EVA
CONSULTING

CODE IT®

Transforming a world-class service to a world-class business

Effectively transitioning CodeIT to an ARR model

Lawrence D'Mello Emily Ji Ruvindri Ediriweera Connor Pilger

CodeIT Enterprise™ is a versatile coding solution and production traceability platform designed to leverage your data to enhance your production and increase your business performance – with automation, data capture, and supply-chain traceability for products and parts at the core. It is flexible, highly scalable, and integration-friendly.

You are offering a revolutionary product that perfectly addresses your customer's needs

CodeIT Enterprise™ is a versatile coding solution and production traceability platform designed to leverage your data to enhance your production and increase your business performance – with automation, data capture, and supply-chain traceability for products and parts at the core. It is flexible, highly scalable, and integration-friendly.
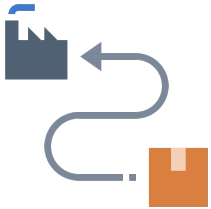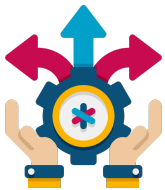
Traceable
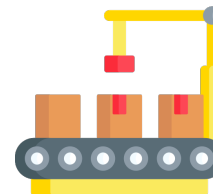Analyse the movement of each product item in the production facility

Digital
Consistently implementing the latest innovations and technologies to optimise efficiency

Flexible
Adaptable to each business' unique production and packaging hardware

Dependable
Trusted and relied upon by leading forward thinking businesses worldwide

Your customers love your service and have embraced you as a core integration

Your customers love your service and have embraced you as a core integration

FOOD			
Lantmännen	Orkla	TINE	DenEast
Nyhléns Hugosons	SalatMestern	Wernersson	Svenska LantChips
Almondy	Bröderna Franzén	SATORI	ÅBRO

FISH			
MOWI	CERMAQ	SinkabergHansen	RAMOEN
PELAGIA	COLDWATER PRAWNS	EWOS Cargill	BioMar
Sjøvik	GULD FISKEN	Fiskexperten VARBERG	seafood

WOOD			
norra timber	Borregaard	FORESTIA	SÖDRA
HUNTON	MOELVEN	BERGENE HOLM AS	SCA Care of Life
stora enso	GAUSDAL BRUVOLL	SVENSK TRÄLACKERING AB	Skaraborgs Träförädling

INDUSTRY			
BOLIDEN	Elkem	Abbott	FRESENIUS KABI
AkerSolutions	ESKEFABRIKK	GEBERIT	NorSun
VW	systemair	weber SAINT-GOBAIN	uniQon PROTECTION

Entire production line overview

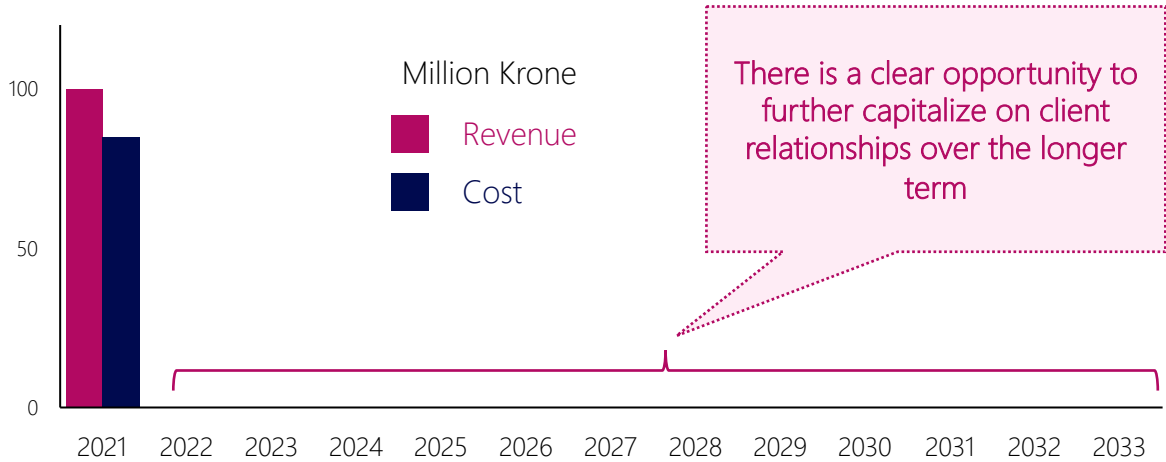CodeIT incorporated at every station, line and device

Data-driven insights provided in the toolbox

This deep level of integration has resulted in a highly 'sticky' customer base

Your current pricing model does not align with your mission

Long-term Revenue Projection in Perpetual Contracts

When companies choose one-off payment models, they recoup initial costs quickly. However they have no way to continually monetize the customers or continue the relationship

Million Krone

■ Revenue
■ Cost

There is a clear opportunity to further capitalize on client relationships over the longer term

Additionally:

10 year
Payback period for the customer (exp.)

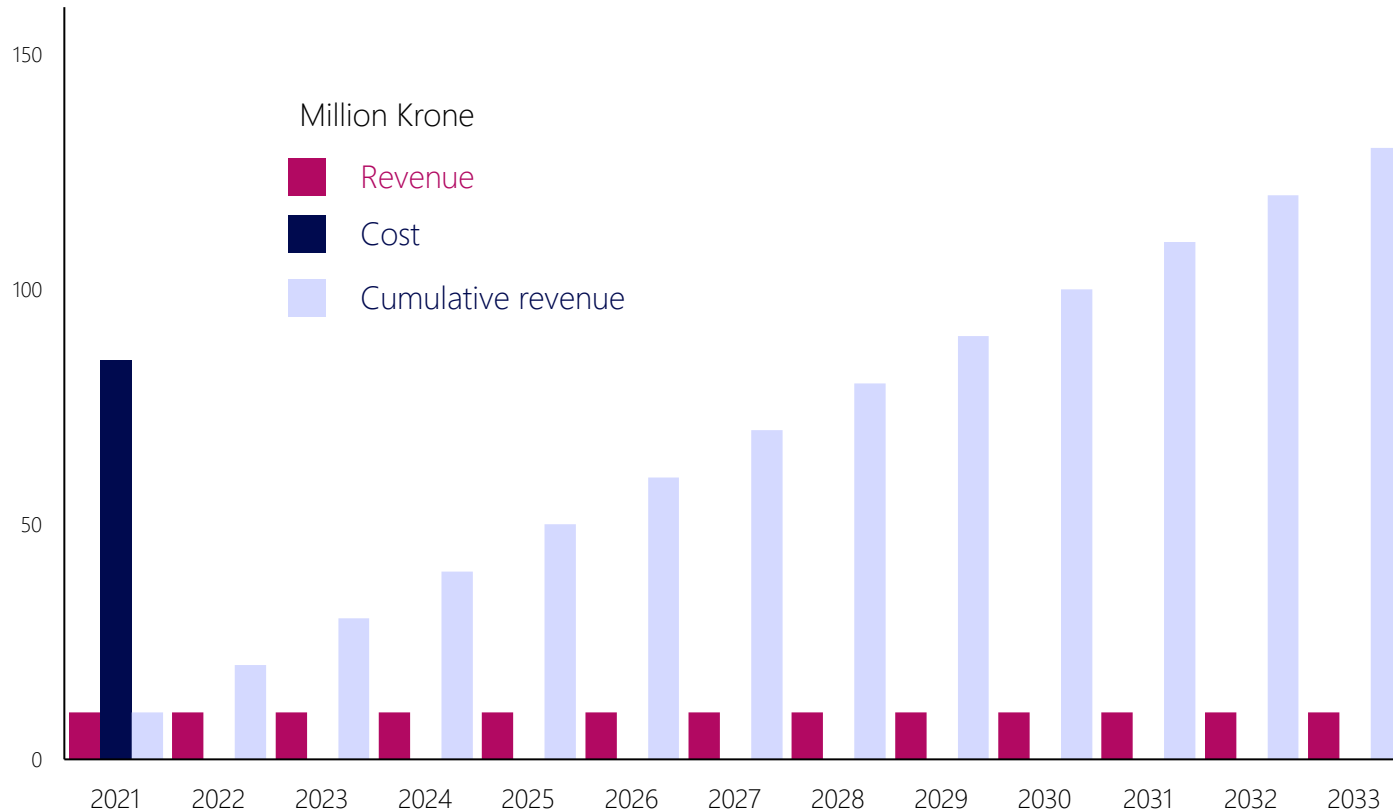**87%**
Of SaaS' will have moved away from this business model by 2024

92%
Of businesses will implement SaaS by 2024

Key Shortcomings

1 Customers are **deterred** from committing to your service due to the **immense initial capital expenditure**

2 Your **timing** and **value** of the next **cash inflow** is highly **unpredictable**

3 New product development **(NPD)** and **R&D cannot** be funded **sustainably**

Source: Gartner, G2, Price Intelligently, Paddle

There is so much more potential for you to be earning what you deserve

Million Krone
- Revenue
- Cost
- Cumulative revenue

ARR revenue models facilitate far stronger customer relationships over the longer term

Potential to unlock value over entirety of customer lifetime, rather than one-off payment

For services with a **lengthier customer lifetime**, these benefits are acclmulated

✓ Easier for customers to buy in and try our service

✓ Stable revenue as cash streams are consistent from existing customers

✓ Increased growth opportunities to extend average CLV

There is so much more potential for you to be earning what you deserve

Million Krone
- Revenue
- Cost
- Cumulative revenue

150

100

0

2021 2022 2023 2024 2025 2026 2027 2028 2029 2030 2031 2032 2033

ARR revenue models facilitate far stronger customer relationships over the longer term

Potential to unlock value over entirety

For services with a lengthier customer lifetime, these benefits are acculmulated

How can CodeIT Enterprise transition swiftly to an Annual Recurring Revenue (ARR) business model successfully from its existing perpetual license model?

