



# Crayon

World wide value added reseller

Target price 196



# Disclaimer

*We own a significant number of shares in Crayon so you cannot trust us... or perhaps you can?*

*Buying shares is risky, do so at your own peril.*

*All opinions presented is Hvaler Invests own opinions*

*All analyses have been done by Hvaler Invest unless otherwise stated*

*The intrinsic value analysis was made November 27<sup>th</sup>*

*For the purpose of this presentation when we say "**revenue**" we are referring to "**gross profit**"*

# Newsletters going forward and the Hvaler Invest Team

## Increasing market knowledge of strong companies and giving back to the community

### Purpose of the newsletters and presentations

- The intention behind the newsletters is increased knowledge about companies the market has limited understanding of, like Protector Forsikring, Crayon or with few existing analyses, like B3 Consulting Group.
- This will benefit us, **and you** if you follow some of our investment advice, as increased understanding of these companies will most likely lead to an increased market price over time
- We have a long-term investment perspective, and as such short-term fluctuations should be expected

### Giving back to the community

- A part of Hvaler Invest's philosophy is also to give something back to society
- We have recently signed the largest sponsorship agreement in the history of Fjellhammer IL and B72 table tennis club
- Building a Hvaler house in Gambia (offices for teachers in an elementary school)
- We encourage you all to sign up as "Grunnfjell" sponsor with FIL



- Chairman of the Board and owner of Hvaler Invest
- Former CEO Protector Forsikring, Currently Chair BoD B3 Consulting
- Analyst "trainee"



- Investor, analyst and owner of Hvaler Invest
- Former management consultant in consulting and insurance, Currently BoD Webstep
- Senior(?) analyst



- CEO in Hvaler Invest
- Currently real estate developer and former real estate agent
- Not an analyst...



- Halvor Dybdahl
- Student at Norwegian School of Economics
- Member of the investment club NHHS at NHH
- Junior Analyst



- Andreas Grimsmo
- Student at Norwegian School of Economics
- Member of the investment club NHHS at NHH
- Junior Analyst

# >20 years with strong growth

22% CAGR revenue growth and 22% CAGR EBITDA growth over the last 10 years

Founded in 2002

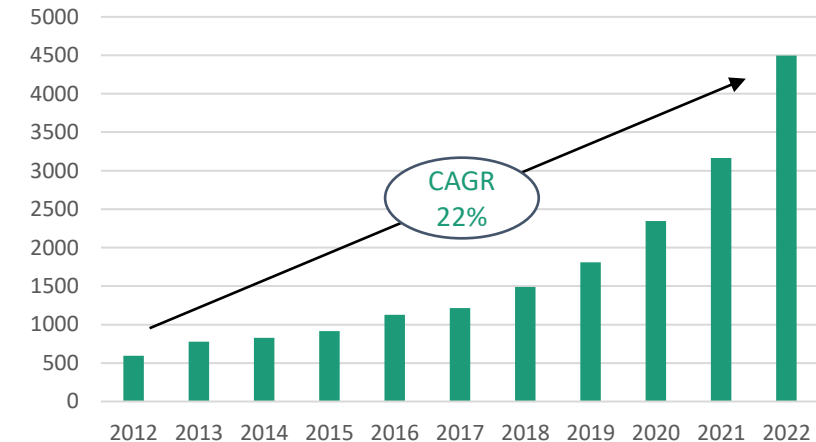
Rapid growth in revenue and EBITDA

5 acquisitions since 2015

~80,000 customers across the globe

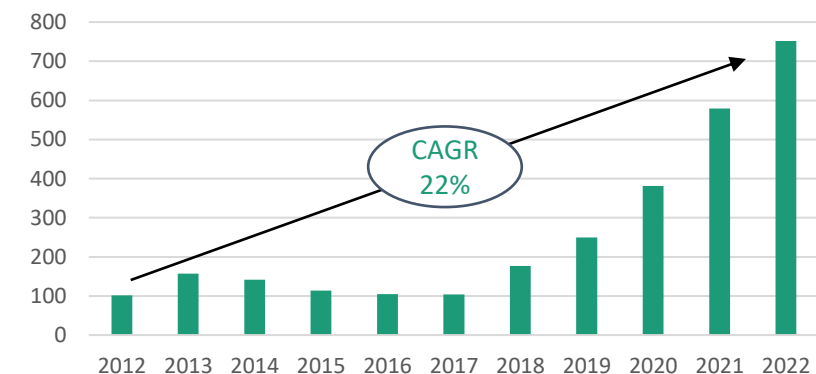
Expertise in software & cloud licenses and advisory

Revenue CAGR '12-'22: 22,4%



Source: Crayon data, Hvaler Analysis

EBITDA (rep) CAGR '12-'22: 22,1%

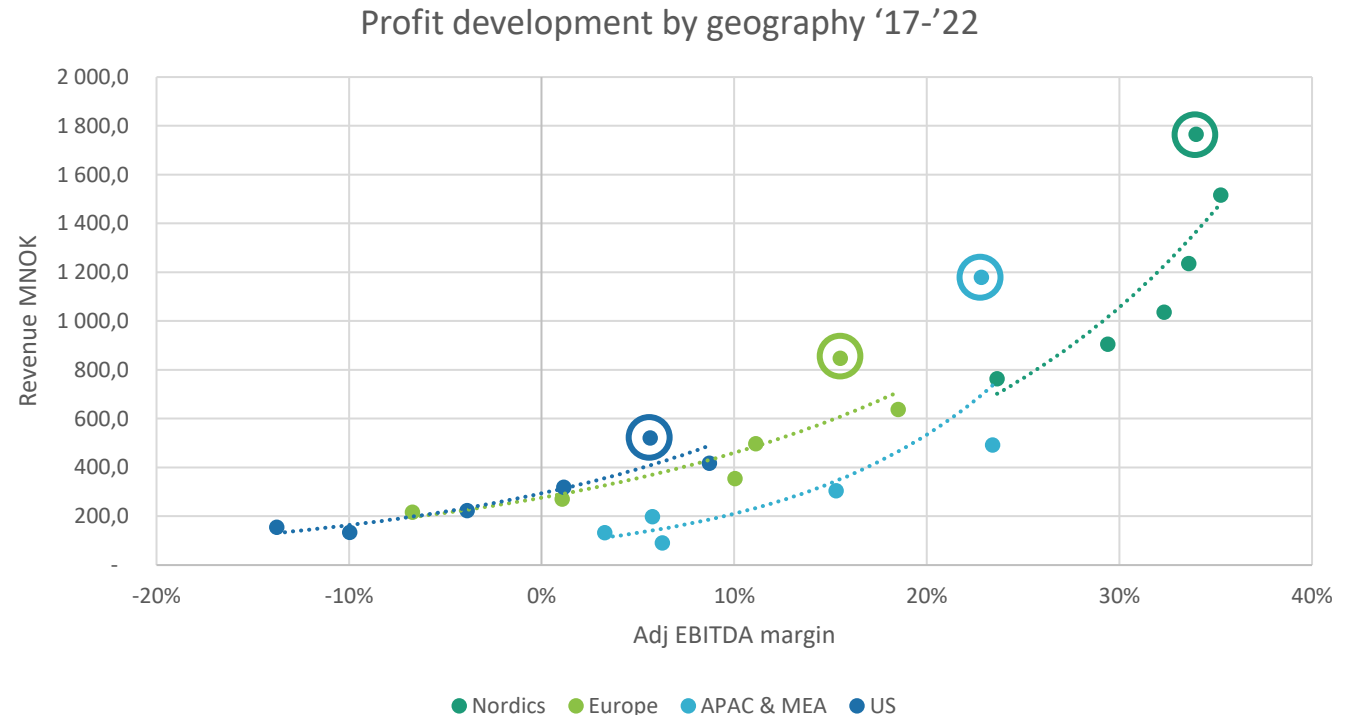


Source: Crayon data, Hvaler Analysis

# The main selling point of Crayon - Scalability

Track record for converting growth to profitability

- Nordics the most mature and most profitable geography
- Acquisitions that fit with the strategy
- Communicate that they focus on profitability currently (good), and data show that we should trust what they say (next slide)



Source: Crayon Q4 2022 presentation



# Geographical presence and business areas

Copying the Nordic model of scalability – Sale of licenses by far the most profitable revenue stream

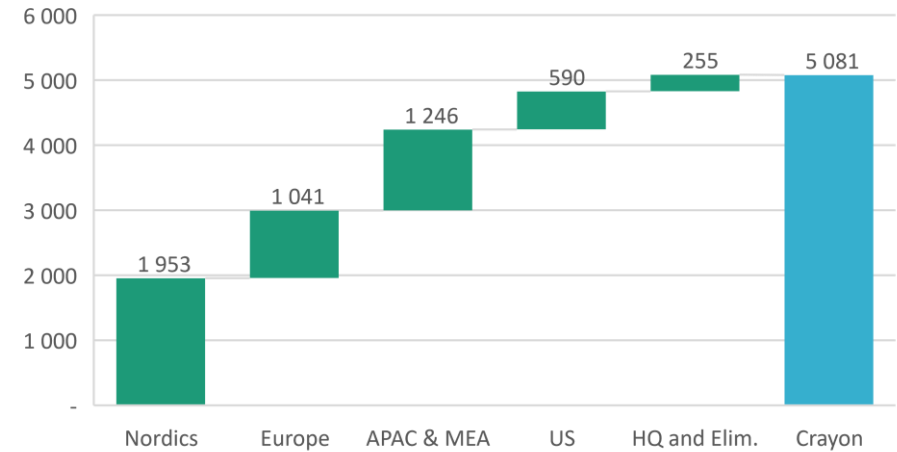
## Geographical Presence:

- Nordics: Largest and most mature market (38% of LTM revenue)
- Nordics: Account for 68% of LTM adj EBITDA
- Europe, APAC & MEA, and the US: International markets driving 56% of 2022 revenue

## Business areas:

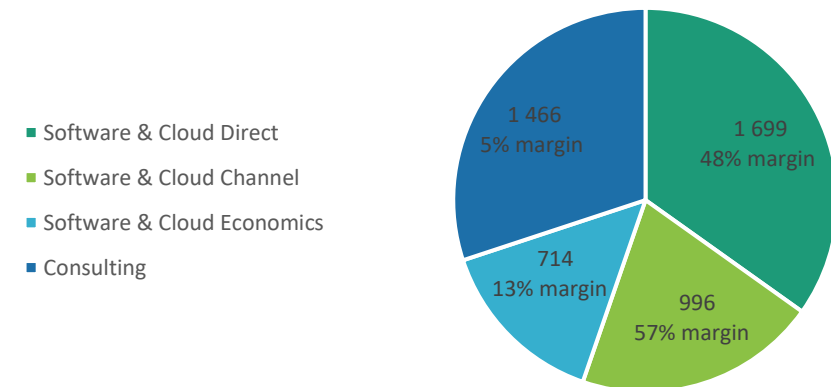
- Sale of licenses (software and cloud direct and channel) is the largest business area (52% LTM). Comprised of:
  - Direct sales
  - Channel (partner) sales
- Sale of licenses is also the part of the business that has by far the best margins (~50%)
- Rest of the volume is consulting and software and cloud economics
  - A lot lower margin, but enable Crayon to deliver the entire value chain related to sale of licenses

Revenue development per region



Source: Crayon data, Hvaler analysis

Revenue per business area



Source: Crayon data, Hvaler analysis

# A lot of eyes are on Crayon

Trouble in the Philippines, a short favourite, distrusting the management and buyout speculations

- Still no solution to the Philippines issue
  - The latest news is that Microsoft is joining forces with Crayon to put the pressure on the Philippines
  - There's more at stake than just 5 kr/sh
- The shorters are not giving up
  - Despite the market regaining some faith in Crayon, the shorters are not convinced
- The market has difficulty trusting the management
  - Comment made in Q3 investor lunch: "You [Crayon CEO Melissa] spend so much time explaining the Philippines situation makes me think that you are trying to cover something else"
- The market is still contemplating if there might arise a buyout situation
  - Rumours of Crayon looking at strategic options this summer
  - Goldman Sachs having bought 7,3% of the shares in a short timespan



