
SoftwareOne
bid on Crayon
Crayon
We say no
thank you

No thank you, the bid is far too poor

… but we say Yes to Crayon stand-alone

Our Recommendation is to walk away quickly to avoid unnecessary uncertainty and wrong focus internally. We say «Yes thank you» to Crayon stand-alone. We are working on a new target price after Crayons last profit warning. We would focus on the existing strategy and look for smaller bolt-on acquisitions. We would encourage management to continue their road to creating a unique performance-based management culture and corporate culture. Have fun while working and you will see in 2-3 years that Crayon have grown to be bigger and stronger… and who knows, maybe others don't 😊

Why «No thank you»?

There are 4 reasons even if there is industrial logic.

1. Is SoftwareOne a good company?

No, they are not. They now have close to 0 organic growth, they have rapidly shrinking margins, they have fast growing and unreliable adjustments (10x size of Crayon) and they have a history of missing on their short- and long-term guiding. They lose market share. They are changing board and management too often; they burn cash rapidly and execute poorly in 2024 on communicated agendas. They now have a 50m CHF cost cut program and they are not ready to take the lead in a merger with Crayon.

2. Can we trust synergies to go through or….?

No, we cannot. There is no evidence, based on the Comparex merger in 2019 or the following 21 M&A's that SoftwareOne's management can deliver on synergies. Facts indicate "on the contrary". Mergers normally fail and it's difficult to see why "it's different this time". This merger is bigger and very complex. You could have "cost creep", internal focus, IT issues, cultural challenges and you may lose good people.

3. Are 0.82 SWON shares and 69NOK cash acceptable?

Not at all. Average organic growth in the last 4 years is 6% in SWON and 20% in Crayon. "Everybody" is of the opinion that SoftwareOne has better margins, but facts are on the contrary. We have a stand-alone price of 7.6 CHF on SoftwareOne and CRAYN shareholders end up with far too little synergies if they are implemented. SoftwareOne's risk is also higher due to execution issues and to Microsoft margin mix that are more challenging for SWON relative to CRAYN. You give away control of a faster growing and better company (CRAYN) - with a big discount!

4. Is risk/reward attractive looking 2 years ahead?

No, it's not. Giving away control in Crayon for a negative premium and hoping for synergies for the next 2 years is not a good idea. Give Crayon management 2-3 more years, look for smaller to medium sized M&As with realistic synergies then you bid for SWON or others in 2028 😊

Our alternative is Crayon stand-alone. CRAYN looks even more attractive now after spending hundreds of hours diving deep into SWON and other peers. CRAYN are fast-growing, they increase market share, margins increase, and net debt is shrinking rapidly. They have prudent guiding, stability in board and management, new distribution agreements announced, and they are well positioned for changes in Microsoft margin mix. We'll be back with an updated target price before Q4 results are announced.

1+1 > 3 a merger is a good idea according to the 2 boards

Industrial logic is obvious. Synergies on the cost side are very big and should be easy to take out. Income synergy is a potential upside. 1+1 >3.

We have **"only 4 questions to be answered":**

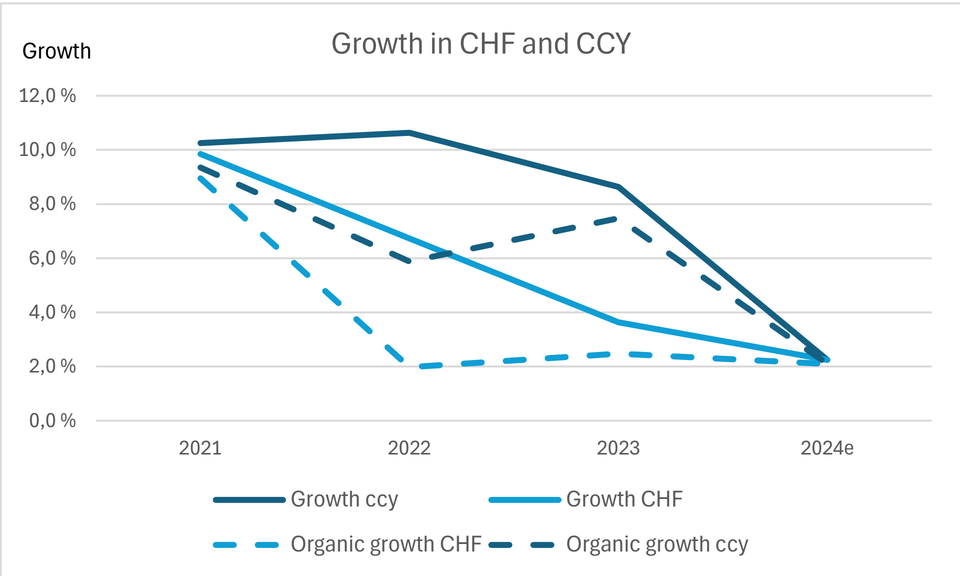
1. Is SoftwareOne a good company?
2. Can we trust synergies to go through according to plan or...?
3. Do Crayon shareholders benefit when the exchange price per SWON share is 10CHF and we receive 69NOK cash?
4. Is risk/reward attractive given closing in Q2 2025 and an implementation period of 12-18 months?

Is SoftwareOne a good company? No, they are not.

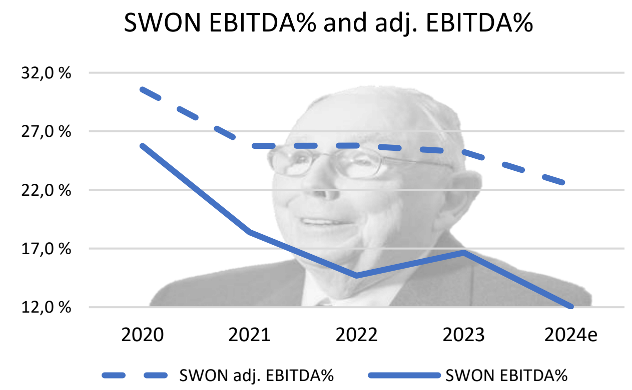
We define "good" to be linked to 1) share price development 2) growth 3) profit size and development and 4) guiding credibility.

