Crayon

Q1 2024 Financial Report

Contents

Highlights

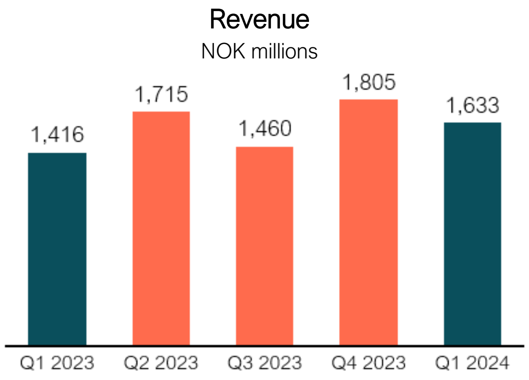
In Q1 2024:

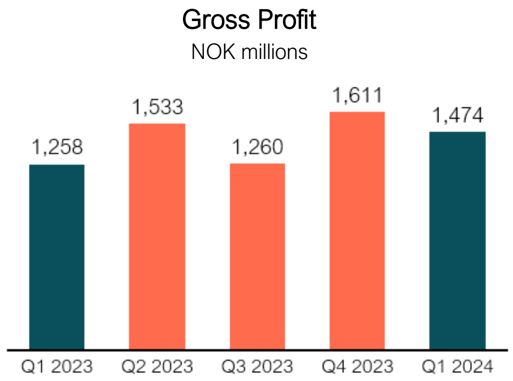
- Gross profit increased 17% (14% in constant currency) to NOK 1,474m.
- Adj. EBITDA ended at NOK 203m up NOK 18m compared to the same quarter previous year.
- Cash flow from Operations increased NOK 21m to NOK 97m.
- Net Working Capital ended at NOK -1,085m, a strong improvement from the same quarter previous year.
- Opex includes a provision of NOK 21m relating to an estimated time value loss effect of the delayed outstanding receivable from the Philippine public sector.

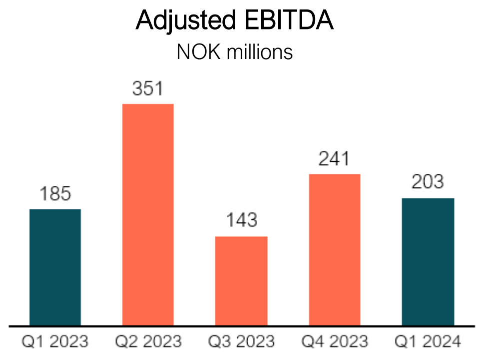
Key figures

(NOK millions)	Q1 2024 Unaudited	Q1 2023 Unaudited	Full year 2023 Audited
Gross Sales	13,936	11,676	49,077
Revenue	1,633	1,416	6,397
Gross profit	1,474	1,258	5,662
EBITDA	178	184	745
Adjusted EBITDA	203	185	919
Operating profit/EBIT	98	102	442
Net income	10	-91	-159
Cash flow from operations	97	76	1,413
Adjusted EBITDA margin (%)	13.8%	14.7%	16.2%
Basic earnings per share (NOK)	0.14	-1.01	-1.29
Diluted earnings per share (NOK)	0.14	-1.01	-1.29
	Mar 31, 2024	Mar 31, 2023	Dec 31, 2023
Net interest-bearing debt	1,214	1,808	1,189
Liquidity reserve	2,669	1,917	2,726
Leverage ratio (multiple)	1.2	2.0	1.2
Net working capital	-1,085	-218	-1,121
Full time equivalents (FTE)	4,057	3,718	4,021

See last section for details on Alternative Performance Measures.







Crayon

Business review

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

Gross Profit grew 17%, driven in particular by strong growth in Europe at 31%. Adj. EBITDA increased by NOK 18m to NOK 203m (185m), while the margin ended at 13.8% a small decline compared to the same quarter in the previous year. The decline is mainly attributable to lower profitability in Consulting where Adj. EBITDA ended at NOK -17m. Operating cash flow ended at NOK 97 (76m) an improvement from Q1, 2023.