TOP 100 SHORTS IN THE NORDIC COUNTRIES COMBINED AS OF 2023-11-24

Rank	Company Name	SI (% of Shares Outstanding)	1W Change	1M Change	6M Change	SI (% of Free Float)	SI (Publicly Disclosed % of Outstanding Shares*)	Mcap. (USDm)	Value on Loan (USDm)	Days to Cover	Utilisation
1	Samhallsbyggnadsbolaget i Norden	19.1%	5%	-10%	-25%	24.0%	8.7%	463	94	7	84%
2	Novozymes A/S	16.3%	3%	70%	119%	17.7%	11.4%	11904	1931	68	58%
3	Crayon Group Holding Asa	15.2%	2%	23%	226%	19.6%	7.4%	680	104	21	79%
4	Viaplay Group Ab (Publ)	13.6%	-12%	-18%	58%	19.2%	3.0%	183	28	16	80%
5	Jm Ab	13.5%	-2%	14%	141%	14.9%	10.6%	875	121	26	57%
6	Nel Asa	12.7%	1%	8%	86%	12.7%	4.1%	1219	159	27	72%

Source: ABG analysis

# Input from management

Strong cost focus - AI will have a slow start before it ramps up

## **EBITDA margins (cost)**

- Going forward they will continue with a clear focus on profitability/cost
- HQ cost in focus, in addition to profitability focus in regions
- FTE reduction in certain positions in US
- Lots of opportunities to improve profitability in APAC/MEA

## **Growth**

- Co-Pilot will have a slow start due to high initial price. This is partially due to Microsoft not wanting to overload their infrastructure
- Focus on growth in US. They are not satisfied with the current growth rate

## **Cash flow**

- 99% paid in time to Microsoft is too good – Microsoft KPI is 95%
- A lot of improvements possible – will be targeted





# Guiding vs actual – Crayon “walk the talk”

Crayon’s guiding is slightly on the conservative side – Analysts “on the other side” are wrong

- Only one year with underperformance relative to guidance on EBITDA, otherwise overperformance
  - Even still the sentiment in the market is that they are not able to deliver on what they say...
- Capex steadily above guidance – The reason (and it’s a very good one) can be found in the revenue overperformance. Growing at this pace requires capital, as you all know 😊
- No analyst use Crayon guiding when estimating future development (us included) – Are we all trailing behind?

Year	Revenue		EBITDA		Capex	
	Guiding	Actual	Guiding	Actual	Guiding	Actual
2023	20,0 %		20,5 %		125	
2022	37,5 %	43,0 %	22,5 %	20,4%*	100	142
2021	22,5 %	29,6 %	16,5 %	21,5 %	83	81
2020	17,5 %	29,6 %	17,5 %	17,6 %	70	75
2019	17,5 %	21,7 %	13,5 %	16,2 %	60	76
2018	9,0 %	22,4 %	13,0 %	12,6 %	43	62
Avg		29,3 %		17,3 %		

Source: Crayon data, Hvaler analysis

Guiding: Full year guiding for next year, presented in Q4 each year

\*18,7% in IFRS 15 restated figure. 20,4% is comparable to the guiding

# What happened after Q3 were released?

There was a massive (over)reaction to the results... Preparation + opportunity + action = profit

## Preparation:

- Figures released at 7:00 and we did a quick analysis and estimated 5-10% drop in share price, same as most analysts

## Opportunity

- At the open the stock took a swan dive and trading was suspended at around -20%

## Action

- We saw it as an overreaction and bought 380k shares ASAP at about 56 kr/share

## Profit

- Shares sold about 1,5 days after with a profit of 4 MNOK



Source: Bloomberg data

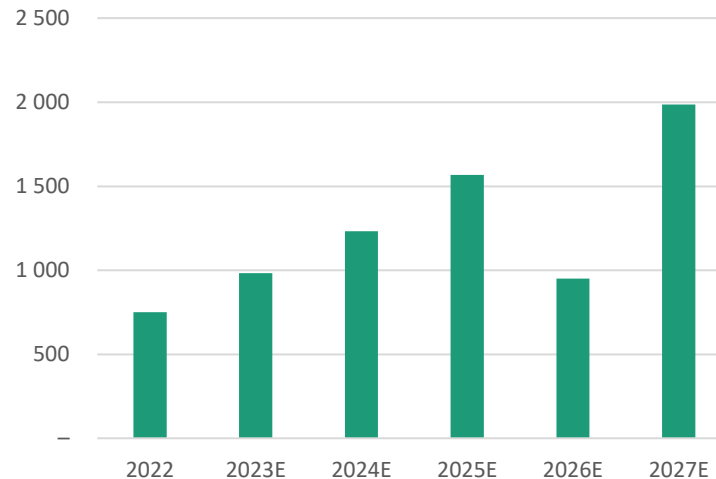
# Intrinsic value – Base case

Based on FCF and in perpetuity value: NOK 196

	Guiding medium term	HI assumptions	Comments
Revenue growth	≈20%	16% CAGR 22-27	
EBITDA margin	Gradual increase to 25%	18% to 21%	Are we too low?
NWC in % of GP	-15% to -20%	0% to -5%	Up from -3,5% to -5%

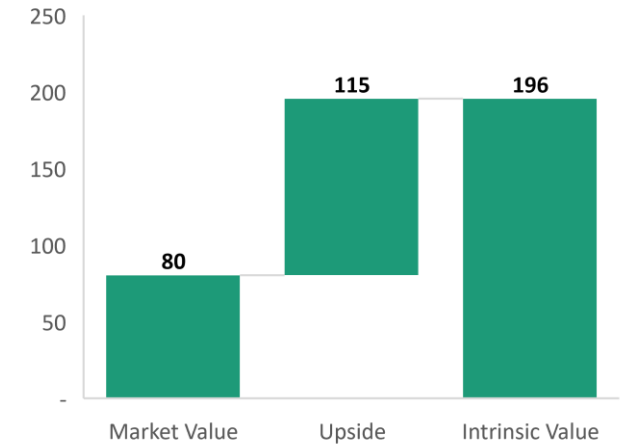
- Assumptions:
  - Discount rate: 10%
  - Perpetual Growth Rate: 3%
- Included one “bad year” in 2026
  - -50% growth and -40% EBITDA margin

EBITDA pr year



Source: Hvaler Invest analysis

Market Value vs Intrinsic Value



Source: Hvaler Invest analysis

# Relative valuation table

Crayon growing 20% with median at 11% - Despite this Crayon trading at a large discount to peers

Ticker	Share price	Market cap	EV/EBITDA			EV/EBITDA-CAPEX			EV/EBIT			P/E			22-24e growth	
	LCY	USD	2023	2024	2025	2023	2024	2025	2023	2024	2025	2023	2024	2025	GP	EBITDA
SoftwareOne	17,96	3 239	13,0x	10,9x	9,5x	16,8x	13,7x	11,9x	17,0x	13,7x	11,9x	22,3x	18,0x	15,6x	8 %	9 %
Softchoice	17,4	763	9,7x	9,0x	8,3x	9,9x	9,3x	8,6x	12,1x	11,3x	9,6x	15,4x	14,0x	12,9x	5 %	8 %
Bytes Technology	547,5	1 657	22,2x	19,6x	17,4x	22,7x	20,1x	17,8x	23,1x	20,2x	17,8x	31,5x	27,4x	25,0x	13 %	11 %
Softcat	1265	3 182	16,5x	15,2x	13,7x	17,0x	15,6x	14,1x	17,2x	15,9x	14,4x	22,7x	22,0x	19,9x	13 %	6 %
Lower quartile			10,5x	9,5x	8,6x	11,6x	10,4x	9,4x	13,3x	11,9x	10,1x	17,1x	15,0x	13,6x	6 %	7 %
Median			14,8x	13,0x	11,6x	16,9x	14,7x	13,0x	17,1x	14,8x	13,1x	22,5x	20,0x	17,8x	11 %	9 %
Upper quartile			20,8x	18,5x	16,5x	21,3x	19,0x	16,9x	21,6x	19,1x	17,0x	29,3x	26,1x	23,7x	13 %	11 %
Crayon consensus	80,25	672	10,6x	8,2x	6,7x	12,3x	9,3x	7,5x	15,7x	10,8x	8,4x	25,3x	13,2x	9,5x	20 %	24 %
Diff vs median			-28 %	-37 %	-42 %	-27 %	-36 %	-42 %	-8 %	-27 %	-36 %	12 %	-34 %	-46 %	90 %	182 %
<b>Diff vs upper quartile</b>			<b>-49 %</b>	<b>-55 %</b>	<b>-59 %</b>	<b>-42 %</b>	<b>-51 %</b>	<b>-56 %</b>	<b>-28 %</b>	<b>-43 %</b>	<b>-50 %</b>	<b>-14 %</b>	<b>-49 %</b>	<b>-60 %</b>	<b>54 %</b>	<b>129 %</b>
TP at upper quartile			157,6	180,2	196,1	<b>138,6</b>	<b>163,4</b>	<b>181,4</b>	110,7	141,8	161,6	93,0	157,9	200,3		

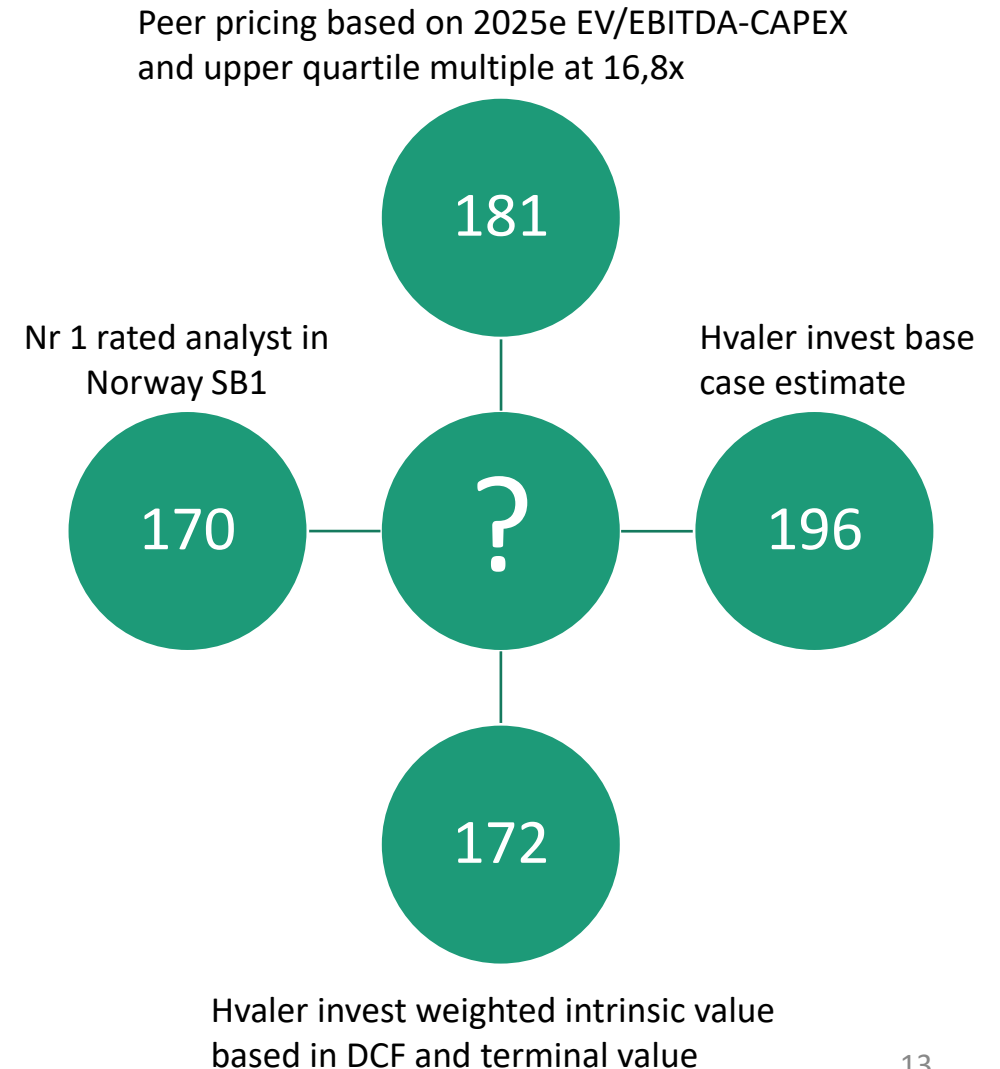
Source: Hvaler Invest analysis, Bloomberg