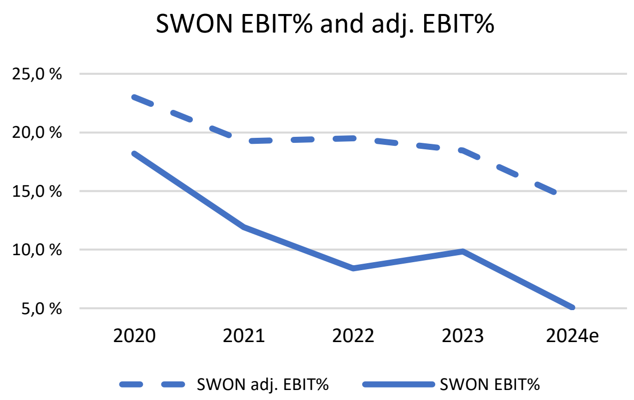
1. **SWON share price is down** 74% in the last 5 years and down 66% last year. It's not even up after a bid on a competitor with a discount and a significant cash element. That's an indication, isn't it? Dividends in the last 5 years are 1,55 CHF and do not explain anything.

2. **Growth is slow** despite a significant number of acquisitions in the last 5 years. As you can see from the table CCY growth looks acceptably good in 2021 and 2022 (around 10%) but a lot is M&A driven and synergies are on the negative side since the market is growing more. When M&A investments are reduced in 2023 and in 2024 growth is moving towards low single digit, again lower than market. If you compare 2024e growth in SWON and CRAYN you are at 2,2% in SWON vs 11% in CRAYN. Organic average growth is around 6% CAGR in CCY. CRAYN average organic growth is closer to 20%, and other competitors of SWON are also growing faster i.e. SWON lose market share. 2024 growth includes only one M&A, Medalsoft in Shanghai with 160 employees from February 2024.



3 **Margins are shrinking fast** and «Spread» between adjusted EBITDA and EBITDA is growing rapidly. Many SWON adjustments are not adjustments in our world. We think Charlie Mungers "bullshit earnings statement" is valid on SWON. Crayon also uses adjusted EBITDA and EBITDA but "spread" is a lot lower and adjustments are more realistic. If you look at SWONs EBITDA level last 3 years they are < 17% (simple average) and shrinking. Reported Ebit is single digit last 3 years. Eps last 3 years are 0.77, -0.38 and 0.14 and 2024 look worse.





One of the important elements in discussing "profitability" is the use of "*Adjustments*". Let's have a look.

SWON adjustments (MCHF)	2020	2021	2022	2023	2024e*
Impact of change in rev. Rec of MSFT EA	-	3,3	6,6	-0,2	-
SBC	24,2	13,2	4,3	-	-
Russia related loss	-	-	35,2	-0,3	-
Discontinuation of MTWO vertical	-	-	-	5,7	-
Other non-recurring items	-	-	-	15,9	-
Restructuring expenses	-	9,3	13,1	39,3	-
IPO, Integration expenses, M&A and earn-out expense	10,9	36,7	44,3	23,1	-
Total operational adjustments	**35,1**	**62,5**	**103,5**	**83,5**	**103,0**

*Hvaler estimate based on Q3 reported + Q4e (1/3 of ytd) + 15m CHF (from CEO in Q3 Q&A related to 50m CHF cost cut program)

AS you can see; they are very high and fast growing, and we lack decent transparency and definitions on many of them. Note that analytical consensus and Bloomberg figures tend to be adjusted without defining the word, comparability with peers will hence be difficult.

Crayons adjustments for comparison. AS you can see SWONS level is 12x the size (give or take) and fast growing

Crayon adjustments (MCHF)	2020	2021	2022	2023	2024e*
Share based compensation	3,9	4,4	1,1	3,3	-
M&A cost and restructuring	0,0	1,8	1,3	0,9	-
Forgivable loan (US)	-1,4	-1,1	-	-	-
Provision for possible Losses (Quatar/Oman)	-	-	-	8,1	-
Tax reassessment	-	-	2,4	-	-
Fair value adjustment earn-out	-	-	2,2	1,4	-
Total operational adjustment	**2,5**	**5,1**	**7,0**	**13,7**	**5,5**

*Hvaler estimate

If you look at profitability in the two market sectors (Software & Cloud Marketplace and Software & Cloud Services) you will see an interesting picture. Let's start with the **jewel.**

S&C Marketplace - the jewel in the company 💎

SWON is operating in a fast-growing market with critical deliveries to 65.000 clients. The market outlook (for Microsoft products and others) is very strong. SWON is a worldwide player in this market with a very strong foothold, first and foremost in the enterprise market (very large clients). They have low client churn and a well-developed IT system including a supplier catalog sized 7.500 names (a lot bigger than Crayon). IT systems are, as far as we understand, often integrated with client systems, which again leads to lock-in effects. Let's listen to "Charlie Mungers view on profitability figures" and walk-away from "bullshit earnings". Reported EBIT after allocation of HQ cost is probably something Charlie would have accepted?

