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cBrain executes growth plan, remaining on target

Copenhagen, November 7, 2024

Driven by expanding partnerships and large contracts globally, cBrain (NASDAQ: CBRAIN) intends to become a leading supplier of COTS (commercial off-the-shelf) software for government. Based on solid development in Denmark and a solid growing international pipeline of customer projects, cBrain foresees significant growth in 2025.

Commercial off-the-shelf (COTS) software redefines and accelerates government digital transformation
Software for government digitization is one of the largest markets globally. Currently, this market is dominated by major suppliers who provide custom-built solutions by integrating best-of-breed software modules and components. However, many of these projects encounter significant challenges, often resulting in delays and budget overruns due to the complexity of implementing best-of-breed solutions.

cBrain is challenging the traditional government IT approach by offering standard software, commonly known as commercial off-the-shelf (COTS) software. Unlike custom-built, best-of-breed solutions, COTS for Government offers substantial advantages to customers in terms of quality, delivery speed, and reduced implementation and maintenance costs.

Historically, government organizations worldwide have been reluctant to incorporate standard software into their digitization strategies. This hesitation often stems from internal IT departments and procurement processes that are structured to work with custom-built, best-of-breed solutions. However, several government agencies, including leading Danish government institutions, have recently started to adopt COTS, recognizing the benefits of standardized software.

cBrain expects that the transition to COTS for Government will significantly reduce the need for IT consulting services, prompting a major shift in the global government IT industry.

F2 offers a unique value proposition
cBrain has invested more than 400,000 hours in developing F2. F2 is a comprehensive and fully integrated digital platform designed from the ground up specifically for government use. With its built-in no-code/low-code configuration tools, F2 enables users without a technical background to tailor the platform to meet specific organizational needs and processes.

The quality and benefits of F2 are well-established. Almost all Danish ministries have implemented F2 as their digital platform, and F2 is used by more than 75 Danish government organizations. Internationally, cBrain has successfully implemented F2 for government organizations across five continents, supporting a range of public sector areas such as business, climate and environment, education, energy, family services, immigration, labor and market regulation, science, social welfare, and taxation.

With the F2 digital platform, based on a strong reference position in Denmark and a growing international presence, cBrain intends to become a leading global provider of COTS for government.

Growth plan
cBrain is executing its international growth plan with a financial goal of reaching total revenue of 350 million DKK in 2025. This goal is anchored in two primary revenue streams, referred to as "Base" and "Stepping stones".

The "Base" stream aims to achieve annual revenue growth of 10-15% by strengthening and expanding existing operations and customer relationships. In parallel, the "Stepping Stones" initiative aims to lift annual revenue growth to 30%, by increasing contract values and winning larger international contracts.

cBrain continues to execute its growth strategy. This is supported by a growing number of international pilot projects that set the stage for significant "Stepping Stones" achievements and builds a robust pipeline of opportunities. This includes pursuing global opportunities across the USA,

Europe, Africa, the UAE, and India. In parallel cBrain continues to build a strong reference position at the Danish home market.

In October, cBrain implemented F2 at two new Danish ministries in just 3 weeks
The Danish government recently announced the creation of a new Ministry for Elderly Affairs and a new Ministry for Tripartite Affairs. Shortly after the announcement, cBrain contracted to implement F2 as the digital platform for the two new ministries. For both ministries, F2 was implemented in just three weeks. This includes all the necessary functionality to operate a paperless ministry, as well as organizational implementation and initial training.

For many years, government ministries around the world have struggled, and continue to struggle, with transforming themselves into digital working environments. This is largely due to the traditional approach to IT modernization, which relies on custom-built solutions based on best-of-breed software modules and components.

The two projects demonstrate the power of using COTS (commercial-off-the-shelf) software for government. By using COTS software for government, like the ready-to-run F2 digital platform and configuring it for individual ministries, it is possible to deliver and implement a complete, modern ministerial platform in just a few weeks. By showcasing IT modernization in weeks rather than years, these projects also highlight why Denmark has ranked number one in the United Nations Global E-Government Index for eight consecutive years.

