



Fourth Quarter 2020 Results

Torgrim Takle
Jon Birger Syvertsen
Hilde Thomassen

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Q4 2020

Business Update

CEO Torgrim Takle



Q4 2020 Highlights

- 1 Record-Breaking Financial Quarter & FY 2020
- 2 Strong Performance Across Markets & Business Areas
- 3 Significant Public Sector Wins & Momentum
- 4 Lifted Medium-Term Financial Guidance

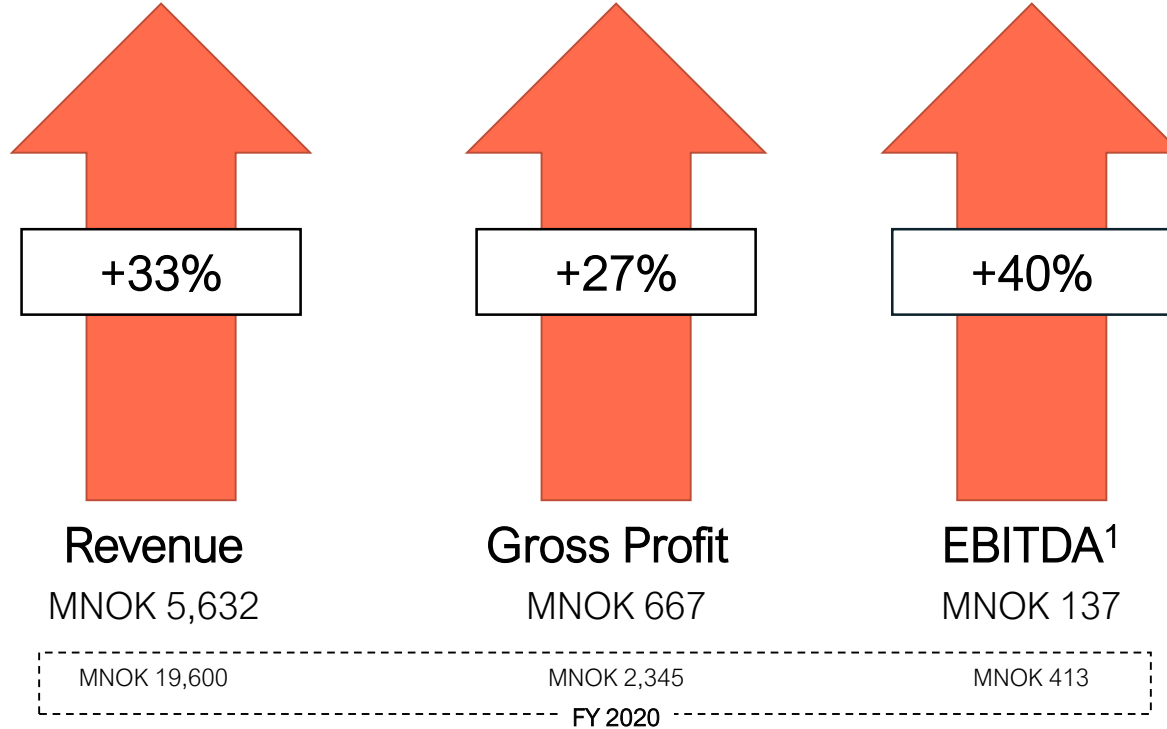
“What we have witnessed over the past year is the dawn of a second wave of digital transformation sweeping every company and every industry.”