Market Clusters

Gross Profit in the Nordics increased 7% to NOK 574m. While demand in Software and Cloud was solid, with Direct and Channel growing 19% and 23% respectively, Consulting declined 5% in the quarter as the market for consulting services remains muted. The performance in the Consulting business is also reflected in the development in adjusted EBITDA which declined NOK 37m compared to the same quarter in 2023. As announced in Q4, 2023 the company has taken several actions to improve profitability in Consulting and expect these measures to positively impact profitability from Q2 and in the second half of the year. NOK 11m incurred as restructuring cost in the quarter related to severance packages for consultants made redundant.

In Europe Crayon continue to benefit from a strong market as well as capitalizing on prior investments with Gross Profit growing 31%. Demand continues to be solid with software and cloud growing 23% and Services is growing 42% combined. We continue to invest in our Data and AI service based in Austria growing Gross Profit over 30%, a reflection of strong customer demand for high end AI capabilities. Adjusted EBITDA ended at NOK -2m, a decline from NOK 18m in Q1, 2023.

Gross Profit in APAC & MEA increased 14% to NOK 328m. Software and Cloud Direct grew 28% while Channel grew 9%. Performance in the Channel business remains mixed. While performance in Australia, India and MEA is solid this is offset by slower growth in other markets. Adjusted EBITDA margin ended at 11% approximately at the same level as last year. Profitability in the Channel business was solid with a margin over 60%, while offset by negative margins in both SCE and Consulting.

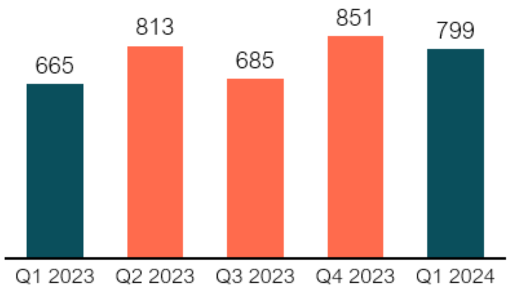
Gross Profit in the US increased 9% to NOK 158m. Customer demand for Crayon's core service business in the US continues to be strong with Gross Profit growing 13% to NOK 87m. Software and Cloud Economic represents over 50% of Gross Profit in the region and customer acquisition and relationship supports growth in the software and cloud businesses.
Adj. EBITDA ended at NOK -1m, up from NOK -9m in the same quarter previous year. Crayon's US business continues to execute on the strategy, invest and build scale and further support growth.

Business areas

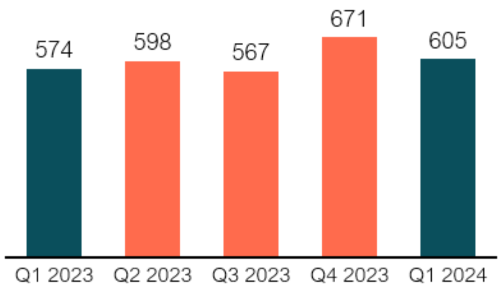
In the first quarter, Crayon's Software and Cloud businesses continued its strong performance, reflecting a high demand in the market across all vendors. Combined, Software and Cloud grew Gross Profit 20% to NOK 799m. Despite a challenging macro backdrop customers continue their digital transformation and cloud spend increases as companies are preparing for gen AI and migrating workloads to optimize for the cost efficiency of cloud. Adj. EBITDA development in Software and Cloud remains strong and ended at NOK 420m (342m) reflecting a margin of 53%, an increase from 51% in the comparable quarter the prior year.

Gross Profit in the services businesses, Software and Cloud Economics and Consulting, grew 5% combined. The performance was negatively impacted by the Consulting market in the Nordics. Consulting in the Nordics, which represents a significant part of Gross Profit in the combined service businesses, declined 5%. This is also reflected in the margin development. Adj. EBITDA ended at NOK -5m (42m) a margin of -1%. Measures to improve profitability have already been initiated to ensure its resources are optimized to market demand and improvement in profitability in the second half of 2024.

