jun 30, 2024	8	454	283	202	947
Net book value at Jun 30, 2024	1	157	461	21	640

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 35m year to date.

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.

Customer relationships:

The intangible asset value related to customer relationships 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, 2024	3,371
Additions	0
Currency translation	69
Acquisition cost at Jun 30, 2024	**3,440**
Impairment at Jan 1, 2024	110
Impairment during the period	0
Accumulated impairment at Jun 30, 2024	**110**
Net book value at Jun 30, 2024	**3,331**

The Group performs an impairment test for goodwill on an annual basis or when there are impairment indicators. There were no impairment indicators during Q2, 2024. See Note 9 in the Annual Report for 2023 for further information.

Note 10 – Net interest-bearing debt

Interest-bearing debt is recognized at amortized cost.

On April 8, 2024, the company completed a new senior unsecured bond loan of NOK 1,200m with a 4-year tenor. The bonds will carry an interest rate at 3M NIBOR + 2.75% margin. The new bond was in its entirety used to redeem the outstanding NOK 1,800m bond loan, carrying an interest rate at 3M NIBOR + 3.75%, which had an initial maturity date in July 2025. Financial cost related to the settlement of the bond amounted to NOK 34m and was recognized as Other financial expenses. Transaction costs of NOK 10m related to the NOK 1,200m bond are carried at amortized cost.

In connection with the new bond issue, on April 5, Crayon increased the current revolving facility from NOK 1,000m to 1,500m. As of June 30, 2024, the Group has not utilized the revolving credit facility (RCF). The facility matured on April 15, 2025. However, in July, 2024 Crayon entered into a new RCF agreement, refer to Note 15 for further information.

The Group entered into short term supplier financing agreements during Q2, 2023. Total liability end of the quarter amounted to NOK 239m.

Total unused credit facilities (RCF and cash pool) amounted to NOK 1,821m 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)	Jun 30, 2024	Jun 30, 2023	Dec 31, 2023
Bond loan, non-current liabilities	1,190	1,790	1,792
Revolving credit facility	0	400	0
Overdraft facility	0	0	0
Supplier financing	239	302	127
Lease liabilities	466	403	488
Current lease liabilities	105	76	93
Other current interest-bearing liabilities	108	123	106
Cash & cash equivalents	-1,435	-1,405	-1,467
Restricted cash	51	152	49
Net interest-bearing debt	**724**	**1,840**	**1,189**

Note 11 – Financial Risk

Crayon Group is exposed to several financial 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 2023 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, and Russia deconsolidated 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 1,200m bond, utilized amounts under the NOK 1,500m 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 can be denominated in other 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. Crayon seeks primarily natural hedge to the extent it is economically viable, e.g. by having gross sales and gross cost of licenses 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.

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 June 30, 2024, was NOK 724m, with a corresponding leverage ratio of 0.7x 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 3,205m 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 has 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 procedures 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)	Jun 30, 2024	Jun 30, 2023	Dec 31, 2023
Balance at Jan 1	197	116	116
Currency translation	5	14	6
Net reversal/allowance	45	8	76
Closing balance	**247**	**138**	**197**

Profit or loss effect of bad debt

(NOK millions)	Q2 2024	Q2 2023	Year to date Q2 2024	Year to date Q2 2023	Full year 2023
Realized losses	2	4	5	6	6
Allowance for doubtful accounts	23	11	45	8	76
Net accounting losses on trade receivables	**25**	**14**	**50**	**14**	**82**

There have been no material changes 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. A provision of NOK 30m has been considered as part of the bad debt provision as of Q2, 2024, an increase of NOK 9m from the provision included as of Q1, 2024. The provision is calculated based on the time value of the expected settlement applying a scenario analysis where the timing of the payment is the main variable. The assessments of the management and our legal advisor have not changed, and we expect the full payment to be processed, but timing remain uncertain.