Satya Nadella, Microsoft CEO
26 January 2021

Q4 2020 HIGHLIGHTS

1 12th Consecutive Record-breaking Quarter

Compared to corresponding period last year



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

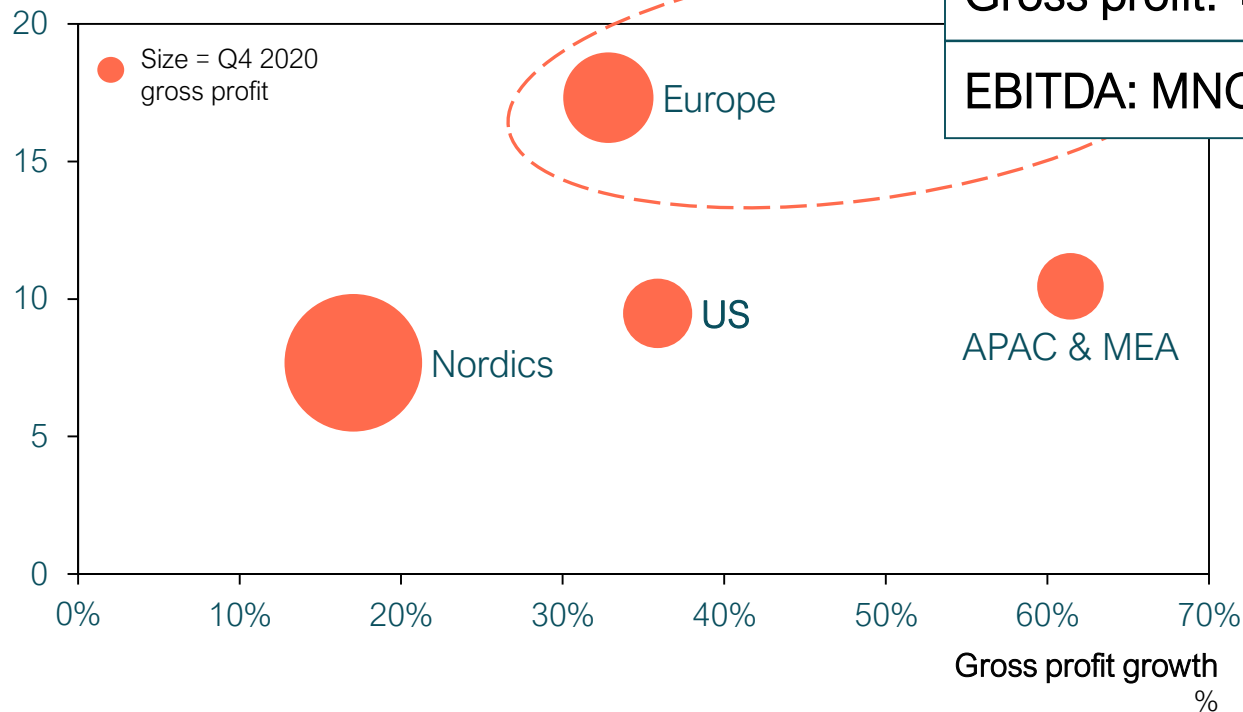
Q4 2020 HIGHLIGHTS

2 Strong Performance Across Markets

Compared to corresponding period last year

EBITDA improvement

NOK millions



2 Strong Performance Across Business Areas

 YoY change

	SOFTWARE		SERVICES	
	Software & Cloud Direct	Software & Cloud Channel	Software & Cloud Economics	Consulting
Gross profit growth ¹	+33%	+50%	+14%	+21%
EBITDA margin ²	47%  -4pp	47%  +15pp	18%  +5pp	14%  -6pp
Significant client wins				
Q4 drivers and outlook	- IT infrastructure shift/multi-cloud environments - Shift to monthly subscription models - Public sector focus - Capacity increase	- Continued partner growth combined with low churn - Growth on new technology platforms (AWS) and partner segments (ISVs) - Positive impact from price list arbitrage	- Strong market demand for cost optimization services - Continued strong performance in US - Shift to gain share and recurring contracts (58% YoY growth)	- Geo expansion (outside Nordics) - Capacity increase, particularly for AI/ML practice - Q4 profitability impacted by lower utilization for certain capabilities

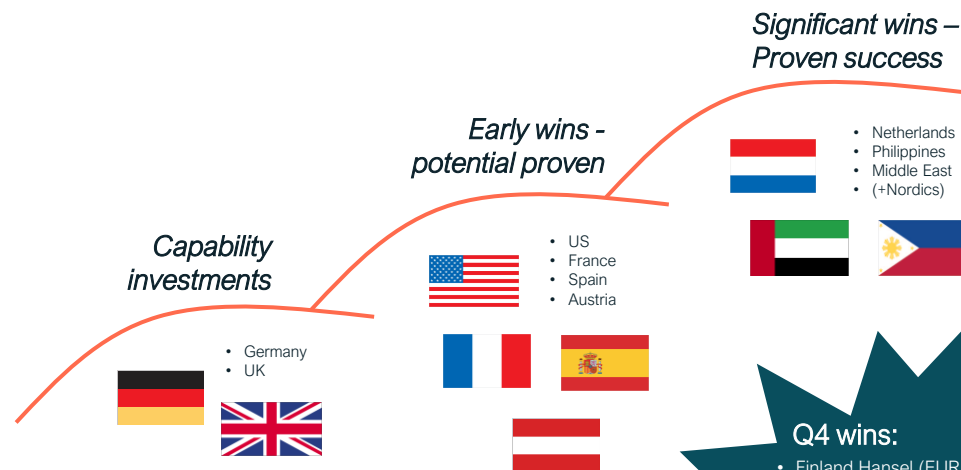
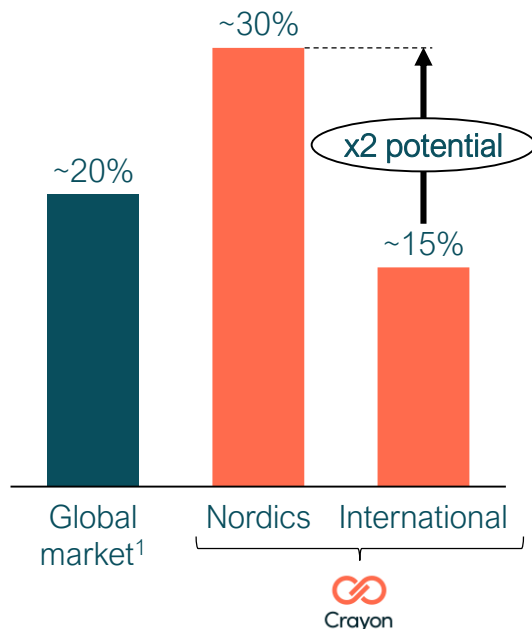
1 Gross profit growth Year over Year ("YoY")

2 EBITDA as a percentage of gross profit

3 Public Sector: Strong Momentum & International Potential

Public Sector Penetration

Share of software & cloud revenues, 2020



Q4 wins:

- Finland Hansel (EUR ~300m / 3 + 1 years)
- Philippines Government (USD ~100m / 2 years)
- French Ministry of Education (EUR ~20m / 3 years)

- Strong market outlook: Digitalization “catch-up”
- Long term predictability; Typically 3-5 years contracts
- Significant upsell potential

¹ Market proxy based on Microsoft FY 2020 revenues (public sector revenue as percent of total revenue)