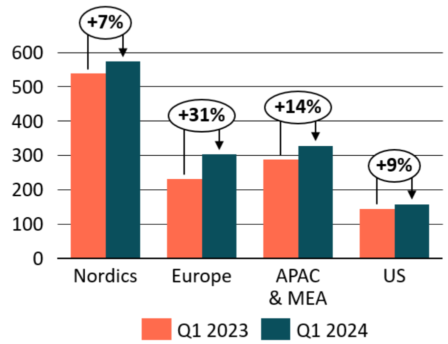
Software & Cloud Gross Profit
NOK millions



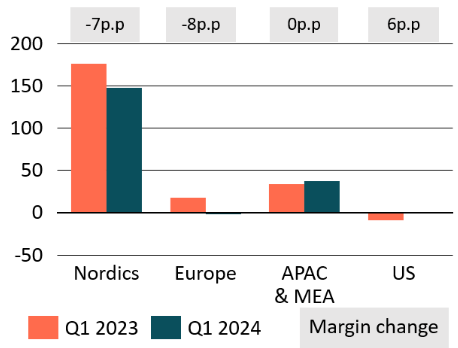
Services Gross Profit
NOK millions



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 Q1, 2024 increased 15% YoY to NOK 1,633m. Gross profit increased 17% to NOK 1,474m.

Adjusted EBITDA

Adjusted EBITDA was NOK 203m compared to NOK 185m last year, corresponding to an increase of 10%. The increase derives from an increase in Gross profit of 17% net off increase in payroll and other operating expenses of 18%, resulting in an Adj. EBITDA margin of 13.8% (14.7%).

Adjustments include share-based compensations and other income and expenses. Other income and expenses amount to NOK 17m for the quarter. The amount includes NOK 11m incurred as restructuring cost in the quarter related to severance packages for consultants made redundant. The remaining NOK 6m consists of fair value adjustments of contingent considerations related to prior acquisitions and other M&A related expenses.

Net income

Depreciation, amortization and impairment are at the same level as Q1 last year.

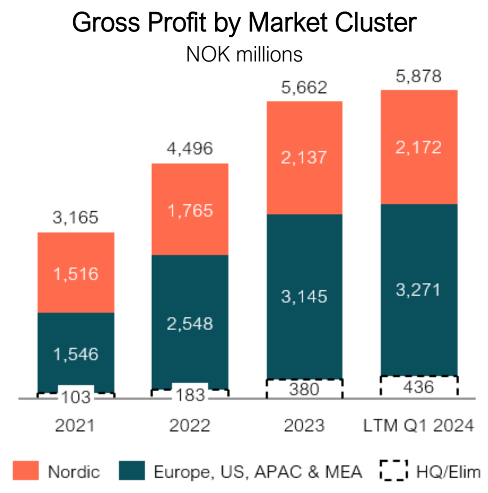
Interest expense increased YoY by NOK 12m in Q1 to NOK 71m, mainly due to increase in rates.

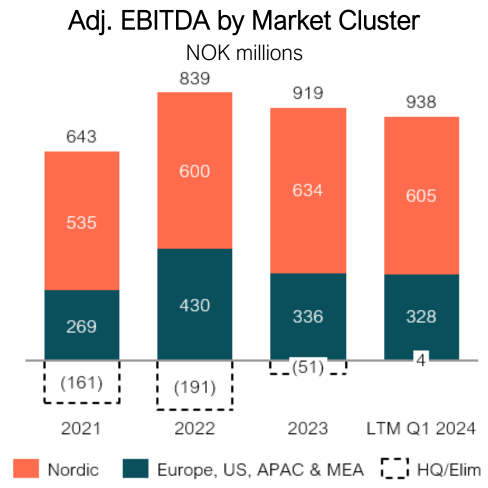
Net other financial items contributed with an expense for the quarter of NOK 10m compared to a net expense of NOK 152m in the same quarter last year. The expense last year mainly relates to currency effects. Several measures were implemented during 2023 to reduce the sensitivity to currency changes on monetary assets. Effect of these measures are the main reason for reduced cost in Q1, 2024.

Tax expense ended at NOK 7m for the quarter, compared to tax income of NOK 19m same quarter last year.

Net income amounted to NOK 10m for the quarter, compared to a net loss of NOK -91m last year.

Earnings per share for the quarter, both basic and diluted, amounted to NOK 0.14, compared to NOK -1.01 last year.





Balance sheet

Total non-current assets increased by NOK 96m to NOK 4,984m during the quarter, largely due to currency adjustments. NOK weakened towards our main currencies compared to last quarter.

Total current assets increased by 15% to NOK 12,176m compared to Q1, 2023. Our gross sales grew 19% in the same period.

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 21m has been considered as part of the bad debt provision in 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.

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 34m to NOK 231m at the end of the quarter. The increase relates to net allowance for bad debt of NOK 22m (including the impairment loss described above) and currency effects of NOK 12m.

