

COMPANY ANNOUNCEMENT NO. 03/2025

cBrain reports EBT of 32% and raises payout ratio to 20%

Copenhagen, February 20, 2025

cBrain (NASDAQ: CBRAIN) reports revenue grew by +12% to DKK 268m in 2024, up from DKK 239m in 2023, aligning with the expected revenue growth range of 12-13%.

Software revenue is 78% of total revenue, while implementation and support services account for 22% of total revenue. Software subscriptions, the majority based on long-term contracts with Danish government customers, account for more than 50 % of the total revenue.

Earnings before tax (EBT) grew to DKK 86m in 2024, up from DKK 81m in 2023, thereby reaching an EBT margin of 32%. EBT is therefore at the expected EBT margin of 30-32%.

Due to faster-than-expected global industry changes as well as market uncertainties in the US and Germany, cBrain has held back some of the planned market investments in 2024. This has resulted in costs being lower than expected.

The results show a strong positive cash flow from operating activities. This enables an increase in dividends and investments in the growth of the company and at the same time reduces long-term loans on cBrain-owned buildings.

cBrain does not have a share buyback program. However, due to solid earnings, cBrain proposes to raise dividends to DKK 0,64 per share (2023: DKK 0,28 per share) corresponding to a payout ratio of approx. 20% of profit for the year.

Executing the growth plan

In 2022, cBrain announced its 2023-2025 growth plan with the goal of consolidating the business model and preparing for long-term growth by positioning itself as a supplier of climate software for government and developing a partner model.

During the past two years, cBrain has executed this plan and during 2023 and 2024, cBrain has grown, initiated partnerships, and delivered solid results, growing revenue by +42% and growing EBT by +76%.

The growth plan assumes that government organizations over time will switch from relying on custom-built solutions and best-of-breed architectures to using standard software. The government IT industry is massive and dominated by large suppliers who benefit from consultancy fees and billable hours. This creates significant entry barriers as the classic vendors defend their business, and the growth plan therefore anticipates a long and slow transition to standard software.

The COTS for government seem to emerge faster than anticipated

Contrary to these assumptions, cBrain now sees indications that industry shifts toward standard software and platforms are occurring faster than anticipated. Fueled by a lack of skilled IT resources and a growing demand for fast delivery, cBrain sees a rapidly emerging IT industry, referred to as Commercial Off-The-Shelf (COTS) for government. For cBrain, this presents new strategic opportunities.

COTS for government, leveraging new technologies and platforms such as the F2 Digital Platform, enables digital transformation at higher speed and lower costs that outperform traditional IT modernization.

For example, cBrain delivered a complete end-to-end digital platform for two new Danish ministries within just three weeks during the autumn of 2024, and in 2025 cBrain has just announced a third new Danish ministry, following a similar fast-track implementation schedule. Traditionally, projects of this nature take years and often fail. The Danish ministerial cases thereby exemplify the power of the COTS for government approach.

cBrain has a first-mover advantage

The long-term cBrain growth strategy is founded on a vision and a business case to provide standard software for government. Over the past 15 years, cBrain has invested more than 450,000 hours in developing the F2 platform. Danish ministries and a total of more than 75 Danish authorities use F2 as

their digital platform. Internationally cBrain has delivered F2 for government organizations across five continents.

With a solid first-mover advantage and a strong customer base, cBrain is well-positioned to become a leading international software provider of COTS for government solutions.

During the year 2024, the accelerated market shift and the power of the COTS for government approaches have opened new opportunities for cBrain. This is exemplified by the recent collaboration between cBrain and UNDP in Africa to support the UNDP Digital Offer for Africa strategy, and larger orders in Romania helping to modernize traditional mainframe-type solutions.

Reiterating the international growth strategy

The faster-than-expected market shift, with government looking toward IT modernization and digitization based on the alternative COTS for government approach, clearly represents an incredibly positive development for cBrain.

cBrain wants to fully take advantage of this, and a solid business with strong cash flow and earnings offer strategic flexibility. Consequently, cBrain is now reiterating and potentially adjusting its international growth strategy.

This includes evaluating organizational readiness, as well as market and product development strategies, to leverage and maximize the benefits of accelerated industry changes. With the goal of being an internationally leading vendor in the emerging COTS for government industry, cBrain will execute several changes to the growth plan during the spring of 2025.

Driving international expansion

With the current Danish customer base, cBrain has a strong home market position. Internationally this is an important reference position, and cBrain intends to maintain and develop a strong position on the Danish market.

However, to be a leader in the COTS for government industry and fully deploy the potential of the new emerging industry, cBrain will direct more resources into its international business.

cBrain has built its international business based on organic growth, building the business by addressing international customers directly or in collaboration with local partners. This strategy is maintained, but with an increased focus on working with international partners.

As of today, over one-third of the total revenue is export. cBrain is currently reiterating and potentially adjusting its international growth strategy with a goal, that within a few years, the international revenue will be significantly larger than the Danish revenue.

Lifting the business

During the past two years, cBrain has built a pipeline of potential customers, which are significantly larger than the average Danish customer. This includes projects in Germany and the US, as well as projects in the Emirates, India, Kenya, and Romania.

For cBrain to be a leader in the COTS for government industry, it is key to building an international business. Backed by a solid financial position, cBrain is therefore shifting a focus to international opportunities. This shift involves changes across the cBrain internal organization, from marketing and sales to delivery and R&D.

cBrain announced the growth plan in 2022 with an ambition to reach a revenue of 350 million in the year 2025. cBrain continues to execute its growth plan. However, reaching the revenue ambition requires winning and delivering some of the large international contracts cBrain is currently working on.

cBrain guides continued growth in revenue and solid earnings for 2025

With limited visibility, cBrain forecasts expected revenue growth in 2025 of 10-15% and earnings before tax (EBT) of 18-23%.

The earnings forecast is based on solid market development investments into international growth, across the African region, USA, Germany, and India, as well as investments into developing the F2-for-Partners concept.

Best regards

Per Tejs Knudsen, CEO

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