- At EV/EBITDA-Capex crayon trades at a 40-55% discount to peers
- Crayon GP growth at 20% and EBITDA growth at 24%, with median peers at 11% and 9% respectively
- At 2025e EV/EBITDA-capex upper quartile Crayon would be at 181/sh – Not too aggressive for a company performing better than all peers in our view

# Investment case overview

Target price 196 – Based on DCF base case estimate

- Bloomberg consensus at 117, has come down with some 20 kr since our last presentation. Notable mentions:
  - Rated 1 - Sparebank 1: 170
  - **Rated 2 - Arctic: 150**
  - Rated 3 - DNB: 75
- A “conservative” bull case due to macro environment, hence the lower weighted average price than our base case
- EV/OpFCF (EBITDA-CAPEX) multiple used, as earnings multiples below EBITDA (due to high D&A)



Target price Crayon: 150

### Kristian Spetalen – Arctic

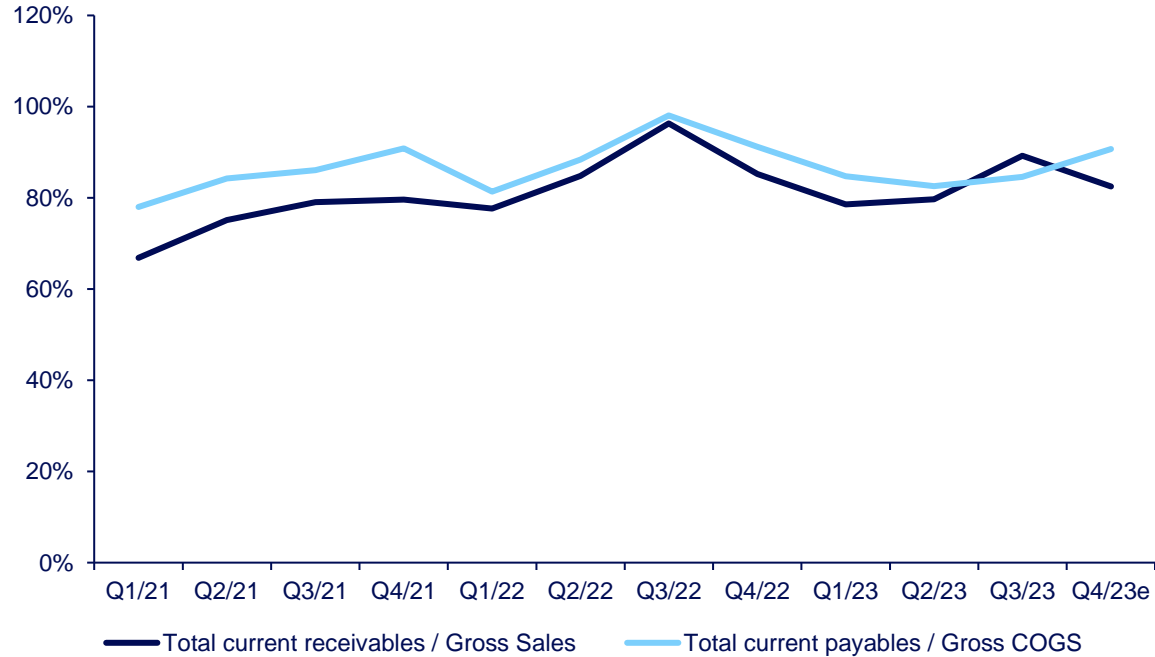
- Rated as the second-best IT analyst in 2023
- Bronze medal in the national Junior Slalom championship in Norway 2016
- Got the nickname “golden boy” in Arctic after his quick rise to the second spot on the Kapital ranking for IT analysts
- Master in finance from NHH





# Our message today revolves around cash conversion and valuation

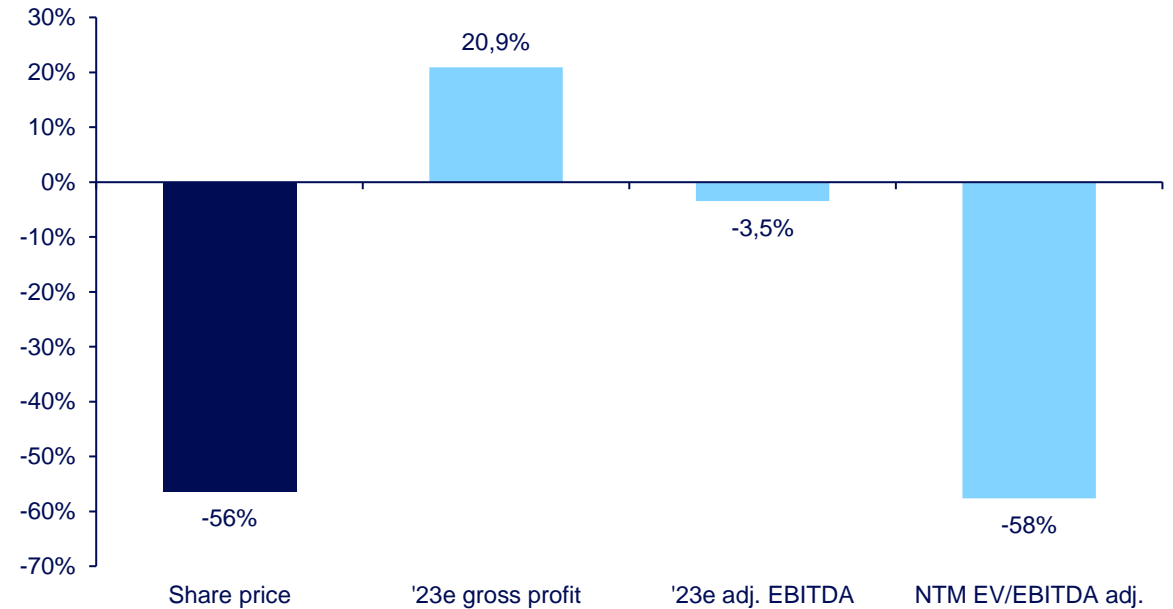
## Cash conversion: Why we are not concerned



- Billings (and hence WC) are significant figures compared to the “net” P&L figures
- Low next quarter cash flow visibility coupled with company specific events have left the market concerned, but over time the cash comes in (85% CC since 2013)
- Collecting money not an issue, while Crayon seems “too good” at paying their vendors

## Valuation: Not “another tech bubble bursting”

### 2y change



- Share price development since peak has almost solely been driven by a multiple contraction
- Now at 8x NTM EV/EBITDA vs 14x pre-Covid
- Bid on main competitor implies 46-109% upside for Crayon
- 10-20% free cash flow yield will make multiples contract fast

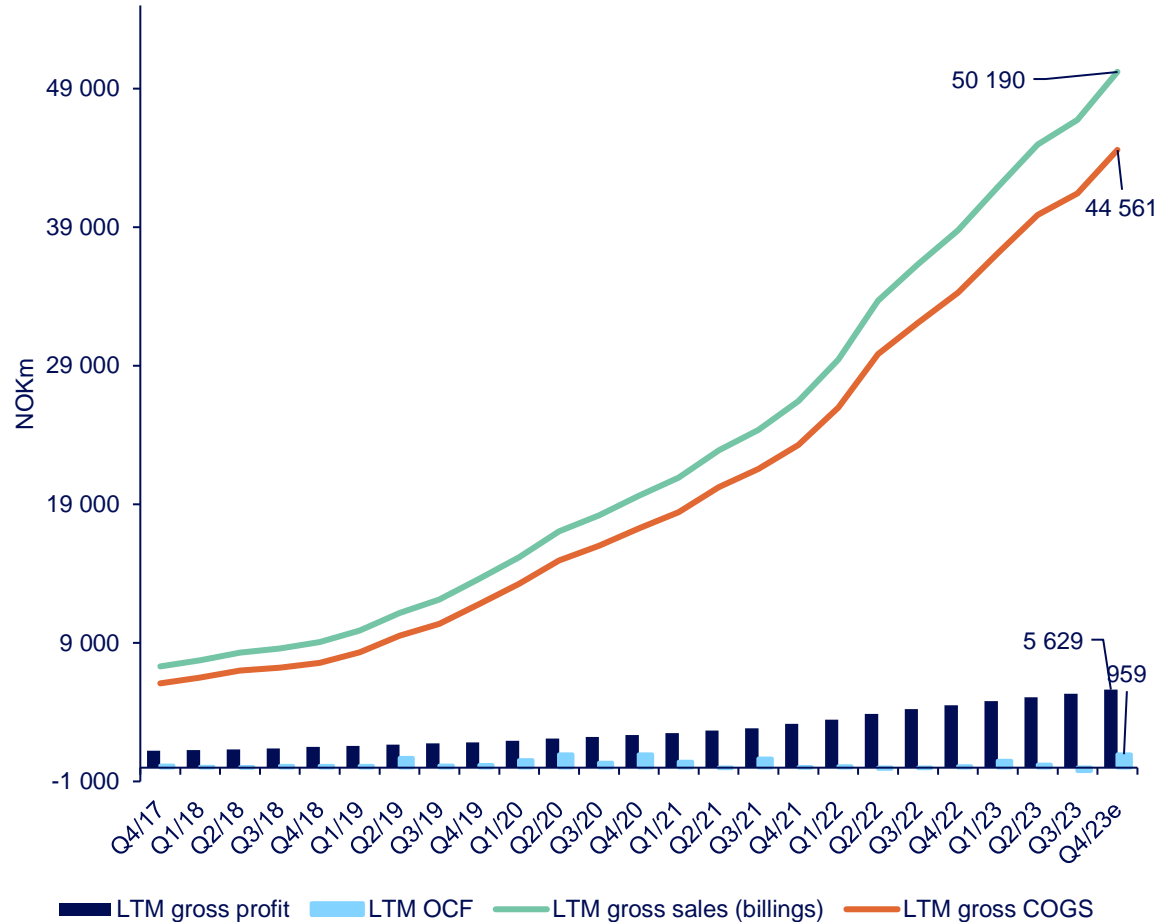
The market is concerned about weak cash conversion...