✓ Easier for customers to buy in and try our service

✓ Stable revenue as cash streams are consistent from existing customers
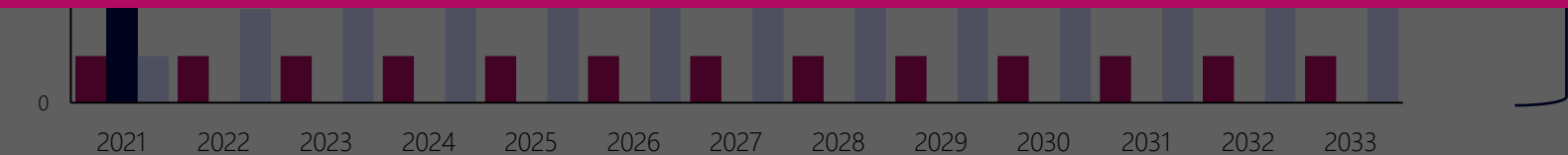
✓ Increased growth opportunities to extend average CLV

Executive Summary

QUESTION

How can CodeIT Enterprise transition swiftly to an Annual Recurring Revenue (ARR) business model successfully from its existing perpetual license model?

CONSIDERATIONS

You have struggled to communicate your value proposition effectively

There are inherent complexities in onboarding existing "lifetime customers"

Although there is an inherent need to change business models, a comprehensive implementation <u>MUST</u> be considered

STRATEGY

Transforming a world-class service to a world-class business

Strengthening and quantifying CodeIT's value proposition

Aligning CodeIT strategically to existing clients through a 3-stage plan

Optimally positioning the ARR model to new clients in order to streamline the onboarding process

IMPACT (2028)

268 MNOK
Revenue in 2028
107 MNOK Incremental

38 MNOK
Profit in 2028
29 MNOK Incremental

12 month
Time to Launch

For an ARR model to run effectively, there are key criteria that must be met

ARR Criteria	CodeIT Enterprise	Notes
Customer base is **extremely loyal** to the service provider		CodeIT **integrates deeply** into customer's **infrastructure** and has been an **extremely successful**
High level of **demand** and **scalability** of the service		CodeIT faces **strong ongoing demand** for the service and **immense scalability** as the IP owners of the service
The service provider has **maintained healthy customer relationships**		CodeIT prides itself on its close customer relations – from **going on-site** to install the software to **accommodating for unique, special requests made**
A **very strong, clear** value proposition is provided		As an **engineer-driven company**, the team has **struggled** to **communicate** their value proposition
Historical **legacy customers** are ready and **embracing** the **change**		Current customers have **committed** a fairly **substantial capital expenditure** into your business, not expecting major continued costs

For an ARR model to run effectively, there are key criteria that must be met

ARR Criteria	CodeIT Enterprise	Notes
Customer base is **extremely loyal** to the service provider	✅	CodeIT **integrates deeply** into customer's **infrastructure** and has been an **extremely successful**
High level of **demand** and **scalability** of the service	✅	CodeIT faces **strong ongoing demand** for the service and **immense scalability** as the IP owners of the service
The service provider has **maintained healthy customer relationships**	✅	CodeIT prides itself on its close customer relations – from **going on-site** to install the software to **accommodating for unique, special requests made**
A **very strong, clear** value proposition is outlined	❌	As an **engineer-driven company**, the team has **struggled** to **communicate** their value proposition
Historical **legacy customers** are ready and **embracing** the **change**	❌	Current customers have **committed** a fairly **substantial capital expenditure** into your business, not expecting major continued costs

EVA CONSULTING

ARR Criteria	CodeIT Enterprise	Notes
Customer base is **extremely loyal** to the service provider	✓	CodeIT **integrates deeply** into customer's **infrastructure** and has been an **extremely successful**
High level of **demand** and **scalability** of the service	✓	CodeIT faces **strong ongoing demand** for the service and **immense scalability** as the IP owners of the service
The service provider has **maintained healthy customer relationships**	✓	CodeIT prides itself on its close customer relations – from **going on-site** to install the software to **accommodating for unique, special requests made**
A **very strong, clear** value proposition is provided	✗	As an **engineer-driven company**, the team has **struggled** to **communicate** their value proposition
Historical **legacy customers** are ready and **embracing** the **change**	✗	Current customers have **committed** a fairly **substantial capital expenditure** into your business, not expecting major continued costs

Communicating a more refined value proposition will align all stakeholders during the ARR transition

Loyal customers

Demand, Scalability

Customer relations

Value Proposition

Transitioning existing customers

Existing Customers

Currently paying a price that is below the the value of CodeIT's product and services

Unaware of the quantitative value that CodeIT is providing them with

New and Potential Customers

Insufficient marketing and informative materials provided to sales team

Long contract pregnancy period of 1-2 years

CodeIT is unable to quantify their value for potential customers

Existing customers are highly satisfied with their perpetual licenses and may be reluctant to embrace a new ARR model

- Loyal customers ✓
- Demand, Scalability ✓
- Customer relations ✓
- Value Proposition ✗
- Transitioning existing customers ✗

Adobe

GoPro
Be a *HERO.*

Office

CNET Your guide to a better future

Tech > Tech Industry

Adobe kills Creative Suite, goes subscription-only

Just a year after launching its $50-per-month plan, Adobe has made its Creative Cloud the only way to get the new versions of its full software suite. Customers "overwhelmingly" prefer it.

Stephen Shankland
May 6, 2013 11:18 a.m. PT   5 min read

Existing customers are highly satisfied with their perpetual licenses and may be reluctant to embrace a new ARR model

- ✓ Loyal customers
- ✓ Demand, Scalability
- ✓ Customer relations
- ✗ Value Proposition
- ✗ Transitioning existing customers

Adobe

GoPro Be a *HERO.*

Office

Key Findings

1 Breakthrough Updates

Only providing a continually improving service for customers who are continuing to provide cash through the subscription

2 Guiding the customer

Sustaining trust with the customer through communication whilst expressing opportunities new product development

To summarise, CodeIT encounters two key issues in the transition to the ARR business model

1 Refine and more effectively communicate CodeIT's value proposition

2 Navigate inherent complexities in onboarding existing lifetime customers to the ARR model

So how can CodeIT address these key issues?

1 Refine and more effectively communicate CodeIT's value proposition

2 Navigate inherent complexities in onboarding existing lifetime customers to the ARR model

3 Scaling the customer base and growing revenue is essential to transform to a leading company

A dynamic, modular subscription business model tailored to both new and existing customers

Strengthening and quantifying CodeIT's value proposition

Aligning CodeIT strategically to existing clients through a 3-stage plan

Optimally positioning the ARR model to new clients in order to streamline the onboarding process

Existing customers have been signed onto an all-in-one model of one-time payment for implementation and perpetual software license fees

Implementation

Licensing

Support & Maintenance

Software Updates

Add-ons
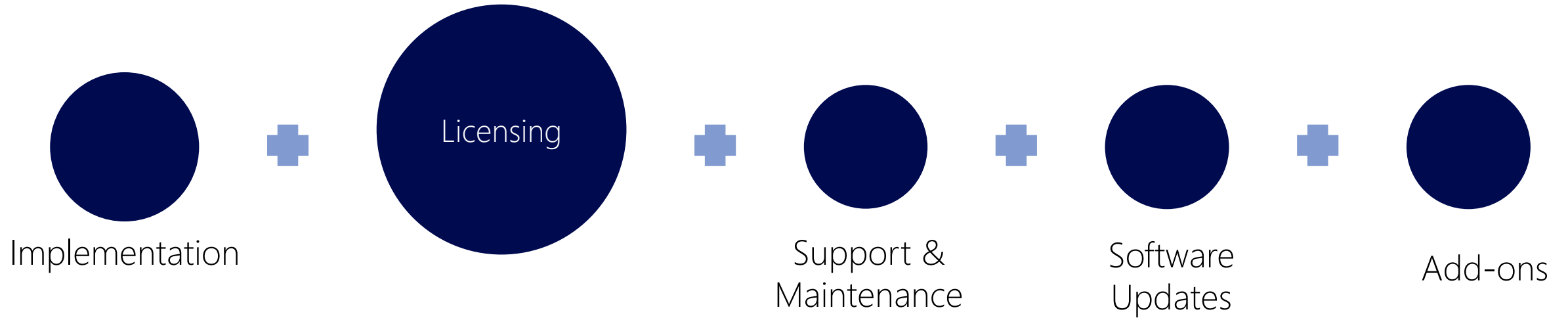
With a simple subscription model, CodeIT can present customers with an easy-to-understand ARR software and services model