Financial Review

Q4 2020

CFO Jon Birger Syvertsen



Q4 2020 - Summary

1

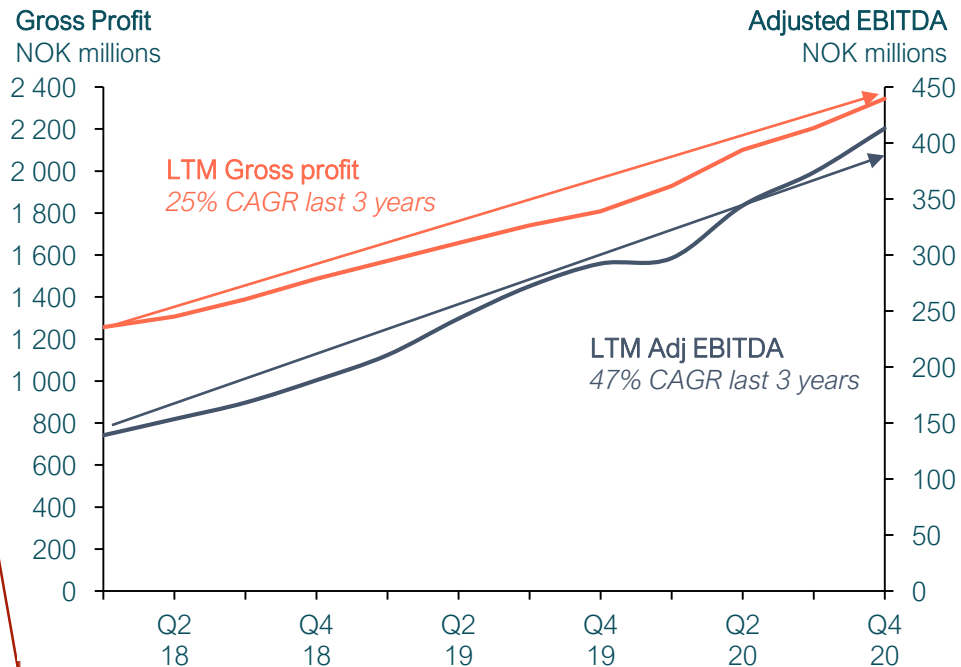
Sustained GP and EBITDA growth

2

Margin improvement across all regions, break-even in US

3

Strong liquidity position of NOK 1.6 bn

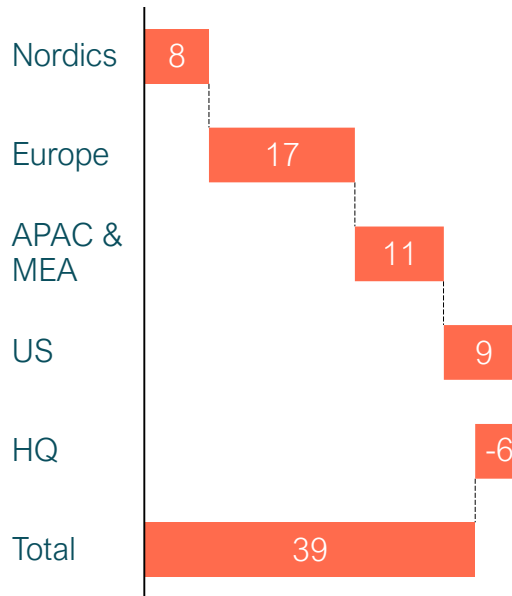


Strong growth across markets in Q4

YoY gross profit growth by market cluster
NOK million



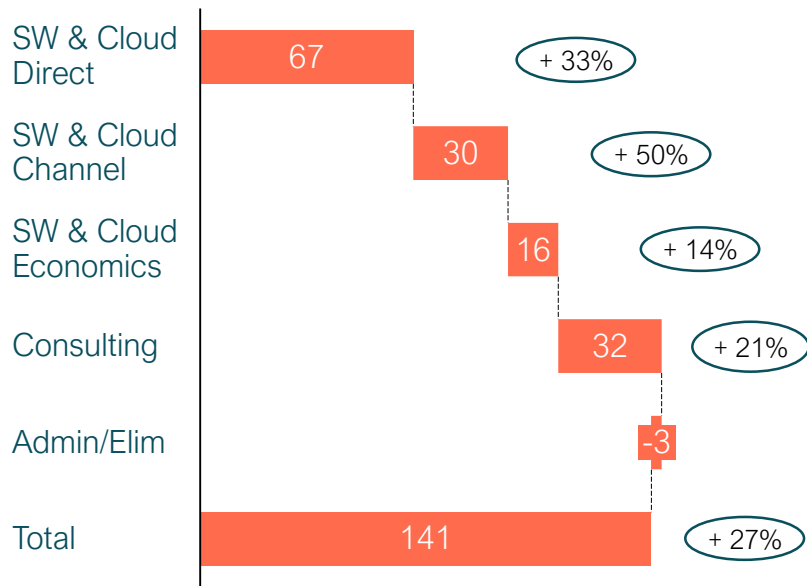
YoY Adj EBITDA growth by market cluster
NOK million



Strong GP growth across markets and segments

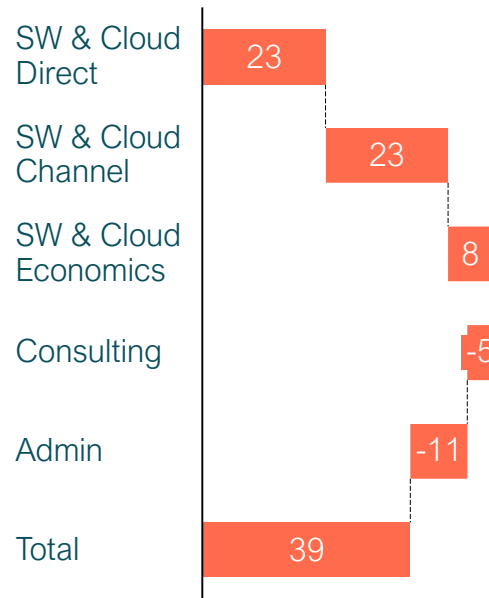
YoY gross profit growth by business area