Crayon (NOKm)	2021	2022	YTD '23
Gross Profit	3,165	4,496	4,050
Adj. EBITDA	644	840	679
<b>Operational cash flow</b>	<b>26</b>	<b>102</b>	<b>-727</b>
Cash conversion (OCF/adj. EBITDA)	4%	12%	-107%

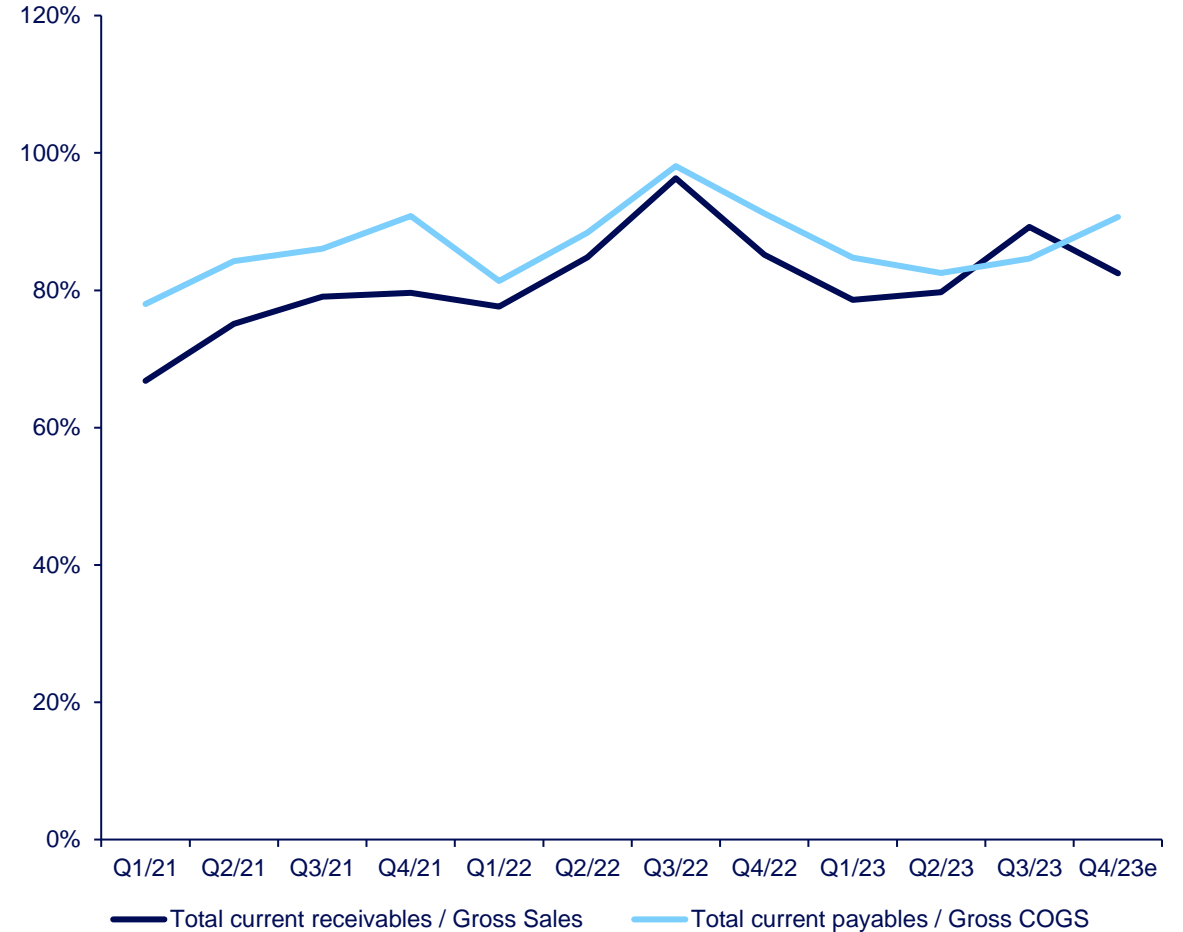
...so why are we not concerned?

# Keep in mind that P&L is “net” figures and BS & CF are gross...

Billings (and hence NWC) are significant figures compared to the “net” P&L figures...

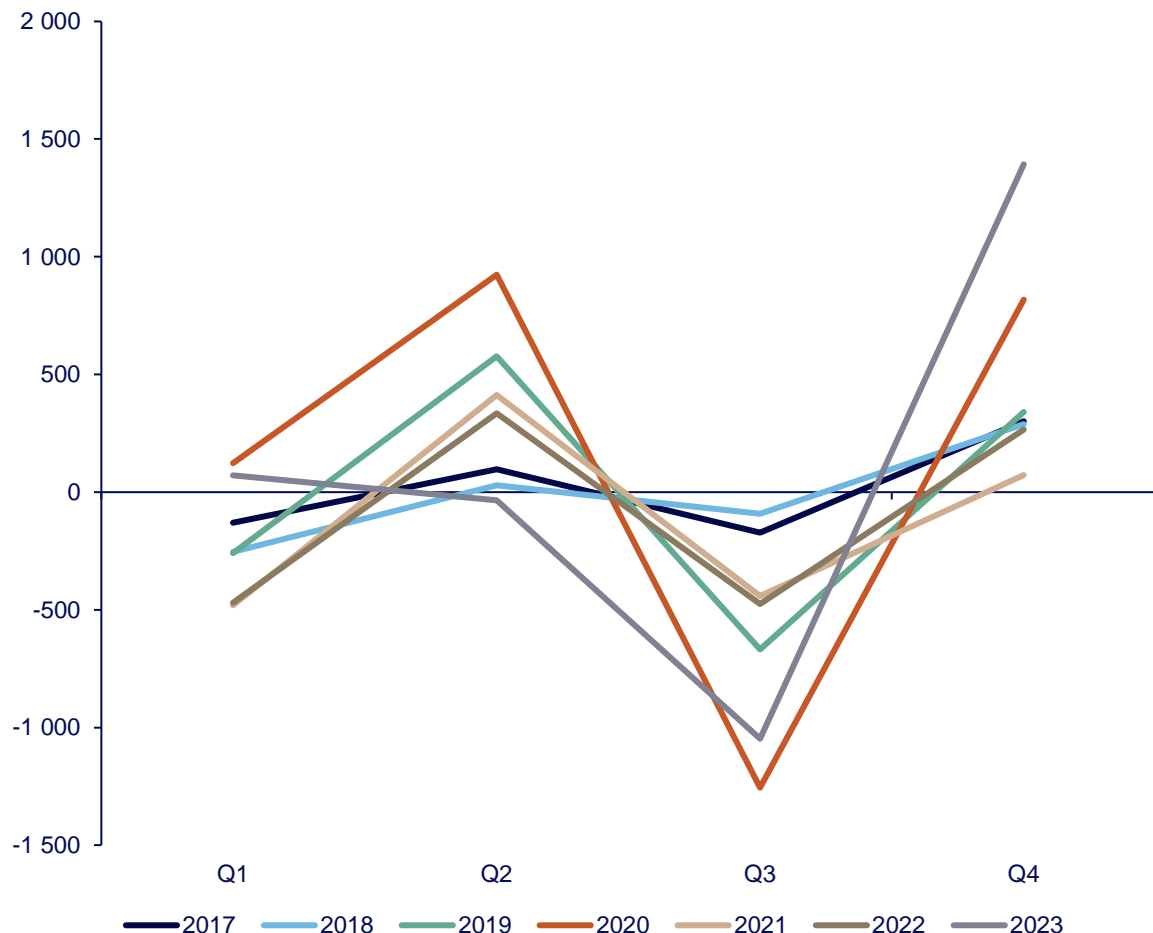


...leaving the WC at quarter end sensitive to small changes in outstanding gross amounts, which fluctuate between 60-100%



# ...making the cash flow sensitive too NWC changes (and a bit of a black box short-term)...

**WC effect on cash flow (compared to quarterly EBITDAs of ~NOK 0-300m in this period)**



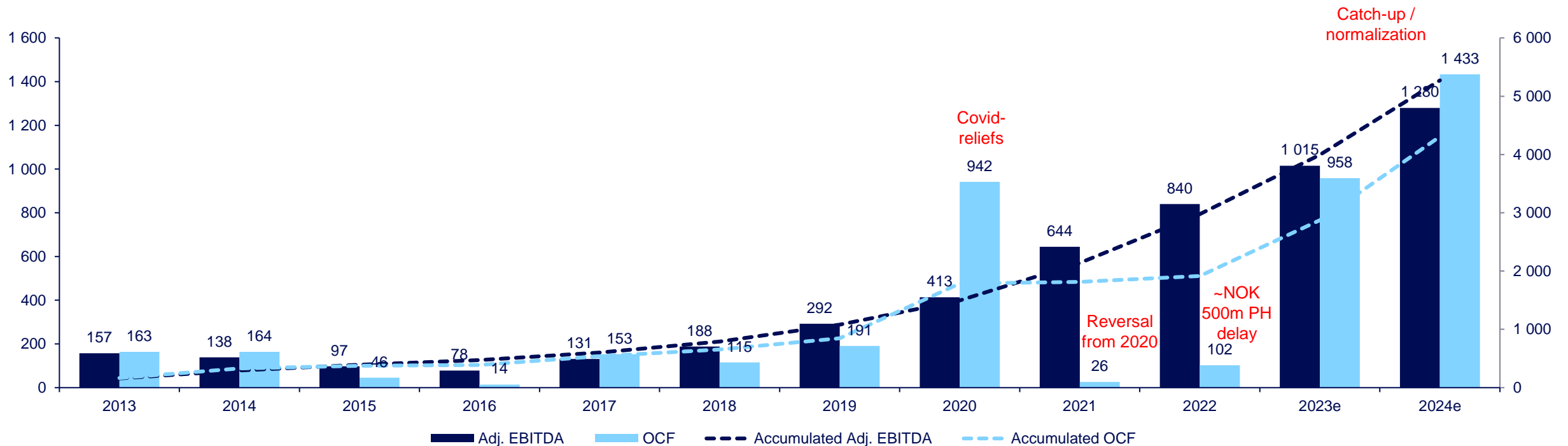
**4 days change in DSO and DPO can impact ~NOK 1.7bn**

WC effect on CF		DSO						
		59	58	57	56	55	54	53
DPO	63	538	689	840	991	1,142	1,293	1,444
	64	672	823	973	1,124	1,275	1,426	1,577
	65	805	956	1,107	1,258	1,409	1,560	1,711
	66	938	1,089	1,240	1,391	1,542	1,693	1,844
	67	1,072	1,223	1,374	1,525	1,676	1,826	1,977
	68	1,205	1,356	1,507	1,658	1,809	1,960	2,111
	69	1,339	1,490	1,640	1,791	1,942	2,093	2,244

- The table above shows cash flow sensitivity to core DSO and DPO
  - DSO: (Receivables/Gross sales)\*90
  - DSO: (Receivables/Gross sales)\*90
  - Other NWC amounted to NOK -153m in Q3'23
  - Note that WC metrics must be calculated based on quarterly sales the balance sheet primarily reflects business during the quarter
  - The mid-points are our Q4e (more on that in a couple of slides)

# ...but over time the cash comes in

85% of accumulated 2013-2021 Adj. EBITDA has ended up in OCF



NWC	Q1/19	Q2/19	Q3/19	Q4/19	Q1/20	Q2/20	Q3/20	Q4/20	Q1/21	Q2/21	Q3/21	Q4/21	Q1/22	Q2/22	Q3/22	Q4/22	Q1/23	Q2/23	Q3/23	Q4/23e	Q1/24e	Q2/24e	Q3/24e	Q4/24e
NWC	-65	-718	-25	-338	-395	-1,363	-99	-718	-207	-637	-188	-463	-3	-280	253	-121	-218	-132	905	-486	-675	-1,192	-147	-812
% of Gross Sales	-2%	-17%	-1%	-8%	-9%	-22%	-3%	-13%	-4%	-8%	-4%	-6%	0%	-2%	3%	-1%	-2%	-1%	9%	-4%	-5%	-6%	-1%	-5%
Avg. LTM NWC / LTM GP	-10.7%	-18.2%	-16.5%	-15.8%	-19.1%	-25.2%	-24.9%	-27.5%	-24.0%	-15.5%	-15.5%	-11.8%	-9.3%	-6.0%	-2.9%	-0.8%	-1.9%	-1.1%	2.0%	0.3%	-1.6%	-5.9%	-9.8%	-10.8%
Less PH receivable (USD 45m at QE FX)														446	490	444	452	448	482	495				
Adj. NWC	-65	-718	-25	-338	-395	-1,363	-99	-718	-207	-637	-188	-463	-3	-725	-237	-564	-670	-580	423	-981	-675	-1,192	-147	-812
% of Gross Sales	-2%	-17%	-1%	-8%	-9%	-22%	-3%	-13%	-4%	-8%	-4%	-6%	0%	-6%	-3%	-6%	-6%	-4%	4%	-7%	-5%	-6%	-1%	-5%
Avg. LTM NWC / LTM GP	-10.7%	-18.2%	-16.5%	-15.8%	-19.1%	-25.2%	-24.9%	-27.5%	-24.0%	-15.5%	-15.5%	-11.8%	-9.3%	-8.9%	-8.4%	-8.5%	-11.5%	-10.1%	-6.5%	-8.0%	-7.7%	-9.8%	-11.8%	-10.8%