S&C Marketplace (MCHF)	2022	%	2023	%	LTM*	%
Revenue	543,3		549,7		557,8	
Adj. EBITDA	282,4	*52,0 %*	289,1	52,6 %	279,1	50,0 %
HQ cost for all. to Marketplace	33,5		35,5		40,6	
Adj. EBITDA less HQ cost	248,9		253,6		238,5	
Rep. EBITDA less HQ cost	193,2		208,2		183,0	
Rep. EBIT less HQ cost	**162**	**29,8 %**	**172**	**31,4 %**	**145**	**26,1 %**

** D&A based on H2 '23 + H1 '24*

Growth and profitability

What we can see is:

- a very profitable segment with good margins
    - also, on reported EBIT less adjustments and allocated overhead
- close to 0 growth (somewhat higher in local currency but they lose market share)
- profitability should improve when 50MCHF cost cut program is implemented and if adjustments "disappears"
- better response to Microsoft migration (Cloud, AI, Security etc.) is an upside

There is, however, some uncertainty linked to SWONs last profit warning when they updated on changed incentives/margins in Microsoft business. Remember, these margins/incentives are fundamental to their business and profitability. Let's have a look and discuss.

Are SWON (and CRAYN) VAR margins up or down? Where do they go?

We are not experts here but let's try to add some value and simplify so that even investors can understand 😊 Let's divide Incentives from vendors like Microsoft and others into 2 elements, commissions and other incentives and then discuss them separately.

"Other incentives" could be of some size, and they could be linked to "next generation products", "strategic goals", "improved processes", "certain segments in the market" or "extraordinary situations" to support important partners. Other incentives could arrive in different ways, they are booked differently and are almost always "discretionary", i.e. you cannot (and should not) be too transparent about the size of incentives. It's ok, in the longer term you get what you deserve from Microsoft and others.

Commissions are "the big and important" part of your economy. It has been challenged whether Microsoft and others need a Value-Add Reseller in more than 30 years and guess what - the answer is still **yes.** It will probably continue for the next decades. That's why CRAYN is our biggest investment.

After Q3 SWON issued a profit warning for 2024 and stated that Microsoft commissions/incentives will change in 2025. They said it will "reduce volume" by 2-3%. They should have said "reduce volume and profitability" with 2-3% points meaning 20-30MCHF. This is not at all dramatic and these changes were announced a long time ago but the problem for SWON is "a slow internal response" to these changes. The question is whether this "slow internal response" is an ongoing problem. Let's look at some facts, but let's first discuss Crayons response to the same Microsoft (long announced) changes.

After Q3 CRAYN said that "this has been announced a (very) long time ago", "we have prepared and implemented actions in due time", "this is normal" and "we will lose neither volume nor profitability in 2025". It might even be slightly positive if I remember Melissas (CEO CRAYN) dialogue with us investors properly. What Melissa could have said is; "My last job was at Microsoft; I know what I'm talking about and our partnership with Microsoft has probably never been better" - but she did not do so. 🙄

Let's look at the Facts from last 4 years including Hvaler Invest 2024e. These figures are not easily available in SWON, but when asking IR in SWON we got fast and good response on questions around gross billings meaning you are able to calculate software margins. In CRAYN it's easy to access relevant figures on a quarterly basis (cred to CRAYN on transparency again).

	2021	2022	2023	2024e	2025e
SWON: Gross sales Marketplace (MCHF)	8 285	9 173	9 901	11 054	11 772
SWON: Gross margin Marketplace	**6,4 %**	**5,9 %**	**5,6 %**	**5,1 %**	**4,8 %**
CRAYN: Gross sales Software (MNOK)	24 240	35 877	45 519	55 709	64 612
CRAYN: Gross margin Software	**6,4 %**	**6,5 %**	**6,6 %**	**6,3 %**	**6,3 %**

What you can see is an ongoing **downward trend in SWON** i.e. you probably have an ongoing problem, and our estimated gross margin moves to 4,8% in 2025. It will probably take time to turn the ship towards "higher contribution sectors/products", but AI and Copilot is a potential upside to our estimates. It's not any drama around these figures in SWON, they should be well positioned to turn around, but it will probably take time.

In CRAYN you have a more stable trend which again builds credibility in Crayons previous investor communication. Certainly, CRAYN has been through challenges in the last years, including the volume PW last week on volume, but company communication is normally of high quality. We should trust their statement on margins despite last week's miss, since their annual guiding last 5 years have been very good. Our comment includes the 2024 guiding where they had one miss on the upside (WC), one downside miss (GP volume) and one within range (adj Ebitda).

SWON conclusion on margins, you are on a downward trend on margins (and have very low growth at the same time), you have not adapted in due time, you will probably continue down in 2025, but you can turn and improve. 🤔

CRAYN conclusion on margins, you are stable on margins (and have 20% growth), you have adapted in due time, you will probably be stable in 2025 or even improve slightly. 💪

SoftwareOne, S&C Marketplace, the jewel in the company, is a profitable business with a very good presence in the Enterprise market. There are however important questions regarding margin development, market share development, execution on changed Go to Market model and execution on implementation of 50MCHF cost cut program. Timing for marriage is not at all good, you could argue it's bad 😬

SoftwareOne Cloud & Services - The worst Services margins in Europe? -15% Reported EBIT

SWON's story is "Software & Cloud Services sector is profitable"
This is not a small area to understand. S&C Services has reached 46 % of revenue. They have invested 267MCHF in the last 5 years (all M&A's except one are mainly services). There are thousands of employees in the services sector and the Intangible assets in the balance sheet are sized hundreds of millions CHF.

When we met the Chairman, CEO, CFO and others in Zürich they all verbally, and in writing, stating that "Our S&C Services sector is profitable" and "it's improving". When they were challenged with Hvaler Invest estimates they did not really know how to respond.

Look at the first line on the table below. Do you agree "it looks profitable" and "it's improving"?