NOK million



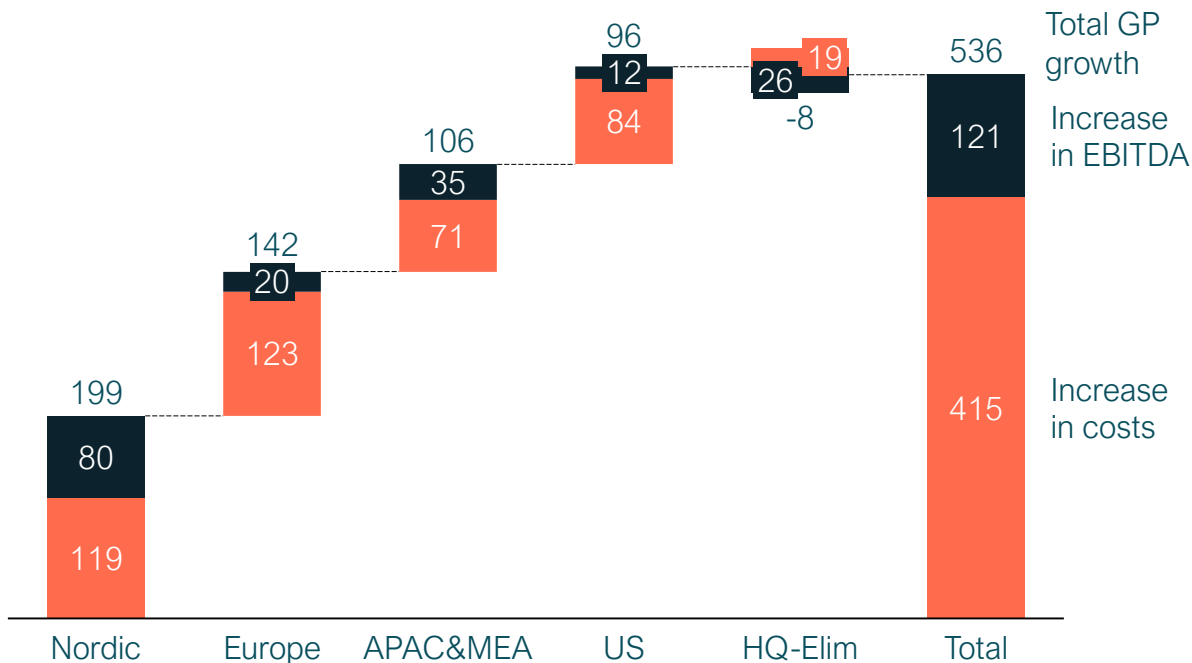
YoY Adj EBITDA growth by business area

NOK million



2020 investments in growth set the stage for 2021

Change from 2019 to 2020; NOK millions



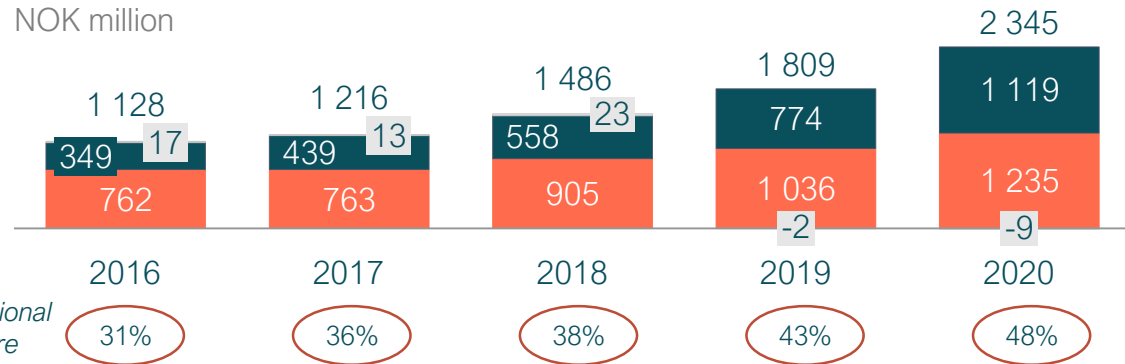
- Continued investments into new resources and capabilities across all markets, with ~370 FTEs added YoY
- Onboarding new resources is a short-term drag to profitability, but enables gross profit and EBITDA growth in future periods as the resources are fully ramped up

Q4 2020

International expansion momentum continues

Gross profit

NOK million

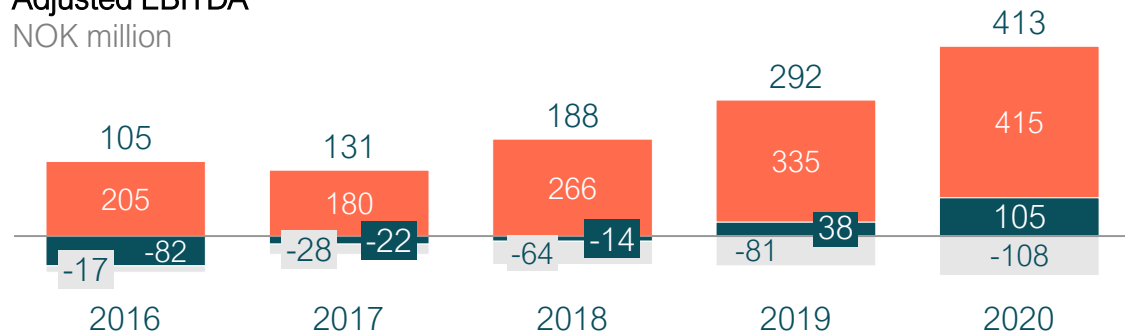


Nordic
International
HQ/Elim.

- Continued gross profit growth in international markets – 3.2x growth since 2016
- EBITDA contribution from International markets continue to improve – triple digits for the first time