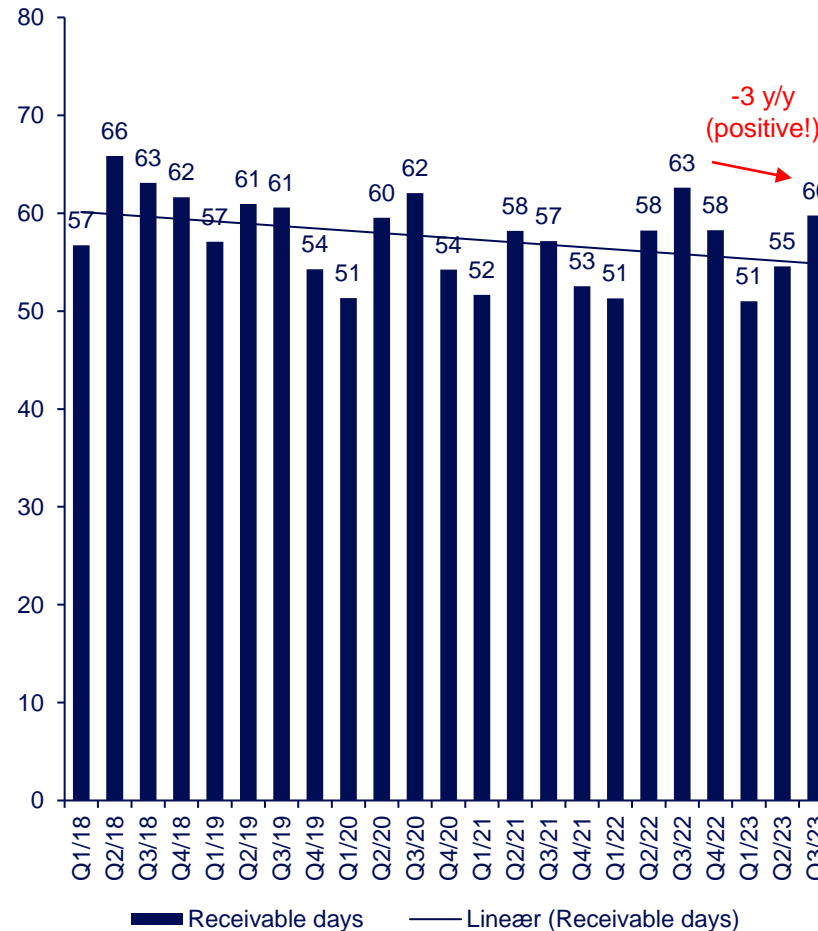
This metric, which Crayon guides on, does not really make any sense

# Collecting money is not an issue, while Crayon seems “to good” at paying their vendors

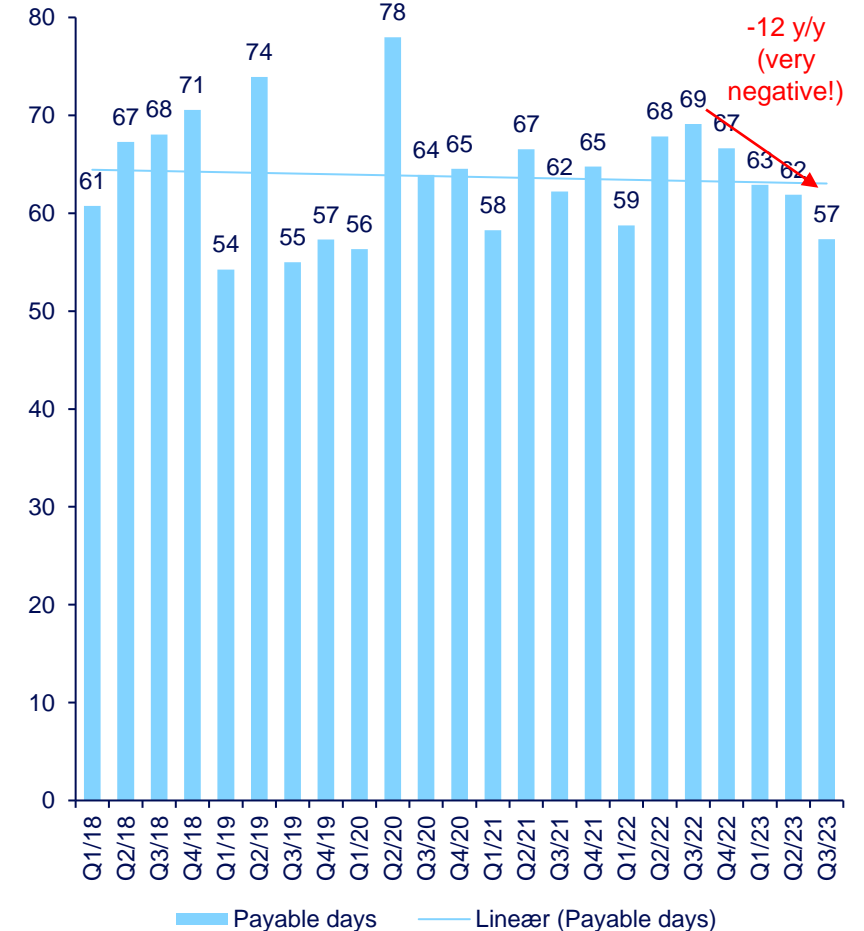
## Considerations to account for before assessment

- Vendor reliefs during Covid-19
- FX impact
- Potential impact from abnormal transactions
- Longer payment cycles in APAC & MEA (from 13% of GP in 2020 to 25% in 2023e)
- IFRS 15 (for all receivables): Increases other current receivables on more aggressive revenue recognition (insignificant P&L impact)
- No changes in MSFT payment terms recently

## DSO relatively stable. Has decreases y/y last two quarters



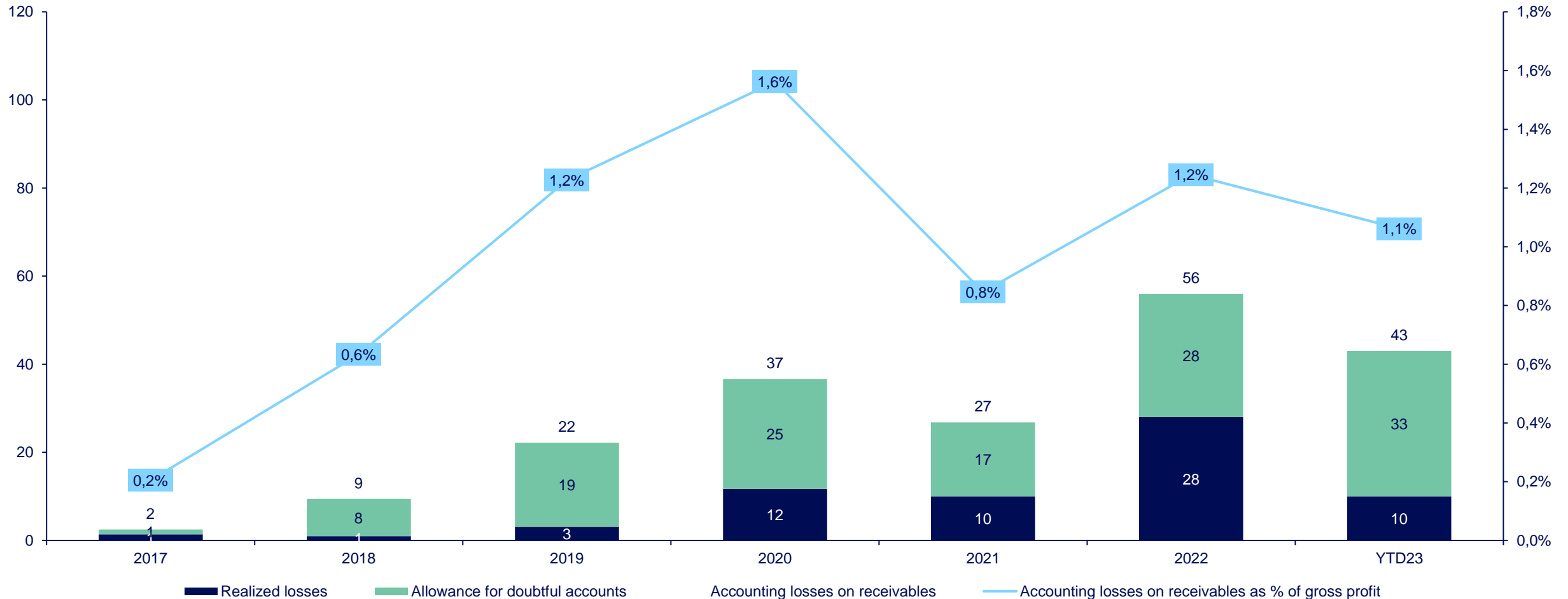
## DPO more volatile. Should be room for improvement ahead





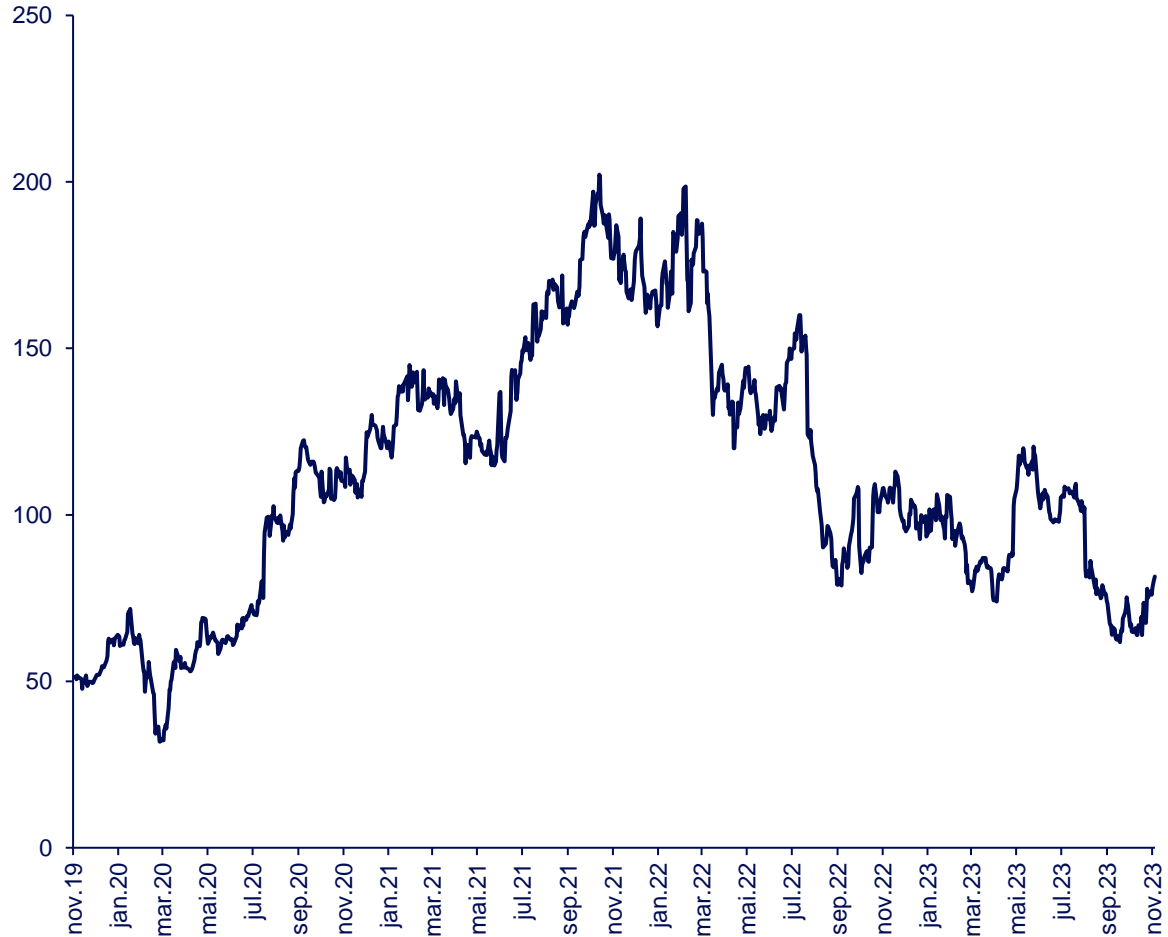
# Bad receivables are not an issue

The international business made up 37% of gross profit in 2017 (excl. HQ and eliminations) and 60% LTM