S&C Services (MCHF)	2022	%	2023	%	LTM*	%
Adj. EBITDA	13,6	*2,9 %*	28,1	6,1 %	42,9	8,9 %
HQ cost for allocation to services	28,7		29,7		34,9	
Adj. EBITDA less HQ cost	-15,1		-1,6		8,0	
Rep. EBITDA less HQ cost	-62,9		-39,7		-39,7	
Rep. EBIT less HQ cost	**-89,9**	**-19,3 %**	**-69,8**	**-15,1 %**	**-72,0**	**-15,0 %**

** D&A based on H2 '23 + H1 '24*

The problem is that this is very poor investor communication and its certainly contra productive internally. What makes this situation even worse is when the CFO (and top management and board) are of the opinion that "this is profitable".

What you must do is allocate the relevant part of corporate HQ costs and depreciations. Additionally, you should allocate "Adjustments" that constantly are very high in SoftwareOne. Then you end up with an IFRS Reported EBIT figure which in our opinion explains "profitability" better. Optionally you could also allocate "activated internal IT development cost less depreciations" (we have not).
Our distribution of costs to the 2 segments is based on revenue size. We would of course prefer more transparent reporting, but SoftwareOne is poor in profitability reporting. You could have a different distribution of costs, but let's keep it simple until they disclose better.

Conclusions are:

- LTM Reported EBIT margin is -15%, you probably have "the worst profitability in Europe"
- Margins are stable at an extremely low level
- What is the ROI on your 267MCHF invested? Transparent reporting would be appreciated.
- A goodwill "write off" may happen in the next 2-3 years. The sooner the better in my world.
- Accumulated Reported EBIT last 3 years is worse than -200MCHF

We do understand that S&C Services sometimes stimulate VAR business in S&G Marketplace but "you have a headache," and it won't go away before you say, "this is very unprofitable today". Then you can either "turn around" or "sell out non-core" elements of services.

Company guiding 2021-2024 has failed. SWON "constantly" miss their own guiding on growth and adjusted EBITDA margin. Out of 8 guiding elements they miss on 7. To guide the present year in February is not "rocket science" in our world, and Crayons guiding is "spot on". SoftwareOne has failed and have hopefully learned their lesson.

Can we trust synergies to go through according to plan? No, we cannot.

Mergers normally fail – is it different this time?

- The synergy targets for SWON + Crayon are 80-100m CHF cost cut post-merger plus Income synergies (not quantified)

If they do materialize, you create values sized one of the two companies or more (1+1>3). Let's have a look at the history of SWON on synergies. According to a lot of research mergers often fail. Most studies conclude with a failure rate between 50-80% and "merger among equals" (we are close to such a situation here) are considered the most difficult ones. There are many possible reasons but here are 5 that could be/are relevant in this situation (not including pricing that obviously always is on a top 5 list); Cultural differences, power struggles, increased complexity, employee resistance and cost creep upwards that reduces (or eliminate) synergies.
The question now is "Why is it different this time"? Let's look back and check the facts on previous M&A's.

Synergy case nr 1: In 2019 SWON bought Comparex (and another 5 companies).
Comparex had 80% of SWON's volume, lower adj EBITDA margins and 2500 employees. Synergy targets were 40 MCHF reduced cost and 20 MCHF income synergies. The following 2 years it was reported that everything went "according to plan ". Can we find evidence in figures to back up the positive statements post the Comparex merger in 2019?

(MCHF)	2018pf*	2019	2020
Gross profit	738	737	730
EBITDA	176	170	188
EBIT	124	119	133
EBIT%	16,9 %	16,1 %	18,2 %

* Proforma figures SoftwareOne + Comparex

Conclusion case no 1: I think it's fair to say that we cannot see any synergies from the Comparex deal at all. You are flat on Gross profit and flat on margins in a very strong market where competitors are doing very well. In constant currency you do slightly better on volume but remember the other 5 M&A's that happened in 2019.

Synergy case no 2: The next years you had around 20 M&As, many small but 2 with some size.

Year	Company	Focus	HQ	Region/Country	FTEs
2019	Sentry	Services / ITAM	London	UK	2
	RightCloud	Services / AWS	Singapore	APAC	50
	Massive R&D	Services / AWS	Tokyo	Japan	6
	BNW	Services / SAP	Melbourne	APAC	28
2020	Gorillastack	Marketplace	Sydney	Australia	6
	B-lay	Services / ITAM	Amsterdam	EMEA	41
	Make IT noble	Services / Microsoft	Zurich	DACH	8
	Intelligence Partner	Services / Google	Madrid	Spain, Brazil, Dubai	80
	Optimum Consulting	Services / SAP	Kentucky	NORAM	20
2021	Intergrupo	Services / App Services	Medellin	LATAM	1500
	ITPC	Services / SAP	Zurich	DACH, India	50
	ITST	Services / SAP	Sao Paolo	Brazil	19
	SE16N	Services / SAP	Warsaw	CEE	60
	Helecloud	Services / AWS	London	EMEA	100
	Centiq	Services / SAP	Manchester	UK, Nordics	58
2022	Predica	Services / Azure	Warsaw	EMEA	450
	Satzmedia	Services / App Services	Hamburg	DACH	35
	Synchronet	Services / AWS	Houston	NORAM	60
2023	Appscore	Services / Cloud Services	London	Global	10
	Beniva	Services / ServiceNow	Calgary	NORAM	78
	Novis Euforia	Services / SAP	Spain	EMEA	35
2024	Medalsoft	Services / Azure	Shanghai	APAC	160

Accumulated you invest 267 MCHF and you look for cost- and income improvements. Let's check the facts.

Conclusion case nr 2: As you can see from table on page 2 there are no signs of either volume synergies or profitability improvements (read synergies) in the years after these 21 M&A's. You could easily argue on the contrary. You invest 267 MCHF, you lose market share and margins are dropping rapidly. "Why is it different this time"?

