

## **COMPANY ANNOUNCEMENT NO. 18/2023**

### **cBrain reports all-time high revenue growth of 39% and earnings before tax (EBT) of 35%**

Copenhagen, August 23, 2023

Financial results for first half-year, 2023, show all-time record high revenue growth and earnings, confirming that cBrain is on track to execute the growth plan. Total revenue grew from DKK 95 million to DKK 132 Million, up 39% year over year. Net earnings before tax (EBT) grew from DKK 24 to DKK 47 million, up 93% year over year, posting a pre-tax profit margin (EBT) of 35%.

#### **Results was led by strong software sales**

In 2022 cBrain announced a next step 3-year growth plan for 2023-2025, aiming to build a strong foundation for long term growth. This includes two core elements. Investing into F2 Climate software, thereby building a strong international market position and a door opener for export, and investing into the "F2-for-Partners" concept, thereby building an ecosystem of F2 partners, including customers as well as external partners.

cBrain expects that as partners take over more of the delivery and implementation of F2 solutions, this will accelerate software revenue and limit consulting services revenue.

In line with the strategy, cBrain has re-directed internal resources to support climate software export and the partner initiative. We are therefore very pleased to see that revenue growth was led by software sales which grew from DKK 68 million to DKK 106 million, up 56%. Meanwhile consulting services were down 4% from DKK 27 million to DKK 26 Million, and consequently software revenue grew to 80% of total revenue.

#### **Solid export, building on a strong home market position in Denmark**

cBrain continues to win market shares in Denmark, thereby securing the essential Danish reference position, and in parallel cBrain successfully builds export.

During spring cBrain announced a number of new government customers and orders in Denmark, adding several new ministries and agencies to the customer list. Export grew from DKK 35 Million to DKK 60 Million, up 68% year over year, while announcing partners and agreements in Germany, Ghana, Rumania, and Ukraine. Export thereby grew to 45% of total revenue.

cBrain has established an international GovTech and Climate Solutions team (GCS team). The GCS team lead the export and climate software strategies. Currently with employees in Australia, Emirates, France, Germany, Kenya, and in the US, the GCS team are building global presence and partnerships while targeting specific climate action focus areas aligned with the SDG goals.

Water is a focus area that exemplifies the SDG based approach. In March cBrain participated as speaker at the first global United Nations Water conference in New York. Now UN Water has adapted blueprints that have been developed in close collaboration between cBrain and the Danish Environmental Protection Agency, and shared these as best practices for digital water governance.

#### **F2 Service Builder demonstrates the power of standard software**

In June cBrain released the first version of F2 Service Builder, achieving an important milestone related to the F2-for-Partners strategy. F2 Service Builder is a new tool that allows customers and/or external partners to build their own government processes without any software programming, and operating as a fully integrated part of the F2 standard software.

F2 Service Builder allows the users to configure their own government process simply by filling out a spreadsheet. This dramatically reduces time and resources to digitize government processes and it allows government to regain control of process digitization.

We therefore describe F2 Service Builder as a disruptive technology. It demonstrates the power of standard software versus traditional big IT, with the potential to redefine the market conditions. For cBrain it is a key enabler to build an eco-system of partners. cBrain will continue to invest into the Service Builder technology and expects to announce product enhancements during the autumn.

### **The solid first-half year results put cBrain in a strong position and enable further investments**

For the fiscal year 2023, cBrain has guided revenue growth of 15-20% and earnings before tax (EBT) of 18-22%.

In the beginning of August cBrain revised the guidance for year 2023 to revenue growth of 20-25% (up from 15-20%), and earnings before tax (EBT) of 20-25% (up from 18-22%). The revised guidance is influenced by fluctuations due to software revenue recognition and by investments into the strategy plan.

cBrain's software revenue consists of one-time licenses and software subscriptions. Software subscriptions, consisting of software maintenance and software rental, count for approximately 50% of total company revenue.

As one-time software license revenue is recognized in parallel with the delivery, software revenue will fluctuate relative to speed of delivery and specific project milestones. Part of the strong first year results is due to such fluctuations, and cBrain therefore expects that one-time software license revenue will be significantly higher in first half year of 2023 than in the second half year of 2023.

The solid first half-year results put cBrain in a strong position. This allows cBrain to meet the financial goals with limited second half year growth. cBrain would like to utilize this. Therefore cBrain has allocated further internal resources into growth plan investments, aware that this may negatively effect revenue growth in the short term.

### **Artificial Intelligence (AI) for Government**

In beginning of August, cBrain announced its AI for Government initiative, which is part of the increased growth plan investments.

The AI for Government initiative will offer AI functionality, specialized for government usage and fully integrated within F2. The AI for Government is developed as a core F2 technology. Fully aligned with the 2025 strategy, it will support the classic F2 business as well as the F2 Climate software and the F2-for-Partners strategies.

Currently, cBrain has initiated work with a number of Danish government organizations. Each project is based on a sandbox approach, investigating how different types of government organizations can benefit from AI, while observing the boundaries of government compliance. The sandbox learnings will feed into the development and productizing the first AI functionality, built into the F2 standard software.

### **The 2023-2025 plan is based on solid organic growth and strong positive cash flow**

In order to execute the next step growth plan, year 2023-2025, cBrain has allocated experts and resources from consulting and project delivery to help build a climate software market position and a partner ecosystem.

This allocation is expected to have a negative impact on growth and earnings during the investment period. Consequently cBrain has set an ambition to reach 20% revenue growth during the first 2 years, 2023-2024, and to reach a 30% revenue growth in 2025. With this ambition, cBrain will reach revenues of DKK 350 Million in year 2025, thereby almost doubling total revenue during the 3-year growth plan period.

The growth plan is solely based on organic growth. At the same time cBrain is self-financing, and the results of first half year 2023 show a positive cash flow from operating activities of DKK 20 Million, up from DKK 7 Million year-over-year.

cBrain therefore has the financial strength to execute its plans, and cBrain expects to maintain solid earnings and cash flow while executing the year 2023-2025 growth plan.

## **Results are tailwind for the cBrain growth plan**

We are very pleased with the solid first half-year 2023 results, including the financial results, the continued business development, and reaching the first strategy milestones such as the release of the F2 Service Builder. cBrain has onboarded well on the growth plan for 2023- 2025, and with the recent upgrade of the 2023 fiscal year financial guidance, cBrain is slightly ahead of the 2025 financial ambitions.

cBrain celebrates that the first half-year 2023 results represent several financial milestones. For the first time, cBrain reports revenue growth of 39%. It is the first time, cBrain reports earnings before tax (EBT) of 35%, and by growing software sales by 56%, it is the first time, halfyear software revenue exceeds DKK 100 Million.

Best regards

Per Tejs Knudsen, CEO

## **Inquiries regarding this Company Announcement may be directed to**

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