Crayon has non-recourse factoring agreements, which have been implemented for a set of customers in Norway, Denmark and India. On March 31, 2024, factoring reduced accounts receivable by NOK 247m (NOK 250m).

Interest-bearing liability decreased by NOK 43m to NOK 2,564m during the quarter. Total cash of NOK 1,402m decreased by NOK 65m from the last quarter. Net interest-bearing debt increased by NOK 25m to NOK 1,214m.

Total equity increased by NOK 111m to NOK 2,590m during the quarter driven by the net income of NOK 10m, and other comprehensive income gain on currency translation of NOK 91m. The equity ratio was 15%.

Cash flow

Cash flow from operations in Q1 was NOK 97m (NOK 76m). 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 46m in the quarter (NOK 34m) and mainly relates to ordinary CAPEX.

Cash flow from financing activities amounted to NOK -169m (NOK -245m) and relates to ordinary interest payments, lease payments, and changes in credit facilities utilization.

The liquidity position remained strong, with a total liquidity reserve of NOK 2,669m on March 31, 2024.

Leverage

Net interest-bearing debt as of March 31, 2024, was NOK 1,214m, 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 March 31, 2024, increased by 9% to 4,057 compared to 3,718 on March 31, 2023. In the Software & Cloud business division, full-time equivalents increased by 85, representing an 8% increase, while in the Services business division, it increased by 168 employees, an increase of 8%. Other employees increased by 86 YoY.

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

Condensed Consolidated Statement of Income

(NOK millions)	Note	Q1 2024 Unaudited	Q1 2023 Unaudited	Full year 2023 Audited
Revenue	6	1,633	1,416	6,397
Cost of sales		-159	-159	-735
Gross profit		**1,474**	**1,258**	**5,662**
Payroll and related expenses		-1,081	-916	-3,986
Other operating expenses		-190	-157	-756
Share based compensation		-8	-1	-42
Other income and expenses		-17	0	-132
EBITDA		**178**	**184**	**745**
Adjustments		25	1	175
Adjusted EBITDA		**203**	**185**	**919**
Depreciation, amortization and impairment	4	-81	-81	-302
Operating profit/EBIT		**98**	**102**	**442**
Share of profit (loss) from associated companies		0	-1	-0
Interest expense		-71	-59	-276
Other financial expense, net	5	-10	-152	-249
Net income before tax		**16**	**-110**	**-82**
Income tax expense on ordinary result		-7	19	-77
Net income		**10**	**-91**	**-159**
Comprehensive income				
Items that are or may be reclassified subsequently to profit or loss				
Currency translation		91	197	189
Comprehensive income net of tax		**100**	**106**	**29**
Allocation of net income				
Non-controlling interests		-3	-0	-44
Owners of Crayon Group Holding ASA		12	-91	-115
Net income allocated		**10**	**-91**	**-159**
Earnings per share (NOK)		0.14	-1.01	-1.29
Dilutive earnings per share (NOK)		0.14	-1.01	-1.29
Allocation of comprehensive income				
Non-controlling interests		-2	2	-41
Owners of Crayon Group Holding ASA		103	104	70
Comprehensive income allocated		**100**	**106**	**29**

Condensed Consolidated Balance Sheet Statement

(NOK millions)		Mar 31, 2024	Mar 31, 2023	Dec 31, 2023
ASSETS	Note	Unaudited	Unaudited	Audited
Non-current assets:				
Goodwill	9	3,314	3,279	3,262
Other intangible assets	8	657	710	660
Deferred tax asset		133	197	117
Equipment		107	99	103
Right-of-use assets	12	554	452	547
Investment in associated companies		43	42	43
Other non-current assets		176	61	156
Total non-current assets		4,984	4,841	4,888
Current assets:				
Inventory		0	19	18
Accounts receivable	11	8,385	6,617	7,847
Other current receivables and current assets	13	2,389	2,559	2,324
Cash & cash equivalents	10	1,402	1,413	1,467
Total current assets		12,176	10,608	11,656
Total assets		17,160	15,449	16,544