Conclusion 3: You could also question whether Crayon created any synergies after the Rhipe acquisition in 2022. We have not deep dived into this question, but the price was high (408MAUD) and we doubt things turned out as expected 2-3 years later? Prudent documentation is warmly welcomed 😊

SWON vs Crayon on Volume – Avg organic 6% in SWON vs 20% in Crayon '21-24e

Let's compare SoftwareOne and Crayon on margins and volume development before discussing price.

	2021	2022	2023	2024e*	2025e*	2026e*
Crayon rep. GP (MNOK)	3165	4496	5662	6282	7287	8282
Crayon organic GP growth**	**28 %**	**25 %**	**18 %**	**10 %**	**16 %**	**14 %**
SWON rep. revenue (MCHF)	914	976	1 011	1 032	1 070	1 140
SWON organic rev. growth**	**9 %**	**6 %**	**7 %**	**2 %**	**4 %**	**7 %**

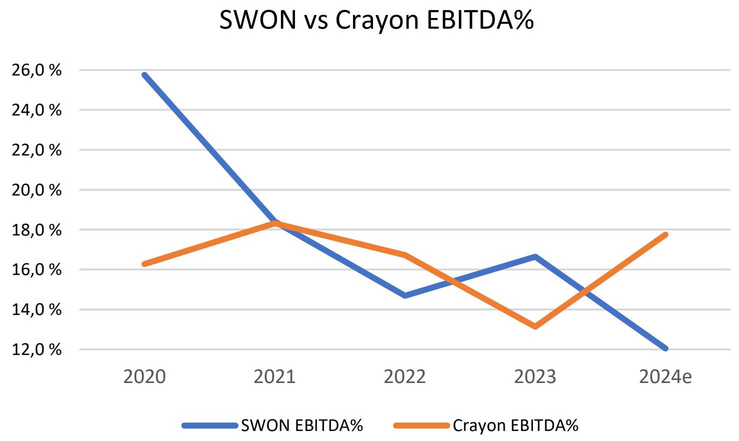
** Estimates based on consensus **organic= FX neutral and ex M&A - SWON org growth is a Hvaler estimate, Crayon is reported*

It's not really anything to discuss, the difference between the two companies tells a brutal story.
CRAYN is far better on Organic growth, accumulated growth and consensus going forward. Game, set and Match 🎾

SWON vs CRAYN on profitability - Crayon is better on EBIT/EBITDA in the last 4 years

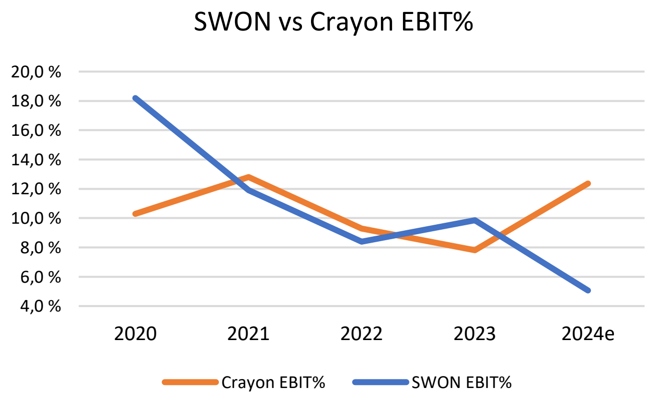
Everybody agrees" that SoftwareOne have superior margins…. Let's check out the facts for the last 5 years. The facts are contrary. The market has swallowed the "adjustment story" of SWON. Charlie Mungers "Bullshit theory" is right again. Analyst "adjusted figures" have been sent into Bloomberg and all peer studies are wrong! SWON shareholders do however know the truth – that's why share price went from 18CHF to 13CHF (after the Bain bid disappeared) then to 6CHF after profit warning and another credibility hit based on poor execution and communication (again).

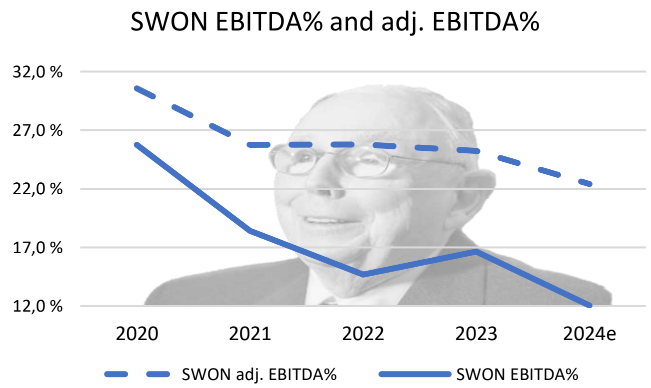
Crayon has higher EBITDA margins and are stable

