

## **COMPANY ANNOUNCEMENT NO. 03/2024**

### **In 2023 cBrain grew revenue by 27% and delivered record high earnings before tax margin (EBT margin) of 34%**

Copenhagen, February 22, 2024

Total revenues grew by +27% to DKK 239m in 2023, up from DKK 188m in 2022. Earnings before tax (EBT) grew by +66% to DKK 81m in 2023, up from DKK 49m in 2022. cBrain (NASDAQ: CBRAIN) thereby reports record high earnings before tax margin (EBT margin) of 34%.

cBrain is well on track and executes the 2023-2025 growth plan. The growth plan is based on organic growth, combined with a strong positive cashflow.

Fully aligned with the 2023-2025 growth plan, total software revenue, which is based on software licenses and software subscriptions, grew +40%, to DKK 189m in 2023 up from DKK 131m in 2022, while implementation and support services declined by -5% to DKK 50m in 2023, down from DKK 52m in 2022. Software thereby counts for 79% of total revenues in 2023.

The results are based on a solid development in Denmark as well as internationally. International sales grew +30% to DKK 81m in 2023, up from DKK 62m in 2022. International sales thereby count for 34% of total revenues in 2023.

In line with previous years, subscriptions count for more than 50% of total revenue in 2023, and cBrain is incredibly pleased to see solid growing subscriptions revenue. The majority of software subscriptions are based on capacity, which is calculated by active numbers of F2 users and modules, and the actual capacity usage is measured and invoiced by the end of each quarter.

cBrain recognized a significant jump in subscription revenue during the fourth quarter of 2023 due to increased usage of the F2 digital platform across the user base. The addition of more F2 users and more F2 modules to the subscription schemes demonstrates a high level of customer loyalty and user satisfaction.

In parallel cBrain came in with lower-than-expected costs. This further increased earnings before tax (EBT).

#### **cBrain is well on track with the 2023-2025 growth plan**

By leveraging standard software, cBrain offers government organizations fast digital transformation at scale. cBrain thereby challenges one of the largest global industries, government digitizing, and faces a huge business opportunity. To capitalize on this opportunity, cBrain has initiated a 3-year strategy covering the period 2023-2025.

While maintaining and growing the current business, the goal of the 2023-2025 growth plan is to further accelerate growth by investing in the "F2 Climate software" and the "F2-for-Partners" concept. F2 Climate Software serves as a door opener and accelerator for international sales. Investing into the "F2-for-Partners" concept aims to build an F2-ecosystem of customers and consulting partners, which allows cBrain to increasingly outsource implementation services.

#### **cBrain continues to win market shares in Denmark**

In Denmark cBrain grew the F2 customer base and added a solid number of new customers. This included 3 Danish ministries and several agencies, as well as the second largest Danish Municipality.

In parallel cBrain won a number of larger projects. Such projects demonstrate that cBrain is well on track, "moving up market," and challenges the traditional Big IT vendors, as cBrain offers customers configured F2 standard software as an alternative to traditional custom-built solutions.

In 2023 this e.g., included the delivery of a number of grant management solutions for the Danish Energy Agency (Energistyrelsen), inspections for the Work Environment in Denmark (Arbejdstilsynet), and delivering a new hunting license solution for the Danish Environmental Protection Agency (Miljøstyrelsen).

### **Internationally cBrain work across multiple countries**

Over the recent years, cBrain has successfully attracted its first customers across various countries.

Currently, cBrain has a customer base that spans France, Germany, Guyana, Kenya, Romania, the United Kingdom, the United States (USA), and the United Arab Emirates (UAE). In 2023, cBrain further expanded its presence to Ghana and India.

In order to support and scale international sales, cBrain has established an international business development organization with staff in Australia, France, Kenya, the USA, and the UAE.

Opening up new markets is still a priority for cBrain. As examples, cBrain was in 2023 awarded the first project in Romania. In December 2023, a Romanian language version of F2 was delivered by a local partner, who is now building a business based on the F2-for-Partners concept.

### **Awarded company of the year by German-Danish Trade Organization**

cBrain continues to win new tenders in Germany. By delivering a number of F2 based projects for Deutsche Rentenversicherung, cBrain has established a solid position in Germany, and in December 2023 cBrain was awarded Danish company of the year by the German Danish Chamber of Commerce (Dansk-Tysk Handelskammer).

The German government has a strong focus on digitizing and by reusing Danish experiences it is possible to accelerate the digital transformation. cBrain has been awarded company-of-the-year due to the results which has been achieved as supplier to German public organizations like Deutsche Rentenversicherung.

cBrain has now initiated a collaboration with the German Danish Chamber of Commerce for cBrain to help and accelerate the transformation within German public sector. The German Federal Ministry for Economic Affairs and Climate Action support German Danish Chamber of Commerce.

### **F2 Climate Software serves as international door opener**

In spite of significant investments, government organizations across the world struggle to accelerate the fight against climate change. One major obstacle is that it often takes years to execute political decisions due to bureaucratic delays, which are fueled by the lack of digitizing and inefficient IT systems.

In close collaboration with Danish government organizations, like the Danish Environmental Protection Agency (Miljøstyrelsen), cBrain has developed a large library of solutions, which is called climate software.

### **F2 Climate Software helps to close the time gap from political decision to execution**

F2 is standard software, based on reusable open-source configuration and best practices, and F2 Climate Software can therefore easily be reused and adapted across the world and help government organizations to accelerate the deployment of climate action initiatives.

Denmark is a global leader within government digitizing and a global leader with respect to climate action, and cBrain notices a strong interest across the world to learn from Danish government experiences and relevant digital solutions like the F2 Climate Software.