Implementation

Licensing

Support & Maintenance

Software Updates

Add-ons
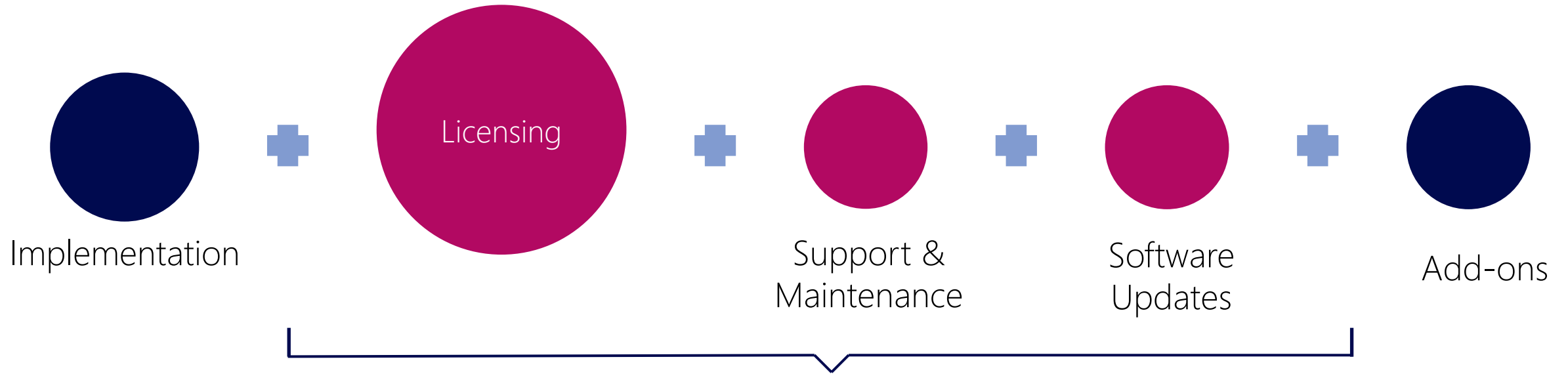
Subscription

■ = one off payments, hourly
■ = recurring quarterly payment

CodeIT should also offer a different subscription to existing customers since they have already paid for a perpetual license

Implementation + Licensing + Support & Maintenance + Software Updates + Add-ons
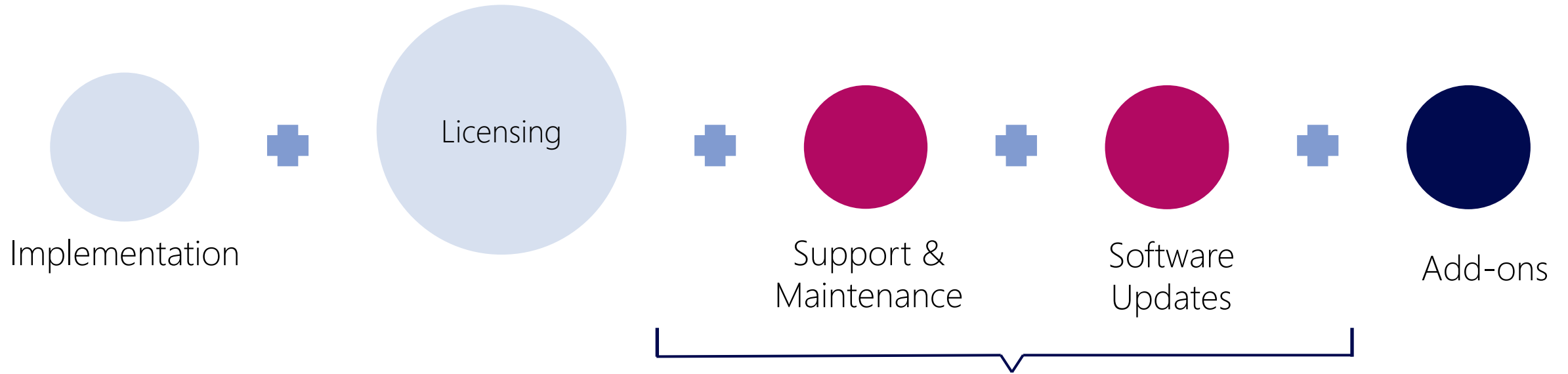
Subscription

■ = one off payments, hourly
■ = recurring quarterly payment

But before CodeIT can transition customers to a subscription model, the value proposition of the new model must be articulated clearly

1

Smaller monthly expenditure is easier for customers to pay, also adheres to matching principle

2

Seamless customer experience - access service and maintenance when needed without a second thought

3

Stay at the leading edge of rapidly changing technology

CodeIT employs rapidly changing technology increasing the value of regular and automatic updates

Smaller monthly expenditure is easier for customers to pay, also adheres to matching principle

Seamless customer experience - access service and maintenance when needed without a second thought
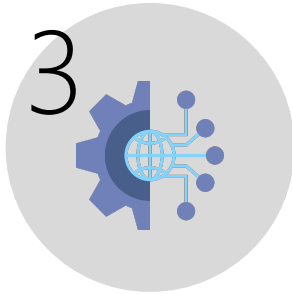
Stay at the leading edge of rapidly changing technology

Rapidly innovating technologies and disciplines CodeIT frequently operates in:

- Digitalisation
- Software Development
- Traceability
- Coding, Labelling, Marking and Tagging
- Integration (ERP, MES, WMS)
- Industrial Automation
- Data Capture (AIDC)
- Machine Vision
- Cloud Computing

Rapidly innovating technologies

But before CodeIT can transition customers to a subscription model, the value proposition of the new model must be articulated clearly

1

Smaller monthly expenditure is easier for customers to pay, also adheres to matching principle

2

Seamless customer experience - access service and maintenance when needed without a second thought

3

Stay at the leading edge of rapidly changing technology

But how can CodeIT tangibly convey their value to customers?

Introducing the Value Visualisation Framework

A new, tangible metric to effectively capture the Krone value CodeIT provides to existing and prospective clients

A preliminary framework *

Numbers are largely indicative, and should be adjusted by CodeIT's internal data and insights to create more realistic figures

7.5%	×	10%	×	15%	×	5%	×	Current
Premium for traceability		Reduction in factory down time		Productivity increase per hour		Reduction in excess production		annual production value

Traceability / *Productivity* / *Agility*

*1+metrics

Introducing the Value Visualisation Framework

A new, tangible metric to effectively capture the Krone value CodeIT provides to existing and prospective clients

Use cases

Informs value-based
pricing decisions

Sales material to
pitch new clients

Reinforce value
for current clients

We need a careful and deliberate process to maintain a strong relationship with existing customers

Introduction

Transformation Day Presentation and Q&A Panel

Investigation

Surveying Customer Interest Regarding Change to ARR

Launch

Extensive Update and One-Time Discount

2023

2024

Open, honest and clear communication is key to maintain relationships in this transition

Transformation Day Presentation

1 Explaining the new ARR model offering for current customers

2 Showcasing value added to customers by applying the Value Visualisation Framework

Q&A Panel

CodeIT's CEO, Bjørnar Torsnes and Senior Consultants will openly address their customers' questions and concerns regarding the change

Positions CodeIT in alignment with their customer relationship values:

- ✓ Trust-based Relationships
- ✓ Empathy and Understanding
- ✓ Lifelong Commitment

Open, honest and clear communication is key to maintain relationships in this transition

Transformation Day Presentation

1 Explaining the new ARR model offering for current customers

2 Showcasing value added to customers by applying the Value Visualisation Framework

Q&A Panel

CodeIT's CEO, Bjørnar Torsnes and Senior Consultants will openly address their customers' questions and concerns regarding the change

Positions CodeIT in alignment with their customer relationship values:

✓ Trust-based Relationships

✓ Empathy and Understanding

✓ Lifelong Commitment

Surveying customers will showcase which clients are ready to transition to ARR

1 Flags customers who are ready for ARR and also those who might be more hesitant

2 CodeIT can gauge overall interest for this transition across existing customers

3 There has already been low pushback from customers in prior surveying

A final nudge will shift existing clients to CodeIT's ARR model

This will be delivered in two key incentives:

Breakthrough Update

Guaranteed Access

To cutting-edge features of a newly developed update

and all future updates

Exclusive Discount

30% Off

Existing customer subscription package for 12 months

when you subscribe within the next 6 months

These incentives have aided success for other tech companies transitioning to an ARR model

Microsoft   Adobe

Minimising pain points in CodeIT's contract pregnancy timeline will optimise relationships with new customers