Using AI to accelerate environmental permitting
In September, cBrain spoke at the United Nations General Assembly (UNGA) on a panel with representatives from, among others, the United States White House. The event was part of UNGA Climate Week and highlighted innovative solutions to meet global sustainability goals.

Based on collaboration with the Danish Environmental Protection Agency (Miljøstyrelsen), cBrain showcases how public-private partnerships can accelerate the green transition. Using AI technology, the F2 platform streamlines complex permitting processes for green energy projects, driving faster progress, and ensures that environmental standards are met.

Increased investments in the US
In July the White House Council on Environmental Quality (CEQ) issued their report for the Congress on digital technologies for accelerating permitting. In the report cBrain is recognized as a leading example of technology modernizing environmental assessment and reviews.

The report highlights cBrain's innovative digital solutions, emphasizing our potential to improve the efficiency and transparency of federal permitting processes, aligning with the Presidential Administration's goals.

Permitting is a key to accelerating the green transition and fight climate change. Being a recognized supplier of software for government permitting offers cBrain a strong foothold to enter the US market. cBrain therefore increases investments in the US, expecting that this will materialize into orders during 2025.

Solid development in Germany
The implementation of F2 is integral part of a large modernization project at Deutsche Rentenversicherung Bund in Germany, cBrain continues to expand its activities. Based on the success, cBrain seeks to open new large government customers in Germany.

Working with partners in Rumania and Ghana
In both Rumania and Ghana cBrain has successfully delivered F2 for customers, who have gone live. For cBrain these projects are important. They serve as first steps towards implementing the F2-For-Partners strategy, accelerating growth by working with partners. Working with the partners, cBrain is building a pipeline of next orders which are expected to materialize during 2025.

India, Tamil Nadu
In 2023, cBrain announced a joint venture in India, cBrain Kodumburar. The joint venture forms the basis for cBrain activities in India.

During 2024 cBrain has signed a Memorandum of Understanding (MoU) with the Government of Puducherry, for the sustainable development of the territory, and signed a Memorandum of Understanding (MoU) with the state of Tamil Nadu, aiming to establish a digital administration for the state. cBrain continues to work on these opportunities with an expectation that the first projects will be initiated during 2025.

Government pilot project in Kenya
The Kenyan government has initiated an ambitious plan to digitize and modernize Kenyan public administration. As part of this project, cBrain has been invited to share best practices experiences from the Danish ministries for the benefit of accelerating the government digitization, transforming into paperless working environments.

This involves a ministerial pilot project in Nairobi, which cBrain has just initiated.

cBrain releases F2 Version 12
cBrain releases F2 Version 12 in November, the most ambitious upgrade ever. cBrain has invested approximately 40.000 hours developing the new version, and F2 Version 12 offers more than 1.500 new features and a number of important new modules.

With the new version, cBrain demonstrates its intention to become a leader of commercial off-the-shelf (COTS) software government.

As part of version 12, cBrain offers the F2 AI Assistant. The F2 AI Assistant is provided as part of the standard software, thereby supporting almost all Danish ministries and more than 75 Danish government organizations.

The F2 AI Assistant has been developed in collaboration with Danish government organizations, including the Ministry of Digitization and the Environmental Protection Agency. The F2 AI Assistant has been trained on government data and supports specific government use cases. Furthermore, it runs on-premise thereby supporting government requirements, with respect to handling personal data and GDPR, as well as government requirements with respect to security and privacy.

Forecast for the year 2024
For 2024, cBrain forecasts revenue growth of 10-15% and earnings before tax (EBT) of 24-30%. cBrain's results show a strong positive cash flow, providing the financial strength to execute its growth plan.

Best regards

Per Tejs Knudsen, CEO

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