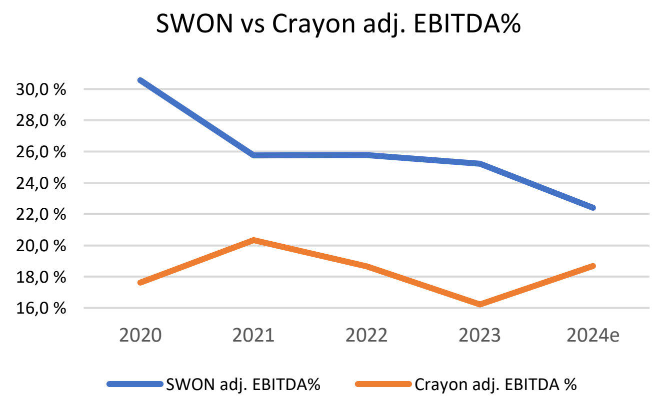


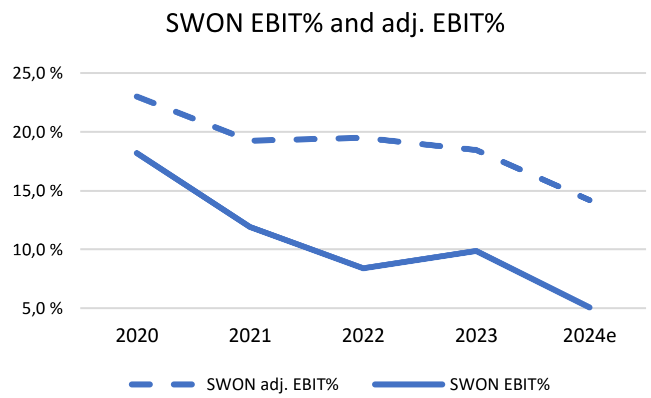
- SWON is shrinking rapidly – Crayon is stable
- Average SWON adjustments are 7,9pp vs Crayon 1,9pp
- SWON margins are shrinking rapidly – Crayons are stable
- Crayon is more profitable than SWON – right

Crayon is also performing better on EBIT margin









- SoftwareOne's EBIT % is shrinking and there is no growth to «compensate» for lost margins
- Crayons EBIT margin is stable or moving upwards and volume is growing fast => EBIT in nominal values is growing fast

Crayon margins are better and improving

- SoftwareOne's adjustments definitions are wider and SWONs «spread» between «adjusted» and «reported» increases rapidly
- It leads to a «false picture» of superior profitability in SoftwareONE and their margins are shrinking as we speak
- Crayons margins are growing, and high double-digit growth is very supportive for further growing profitability

Outside the EBITDA/EBIT figures SWONs «Internal software development» activated in balance sheet (from page 176-178 in 2023 annual report) is growing fast and «improves» EBITDA/EBIT/Net Income with another 25m CHF in 2023. It further weakens SWONs underlying profitability in our world. See further details in the appendix.

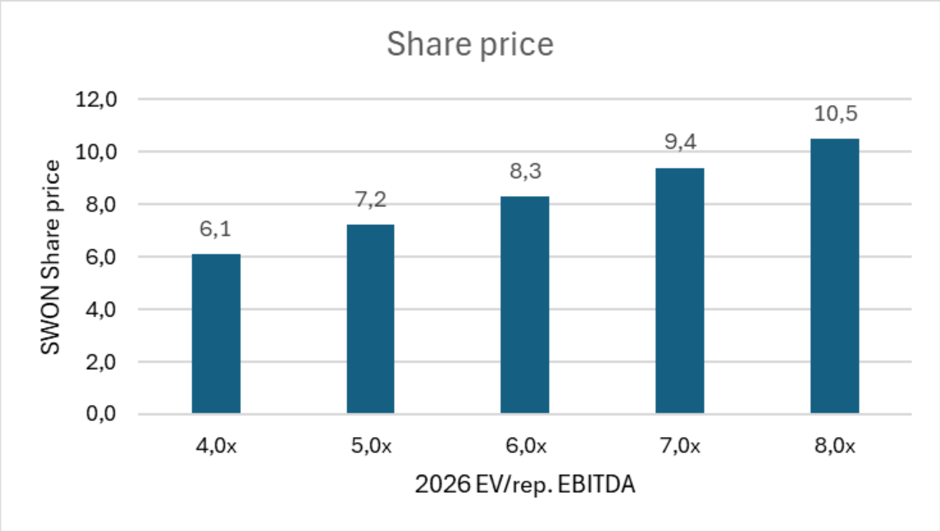
Do Crayon's shareholder benefit from 69 NOK in cash and 0,82 SWON shares? No, they don't.

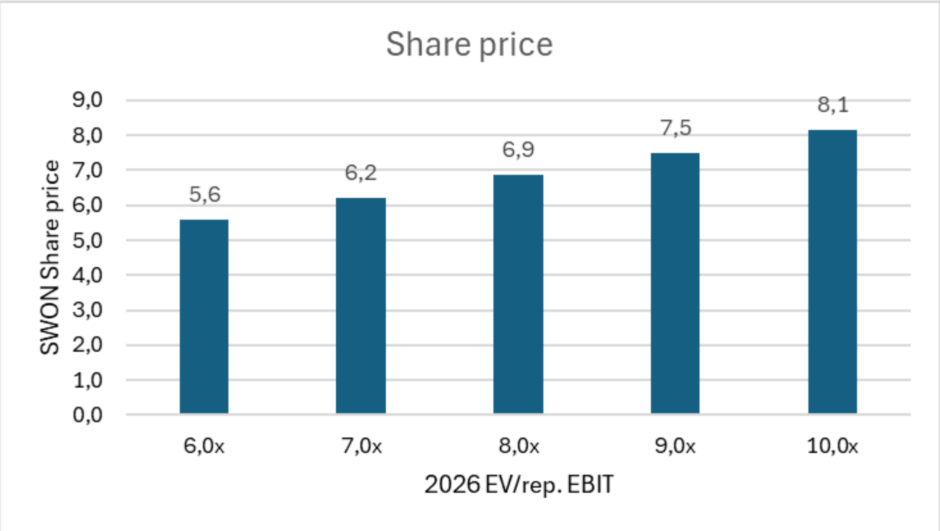
Let's start by discussing a fair price on SWON stand-alone, which is not at all easy to stipulate because historical figures are "messy or fake" and guiding so unreliable that you cannot trust anything they say. Our assumptions are:

- Gross profit growth sized 3,8% and 6,6% in 2025/2026 (consensus)
- Hvaler Invest Reported EBITDAe based on avg last three years up 2,5pp in 2025 and a further uplift on 1,0pp in 2026
- Multiple expansion from 4,8x EV/26 EBITDA to 6x EV/EBITDA
- Multiple expansion from 6,5x EV/26 EBIT to 8x EV/EBIT
- Important note: We are below sector avg EV/EBIT or EV/EBITDA multiples. This is due to 1) SWON results are the worst of all comparable companies, and 2) SWON is adjusting A LOT more than all peers, which makes a multiple comparison difficult and justify a lower multiple for SWON.