Current Process:
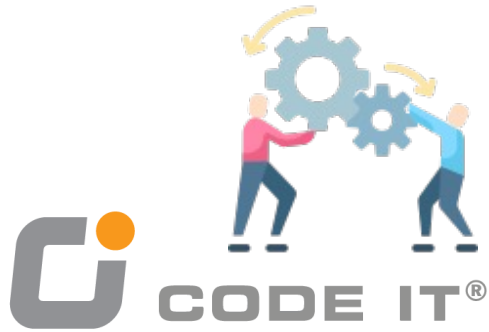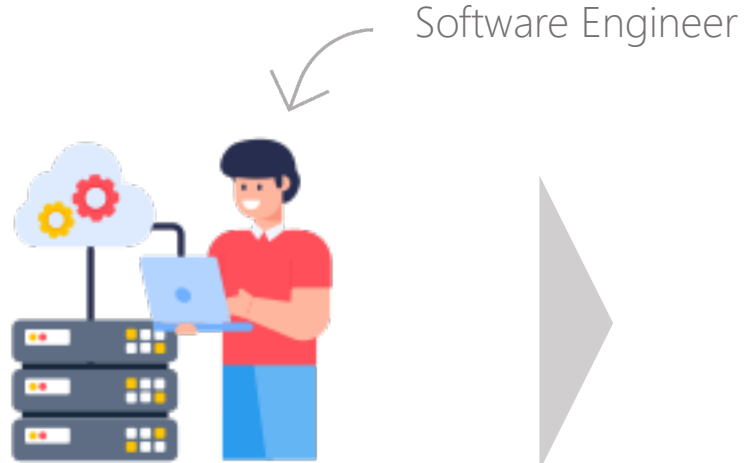
Software Engineer

CodeIT Team

Customer Contact Point

Customer Company Management

Minimising pain points in CodeIT's contract pregnancy timeline will optimise relationships with new customers

Optimised Process:

CodeIT Team

Customer Contact Point

Customer Company Management
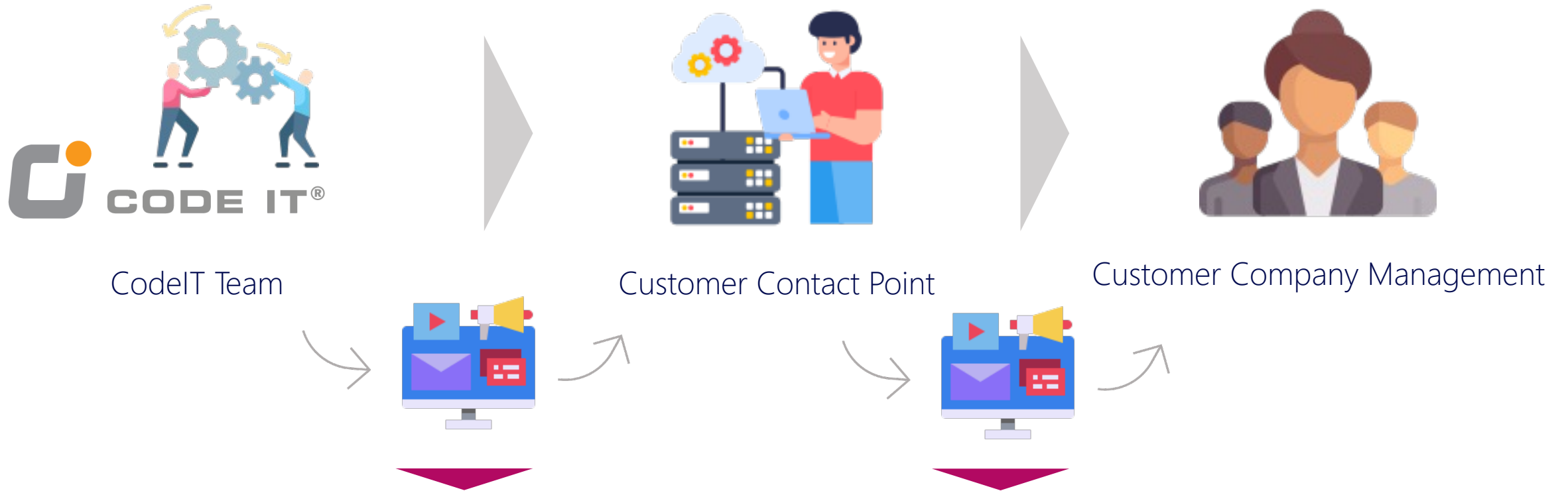
Equipping the customer contact point with tailored marketing material and the application of the Value Visualisation Framework to pass onto management

Minimising pain points in CodeIT's contract pregnancy timeline will optimise relationships with new customers

Optimised Processes:

CodeIT Team

Customer Contact Point

Customer Company Management

OR

Directly targeting upper management in potential customer companies

CodeIT Team

Customer Company Management

Minimising pain points in CodeIT's contract pregnancy timeline will optimise relationships with new customers

Optimised Processes:

CodeIT Team

Customer Contact Point

Customer Company Management

OR

Directly targeting upper management in potential customer companies

CodeIT Team

Customer Company Management

The Benefits:

✓ Shortens pregnancy from years to months

✓ Streamlines pre-contractual negotiations

Attending Conferences...

CodeIT can expand their network of potential customers

AGRO TEKNIKK
2024

A Norwegian conference targeting the agricultural industry, exploring technology and process in the industry

NORTH ATLANTIC SEAFOOD FORUM
2024

A forum hosted in Norway with a focus on business practices in the seafood industry, with some of CodeIT's current clients in attendance

...Will Benefit Customer Acquisition

CodeIT can address industry-wide pain points

CodeIT can showcase their success with current customers to attract clients operating in a similar environment

CodeIT is efficiently undertaking client outreach by visiting hubs

This approach can be extended to global expansion

Outreaching to production companies in target industries will aid new client acquisition

Attending Conferences...

CodeIT can expand their network of potential customers

AGRO TEKNIKK
2024

A Norwegian conference targeting the agricultural industry, exploring technology and process in the industry

NORTH ATLANTIC SEAFOOD FORUM
2024

A forum hosted in Norway with a focus on business practices in the seafood industry, with some of CodeIT's current clients in attendance

...Will Benefit Customer Acquisition

CodeIT can address industry-wide pain points

CodeIT can showcase their success with current customers to attract clients operating in a similar environment

CodeIT is efficiently undertaking client outreach by visiting hubs

This approach can be extended to global expansion

2023

| | Mar 22' | Apr 22' | May 23' | Jun 23' | Jul 23' | Aug 23' |

Communicate
- Openly discuss plans with key clients
- Take on thoughts and feedback
- Continue constructive dialogue with other clients

Hire
- Initiate processes for hiring
- Conduct applicant search
- Interview and choose applicants

Pricing
- Internally consider key value propositions and pricing
- Take on thoughts and feedback from clients and outsiders
- Utilize historical data to derive ARR pricing approach

KPIs

0
Clients unaware of intended change

5
Software engineers

In the first 6 months, CodeIT should look to communicate, hire, and begin ARR pricing

2023

	Mar 22'	Apr 22'	May 23'	Jun 23'	Jul 23'	Aug 23'

Communicate
- Openly discuss plans with key clients
- Take on thoughts and feedback
- Continue constructive dialogue with other clients

Hire
- Initiate processes for hiring
- Conduct applicant search
- Interview and choose applicants

Pricing
- Internally consider key value propositions and pricing
- Take on thoughts and feedback from clients and outsiders
- Utilize historical data to derive ARR pricing approach

KPIs

0
Clients unaware of intended change

5
Software engineers

In the first 6 months, CodeIT should look to communicate, hire, and begin ARR pricing

2023

| Mar 22' | Apr 22' | May 23' | Jun 23' | Jul 23' | Aug 23' |

Communicate

Openly discuss plans with key clients

Take on thoughts and feedback

Continue constructive dialogue with other clients

Hire

Initiate processes for hiring

Conduct applicant search

Interview and choose applicants

Pricing

Internally consider key value propositions and pricing

Take on thoughts and feedback from clients and outsiders

Utilize historical data to derive ARR pricing approach

KPIs

0
Clients unaware of intended change

5
Software engineers

In the first 6 months, CodeIT should look to communicate, hire, and begin ARR pricing

2023

| | Mar 22' | Apr 22' | May 23' | Jun 23' | Jul 23' | Aug 23' |

Communicate
- Openly discuss plans with key clients
- Take on thoughts and feedback
- Continue constructive dialogue with other clients

Hire
- Initiate processes for hiring
- Conduct applicant search
- Interview and choose applicants

Pricing
- Internally consider key value propositions and pricing
- Take on thoughts and feedback from clients and outsiders
- Utilize historical data to derive ARR pricing approach