Adjusted EBITDA¹

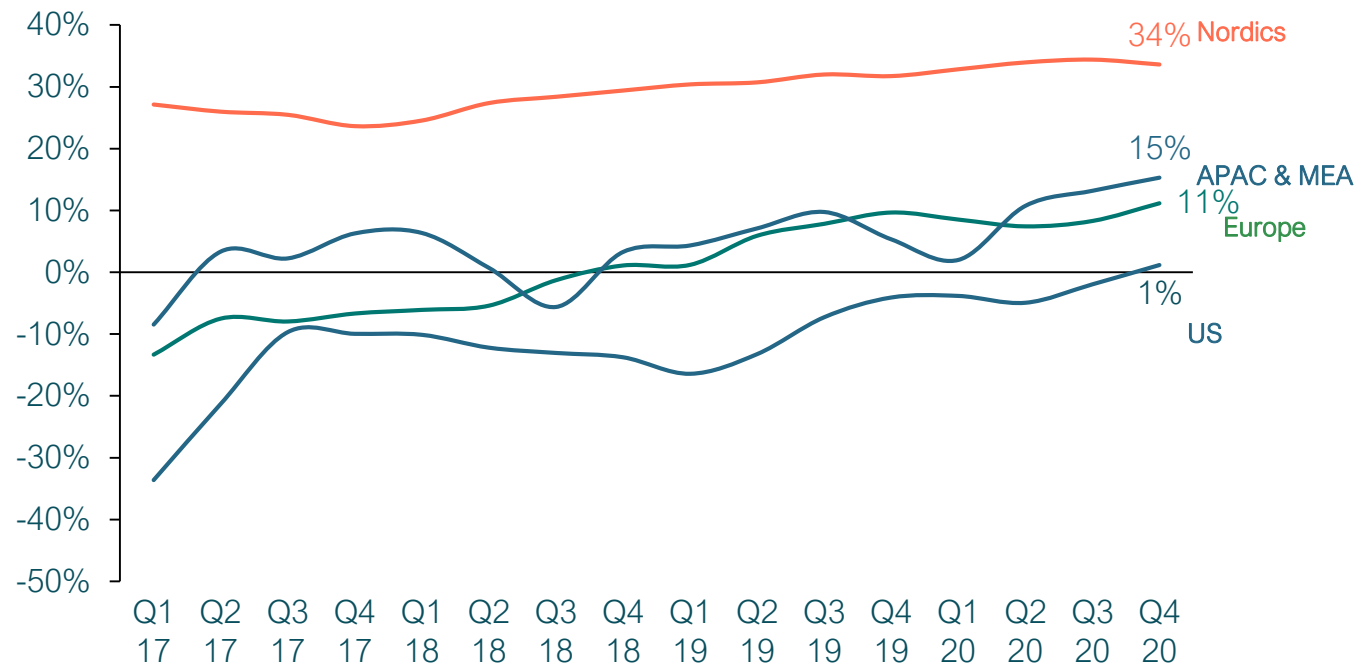
NOK million



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

International EBITDA margins continue to improve

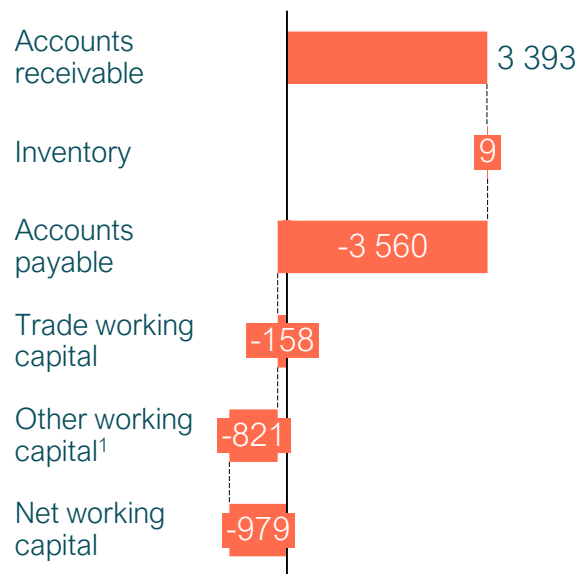
LTM adjusted EBITDA margin¹



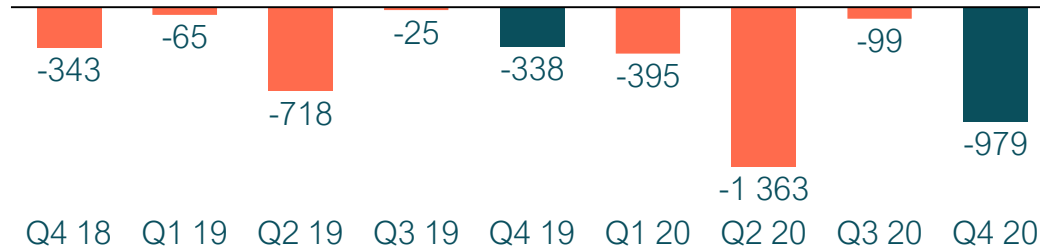
- Nordics with continued strong EBITDA margins
- APAC&MEA EBITDA margins improving
- Europe EBITDA margins negatively influenced by investments into CEE
- Positive EBITDA margin in the US

Working capital driven by seasonality

2020 Q4 net working capital
NOK million



Net working capital over time
NOK million



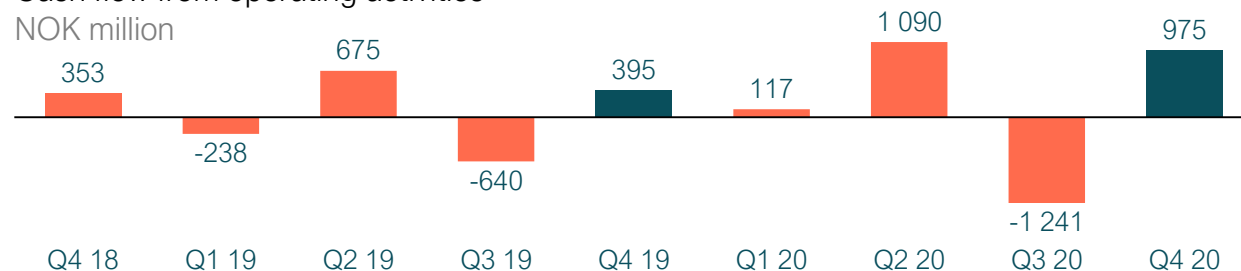
- Q4 2020 net working capital is 641 million more negative than Q4 2019, driven by a decrease of trade working capital of 364 MNOK and a decrease in other working capital of 277 million
- Improvement driven by a combination of improved credit and collection processes and favorable deal timing
- Clear trend during 2020 of improved working capital position

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

Strong liquidity position end Q4

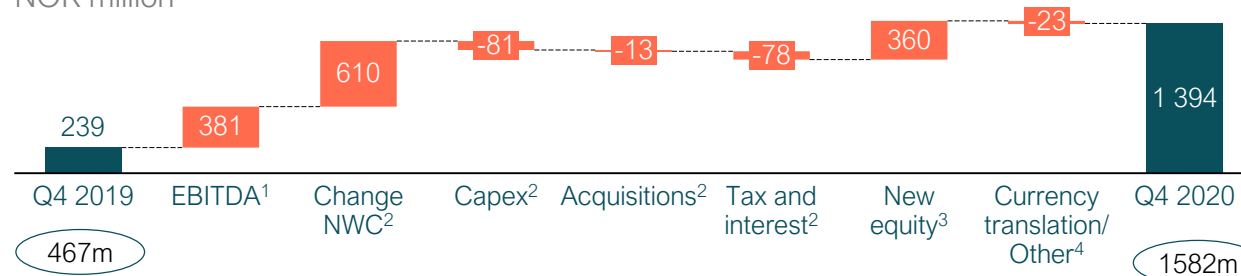
Cash flow from operating activities

NOK million



LTM cash development

NOK million



¹ EBITDA (non-adjusted)

² As seen from the cash flow statement;

³ 297 MNOK new equity from share issue June 2020, 24.6 MNOK in December 2020 from option exercise and 38.5 MNOK in Q4 2020 from ESPP program

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

⁵ Liquidity reserve is reported in the 'Alternative Performance Measures' section in the quarterly report, and is defined as the sum of freely available cash and available credit facilities

- Cash flow from operations is seasonal and driven by changes to net working capital, with strong positive cash flow in the quarter as Q4 working capital is more negative than Q3
- Strong liquidity position of 1.6bn as a consequence of strong business and working capital performance combined with the NOK 300mn equity raise in May

P&L - summary

NOKm	Q4 2019	Q4 2020	YTD Q4 2019	YTD Q4 2020
Operating revenue	4 235,7	5 632,3	13 618,0	19 599,5
Cost of sales	-3 709,1	-4 964,9	-11 809,3	-17 254,7
Gross profit	526,6	667,4	1 808,7	2 344,8
Payroll and related costs	-362,9	-461,4	-1 312,7	-1 716,7
Other operating expenses	-79,7	-59,8	-246,1	-246,7
Total operating expenses	-442,6	-521,3	-1 558,8	-1 963,4
EBITDA	84,0	146,2	249,9	381,4
Depreciation	-11,0	-14,5	-40,6	-54,1
Amortisation	-78,6	-22,7	-132,2	-86,2
EBIT	-5,6	109,0	77,1	241,1
Interest expense	15,3	9,2	59,8	41,1
Other financial expense, net	10,9	-26,3	7,7	6,3
Ordinary result before tax	-31,8	126,0	9,6	193,7
Income tax expense on ordinary result	-6,3	-31,4	-28,9	-66,8
Net (loss) income	-38,1	94,7	-19,3	126,8
Adjusted EBITDA reconciliation				
Reported EBITDA	84,0	146,2	249,9	381,4
Other income and expenses	13,9	-9,0	42,3	31,5
Adjusted EBITDA	97,9	137,2	292,2	412,9