	2022	2023	2024e	2025e	2026e	MCHF
SWON GP	932,6	971,8	994,0	1031,4	1099,0	
SWON rep. EBITDA%	14,7 %	16,6 %	12,0 %	14,5 %	15,5 %	
SWON rep. EBITDA	136,9	161,7	119,7	149,6	170,3	170
SWON rep. EBITDA 26						**170**
D&A	-59	-66	-69	-66	-71	
SWON rep. EBIT 26	78	96	50	84	100	**100**
Current share price (ca)						5,88
EV/EBITDA						6,0
EV						1 022
Cons. NIBD Q4 '26e						-269
Equity						**1 291**
SWON share fd						155,6m
Share price (EV/EBITDA 26e)						8,3
EV/EBIT						8,0
EV						798
Cons. NIBD Q4 '26e						-269
Equity						**1 067**
SWON share fd						155,6m
Share price (EV/EBIT 26e)						6,9

Based on the EV/EBIT 26e share price of 6,9 and EV/EBITDA 26e share price of 8,3 we conclude on a fair price of 7,6, the mid-point of the two.





Do we feel comfortable about this stand-alone price? No, we don't. It's very easy to go higher (UBS target price 11CHF) or lower (market price today 6 CHF). What about the offer as it stands today.

- You give away Crayon for a discount on future earnings when Crayons growth, profitability and outlook is far better
- We have a stand-alone price on CRAYN at higher levels. We'll be back explaining more before Q4 is released
- If you prefer cash the offer is a joke, if you believe in SoftwareOne, buy shares in SoftwareOne today.
- If you are an Industrialist with money, and a deep conviction that you can take out synergies, feel free to bid on the two companies, delist and use 3-5 years to make it happen. A PE initiative is another option of course. Look to USA where multiples in this sector are a lot higher and "pockets are filled with money"

Is risk reward attractive – No it's not, risk is far too high, price is far too low

There is more than one way to Rome and a merger could be fruitful if synergies happen, risk is manageable, and price is good but as we have discussed in these analyses…

- SoftwareOne is not a well-managed company
- Synergies will probably not happen according to plan
- Price is far too low.
- Risk is very high. 50-80% of mergers fail and mergers among equals are the most difficult ones. Add a 50m CHF cost cut program in SoftwareOne happening now, a transaction period of 3 months and an implementation period that could take a lot more than 12-18 months you simply must walk away. If you still think you should put your money on this merger, let's remind you i) It has been very significant management changes last year's ii) Add eroding profitability, lost market shares and a lot of M&A's iii) Add the 2 biggest cost cut initiatives in history then we end up in a difficult organizational and cultural situation to merge with Crayon.

Hvaler Invest conclusion – We say no thank you

- We say, «No thank you».
- Our recommendation is Walk away quickly to avoid unnecessary uncertainty and lost focus internally.
- We say «Yes thank you» to Crayon Stand alone
- We would focus on the present strategy and look for smaller bolt-on acquisitions
- We would encourage management to continue on the road to creating a unique performance-based management culture and corporate culture
- Have fun while working and you will see in 3 years’ time Crayon has grown to be bigger and stronger
- …. and who knows, maybe others don’t J

Appendix

Board of Directors and Executive board

Chaos and significant changes, probably to the better but……

SoftwareOne Board of Directors (2023 - present) – all but one changed

- **Departures (since 2023);** Adam Warby (chairman), Jose Alberto Durate, Isabelle Romy, Elizabeth Theophille, Timo Lhamuotila, Marie-Pierre Rogers, Jim Freeman
- **Current Executives:** Daniel Von Stockar Rene Gilli, Andrea Sieber, Jorg Ribon, and Till Spillmann

SoftwareOne Executive Board (2023 – present) – 3 CEOs in 5 years and lots of changes

- **Former Executives:** Dieter Schlosser (CEO, Jan 2019 – May 2023), Brian Duffy (CEO, May 2023 – Oct 2024), Neil Lomax (President of Sales, Feb 2019 – Oct 2023), Bernd Schlotter (President, Software and Cloud, Jun 2021 – Oct 2023)
- **Current Executives:** Raphael Erb (CEO, Nov 2023 – present), Julia Braun (CHRO, Nov 2022 – present), Rodolfi J. Savitzky (CFO, Jan 2022 – present), Oliver Berchtold (President, Software and Cloud, Dec 2024 – present)

Crayon Board of Directors – stability and few changes

- **Current members:** Rune Syversen (Chairman and founder), Jens Rugseth (member and founder), Wenche Agerup (Apr 2022 – present), Arne Frogner (May 2024 - Present, Grethe Viksaas (Oct 2017 – present), Dagfinn Ringås (Oct 2016 – present), Marina Lønning (May 2024 – present)
- **Departures:** Jennifer Koss, Jens Moberg

Crayon Executive Board (2023 – present)

- Mellisa Mulholland (CEO, Mar 2021 – present), Bente Liberg (CHRO, 2002 – present), Brede Huser (CFO, Sep 2023 – present), Jon Birger Syversen (COO, Mar 2018 – present), Florian Rosenberg (CTO, Jun 2019 – present), Gudmundur Adalsteinsson (Chief Revenue Officer), Jan … 2016 – present), Erwin Heinrich (CIO, Feb 2019 – present)