KPIs

0
Clients unaware of intended change

5
Software engineers

Over the next few years CodeIT should launch and expand its ARR model

	2023	2024	2025	2026

Communicate
Hire
Pricing

Communicate
Hire
Pricing

Launch

Launch ARR to new and existing clients

Market value proposition aggressively

Continue to develop VVF, and improve utilization

Develop

Further transition existing clients

Continually refine business model from feedback and experiences

Focus on new client acquisition to further support long term growth

KPIs

65+	**32%**	**72%**	**82%**
Clients	ARR	ARR	ARR

Over the next few years CodeIT should launch and expand its ARR model

	2023	2024	2025	2026

Communicate

Hire

Pricing

Communicate

Hire

Pricing

Launch

- Launch ARR to new and existing clients
- Market value proposition aggressively
- Continue to develop VVF, and improve utilization

Develop

- Further transition existing clients
- Continually refine business model from feedback and experiences
- Focus on new client acquisition to further support long term growth

KPIs

65+ Clients	32% ARR	72% ARR	82% ARR

Over the longer term, CodeIT can continue to improve and scale its ARR model

| | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2028+ |

Build — Build

Train — Train

Pilot — Pilot

Launch — Launch

Develop — Develop

Expand
- Analyse opportunities for future growth
- Consistently re-examine business model, needs, and economic environment

KPIs

90%+ ARR   150 Clients   Sustainable business model
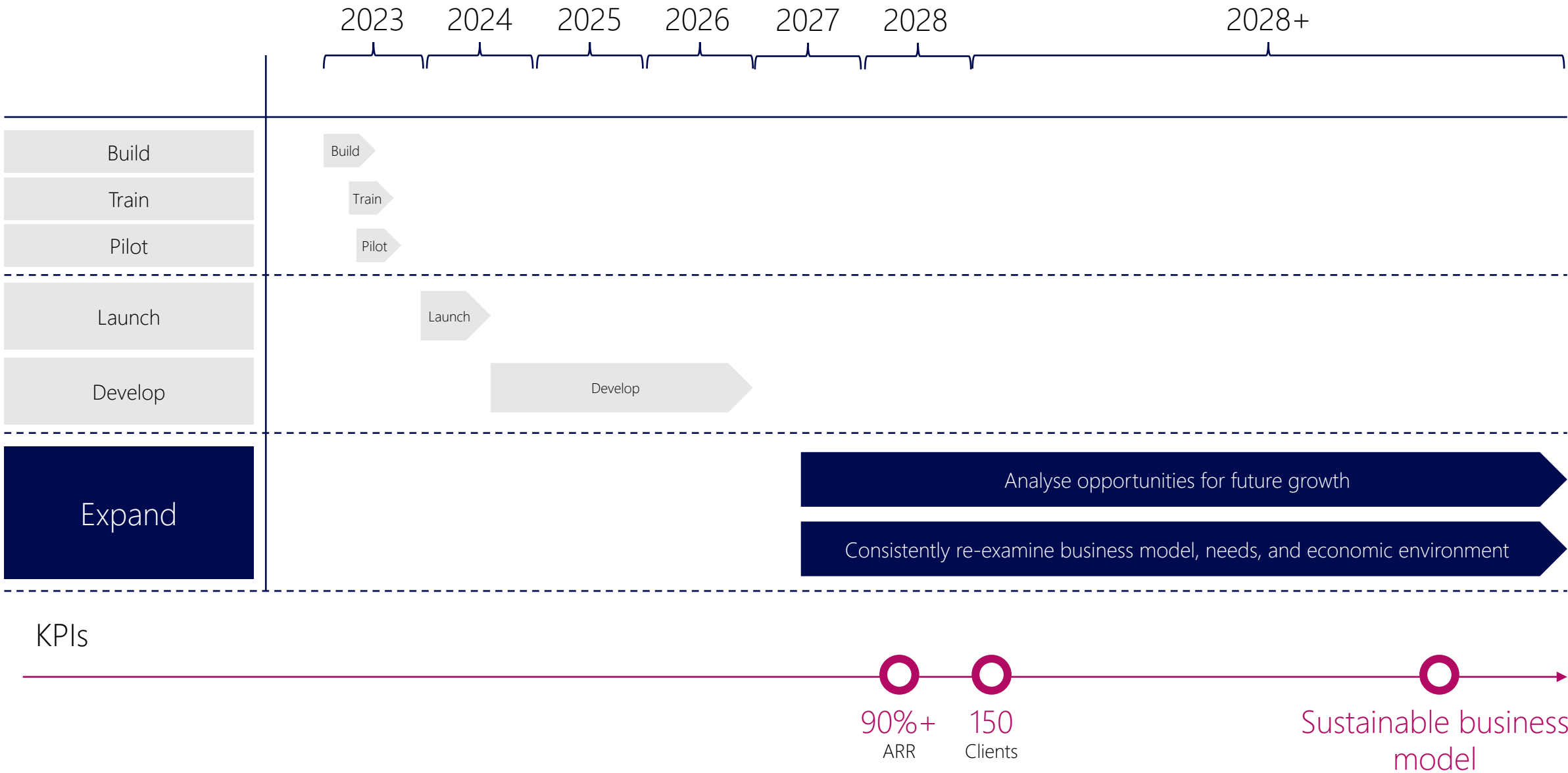
Understanding of core risks, limitations and mitigations will maximise success

Likelihood (y-axis) / **Impact** (x-axis)

Legend: ● Low Risk ● High Risk
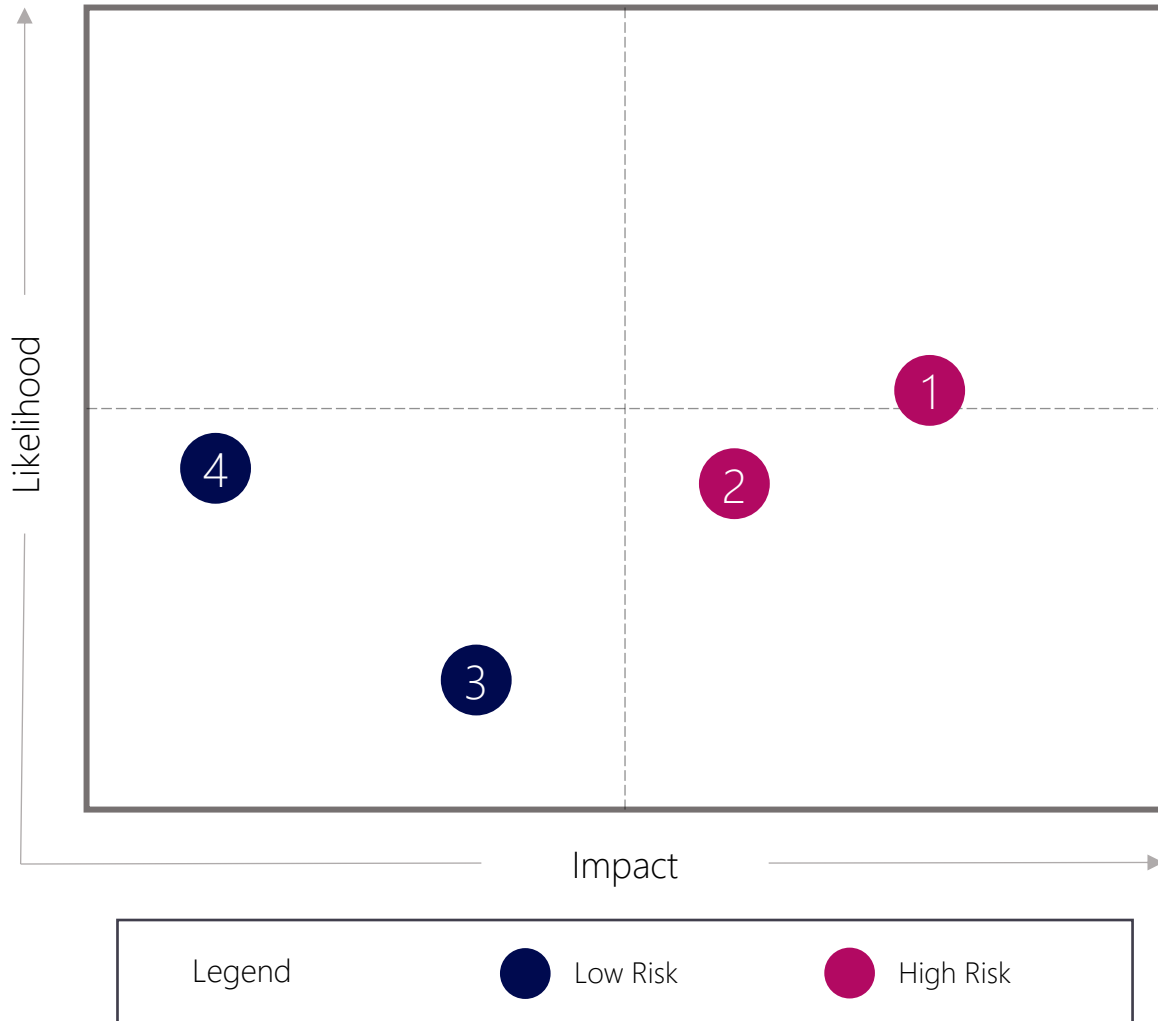
1. Low uptake of ARR model, from both existing and new clients

Transition may cause confusion, or simply not be an attractive model, leading to a low take-up and heavily reduced growth

1. Mitigation

Numerous case studies where transition has been successfully undertaken. Clear communication, and coherent value proposition of world-class service minimize risk. New model is cheaper upfront

2. Client backlash or losses due to new ARR model

May lose existing clients who are unhappy with new business model, having purchased a perpetual license

2. Mitigation

Client relationships are currently extremely strong, with CodeIt deeply engrained and critical to customer operations. Further, minimal resistance has been met when idea floated to key clients

3. Financial distress arising from changing pattern of cashflows

Significant change to cashflow pattern, with less upfront payment may cause financial issues

3. Mitigation

Q&A with CEO indicated business is in a strong financial position and can easily support a rapid cash flow change

4. Internal or external issues hamper execution

Project takes significantly longer, and costs significantly more than budgeted for

4. Mitigation

Clear and phased project implementation combined with a number of check-in points will reduce potential for delays and cost blow-outs

Transforming your world-class service to a world-class business supports world class financial metrics...