In March 2023, cBrain participated at the United Nations Water Conference in New York. In parallel, the United Nations Department of Economic and Social Affairs adapted a library of blueprints for digital water governance, which has been developed in close collaboration between cBrain and the Danish Environmental Protection Agency (Miljøstyrelsen).

The blueprints define standards and best practices for e.g., environmental permitting, protection of water resources, and wastewater inspections for the benefit of governmental organizations around the world.

In September 2023, cBrain participated at a White House executive environmental permitting summit in Washington DC. The purpose of the meeting was to discuss the issues that US agencies face seeking software to enable more effective and efficient environmental review and permitting processes.

During the summit cBrain presented F2 based solutions and Danish permitting best practises. This included functionality from self-service and process control to Artificial Intelligence (AI) that can accelerate the permitting processes.

In December 2023, cBrain participated as part of the Danish delegation to COP28 in Dubai, sharing Danish government experiences and digital solutions with government executives across the world.

## **Collaborating with partners, cBrain can offer fast digital transformation for governments across the world**

A key element of the cBrain growth plan is the F2-for-Partners concept. It enables customers and consulting partners to take over different types of work, from configuration to training services, which relate to the implementation of F2 based solutions.

The F2-for-Partners concept thereby allows cBrain to accelerate growth without having to accelerate hiring. Instead of building a large internal cBrain organization, the F2-for-Partners concept allows cBrain to grow and serve government customers across the world based on collaboration with an eco-system of external F2 experts.

### **F2 Service Builder enables an eco-system of partners**

F2 Service Builder is a game changing approach to government digitizing. F2 Service Builder is a new generation software tool that allows users to configure their own government processes 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 digitizing.

In June 2023 cBrain released the first version of "F2 Service Builder", thereby achieving an important milestone related to the F2-for-Partners strategy, and during the autumn cBrain released a number of extensions to the F2 Service Builder.

### **cBrain has delivered the first AI for Government projects**

Due to the unique F2 architecture, cBrain can offer AI functionality for government, which is difficult to achieve with today's well-known general-purpose AI services. This includes using external services via connectors, like ChatGPT or IBM WatsonX, or using internal services, which are based on e.g., Llama2 and trained specifically for F2 usage.

This is essential to government usage of AI. F2 can thereby offer AI usage that complies with legislations and compliance restrictions. For example data protection and GDPR, as well as in-depth learning based on customer specific data, which will allow F2 to support customer specific case processing.

During the autumn of 2023, cBrain delivered the first AI projects. This includes projects for the Danish Ministry of digital government and gender equality (Digitaliserings- og Ligestillingsministeriet) and the Danish Environmental Protection Agency (Miljøstyrelsen).

### **F2 Version 11 offers built-in Artificial Intelligence (AI)**

In November 2023 cBrain released F2 Version 11. cBrain has invested +40.000 hours into the new version, and the new version of the standard software offers more than 1.200 new functions and improvements.

In parallel, version 11 offers a number of new fully integrated modules. The list of new modules includes F2 Service Builder version 2, a new tool for reporting and business intelligence called F2 Analytics, a new concept for supporting document templates, as well as a technical foundation for Artificial Intelligence (AI).

Based on AI foundation, cBrain can now offer a broad range of AI functionality fully integrated with F2. During 2024, cBrain plans to release a number of F2 based AI functions and modules, which have been specifically designed and built for government.

### **cBrain beats expectations on top and bottom lines**

In fiscal year 2023, cBrain initially aimed for revenue growth of 15-20% and earnings before tax margin (EBT margin) of 18-22%. However, exceeding expectations in the first half of 2023, we raised our full-year revenue growth guidance to 20-25% and EBT margin guidance to 20-25%.

With over 50% of revenue from software subscriptions, mainly based on capacity, cBrain experienced a significant increase in F2 usage in Q4, prompting a further precision of guidance to 25-27% revenue growth and 32-34% in EBT margin, which ended up being 27% revenue growth and 34% in EBT margin.

### **cBrain guides continued growth and solid earnings in 2024**

cBrain revenue is divided into software and services. In 2024, cBrain expects that software revenue will count for approximately 80% of total revenue.

Software revenue is based on subscriptions and one-time licenses. Most software revenue in Denmark is based on subscriptions, while internationally government organizations still prefer procurement based on one-time licenses in combination with software maintenance subscriptions. In 2023, total subscription revenue counts for more than 2/3 of total software revenue.

The fourth quarter 2023 jump in subscription revenue offers a solid offset for continued software subscription revenue in 2024, and in parallel cBrain expects to win both new customers and new projects in 2024.

Aligned with the 2023-2025 strategy plan, cBrain does not expect to grow services revenue in 2024. Based on strong growth of software revenue, driven by subscriptions as well as one-time licenses, and an unchanged level of services revenue, cBrain forecast revenue growth of 20-25% in 2024.

cBrain continues to invest in growth. This increases costs, and as part of the 2024 plan cBrain has allocated substantial investments for organizational development and to support international market opportunities in e.g. Germany and the USA. Consequently, cBrain forecast earnings before tax margin (EBT margin) of 24-30% in 2024.

cBrain finds itself in a strong position, entering 2024, with a solid pipeline of potential new customers and projects. At the same time, cBrain operates within a highly competitive market and government procurement often takes a long time.

cBrain results 2024 may therefore deviate positively as well as negatively from the forecasts.

**cBrain raises share dividends by 33%**

Last year, in 2023 cBrain raised the dividend paid out to investors by 24%, thereby paying out a dividend of DKK 0,21 per share. In 2024, cBrain suggests raising the dividend by 33%, thereby paying out a dividend of DKK 0,28 per share.

Best regards

Per Tejs Knudsen, CEO

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

Ejvind Jørgensen, CFO, cBrain A/S, [ir@cbrain.com](mailto:ir@cbrain.com), +45 2594 4973