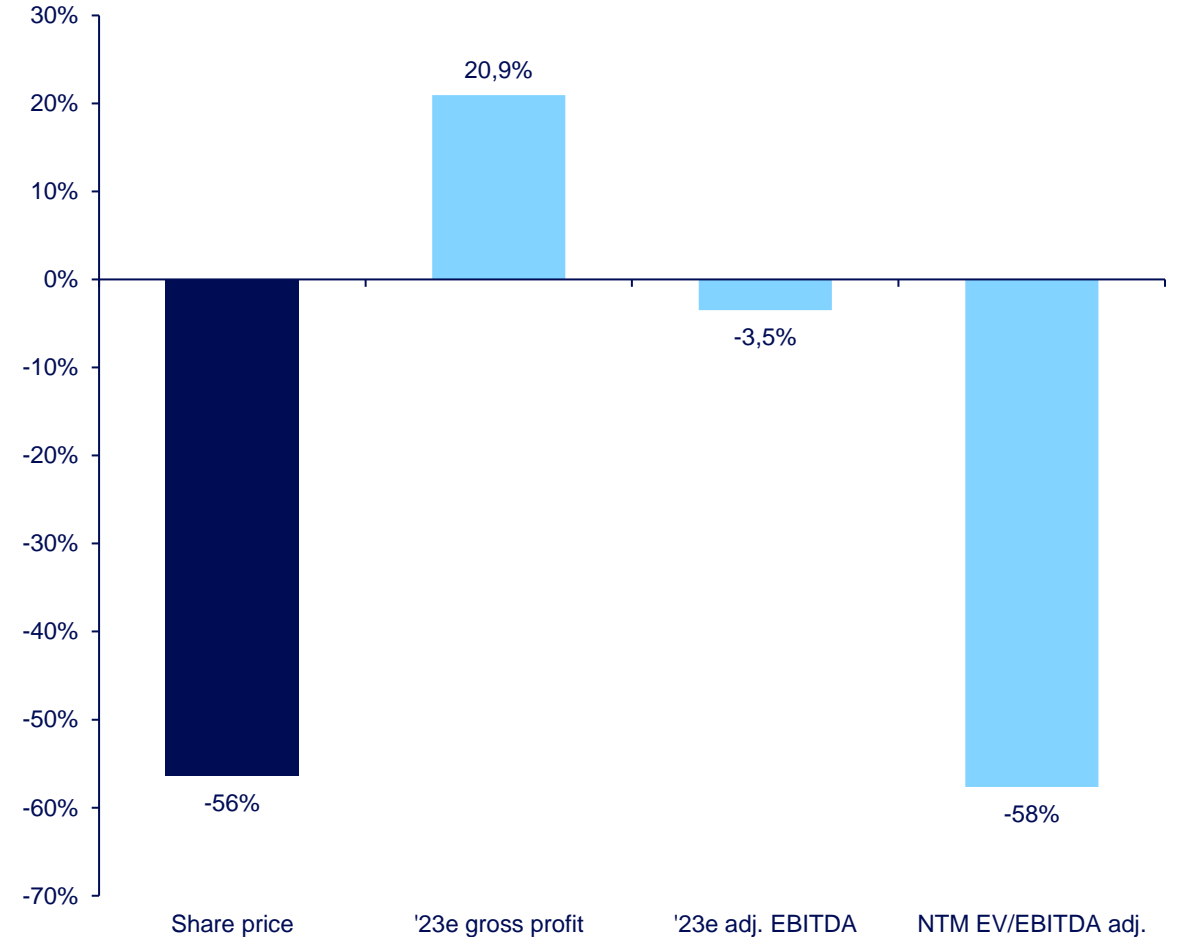


# Not “another tech bubble bursting”. Multiple contraction almost solely explaining share price development from peak

## Share price development

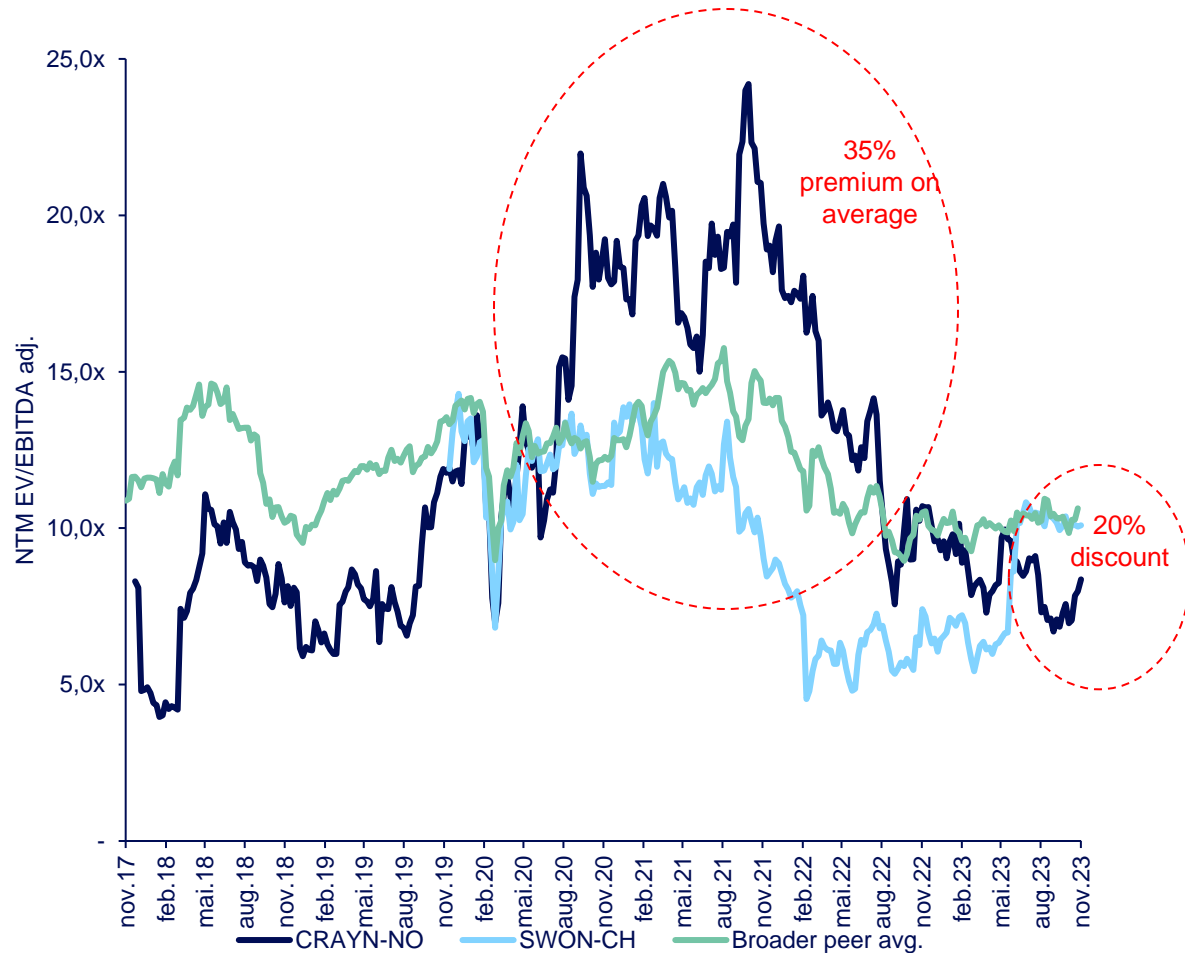


## 2y change



# Trading at ~25% discount to other VARs despite higher historical and expected growth

## NTM EV/EBITDA adj.



## NTM P/E adj.



Source: Arctic Securities Research, Company data, Factset

# Peer table: We mainly focus on P/E multiples due to cash flow seasonality

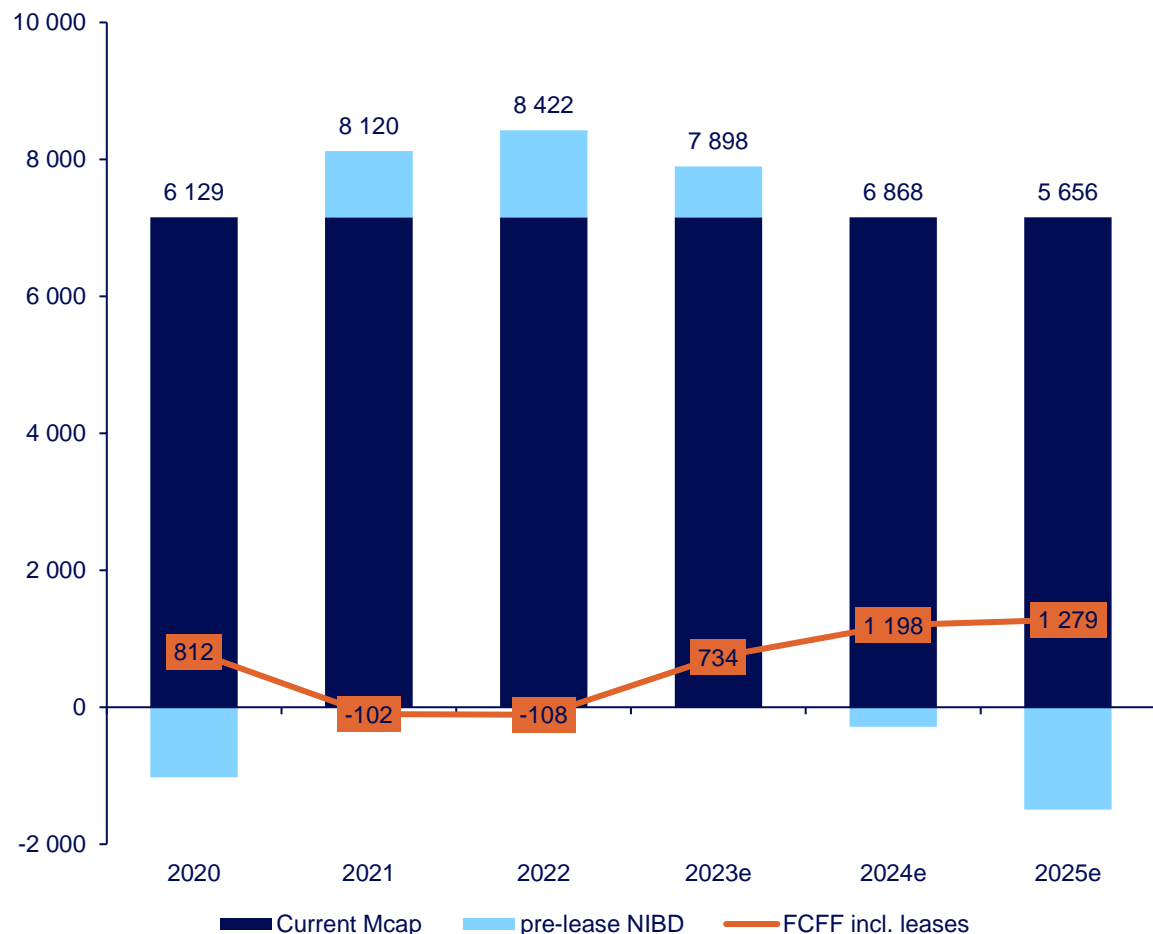
Would carefully assess EV multiples due to cash flow seasonality in Q2 (strong) vs Q3 (weak) among VARs