Incremental Revenue

Million Krone
- ◼ Status Quo
- ◼ Project impact

Small FY25 decline as focus transitions

Year	Value
2021	$83
2022	$96
2023	$100
2024	$125
2025	$110
2026	$145
2027	$193
2028	$268
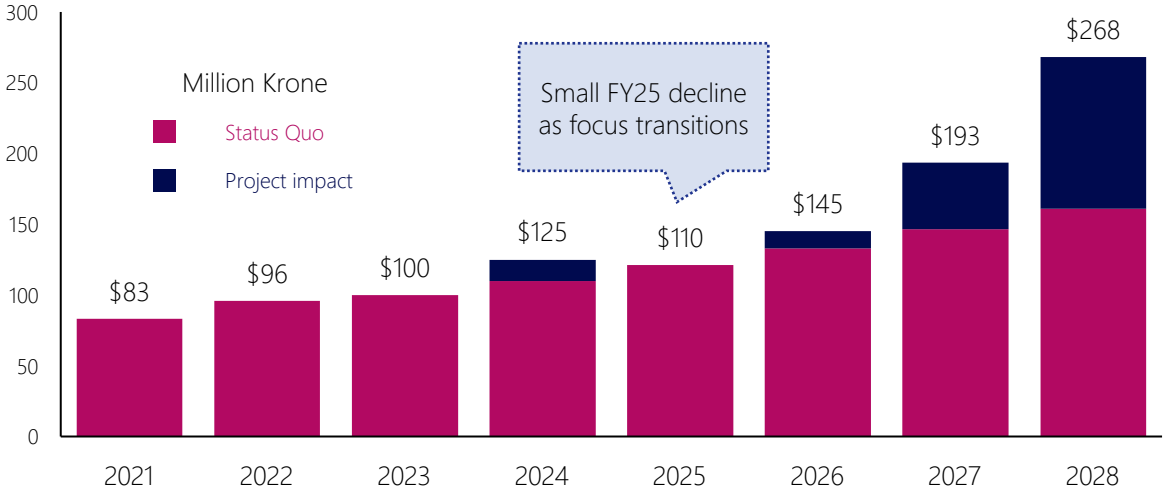
✓ Core drivers include the number of customers, churn, and size of ARR revenue
✓ ARR segmented by customers, with large customers having significantly larger fees
✓ 2x-3x growth targeted by company management

21.8%
Revenue CAGR

107 MNOK
2028 Incremental revenue from ARRR

72%
Of revenue from ARR by 2025 (97% by 2028)

Overall Profitability

NPAT (Million Krone)
Margin (%)

Upfront expenses to facilitate transition

Year	NPAT	Margin
2021	$5	6.0%
2022	$6	(2.5%)
2023	($2)	4.4%
2024	$5	6.1%
2025	$7	8.8%
2026	$13	11.7%
2027	$23	14.3%
2028	$38	
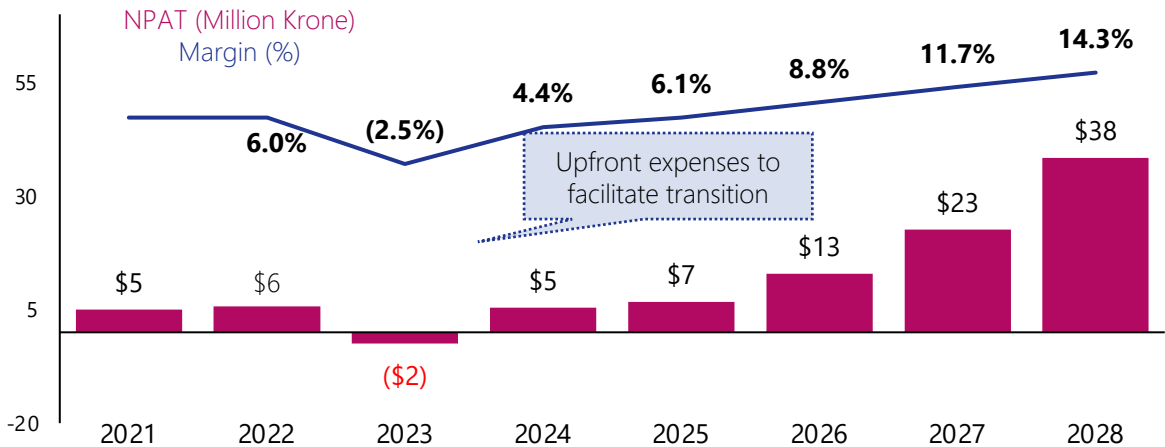
✓ Downturn in first year significantly driven by hiring of 5 new software engineers, as well as costs associated with communicating and achieving the transition (EG: management Q&A)
✓ Margin expansion on the back of lower CAC and high LTV of customers

8NOK
2023 cost to kickstart transition

31 NOK
Cumulative expenditure associated with transition

29 NOK
2028 Incremental NPAT

... as our strategy supports a rapid shift to an improved ARR model

Total clients and % of ARR (#, by revenue)
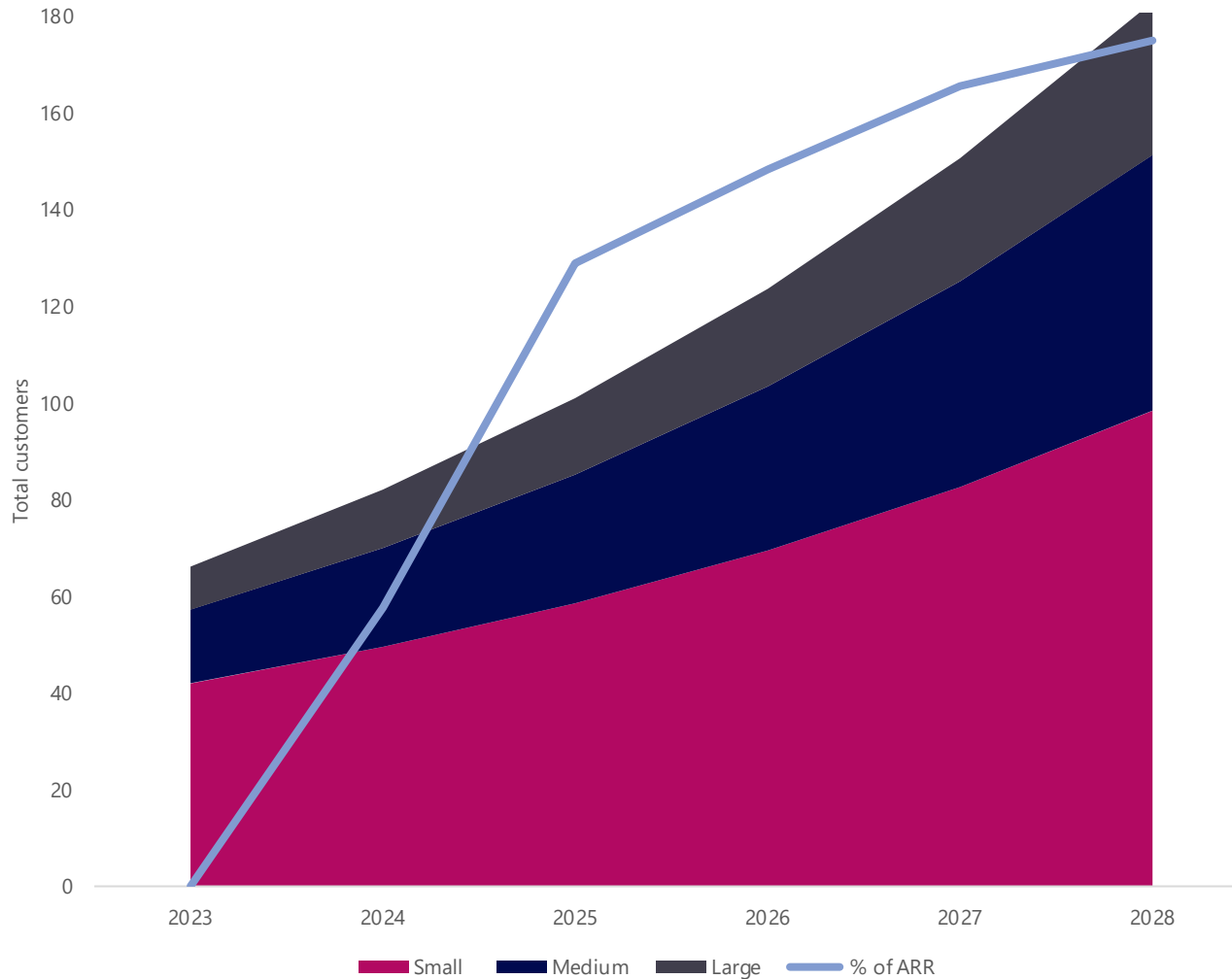
By 2028, each client has a strong LTV....