(NOK millions)		Mar 31, 2024	Mar 31, 2023	Dec 31, 2023
LIABILITIES AND SHAREHOLDERS' EQUITY	Note	Unaudited	Unaudited	Audited
Shareholders' equity:				
Share capital		90	89	90
Own shares		-100	-0	-100
Share premium		1,821	1,818	1,821
Total paid-in equity		1,810	1,907	1,810
Retained earnings		797	700	686
Total equity attributable to parent company shareholders		2,607	2,607	2,497
Non-controlling interests		-17	24	-17
Total shareholders' equity		2,590	2,630	2,479
Non-current liabilities:				
Interest-bearing liabilities	10	1,793	2,529	1,792
Deferred tax liabilities		120	203	115
Lease liabilities	10	492	414	488
Other non-current liabilities		27	39	33
Total non-current liabilities		2,432	3,184	2,428
Current liabilities:				
Accounts payable		9,311	7,281	8,753
Income taxes payable		57	100	74
Public duties		600	484	659
Current lease liabilities	10	101	73	93
Other current interest-bearing liabilities	10	177	147	233
Other current liabilities		1,891	1,549	1,824
Total current liabilities		12,138	9,634	11,636
Total liabilities		14,569	12,818	14,065
Total equity and liabilities		17,160	15,449	16,544

Condensed Consolidated Statement of Cash Flows

(NOK millions)	Q1 2024 Unaudited	Q1 2023 Unaudited	Full year 2023 Audited
Cash flows from operating activities:			
Net income before tax	16	-110	-82
Taxes paid	-19	-26	-167
Depreciation, amortization and impairment	81	81	302
Net interest expense	66	53	252
Interest received	5	6	23
Changes in trade working capital	38	661	905
Changes in other working capital and other adjustments	-90	-591	179
Net cash flow from operating activities	**97**	**76**	**1,413**
Cash flows from investing activities:			
Payment for capitalized assets	-32	-34	-153
Acquisition of subsidiaries - (net of cash acquired)	0	0	-31
Change in other investments	-14	0	-87
Net cash flow from investing activities	**-46**	**-34**	**-271**
Cash flows from financing activities:			
Interest paid	-71	-56	-270
Share issues	0	0	3
Repurchase of shares	0	0	-100
Acquisition/disposal of non-controlling interests	0	-24	-42
Payment of lease liability	-24	-15	-80
Change in RCF utilization	0	-150	-900
Net change in other credit facilities utilization	-74	0	109
Net cash flow from financing activities	**-169**	**-245**	**-1,280**
Net increase (decrease) in cash and cash equivalents	**-118**	**-203**	**-139**
Cash and cash equivalents at beginning of period	1,467	1,530	1,530
Currency translation	53	87	76
Cash and cash equivalents at end of period	**1,402**	**1,413**	**1,467**

Condensed Consolidated Statement of Changes in Shareholder's Equity

Year to date period ending

Mar 31, 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	-91	-91	-0	-91
Other comprehensive income	0	0	0	195	0	195	2	197
Total comprehensive income	0	0	0	195	-91	104	2	106
Share-based compensation	0	0	0	0	6	6	0	6
Transactions with non-controlling interests	0	0	0	0	-14	-14	-8	-22
Transactions with owners	0	0	0	0	-8	-8	-8	-16
Balance as of end of period	89	-0	1,818	403	296	2,607	24	2,630

Mar 31, 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	12	12	-3	10
Other comprehensive income	0	0	0	90	0	90	1	91
Total comprehensive income	0	0	0	90	12	103	-2	100
Share-based compensation	0	0	0	0	8	8	0	8
Transactions with non-controlling interests	0	0	0	0	0	0	0	0
Other changes	0	0	0	0	-0	-0	2	2
Transactions with owners	0	0	0	0	8	8	3	10
Balance as of end of period	90	-100	1,821	484	312	2,607	-17	2,590

Crayon

Notes

Note 1 – Corporate information

The Board of Directors has approved the condensed interim financial statements as at March 31, 2024, for publication on May 7, 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 4,057 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)	Q1 2024	Q1 2023	Full year 2023
Depreciation	40	29	129
Amortization of intangibles	40	52	173
Impairment	0	0	0
Total	81	81	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)	Q1 2024	Q1 2023	Full year 2023
Interest income	5	6	23
Other financial expense, net	-15	-159	-272
Total	-10	-152	-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 Q1, 2023. Measures were implemented during second half of 2023 to reduce the sensitivity of currency and is the main reason for the significant decrease in Q1, 2024.