Note 12 – Right-of-use assets

(NOK millions)	Right-of-use assets
Acquisition cost at Jan 1, 2024	725
Additions	28
Disposals	-9
Adjustments	7
Currency translation	7
Acquisition cost at Jun 30, 2024	758
Depreciation at Jan 1, 2024	179
Depreciation during the period	57
Disposals	-9
Currency translation	3
Accumulated amortization at Jun 30, 2024	229
Net book value at Jun 30, 2024	530

Note 13 – Contract assets

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

(NOK millions)	Jun 30, 2024	Jun 30, 2023	Dec 31, 2023
Contract assets	322	243	253
Total	322	243	253

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 have 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

On July 2, 2024 Crayon entered into a new 1,500m revolving credit facility with a 3-year tenor and a 2-year extension option. The facility replaces the existing facility with maturity date in April 2025. In connection with the new RCF the existing overdraft facility with Danske Bank was reduced from NOK 400m to NOK 300m, and a new Overdraft facility of EUR 10m will be established with ING.

No further significant events to report after the balance sheet date.

Responsibility statement by the Board and CEO

The Board and CEO have considered the condensed set of interim financial statements for the period January 1 to June 30, 2024. We confirm to the best of our knowledge that the condensed set of financial statements for the above-mentioned period:

- Has been prepared in accordance with IAS 34 (Interim Financial Reporting).
- Gives a true and fair view of the Group's assets, liabilities, financial position, and overall results for the period viewed in in their entirety.
- That the business and financial review includes a fair overview of any significant events that arose during the above-mentioned period and their effect on the financial report.
- Gives a true picture of any significant related parties' transactions, principal risks and uncertainties faced by the Group.

Oslo, August 28, 2024

Rune Syversen Chairman	Grethe Viksaas	Dagfinn Ringås	Arne Frogner
Wenche Marie Agerup	Marina Lønning	Mette Wam	Jens Rugseth
Lars H. Larhammer	Liv Hege Jensen		Melissa Mulholland CEO

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)	Year to date Q2 2024	Year to date Q2 2023	Full year 2023
EBITDA	572	480	745
Adjustments:			
Share based compensation	24	26	42
Other income and expenses	20	30	132
Adjusted EBITDA	615	536	919

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 resales being restated and reflect the actual billing for the relevant period.

(NOK millions)	Year to date Q2 2024	Year to date Q2 2023	Full year 2023
Gross Sales	32,103	27,037	49,077

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)	Jun 30, 2024	Jun 30, 2023	Dec 31, 2023
Cash & cash equivalents	1,435	1,405	1,467
Restricted cash	-51	-152	-49
Non-restricted cash	1,384	1,253	1,418
Available credit facility	1,821	912	1,308
Liquidity reserve	3,205	2,165	2,726

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)	Jun 30, 2024	Jun 30, 2023	Dec 31, 2023
Inventory	-0	19	18
Accounts receivable	11,132	9,314	7,847
Accounts payable	-12,332	-9,506	-8,753
Trade working capital	-1,200	-172	-888
Unbilled gross sales	1,666	1,584	1,297
Public duty receivables	827	923	553
Contract assets	322	243	253
Prepaid expenses & other	231	180	220
Income taxes payable	-117	-88	-74
Public duties	-1,050	-894	-659
Accruals	-1,451	-1,364	-1,249
Employee benefits related accruals	-491	-399	-440
Prepayments & other	-141	-145	-135
Other working capital	-203	40	-233
Net working capital	-1,403	-132	-1,121

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)	Year to date Q2 2024	Year to date Q2 2023	Full year 2023
M&A expenses	-4	-25	-10
Contingent considerations, fair value adjustments	-5	-5	-18
Other non-recurring items	-11	0	-104
Other income and expenses	-20	-30	-132

Other non-recurring items in 2024 consist of restructuring cost in Q1, 2024 related to severance packages for consultants made redundant.

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.

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