2.1	**+**	8.3	**+**	41.5
Small clients		Medium clients		Large clients

...CAC has also declined notably

2.2 MNOK	▶	1.6 MNOK
Current CAC		FY28 ARR CAC

And the business model as a whole is stronger

More predictable   More scalable   More sustainable

Summary

CodeIT needs to transform from a world-class service, to a world-class business

How can we refine and more effectively communicate CodeIT's value proposition?

Strengthening and quantifying CodeIT's value proposition

How can we bring existing and new customers onboard with a new business model?

Aligning CodeIT strategically to existing clients through a 3-stage plan

How can we do this in a way that supports revenue and profit?

Optimising the positioning of the ARR model to new clients to streamline the onboarding process

268 MNOK
Revenue in 2028
107 MNOK Incremental

38 MNOK
Profit in 2028
29 MNOK Incremental

12 month
Time to Launch

Status quo case

	2021	2022	2023	2024	2025	2026	2027	2028
Status quo case - no ARR								

2011 Revenue	18	
2023 Revenue	100	
CAGR	**15.6%**	

(NOK, millions)	yoy growth %	2021	2022	2023	2024	2025	2026	2027	2028
Total operating revenue	10.0%	83	96	100	110	121	133	146	161
		18.6%	15.3%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%
Total costs		78	90	94	103	114	125	138	151
NPAT		**$5.0**	**$5.7**	**$6.0**	**$6.6**	**$7.3**	**$8.0**	**$8.8**	**$9.7**
% margin		6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%

Sources: Case, forecast driven by historical long term growth trend, with conservative adjustment

Key workings

Key client and grouping workings

2023 revenue	MNOK	100	
Current clients	#	59	(From Website)
Revenue from maintanence	%	15%	
Revenue (new perpetual licenses)	%	15%	(Case growth more from existing)
Revenue from new services to existing clients	%	70%	

Revenue by client type - perpetual license

Revenue per new client	MNOK	0.8
Revenue per old client	MNOK	2.1

Per client assumptions - ARR

Revenue per client (small)	MNOK	0.10
Revenue per client (medium)	MNOK	0.41
Revenue per client (large)	MNOK	2.07

Number of clients

Small	#	40
Medium	#	12
Large	#	7
Total	**#**	**59**

Revenue per group - ARR

Small	MNOK	4.1
Medium	MNOK	5.0
Large	MNOK	14.5
Total	**MNOK**	**23.6**

2023 revenue	MNOK	100	
Revenue from new clients	#	15	
Revenue from existing clients	#	85	
New clients	#	18	
Existing clients	#	41	
Growth in ARR	%	15.0%	(Upselling customers key)

Sources: Case, conservative estimates

Key figures – CAC & LTV

Key figures

LTV		
ARR (small)	MNOK	0.1
ARR (medium)	MNOK	0.4
ARR (large)	MNOK	2.1
Churn	%	5.0%

LTV (small)	MNOK	2.1
LTV (medium)	MNOK	8.3
LTV (large)	MNOK	41.5

CAC - 2028		
New customers	#	40
Spend on marketing	#	10
Spend on customer acquisition	#	54
CAC- 2028	#	1.6

CAC - FY23 (non ARR)		
New customers	#	16
Spend on marketing	#	5
Spend on customer acquisition	#	30
CAC- 2028	#	2.2

Sources: Model output, see other slides for input assumptions

Cost assumptions (1)

		2021	2022	2023	2024	2025	2026	2027	2028
Cost assumptions									
Costs as % of total revenue									
R&D	%			25.0%	25.0%	25.0%	25.0%	25.0%	25.0%
Technical costs	%			10.0%	10.0%	10.0%	10.0%	10.0%	10.0%
Labour costs	%			15.0%	15.0%	15.0%	15.0%	15.0%	15.0%
Solution tailoring costs	%			5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Customer acquisition costs	%			30.0%	28.0%	26.0%	24.0%	22.0%	20.0%
Marketing	%			5.0%	5.0%	4.0%	4.0%	3.5%	3.5%
Other	%			5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Pre Incremental margin				**5.0%**	**7.0%**	**10.0%**	**12.0%**	**14.5%**	**16.5%**
Costs as % of total revenue									
R&D	MNOK			25.0	31.6	28.2	37.0	49.3	68.0
Technical costs	MNOK			10.0	12.6	11.3	14.8	19.7	27.2
Labour costs	MNOK			15.0	19.0	16.9	22.2	29.6	40.8
Solution tailoring costs	MNOK			5.0	6.3	5.6	7.4	9.9	13.6
Customer acquisition costs	MNOK			30.0	35.4	29.3	35.5	43.4	54.4
Marketing	MNOK			5.0	6.3	4.5	5.9	6.9	9.5
Other	MNOK			5.0	6.3	5.6	7.4	9.9	13.6
Pre Incremental Costs				**95**	**117**	**101**	**130**	**169**	**227**

Sources: Assumptions, guided by management during Q&A as well as analysis of listed company Wistech, which provides traceability software services on an ARR basis

Cost assumptions (2: Incremental)

		2021	2022	2023	2024	2025	2026	2027	2028
Incremental cost assumptions									
Manangement pres & Q&A									
Space hire (500 people, 2 days)	MNOK			1.4	1400NOK per person per day				
Marketing & outreach	MNOK			0.2	2 marketing people, 3 months work				
Catering	MNOK			0.3	Estimate				
Total cost	**MNOK**			1.9					
Conventions (3)									
Space hire	MNOK			0.6	Each convention 3 days, 0.2MNOK per day				
Marketing & outreach	MNOK			0.2	2 marketing people, 3 months work				
Staff (2 people, 1 week)	MNOK			0.1	Use existing staff				
Total cost (3)	**MNOK**			2.7					
Engineeering improvements									
Software engineers	# of staff			5	5	6	6	7	7
Wage (software engineers)	MNOK			0.58	0.58	0.58	0.58	0.58	0.58
Total software engineers cost	**MNOK**			2.9	2.9	3.5	3.5	4.1	4.1
Subscription management platform									
MNOK per client	MNOK			0.01	0.01	0.01	0.01	0.01	0.01
Cost	**MNOK**			0.0	0.4	0.9	1.1	1.4	1.8
Total incremental costs	**MNOK**			$7.5	$3.3	$4.3	$4.6	$5.5	$5.9

Client build out

		2021	2022	2023	2024	2025	2026	2027	2028
Client build out									
Opening clients									
Small	#			40	42	50	59	69	83
Medium	#			12	15	20	27	34	43
Large	#			7	9	12	16	20	25
Total	#			**59**	**66**	**82**	**101**	**124**	**151**
Churn rate		*Churn rate*							
Small	#	5.0%		2	2	2	3	3	4
Medium	#	5.0%		1	1	1	1	2	2
Large	#	5.0%		0	0	1	1	1	1
Total	#			**3**	**3**	**4**	**5**	**6**	**8**
Initial client losses		*Initial losses*							
Small	#	10%		4					
Medium	#	10%		1					
Large	#	10%		1					
Total	#			**6**					
Client gains		*Client wins- 23*	*Win growth*						
Small	#	8	20%	8	10	12	14	17	20
Medium	#	5	20%	5	6	7	9	10	12
Large	#	3	20%	3	4	4	5	6	7
Total	#			**16**	**19**	**23**	**28**	**33**	**40**
Closing clients									
Small	#			42	50	59	69	83	98
Medium	#			15	20	27	34	43	53
Large	#			9	12	16	20	25	32
Total	#			**66**	**82**	**101**	**124**	**151**	**183**

ARR escalation

		Annual	2021	2022	2023	2024	2025	2026	2027	2028
ARR escalation										
% of clients on ARR										
Small	%				0%	50%	85%	90%	95%	98%
Medium	%				0%	50%	85%	90%	95%	98%
Large	%				0%	50%	85%	90%	95%	98%
# of clients on ARR										
Small	#				0	25	50	62	78	96
Medium	#				0	10	23	31	40	52
Large	#				0	6	13	18	24	31
Total	#				**0**	**41**	**86**	**111**	**143**	**179**
ARR per client - new clients										
Small	#	0.10			0.1	0.1	0.1	0.2	0.2	0.2
Medium	#	0.41			0.4	0.5	0.5	0.6	0.7	0.8
Large	#	2.07			2.1	2.4	2.7	3.2	3.6	4.2
Discount on ARR for old clients										
Discount for old clients	%	30%			30%	30%	30%	30%	30%	30%
Old clients not on ARR	#				59	33	10	7	3	1
Old clients on ARR					**0**	**26**	**49**	**52**	**56**	**58**
Small					0	19	35	38	39	39
Medium					0	5	9	10	11	11
Large					0	3	5	5	6	6