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, 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.
- 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 March 31, 2024

	Q1 2024						
	Software & Cloud		Services				
(NOK millions)	Software & Cloud Direct	Software & Cloud Channel	Software & Cloud Economics	Consulting	General & Administration	Eliminations	Total
Revenue							
Nordics	203	65	47	367	3	0	685
Europe	125	54	70	100	3	0	353
APAC & MEA	88	155	20	133	1	0	399
US	44	14	104	23	0	0	186
HQ	22	0	-0	-1	140	0	161
Group Adjustments	-4	32	0	0	-0	0	28
Eliminations	0	0	0	0	0	-177	-177
Revenue	**479**	**320**	**241**	**623**	**148**	**-177**	**1,633**
Gross profit							
Nordics	203	65	41	262	3	0	574
Europe	125	54	63	57	3	0	303
APAC & MEA	88	155	14	69	1	0	328
US	44	14	87	12	0	0	158
HQ	22	0	-0	-1	140	0	161
Group Adjustments	-4	32	0	0	-0	0	28
Eliminations	0	0	0	0	0	-77	-77
Gross profit	**479**	**320**	**204**	**400**	**148**	**-77**	**1,474**
Payroll and other operating expenses	-280	-98	-192	-417	-360	77	**-1,271**
Adjusted EBITDA	**199**	**222**	**12**	**-17**	**-212**	**0**	**203**

Segment information March 31, 2023

	Q1 2023						
	Software & Cloud		Services				
(NOK millions)	Software & Cloud Direct	Software & Cloud Channel	Software & Cloud Economics	Consulting	General & Administration	Eliminations	Total
Revenue							
Nordics	171	52	47	383	-1	0	652
Europe	110	35	66	63	2	0	276
APAC & MEA	69	142	18	125	-4	0	350
US	38	13	85	22	0	0	159
HQ	5	0	0	1	76	0	82
Group Adjustments	9	19	0	0	0	0	29
Eliminations	0	0	0	0	0	-131	-131
Revenue	**402**	**263**	**215**	**594**	**72**	**-131**	**1,416**
Gross profit							
Nordics	171	52	41	275	-1	0	539
Europe	110	35	46	39	2	0	232
APAC & MEA	69	142	13	67	-4	0	287
US	38	13	77	16	0	0	144
HQ	5	0	-0	1	76	0	82
Group Adjustments	9	19	0	0	0	0	29
Eliminations	0	0	0	0	0	-54	-54
Gross profit	**402**	**263**	**177**	**397**	**72**	**-54**	**1,258**
Payroll and other operating expenses	-216	-107	-157	-376	-272	54	**-1,073**
Adjusted EBITDA	**186**	**156**	**21**	**22**	**-199**	**0**	**185**

(NOK millions)	Q1 2024	Q1 2023	Full year 2023
Adj EBITDA - Operating Segment			
- Software & Cloud Direct	199	186	936
- Software & Cloud Channel	222	156	568
Total Adj EBITDA - Software & Cloud	420	342	1,505
- Software & Cloud Economics	12	21	69
- Consulting	-17	22	23
Total Adj EBITDA - Services	-5	42	93
General & Administration	-212	-200	-678
Total Adjusted EBITDA	203	185	919

(NOK millions)	Q1 2024	Q1 2023	Full year 2023
Adj EBITDA per Market Cluster			
- Nordics	148	177	634
- Europe	-2	18	154
- APAC & MEA	37	33	185
- US	-1	-9	-3
- HQ	-7	-63	-106
- Group Adjustments	28	29	54
Total Adjusted EBITDA	203	185	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 related to share-based compensation is displayed in the table below.

(NOK millions)	Q1 2024	Q1 2023	Full year 2023
Cost related to equity-settled share-based compensation transactions	9	5	43
Change in accrued employee social security tax	-1	-3	-1
Total	8	1	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	24	0	0	24
Currency translation	0	7	14	6	28
Cost at Mar 31, 2024	9	587	742	223	1,561
Amortization and impairment Jan 1, 2024	7	408	239	195	849
Amortization	0	20	20	1	40
Currency translation	0	5	4	6	15
Accumulated amortization and impairment at Mar 31, 2024	7	433	263	202	905
Net book value at Mar 31, 2024	1	154	479	22	657

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 17m for Q1, 2024.