Constant EV Company	EV/GP			EV/EBITDA adj.			EV/EBITDA-Capex adj.			EV/FCF			P/E adj.			Operating metrics			
	2023	2024	2025	2023	2024	2025	2023	2024	2025	2023	2024	2025	2023	2024	2025	'22-24 GP	'22-24 Adj. EBITDA	EB-CX-% '23-'24 avg.	Ro40 '24 fig.
CANCOM SE	1.5x	1.3x	1.2x	7.4x	6.3x	5.8x	11.3x	9.4x	8.6x	128.5x	12.5x	11.5x	26.0x	20.8x	18.7x	25%	17%	14.1%	40%
Softchoice	2.7x	2.5x	2.4x	9.8x	9.2x	8.5x	10.1x	9.5x	n.a.	20.2x	17.4x	13.5x	16.1x	14.8x	11.3x	5%	8%	26.5%	32%
Softcat	6.4x	5.7x	5.1x	16.0x	15.0x	13.6x	16.4x	15.3x	13.8x	23.5x	26.4x	21.4x	22.0x	21.4x	19.2x	13%	6%	37.3%	50%
Bytes Technology Group	8.9x	8.0x	7.2x	20.7x	18.5x	16.7x	20.9x	18.5x	16.6x	24.2x	22.3x	20.2x	26.3x	23.7x	21.4x	13%	11%	43.1%	56%
CACIA	4.1x	3.8x	3.5x	13.2x	12.2x	11.4x	14.5x	13.8x	12.8x	33.4x	21.9x	19.2x	16.4x	15.9x	14.4x	7%	10%	27.6%	35%
SoftwareOne Holding	2.9x	2.7x	2.4x	12.1x	10.3x	9.0x	16.5x	13.5x	11.9x	26.7x	24.0x	28.8x	23.5x	19.1x	16.2x	8%	9%	19.8%	27%
<b>Med. SW tilted resellers</b>	<b>3.5x</b>	<b>3.2x</b>	<b>3.0x</b>	<b>12.6x</b>	<b>11.3x</b>	<b>10.2x</b>	<b>15.4x</b>	<b>13.7x</b>	<b>12.8x</b>	<b>25.4x</b>	<b>22.1x</b>	<b>19.7x</b>	<b>22.7x</b>	<b>19.9x</b>	<b>17.4x</b>	<b>10%</b>	<b>9%</b>	<b>27.1%</b>	<b>37%</b>
<b>Avg. SW tilted resellers</b>	<b>4.4x</b>	<b>4.0x</b>	<b>3.6x</b>	<b>13.2x</b>	<b>11.9x</b>	<b>10.8x</b>	<b>15.0x</b>	<b>13.3x</b>	<b>12.7x</b>	<b>42.8x</b>	<b>20.7x</b>	<b>19.1x</b>	<b>21.7x</b>	<b>19.3x</b>	<b>16.9x</b>	<b>12%</b>	<b>10%</b>	<b>28.1%</b>	<b>40%</b>
Dustin Group	1.9x	1.9x	1.7x	6.9x	6.6x	5.8x	8.2x	7.8x	6.7x	30.3x	23.1x	12.3x	10.0x	10.0x	7.2x	1%	-9%	24.8%	26%
Atea	1.5x	1.4x	1.3x	7.6x	7.1x	6.5x	9.3x	8.7x	7.9x	9.9x	11.5x	10.4x	15.3x	13.7x	12.0x	11%	10%	16.3%	27%
Bechtle	5.2x	4.8x	4.4x	11.6x	10.8x	10.1x	14.2x	13.2x	12.1x	20.8x	24.0x	21.4x	21.3x	19.7x	18.1x	8%	8%	36.1%	44%
Computacenter	2.9x	2.8x	2.7x	8.3x	7.8x	7.3x	9.5x	9.1x	8.5x	12.8x	12.9x	12.6x	16.0x	15.4x	14.5x	7%	4%	31.4%	38%
ALSO Holding	n.a.	n.a.	n.a.	10.2x	9.5x	8.5x	10.7x	9.9x	8.9x	11.5x	30.3x	9.2x	20.8x	19.0x	16.0x	n.a.	3%	n.a.	#####
Esprinet	2.2x	2.1x	2.0x	7.2x	6.3x	5.4x	8.4x	7.4x	6.6x	62.5x	9.5x	9.9x	9.2x	7.4x	6.2x	-2%	-7%	29.9%	28%
Data 3	3.3x	2.9x	2.6x	13.9x	12.7x	11.4x	14.8x	13.3x	11.8x	2.8x	neg.	13.4x	32.4x	28.6x	25.2x	13%	13%	22.3%	35%
CDW	7.7x	7.6x	7.2x	16.0x	15.2x	14.2x	17.5x	16.8x	15.5x	27.2x	32.6x	30.5x	21.6x	20.5x	19.1x	-0%	-6%	45.7%	46%
Insight Enterprises	3.8x	3.6x	3.3x	12.2x	10.8x	9.0x	13.2x	11.1x	9.4x	13.0x	27.2x	17.1x	14.8x	13.0x	10.5x	4%	8%	33.3%	37%
PC Connection	2.6x	2.5x	2.3x	n.a.	n.a.	n.a.	11.0x	11.4x	n.a.	10.6x	17.3x	14.6x	18.7x	16.7x	14.9x	1%	n.a.	21.6%	22%
<b>Median HW tilted resellers</b>	<b>2.9x</b>	<b>2.8x</b>	<b>2.6x</b>	<b>10.2x</b>	<b>9.5x</b>	<b>8.5x</b>	<b>10.8x</b>	<b>10.5x</b>	<b>8.9x</b>	<b>12.9x</b>	<b>23.1x</b>	<b>13.0x</b>	<b>17.3x</b>	<b>16.0x</b>	<b>14.7x</b>	<b>4%</b>	<b>4%</b>	<b>29.9%</b>	<b>#####</b>
<b>Avg. HW tilted resellers</b>	<b>3.4x</b>	<b>3.3x</b>	<b>3.1x</b>	<b>10.4x</b>	<b>9.6x</b>	<b>8.7x</b>	<b>11.7x</b>	<b>10.9x</b>	<b>9.7x</b>	<b>20.1x</b>	<b>20.9x</b>	<b>15.1x</b>	<b>18.0x</b>	<b>16.4x</b>	<b>14.4x</b>	<b>5%</b>	<b>3%</b>	<b>29.1%</b>	<b>#####</b>
<b>Med. All</b>	<b>2.9x</b>	<b>2.8x</b>	<b>2.6x</b>	<b>11.6x</b>	<b>10.3x</b>	<b>9.0x</b>	<b>12.3x</b>	<b>11.3x</b>	<b>10.6x</b>	<b>22.2x</b>	<b>22.3x</b>	<b>14.0x</b>	<b>19.7x</b>	<b>17.8x</b>	<b>15.5x</b>	<b>7%</b>	<b>8%</b>	<b>27.6%</b>	<b>#####</b>
<b>Avg. All</b>	<b>3.8x</b>	<b>3.6x</b>	<b>3.3x</b>	<b>11.5x</b>	<b>10.6x</b>	<b>9.5x</b>	<b>12.9x</b>	<b>11.8x</b>	<b>10.8x</b>	<b>28.6x</b>	<b>20.8x</b>	<b>16.6x</b>	<b>19.4x</b>	<b>17.5x</b>	<b>15.3x</b>	<b>7%</b>	<b>6%</b>	<b>28.7%</b>	<b>#####</b>
<b>CRAYN @ ARCe</b>	<b>1.8x</b>	<b>1.5x</b>	<b>1.4x</b>	<b>9.8x</b>	<b>7.8x</b>	<b>6.5x</b>	<b>12.4x</b>	<b>9.0x</b>	<b>7.4x</b>	<b>12.2x</b>	<b>7.7x</b>	<b>7.2x</b>	<b>16.7x</b>	<b>10.2x</b>	<b>7.4x</b>	<b>21%</b>	<b>23%</b>	<b>17.6%</b>	<b>38%</b>
<b>Premium/discount to SW tilted peers</b>	<b>-50%</b>	<b>-53%</b>	<b>-54%</b>	<b>-22%</b>	<b>-31%</b>	<b>-36%</b>	<b>-19%</b>	<b>-34%</b>	<b>-42%</b>	<b>-52%</b>	<b>-65%</b>	<b>-63%</b>	<b>-26%</b>	<b>-49%</b>	<b>-58%</b>				
<b>CRAYN @ ARCe &amp; fwd YE NIBD</b>	<b>1.4x</b>	<b>1.0x</b>	<b>0.8x</b>	<b>7.8x</b>	<b>5.4x</b>	<b>3.7x</b>	<b>9.0x</b>	<b>6.1x</b>	<b>4.1x</b>	<b>10.3x</b>	<b>5.7x</b>	<b>4.5x</b>	<b>16.7x</b>	<b>10.2x</b>	<b>7.4x</b>	<b>21%</b>	<b>23%</b>	<b>17.6%</b>	<b>38%</b>
<b>CRAYN @ ARCe and TP</b>	<b>2.9x</b>	<b>2.5x</b>	<b>2.2x</b>	<b>16.0x</b>	<b>12.7x</b>	<b>10.5x</b>	<b>14.9x</b>	<b>11.6x</b>	<b>9.7x</b>	<b>19.9x</b>	<b>12.6x</b>	<b>11.8x</b>	<b>31.3x</b>	<b>19.1x</b>	<b>13.8x</b>	<b>21%</b>	<b>23%</b>	<b>17.6%</b>	<b>38%</b>
<b>CRAYN @ Consensus</b>	<b>1.8x</b>	<b>1.6x</b>	<b>1.4x</b>	<b>10.1x</b>	<b>8.1x</b>	<b>6.6x</b>	<b>11.8x</b>	<b>9.2x</b>	<b>7.3x</b>	<b>24.0x</b>	<b>11.5x</b>	<b>9.5x</b>	<b>28.2x</b>	<b>12.1x</b>	<b>8.8x</b>	<b>20%</b>	<b>24%</b>	<b>17.9%</b>	<b>38%</b>