Revenue build out

		% of ARR	2021	2022	2023	2024	2025	2026	2027	2028
Revenue build out										
ARR revenue										
Small	#				0.0	2.3	5.4	8.1	12.1	17.7
Medium	#				0.0	4.2	10.9	17.4	27.0	40.5
Large	#				0.0	12.3	32.7	52.6	81.0	121.7
Total	#				**0**	**19**	**49**	**78**	**120**	**180**
New Client Start-up fees		*% of ARR*								
Small	%	150%				1.7	2.4	3.3	4.5	6.2
Medium	%	150%				4.3	5.9	8.2	11.3	15.6
Large	%	150%				12.9	17.8	24.5	33.8	46.7
Total	#				**0**	**19**	**26**	**36**	**50**	**68**
Termination fees		*% of ARR*								
Small	%	150%				0.4	0.5	0.7	0.9	1.3
Medium	%	150%				0.5	0.8	1.3	1.8	2.7
Large	%	150%				1.6	2.5	3.7	5.5	8.0
Total	#				**0**	**3**	**4**	**6**	**8**	**12**
Maintanence revenue from existing clients not on ARR										
Small	#					51.3	18.2	14.4	8.6	4.1
Medium	#					21.2	8.3	7.0	4.4	2.2
Large	#					12.5	4.9	4.2	2.6	1.3
Total	#					**85**	**31**	**26**	**16**	**8**
Total revenue										
Small	#					56	26	26	26	29
Medium	#					30	26	34	44	61
Large	#					39	58	85	123	178
Total	#				**100**	**125**	**110**	**145**	**194**	**268**
% ARR	%				0%	32%	72%	82%	92%	97%

Incremental profitability analysis

		2021	2022	2023	2024	2025	2026	2027	2028
Incremental analysis									
Base costs	MNOK	$78	$90	$94	$103	$114	$125	$138	$151
PPP costs	MNOK	$78	$90	$102	$120	$104	$132	$171	$229
Delta	**MNOK**	**$0**	**$0**	**$8**	**$16**	**-$10**	**$7**	**$33**	**$78**
Base revenue	MNOK	$83	$96	$100	$110	$121	$133	$146	$161
PPP revenue	MNOK	$83	$96	$100	$125	$110	$145	$194	$268
Delta	**MNOK**	**$0**	**$0**	**$0**	**$15**	**-$11**	**$12**	**$47**	**$107**
Base NPAT	MNOK	$5	$6	$6	$7	$7	$8	$9	$10
PPP NPAT	MNOK	$5	$6	-$2	$5	$7	$13	$23	$38
Delta	**MNOK**	**$0**	**$0**	**-$8**	**-$1**	**-$1**	**$5**	**$14**	**$29**
Base margin	%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%
PPP margin	%	6.0%	6.0%	-2.5%	4.4%	6.1%	8.8%	11.7%	14.3%

Sources: Model output

Sensitivity analysis

Discount (%)

	10%	20%	30%	40%	50%
140%	271	267	262	258	254
145%	274	269	265	261	257
150%	276	272	268	264	259
155%	279	275	270	266	262
160%	282	277	273	269	265

Row axis: Termination and initial (%ARR)

Churn (%)

	0%	5%	10%	15%	20%
0%	290	272	256	242	230
5%	287	270	254	241	229
15%	283	266	251	238	227
25%	278	262	248	235	225
30%	275	260	246	234	223

Row axis: Initial client losses (%)

ARR per client (MNOK, medium)

	0.2	0.3	0.4	0.5	0.6
0.04	223	238	252	266	280
0.07	231	245	259	273	287
0.10	238	252	266	280	295
0.15	250	264	278	293	307
0.20	262	276	291	305	319

Row axis: ARR per client (MNOK, small)

Win growth (%)

	0	10%	20%	30%	40%
6	113	136	165	202	250
7	118	142	174	214	265
8	124	149	183	226	280
9	129	156	192	238	295
10	134	163	201	249	311

Row axis: Starting growth

VVF: Factor Tree

```
                          ┌─────────────────────────┐
                          │      Value provided      │
                          └─────────────────────────┘
                         /                           \
            ┌──────────────────────────┐    ┌ ─ ─ ─ ─ ─ ─ ─ ─ ─ ─ ─ ┐
            │  Value of current product │         Premium
            └──────────────────────────┘    └ ─ ─ ─ ─ ─ ─ ─ ─ ─ ─ ─ ┘
               /                    \
  ┌───────────────────────┐   ┌──────────────────────┐
  │  Current production   │   │ Increase in production│
  │       amount          │   └──────────────────────┘
  └───────────────────────┘       /        |        \
```

Value provided

- Value of current product
  - Current production amount
  - Increase in production
    - Less down time
    - Productivity increase per hour
    - Increased agility leading to less excess production
- Premium

Subscription Overview

EVA CONSULTING

New Customers

Subscription

- ✓ Licensing Fee Coverage
- ✓ 24-Hour Support Service Access
- ✓ Unlimited Update Access

Add Ons

- ✓ Installation Cost (Labour)
- ✓ Maintenance Costs (Customer Changes)
- ✓ Termination Cost

Old Customers

Subscription

- ✓ 24-Hour Support Service Access
- ✓ Unlimited Update Access

Add Ons

- ✓ Maintenance Costs (Customer Changes)
- ✓ Termination Cost

Note: Dynamic pricing based on client size

Existing Customer Transition Issues

What if existing customers do not sign onto the ARR model?

1   CodeIT will not provide software updates going forwards

2   Nonetheless, they will continue providing maintenance and support services for a fee

Reaching Out to Customers' Upper Management Directly

1 Leverage existing relationships to speak directly with management rather than more junior employees

2 If no existing relationship, speak to customer contact, and ask to be put in touch where possible

3 Can utilise conferences and expos to create new connections and find willing clients

Other Conference Examples

Exhibition Name	Venue
SMAK *Exhibition for the Norwegian hotels, restaurants, cafeterias...*	**Lillestrøm** > Norges Varemesse - Norway Trade Fairs
NOR-SHIPPING *Maritime Industry International Show*	**Oslo** > Oslo Spektrum
SEAGRICULTURE EU *International Seaweed Conference*	**Trondheim**
REISELIV MESSEN OSLO *Norway International Meeting and Travel Fair*	**Oslo** > Oslo Spektrum
REISELIV MESSEN STAVANGER *Norway International Meeting and Travel Fair*	**Oslo** > Oslo Spektrum
REISELIV MESSEN VESTFOLD *Norway International Meeting and Travel Fair*	**Sandefjord** > Runarhallen

Avenues for Global Expansion

1 Global Conventions and Industry Exhibitions

2 Expand in Vietnam and South-East Asia, leveraging existing R&D arm

Navigating Resistance from Current Customers

Clients are happy because they think everything is included when it is not, how do we get around this?

1 Strong value proposition that can only be derived from the subscription model (e.g. seamless customer experience, stay at leading edge of rapidly changing technology)

2 Careful transition through 3-step plan combined with a final nudge of breakthrough updates and discounts

3 Previously explored and did not receive must pushback

"People at CodeIT love to engage and participate. Just as much as this is a key to our success, it is also the basis for our engagement as a team when it comes to realizing the values and initiatives defined in the United Nation's Sustainable Development Goals to achieve a better and more sustainable future for all."
Tommy Eriksen, Technical Manager, Norway.

#12. There needs to be a significant focus on operating the supply chain, involving everyone from the producer to the final consumer. This includes educating consumers on sustainable consumption and lifestyles, providing adequate information through standards and labels, and engaging in sustainable public procurement.

Traceability is a core functionality in CodeIT Enterprise™. It helps enable an optimized flow of materials and services. Automatic identification ensures safety and measures waste at an early stage. Innovative use of this data and continuous monitoring are critical to sustainable production and reliable information for all stakeholders.

Sustainability

CodeIT is committed to developing solutions that are sustainable and built up under the UN Sustainability Development Goals. They see their role as primarily supporting goals#9 and #12.

Carbon Balanced Labels.

In cooperation with the World Land Trust's Carbon Balanced Paper compensation scheme, CodeIT is the first company in the Nordics to offer Carbon Balanced Labels.
Contributions to the Carbon Balanced program protect against deforestation and degradation, preventing the release of CO_2 into the atmosphere while preserving invaluable ecosystems.

#9. Innovation and technological progress are vital to finding lasting solutions to economic and environmental challenges, such as increased resource and energy efficiency.

CodeIT Enterprise™ can help provide a digital footprint for raw materials, produced goods, packaging, and load carriers to enable affordable transparency. Transparency is a core value for sustainable handling and recycling.