- Depreciation and amortization in line with plan, with no year-end impairments in 2020
- Interest expense reduced following the refinancing of the bond, while net financial expense is negative due to currency effects
- Income tax expenses increases as a consequence of the significant improvement in profitability
- EBITDA adjustments in Q4 2020 reduces EBITDA with NOK 9m, driven by 17.6 million related to a forgivable loan in the US partly offset by 8.6 million related to share-based compensation
- Net profit in 2020 of 127 million

Balance sheet and net interest-bearing debt

NOKm	31.12.2019	31.12.2020
ASSETS		
Development Costs	86,6	88,8
Technology and software	26,8	18,5
Contracts	69,8	60,4
Software licenses (IP)	1,0	2,2
Goodwill	829,3	850,9
Deferred tax asset	23,2	35,5
Total intangible assets	1 036,7	1 056,3
Equipment	35,4	38,6
Right of use assets	118,3	120,1
Total tangible assets	153,7	158,7
Other long-term receivables	25,6	40,0
Inventory	14,0	8,8
Accounts receivable	2 553,5	3 393,4
Other receivables	156,3	263,3
Cash & cash equivalents	238,8	1 394,1
Total current assets	2 962,6	5 059,7
Total assets	4 178,6	6 314,6

LIABILITIES AND SHAREHOLDERS' EQUITY

Share capital	76,6	81,7
Own shares	0,0	0,0
Share premium	622,1	976,9
Sum paid-in equity	698,8	1 058,6
Retained Earnings	-105,3	41,3
Total equity attributable to parent company shareholders	593,5	1 099,8
Non-controlling interests	-8,1	3,3
Total shareholders' equity	585,4	1 103,2
Bond loan	293,2	295,2
Derivative financial liabilities	0,1	0,0
Deferred tax liabilities	29,7	21,5
Lease liabilities	95,5	95,3
Other long-term liabilities	42,0	47,5
Total long-term liabilities	460,5	459,6
Accounts payable	2 361,2	3 560,0
Income taxes payable	24,4	49,8
Public duties	235,2	250,9
Current lease liabilities	26,1	31,2
Other short-term interest bearing debt	45,1	75,9
Other current liabilities	440,7	784,0
Total current liabilities	3 132,7	4 751,9
Total liabilities	3 593,2	5 211,5
Total equity and liabilities	4 178,6	6 314,6

	31.12.2019	31.12.2020
Long-term interest bearing debt	303,4	302,3
Short-term interest bearing debt	45,1	75,9
Cash and cash equivalents	-238,8	-1 394,1
Restricted cash	20,5	93,7
Net interest bearing debt (NIBD)	130,2	-922,3

- Underlying business growth increases accounts receivables and payables but overall decrease in net working capital
- In general, no major changes to equity and liabilities beyond the new equity issued in June 2020
- Liquidity is seasonal with Q4 being a strong quarter – Q4 2020 still represents a clear improvement year over year
- The strong balance sheet supports the current M&A strategy

- The Company reports its cash balance net of drawdown on its revolving credit facility ("RCF")
- Approx. NOK 556m of goodwill as of year-end 2020 relates to the Oslo Stock Exchange delisting of Inmeta-Crayon in 2012
- Note that bond transactional costs of around NOK 7m are capitalized , and accretion expensed over the lifetime of the bond, cf. IAS 39

Cash flow development

NOKm	Q4 2019	Q4 2020	YTD Q4 2019	YTD Q4 2020
Net income before tax	-31,8	126,0	9,6	193,7
Taxes paid	-16,3	-13,8	-30,5	-34,5
Depreciation and amortisation, incl. impairment	89,6	37,2	172,9	140,3
Net interest to credit institutions	12,9	8,2	48,1	32,7
Changes in inventory, AR/AP ¹	207,2	447,3	-109,0	364,1
Changes in other current assets	133,1	370,6	99,9	245,4
Net cash flow from operating activities	394,6	975,4	191,0	941,6
Net interest paid to credit institutions	-27,0	-6,3	-55,6	-43,9
New Equity / Other	35,1	62,7	3,4	368,3
Net new debt	-170,4	-13,6	-191,6	-12,7
Net cash flow from financing activities	-162,4	42,8	-243,7	311,7
Acquisition of assets	-30,1	-28,7	-76,3	-81,4
Acquisition of subsidiaries - net of cash acquired/ Business combinations	-0,9	0,0	-8,9	-12,6
Net cash flow from investing activities	-31,0	-28,7	-85,2	-94,0

- Cash flow from operations in Q4 driven by change in net working capital performance and strong underlying business performance
- Acquisition of assets in Q4 2020 of NOK 28.7mn mainly related to investments in new ERP system and Cloud IQ platform and 6.5mn acquisition of Winc.



Outlook



2020 outlook updated to reflect growth opportunity

	2019 actuals	2020 outlook	2020 actuals	2021 outlook	Medium term	Comment
Gross profit growth	+21.7 %	+25-30%	+29.6%	+20-25%	+15-20 %	Continued strong momentum, includes Sensa closing during Q2
Adjusted EBITDA as share of gross profit	16.2%	16-17%	17.6%	16-17%	Gradually increase to 19%	Continue to invest in growth for 2021, given strong market momentum
NWC¹	-15.8 %	-20% to -25%	-30.2%	-20% to -25%	-15% to -20%	Expect to sustain ~half of the 2020 NWC improvement medium term
Capex	NOK 76m	NOK 80-85 m	NOK 74.9m	NOK 80-85 m	NOK~85m	Continued investments in platforms and IP

¹Average NWC last 4 quarters as share of gross profit last 4 quarters



Q&A Session

Investor Relations

Main communications channels

- Crayon IR webpages
<https://www.crayon.com/investor-relations/>
- Group fact & figures
 - Reports & Presentations
 - Share and bond information
- Newsweb , Oslo Stock Exchange

Financial calendar 2020:

- 25.03.21 – Annual Report
- 16.04.21 – Annual General Meeting
- 11.05.21 – Quarterly Report Q1
- 11.08.21 – Half-yearly Report
- 26.10.21 – Quarterly Report Q3
- 15.02.22 – Quarterly Report Q4

For IR-related requests:

Hilde Thomassen

(+47 90 25 41 32)

ir@crayon.com / hilde.thomassen@crayon.com

CRAYON GROUP

Data pack
available at
crayon.com

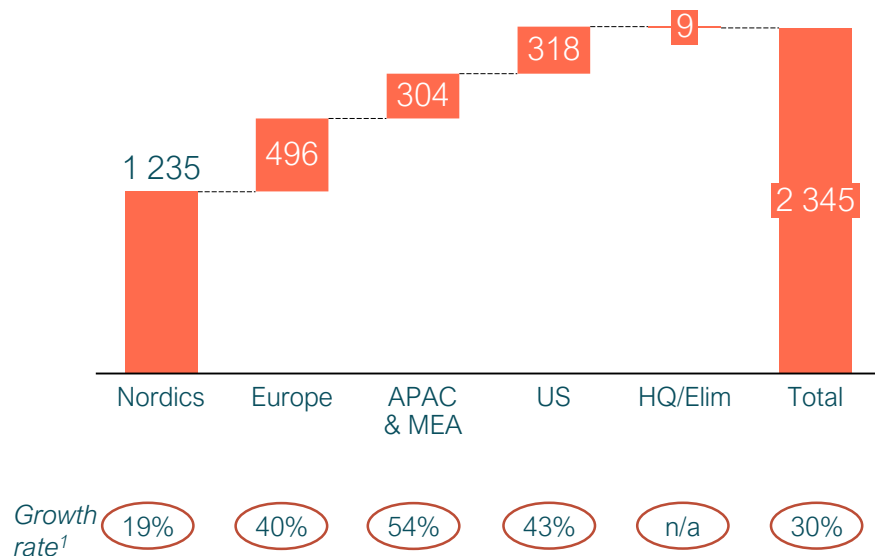




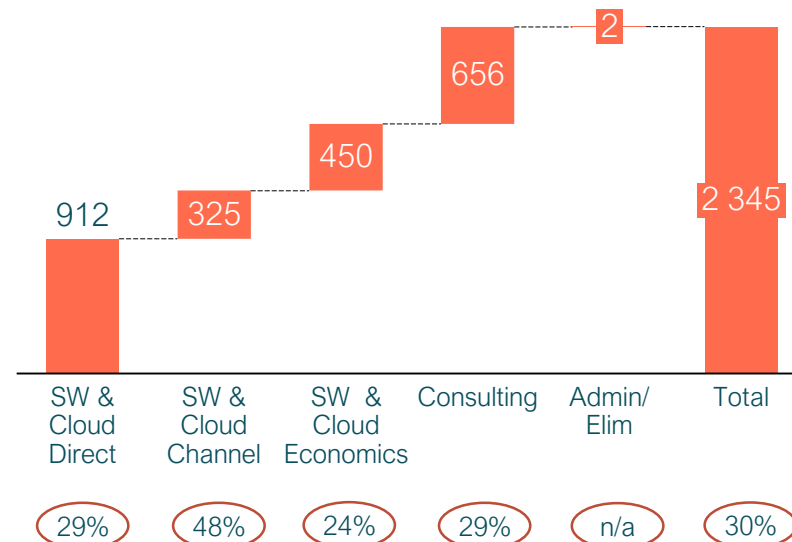
Appendix

Strong Q4 leads to 30% gross profit growth LTM

LTM gross profit by market cluster
NOK million



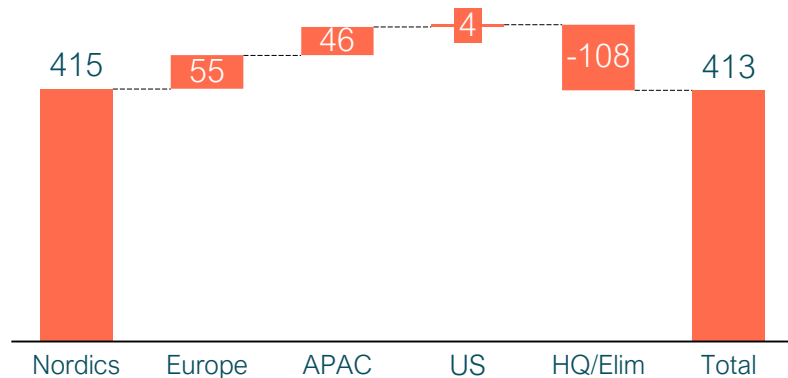
YoY gross profit growth by business area
NOK million



¹ LTM vs previous LTM period

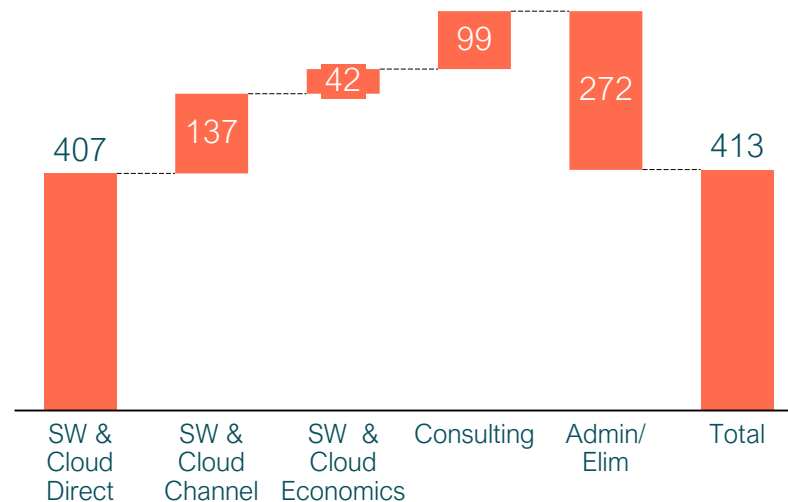
LTM Adjusted EBITDA of NOK 413 million

LTM adjusted EBITDA by market cluster
NOK million



EBITDA margin ¹	34%	11%	15%	1%	n/a	18%
Change in EBITDA margin ²	+1.3 pp	+1.1 pp	+9.5 pp	+5.0 pp	n/a	+1.5 pp