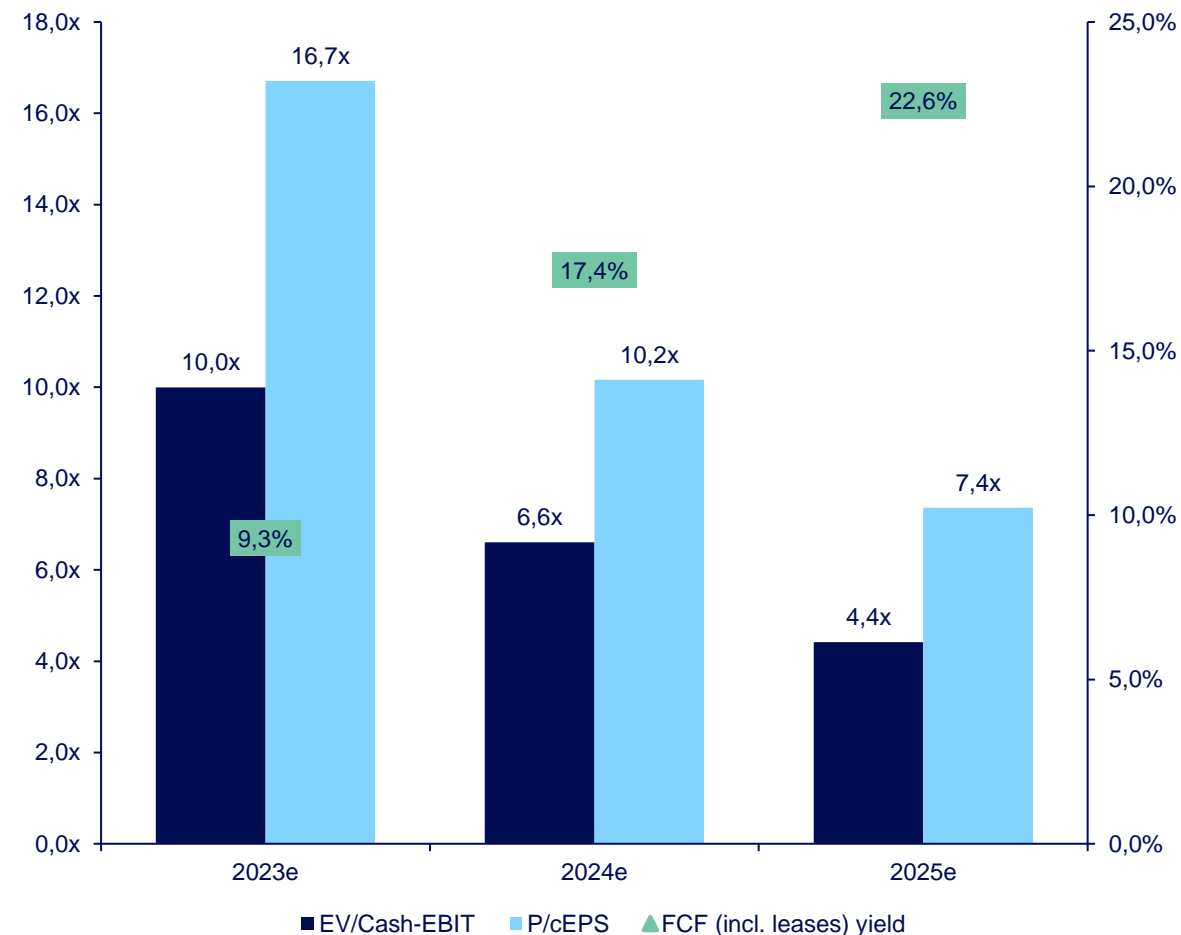
SW tilted are most relevant for Crayon

# EV multiples contracting fast due to high free cash flow yield

## EV build-up and FCFF incl. leases (cash flow before change in debt and debt service)



## Multiples at NOK 80/sh (at forward EV estimates)



Source: Arctic Securities Research, Company data

\*Cash-EBIT = Adj. EBITDA – capex – lease. Cash-earnings = Cash-EBIT – paid interest – paid tax

# Indicative bid on key peer SoftwareOne implies NOK 116-167/sh for Crayon (46-109% upside)

- Key peer (and Crayon shareholder), SoftwareOne, has received non-binding bids from 4 parties during its strategic review, according to Reuters
  - Bain Capital has previously submitted two bids for SoftwareOne at CHF 18.5/sh and CHF 19.5-20.5/sh, which both were turned down by the board on valuation
- Positive to see good interest for a similar company as Crayon at >2x multiples
- Similar companies when it comes to i) clean SW and Services exposure, ii) international presence, and iii) productivity
  - Note that SoftwareOne now has PS-DBM as customer
  - Note that higher FTE growth in Crayon likely dilutes productivity metrics

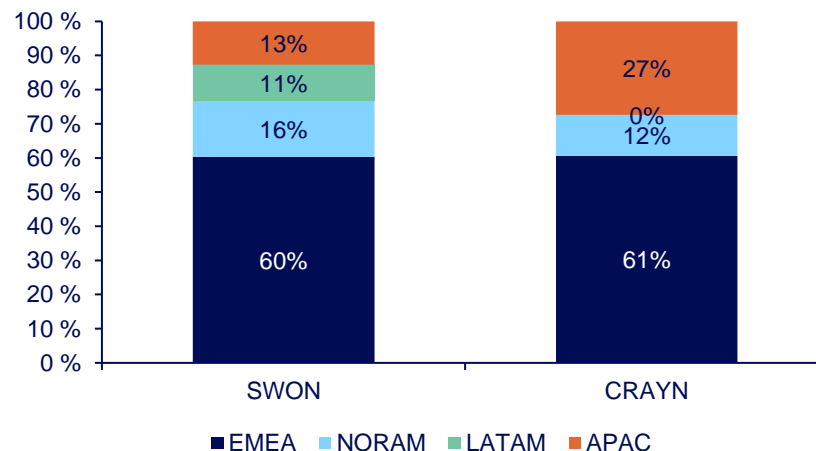
## SWON vs CRAYN using adj. EBITDA-capex

SWON vs CRAYN	Bid/Share price and capital structure						adj. EBITDA-capex			EV/EBITDA-capex		
	Currency	Bid/SP	Shares	MCAP (m)	NIBD (Q2)	EV (m)	2023e	2024e	2025e	2023e	2024e	2025e
SoftwareOne (Cons) - SP	CFH	17.9	155	2,767	111	2,877	197	231	264	14.6x	12.5x	10.9x
SoftwareOne (Cons) - Bid	CFH	20	155	3,091	111	3,202	197	231	264	16.2x	13.9x	12.1x
Crayon (ARCe)	NOK	80	89	7,152	2,310	9,462	873	1,132	1,382	10.8x	8.4x	6.8x

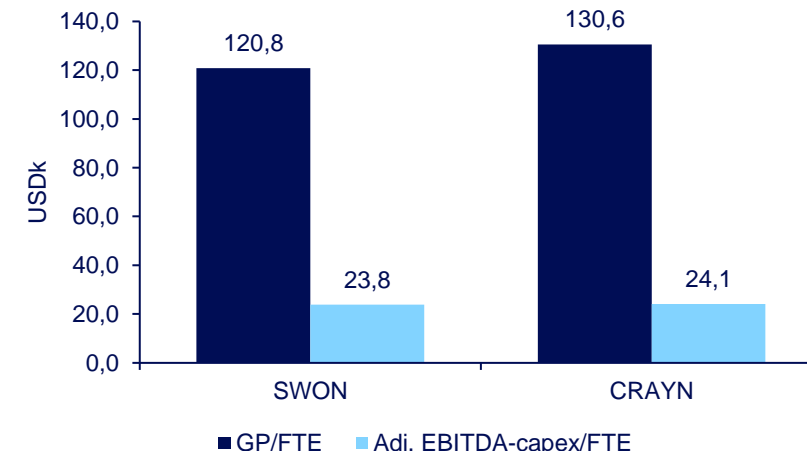
  

Implied P/sh for Crayon at SWON trading (midpoint)	116	132	143
Implied P/sh for Crayon adj. NIBD for USD 45m Philippines receivable	122	137	148
Implied P/sh for Crayon at SWON bid (midpoint)	133	150	162
Implied P/sh for Crayon adj. NIBD for USD 45m Philippines receivable	138	155	167

## 2022 segment gross profit split



## Similar productivity\*



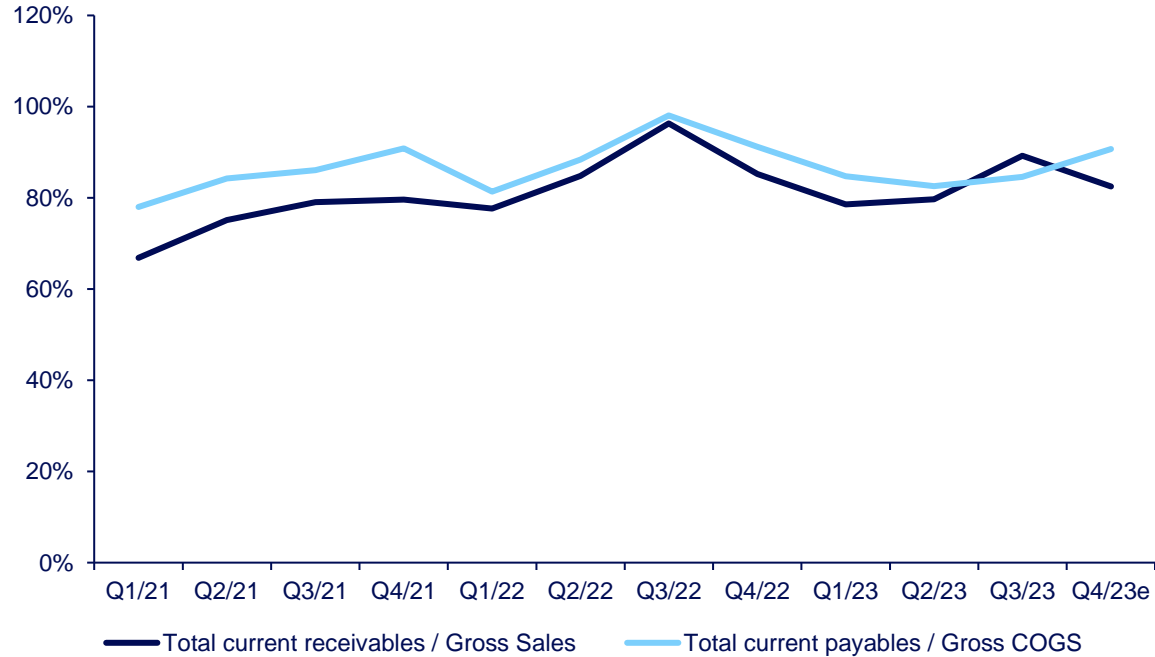
Source: Arctic Securities Research, Company data, Factset

\*Using CHF/USD 1.1 and NOK/USD 0.089. SWON avg. # of FTEs not accurately or consistently reported but using average of stated ~9,000 last year and recently stated ~9,250. SWON consensus estimates. CRAYN at ARCe



# Our message today revolves around cash conversion and valuation

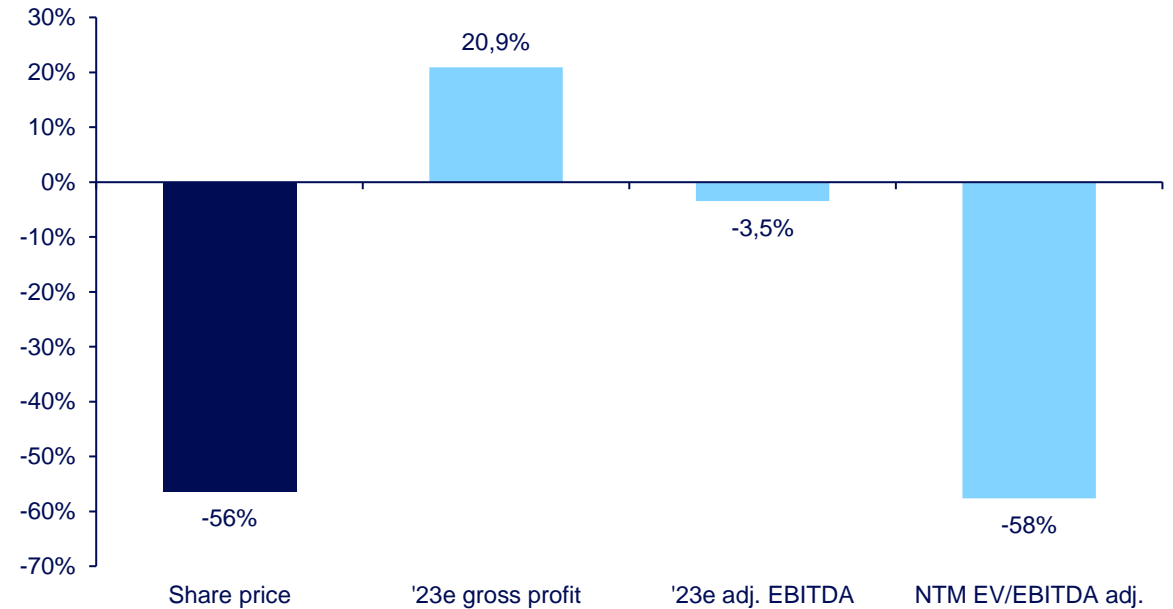
## Cash conversion: Why we are not concerned



- Billings (and hence WC) are significant figures compared to the “net” P&L figures
- Low next quarter cash flow visibility coupled with company specific events have left the market concerned, but over time the cash comes in (85% CC since 2013)
- Collecting money not an issue, while Crayon seems “too good” at paying their vendors

## Valuation: Not “another tech bubble bursting”

### 2y change



- Share price development since peak has almost solely been driven by a multiple contraction
- Now at 8x NTM EV/EBITDA vs 14x pre-Covid
- Bid on main competitor implies 46-109% upside for Crayon
- 10-20% free cash flow yield will make multiples contract fast

# Q&A