AETERNUM.
Capital

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C/O Aeternum Capital AS
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December 1, 2023

Carasent ASA
Rådhusgata 30 B
0151 Oslo, Norway
Attention: Board of Directors

Dear Members of the Board of Directors:

Acapital Cara Holdco AS is a meaningful shareholder of Carasent ASA, with an ownership position of approximately 18.4% of the company's outstanding shares. We initially invested in the company due to the strength of its product offering, sticky revenue base, scalable business model, track record of profitable growth, material future growth potential in the Nordics and our belief that there were available opportunities within the company's control to significantly increase value for shareholders.

Unfortunately, Carasent has been unable to translate its quality assets and ample growth opportunities into higher profits and shareholder value. Since the beginning of 2021, spend on organic and inorganic growth initiatives has totalled close to NOK 400 million. Yet organic growth has halved, Webdoc's market share is stagnant, and the company generates the same level of EBITDA (adj.)[1] as it did at the end of 2020. The depreciation and amortisation charges associated with these investments, has resulted in EBIT (adj.)[1] some NOK 30 million *lower* than the year-end 2020 level. Carasent has gone from profit generating to loss making. With negative cash flow from operating activities, investments are funded by residual cash from previous equity issuances, and as such the company's current trajectory is value destructive and unsustainable. We acknowledge that part of this development occurred under a different Board and management team.

As a result of this performance, Carasent is trading at a considerable discount to its Nordic SaaS peer group and M&A deal multiples. The company has an enterprise value of around NOK 415 million[2], implying an EV/sales multiple of 1.8x LTM revenues[1]. By comparison, the median EV/sales multiple of the Nordic SaaS peer group is around 4.9x LTM revenues and the most recent M&A deal multiple was reported to be 4.5x (Patientsky). We believe this discount reflects the market's disappointment with Carasent's financial and operational performance, a lack of faith in its future strategy, and ultimately, a loss of trust in the company's ability to generate value for its shareholders.

We as a shareholder strongly recommend the Board to take the following actions in the near-term to safeguard the company's future and enhance long-term shareholder value:

1. Distribute at least NOK 300 million to shareholders through a second extraordinary dividend. Excess cash of this magnitude does not promote a cost-conscious company culture and represents a high alterative cost for shareholders.
2. Put the M&A agenda on hold and shift focus toward restoring the core business. Allocate resources where value creation potential is highest and risk is lowest. Avoid adding further complexity while the core business is underperforming.
3. Evaluate the sale of non-core assets, to reduce complexity and improve return on investment.

[1] LTM Q3 2023
[2] Based on the current share price of NOK 10.65 and after the deletion of the recently repurchased shares and distribution of extraordinary dividends

The following sections of this letter detail our views on these topics.

1. Distribute at least NOK 300 million to shareholders through a second extraordinary dividend.

We believe the company's cash balance fosters a culture of excessive spending and hinders the development of a cost-conscious organisation. It is our impression that it promotes value destructive incentives and increases the risk of suboptimal capital allocation. The cash balance also represents a high alternative cost for Carasent's shareholders. Investors generally expect at least a 10% annual return on their capital, and so the cash balance of approximately NOK 380 million implies an annual alternative cost of NOK 38 million.

As such, we think a more efficient capital structure would leave the company in a better position to improve cost discipline, allocate capital more effectively, incentivize management more appropriately and create sustainable value for shareholders. Therefore, we strongly recommend the Board to propose a distribution of at least NOK 300 million as an extraordinary dividend and return the cash to its shareholders as soon as possible.

2. Put the M&A agenda on hold and shift focus toward restoring the core business.

As organic growth is slowing, the company is losing money and burning cash, we believe the Board's top priority should be to fix the core business. A growing, profitable, cash generative and self-funded core is key to the future of any business.

Additionally, management has previously attributed the company's financial woes to growing pains and doing too much too fast. The proposed NOK 250 million acquisition in Germany would be the largest acquisition in the company's history and the furthest away from home – a substantial undertaking indeed. Pressing ahead with a large acquisition in a new market appears to be a high-risk strategy considering Carasent's status quo.

We believe it would be more prudent to instead put the M&A agenda on hold for now. This would enable management to fully focus on fixing the core business. Once the core has regained its historic profitability, is converting profits into cash, and posting competitive growth rates financed by self-generated funds, the business will be a much better position to take on an acquisition. At this point, with solid profitability, healthy cash conversion and a sticky business model, there would be various funding sources available to the company to facilitate such an acquisition. As such, future acquisitions are not dependant on retaining the current cash balance and this is not a valid argument for doing so.

3. Evaluate the sale of non-core assets.

Carasent's M&A strategy has not resulted in any apparent scale or synergy advantages. In its pursuit of this strategy, the company has accumulated a range of assets that are outside the core of its offering. We believe these assets create significant complexity and increase the capex requirements of the group, without contributing meaningfully to organic growth or profits. While it is difficult as outsiders to ascertain which assets should be rationalised, it is something that the Board should start exploring imminently.

In conclusion, we continue to see a significant value creation opportunity at Carasent but are concerned that the current strategy is setting the company on the wrong course and will ultimately fail to generate adequate risk adjusted returns for shareholders. We believe that there are available levers to meaningfully enhance shareholder value and that the actions outlined herein will provide better shareholder value than the strategy currently being pursued by the Board. Having discussed these matters with other fellow shareholders and market participants, we know that our concerns and priorities are shared by others.

We urge the Board to take our input into consideration and are available to discuss the matters and initiatives put forward in this letter. We look forward to hearing from you.

Sincerely,

Anthea Arff-Pettersen
Anthea Arff-Pettersen
Chairperson of the Board

Vegard Søraunet
Vegard Søraunet
Member of the Board