Guiding Accuracy

Missing on 7/8 growth and profitability targets last 4 years

- Missing on not very ambitious growth targets 3/4 years
- Missing on 4/4 EBITDA targets using non-adjusted EBTDA%.
- (Missing on 2/4 EBITDA targets if we use adjusted EBITDA, but that's fairly easy when you adjust by some 10 pp)

	2020 (Mid-term*)	2021	2022	2023	2024e
Growth target	>10% GP ccy	>10% GP ccy	Mid-teens GP ccy	>10% rev. ccy	8-10% rev. ccy
Growth actual	8,3 %	17,1 %	13,4 %	8,6 %	2,2 %
Adj. EBITDA target	Approaching 35%	>30%	>25%	24-25%	24,5-25,5%
Adj. EBITDA%	30,6 %	25,7 %	25,8 %	25,2 %	22,4 %
EBITDA%	25,8 %	18,4 %	14,7 %	16,6 %	12,0 %

SWON - is it any issues in the balance sheet?

We concluded that "adjustment" in P&L is "fake". They are at a very high level, fast growing and 10x the size of Crayon adjustments.

Is it any other elements, like in the balance sheet, where SWON and CRAYN have different practices?
We have investigated the notes in annual reports for the last 5 years. In note 15 at page 176-178 (2023 report). We discovered something interesting. Let's put our balance findings into perspective.

- Working capital no issues
- Tangible assets no issues
- Goodwill no issues
- Other intangibles no issues
- **Internal software dev. Significant issue**
- Net cash/debt not an issue now but…

Income effect of Internal software development (MCHF)	2020	2021	2022	2023
IB internally generated intangibles (IGI) (Pyracloud and other softw.)	35,1	44,2	69,1	102,0
IGI added current year	9,1	19,9	34,3	47,7
Total amortization of IGI	9,7	11,3	14,8	23,3
Net income effect (influencing EBIT and net income)	**- 0,6**	**8,6**	**19,4**	**24,5**

As you can see, they improved Net Income and EBIT with 24,5 MCHF through a very high level of activated internal software development. The net income calculation is 47,7 MCHF (added current year, meaning activated on balance sheet) – 23,3 MCHF (total amortization) =24,5 MCHF. The comparable net income figure in CRAYN (note 8, page 37 2023 annual report) is 2,1 MCF which means you have a 12x bigger figure in SWON relative to CRAYN.

If you use SWONs P/E multiple of 10x you end up with an increased market cap of 245 MCHF, which is 25% of SWONs market cap (everything else equal)

Normally these activated IT costs are prudent and not an issue but here you see 4 things occurring at the same time.

i) The level is unusually high in nominal values

ii) It's growing very fast

iii) The level is abnormal relative to peers (CRAYN)

iv) You can't see any evidence in previous years that these investments improve efficiency and profitability

Reflect on these figures, do you think it's reasonable? We don't, not when CRAYN figures are at a lot lower, and you cannot see any evidence of improved efficiency in SWON last 3-5 years.

Further on Net Cash/Debt

Not an issue now but….

Net debt (MCHF)	2020	2021	2022	2023
Total financial liabilities	94,1	52,9	67,5	124,9
Total financial assets	- 578,3	- 559,5	- 385,0	- 311,2
Net debt/ (cash)	**- 484,3**	**- 506,6**	**- 317,5**	**- 186,3**

Historically you have seen a very strong balance sheet with negative working capital and lots of cash, but……

v) you gradually earn less but pretend everything is fine through increasing "adjustments"

vi) you buy 20 companies to an undisclosed price level per company, but accumulated to approx. 267m CHF

vii) you pay more dividend than you should because your dividend policy is linked to adjusted Eps and not Eps

viii) you activate more and more investments in developing your own software (47,7MCHF in 2023)

ix) you start buying back your own shares (70MCHF)

Then your cash position erodes quickly, and you reduce cash by 320m CHF in 2 years. It's not a problem now but it's unsustainable and could lead you into trouble unless you……, ……you got the picture I presume 😊

Key Financial Figures

MCHF	2020	2021	2022	2023	2024e
Revenue	832,3	914,3	975,8	1011,3	1034,0
Growth %	*-0,6 %*	*9,8 %*	*6,7 %*	*3,6 %*	*2,2 %*
Growth % ccy	*5,6 %*	*10,2 %*	*10,6 %*	*8,6 %*	*2,2 %*
Gross Profit	**729,5**	**851,7**	**932,6**	**971,8**	**994,0**
GP growth	*2,1 %*	*16,7 %*	*9,5 %*	*4,2 %*	*2,3 %*
Reported GP growth ccy	*8,3 %*	*17,1 %*	*13,4 %*	*9,2 %*	*2,3 %*
EBITDA	**187,9**	**156,8**	**136,9**	**161,7**	**119,7**
EBITDA%	**25,8 %**	**18,4 %**	**14,7 %**	**16,6 %**	**12,0 %**
Total operational adjustments	35,1	62,5	103,5	83,5	103,0
Adj. EBITDA	223,0	219,3	240,4	245,2	222,7
Adj. EBITDA %	30,6 %	25,7 %	25,8 %	25,2 %	22,4 %
EBIT	**132,7**	**101,4**	**78,4**	**95,8**	**50,3**
EBIT%	18,2 %	11,9 %	8,4 %	9,9 %	5,1 %
Adj. EBIT	167,8	163,9	181,9	179,3	141,1
Adj. EBIT%	23,0 %	19,2 %	19,5 %	18,4 %	14,2 %
Net income	**176,7**	**116,7**	**-58,3**	**21,4**	**87,9**
Adj. net income	125,7	109,9	115,0	109,5	88,2
EPS (diluted)	**1,14**	**0,77**	**- 0,38**	**0,14**	**0,59**
Adj. EPS (diluted)	0,81	0,71	0,74	0,7	0,59

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