LTM adjusted EBITDA by business area
NOK million



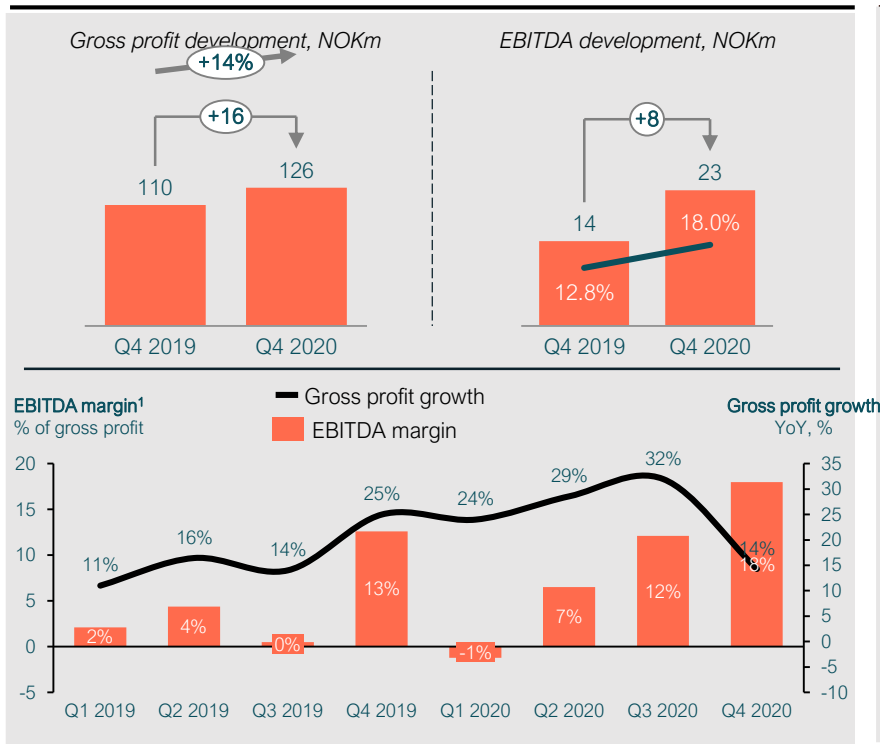
EBITDA margin ¹	45%	42%	9%	15%	n/a	18%
Change in EBITDA margin ²	-4.1 pp	5.7 pp	+3.8 pp	-3.1 pp	n/a	+1.5 pp

¹ adjusted EBITDA as share of Gross Profit

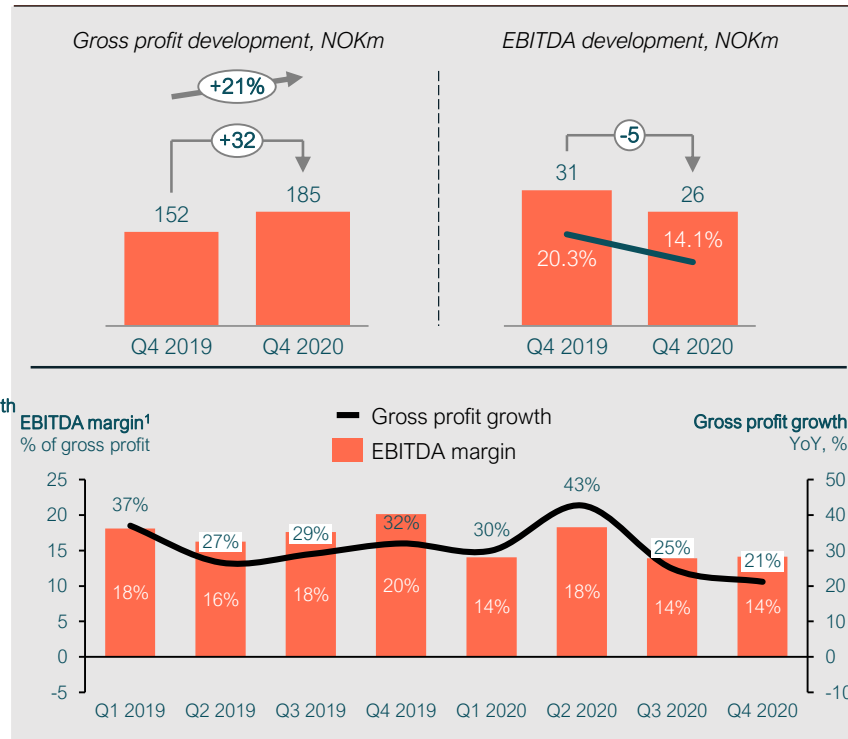
² LTM vs previous LTM period

Services

SW & Cloud Economics



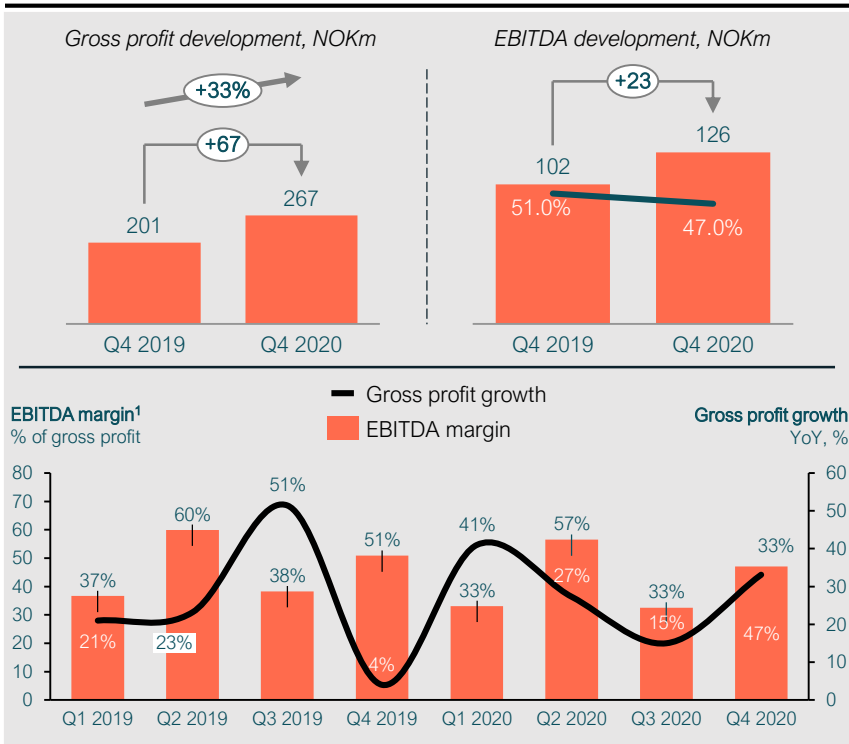
Consulting



• 1 Adj. EBITDA divided by reported gross profit

Software

SW & Cloud Direct



• 1 EBITDA divided by reported gross profit

SW & Cloud Channel