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	53
Acquisition cost at Mar 31, 2024	**3,424**
Impairment at Jan 1, 2024	110
Impairment during the period	0
Accumulated Impairment at Mar 31, 2024	**110**
Net book value at Mar 31, 2024	**3,314**

The Group performs an impairment test for goodwill on an annual basis or when there are impairment indicators. There were no impairment indicators during Q1, 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.

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. In April 2024, Crayon redeemed the bond loan after completion of a new senior unsecured bond loan. See Note 15 for more information.

As of March 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 147m.

Total unused credit facilities (RCF and cash pool) amounted to NOK 1,319m 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)	Mar 31, 2024	Mar 31, 2023	Dec 31, 2023
Bond loan, non-current liabilities	1,793	1,779	1,792
Revolving credit facility	0	750	0
Supplier financing	146	0	127
Lease liabilities	492	414	488
Current lease liabilities	101	73	93
Other current interest-bearing liabilities	32	147	106
Cash & cash equivalents	-1,402	-1,413	-1,467
Restricted cash	52	58	49
Net interest-bearing debt	**1,214**	**1,808**	**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 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 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. 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 March 31, 2024, was NOK 1,214m, 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 2,669m 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)	Mar 31, 2024	Mar 31, 2023	Dec 31, 2023
Balance at Jan 1	197	116	116
Currency translation	12	9	6
Net reversal/allowance	22	-3	76
Closing balance	231	122	197

Profit or loss effect of bad debt

(NOK millions)	Q1 2024	Q1 2023	Full year 2023
Realized losses	3	3	6
Allowance for doubtful accounts	22	-3	76
Net accounting losses on trade receivables	25	-0	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 21m has been considered as part of the bad debt provision in 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.

Note 12 – Right-of-use assets

(NOK millions)	Right-of-use assets
Acquisition cost at Jan 1, 2024	725
Additions	20
Disposals	-1
Adjustments	7
Currency translation	13
Acquisition cost at Mar 31, 2024	765
Depreciation at Jan 1, 2024	179
Depreciation during the period	28
Disposals	-1
Currency translation	5
Accumulated amortization at Mar 31, 2024	211
Net book value at Mar 31, 2024	554

Note 13 – Contract assets

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

(NOK millions)	Mar 31, 2024	Mar 31, 2023	Dec 31, 2023
Contract assets	281	228	253
Total	281	228	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 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. In connection with the new bond issue, on April 5, Crayon increased the current revolving credit facility from NOK 1,000m to NOK 1,500m. The Revolving Credit Facility matures in April 2025. Financial cost related to the settlement of the bond amounted to NOK 34m.

No further 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)	Year to date Q1 2024	Year to date Q1 2023	Full year 2023
EBITDA	178	184	745
Adjustments:			
Share based compensation	8	1	42
Other income and expenses	17	0	132
Adjusted EBITDA	203	185	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 Q1 2024	Year to date Q1 2023	Full year 2023
Gross Sales	13,936	11,676	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)	Mar 31, 2024	Mar 31, 2023	Dec 31, 2023
Cash & cash equivalents	1,402	1,413	1,467
Restricted cash	-52	-58	-49
Non-restricted cash	1,350	1,355	1,418
Available credit facility	1,319	563	1,308
Liquidity reserve	2,669	1,917	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)	Mar 31, 2024	Mar 31, 2023	Dec 31, 2023
Inventory	0	19	18
Accounts receivable	8,385	6,617	7,847
Accounts payable	-9,311	-7,281	-8,753
Trade working capital	-926	-644	-888
Unbilled gross sales	1,434	1,175	1,297
Public duty receivables	443	880	553
Contract assets	281	228	253
Prepaid expenses & other	231	276	220
Income taxes payable	-57	-100	-74
Public duties	-600	-484	-659
Accruals	-1,344	-1,053	-1,249
Employee benefits related accruals	-429	-348	-440
Prepayments & other	-119	-148	-135
Other working capital	-159	426	-233
Net working capital	-1,085	-218	-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 Q1 2024	Year to date Q1 2023	Full year 2023
M&A expenses	-1	0	-10
Contingent considerations, fair value adjustments	-5	0	-18
Other non-recurring items	-11	0	-104
Other income and expenses	-17	0	-132

Other non-recurring items in Q1, 2024 consist of restructuring cost in the quarter 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.

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