

Correction to announcement no. 09 – EBT margin of 24-30% is maintained

Copenhagen, August 21, 2024

cBrain (NASDAQ: CBRAIN) corrects the announcement released this morning:

The Interim Report incorrect guides an EBT margin of 20-25 % for 2024.

cBrain maintains the guidance for the fiscal year 2024 with earnings before tax margin (EBT margin) of 24-30%. This is based on continued growth in Denmark, increased international sales, and increased investments into the growth plan in the second half of 2024.

Best regards

Per Tejs Knudsen, CEO

COMPANY ANNOUNCEMENT NO. 09/2024

On track with Growth Plan

Copenhagen, August 21, 2024

Revenue grew by +6% to DKK 139m in the first half of 2024, up from DKK 132m in the first half of 2023. The low half-year growth was expected due to an unusual revenue split between the first and second half of 2023, where first-half revenue grew +39% year over year and accounted for 55% of the total fiscal year revenue.

Danish revenue grew by +21% to DKK 87m in the first half of 2024, up from DKK 72m in the first half of 2023, showing a stable and solid development in the Danish market.

International sales declined by -13% to DKK 52m in the first half of 2024, down from DKK 60m in the first half of 2023. The lower international sales are due to the unusual revenue split between the first and second half of 2023, where a large portion of total software licenses related to international sale was recognized in the first half of 2023.

First half 2024 results show earnings before tax (EBT) of DKK 43m, down from DKK 47m in the first half of 2023. cBrain continues to deliver solid earnings with earnings before tax margin (EBT margin) of 31%. Earnings are slightly higher than expected as some of the international investments that were planned for in the first half of 2024 have been postponed to the second half of 2024.

cBrain (NASDAQ: CBRAIN) is satisfied with the financial development, which is in line with expectations and slightly ahead of the 2023-2025 growth plan.

cBrain maintains the guidance for the fiscal year 2024, with revenue growth of 20-25% and the guided earnings before tax margin (EBT margin) of 20-25%. This is based on continued growth in Denmark, increased international sales, and increased investments into the growth plan in the second half of 2024.

Growth is driven by subscriptions, strategic customers and partnerships

Software subscriptions count for approximately 50% of total revenue, based on customers renting the F2 software or having F2 software maintenance agreements. When existing customers extend their use of F2 by adding more users or modules, or new customers implement F2, this increases the

subscription base. cBrain has long-term contracts with most customers, and the F2 software subscription base constitutes a solid and growing foundation for the business.

The F2 platform was built in close collaboration with a group of the Danish ministries. cBrain continues to develop new F2 versions in close collaboration with strategic government customers and these customers count for a majority of the revenue. Attracting and building long-term business relations with strategic customers is therefore core to the growth.

cBrain has a strong Danish customer base, which counts more than 75 Danish government organizations including most ministries, and Denmark ranks number one in the global United Nations e-government survey. With this reference position cBrain seeks to expand internationally, using F2 climate software as a door opener and the F2-for-Partners strategy as a key to scaling. During first half of 2024 cBrain has added several new customers to the customer base, but most of the revenue growth comes from existing customers.

The international growth plan is based on organic growth. When possible cBrain seeks to build the international business in collaboration with local partners and thereby limiting the size of the international cBrain organization. A cornerstone of the F2-for-Partners strategy is therefore allowing partners and customers access to the F2 configuration technology and training them to set up the F2 standard software and configure processes using the F2 Service Builder.

cBrain delivers COTS (commercial off-the-shelf software) for government

Software for government digitization represents one of the largest global markets. Today the market is dominated by large suppliers who deliver custom-built solutions based on integration of best-of-breed software modules and components. But many projects fail, reporting huge delays and budget overruns due to the complexity of delivering best-of-breed based solutions.

cBrain challenges the IT government industry by delivering standard software, often referred to as commercial off-the-shelf software (COTS). As an alternative to best-of-breed solutions, COTS offers major benefits for customers with respect to quality, delivery time, and the costs of implementation and maintenance.

For historical reasons, government organizations around the world have been reluctant to adopt standard software as part of their digitization strategy. This reluctance is often due to internal IT organizations and procurement routines that are set up to utilize custom-built best-of-breed solutions. However, several governments organizations, including a number of leading Danish government agencies, have begun to adopt COTS and embrace the benefits of standard software.

cBrain anticipates that the shift towards COTS will eliminate much IT consulting work and lead to a major change in the government IT industry worldwide.

cBrain has invested more than 400.000 hours in developing F2, a new generation of government software. F2 is a complete and fully integrated digital platform, designed and built from the start specifically for government use. Its built-in no-code/low-code configuration tools make it easy for individuals without a technical background to adapt F2 to meet specific customer requirements and processes.

The quality and benefits of F2 have been proven. cBrain has successfully delivered F2 to government organizations across five continents, including solutions in various government domains such as business affairs, climate and environment, education, energy, family, immigration, labor and market regulation, science, social affairs, and tax.

With the F2 digital platform and a continuously strengthening reference position both in Denmark and internationally, cBrain aims to become a leading global supplier of COTS for government.

Increased focus on public tenders in Denmark

For the second half of 2024, cBrain expects continued growth in Denmark. This includes expanding the list of strategic customers who extend their use of F2 by adding more users, software modules, and processes, as well as acquiring new customers.

Danish revenue is primarily based on procurement through the Danish government procurement framework agreements (SKI). In addition, cBrain is strengthening its bidding activities for larger open public tenders in Denmark. One example is the public tender for a new Danish hunting license register, which cBrain has won and is currently working to deliver.

While it often takes a long time to win large open public tenders, securing such contracts can significantly boost Danish revenues. Based on early-stage success, cBrain has therefore increased investments in bid management.

Solid position in Germany

cBrain has successfully established itself in Germany, and in the first half of 2024, German revenue accounted for approximately one-third of the company's total revenue.

Due to this success, cBrain was awarded the title "Danish Company of the Year 2023" by the German-Danish Chamber of Commerce. cBrain is now collaborating with the German-Danish Chamber of Commerce to further develop the German market. By reusing Danish experiences and solutions, cBrain can help accelerate the digital transformation of the German government.

It takes a long time to attract strategic customers, but cBrain now has a foothold in Germany and has proven that F2 can be reused for large German government organizations. This provides cBrain with a solid reference position for taking the next steps in Germany to further grow revenues.

Pursuing the next international strategic customers

Internationally, cBrain is working on several large projects, building a pipeline for future strategic international clients. cBrain expects that several of these projects will further mature during the autumn and boost international sales.

As part of this effort, cBrain is establishing a local presence in multiple countries, combining local cBrain staff and local partners, while developing the F2-for-Partners strategy.

Scaling international sales based on an organic growth model takes time, so cBrain is operating and initiating sales activities across multiple geographies in parallel. During the first half of 2024, cBrain has taken important steps in several countries. This includes:

- **California:** In April, cBrain announced an agreement with local authorities in California to deliver a digital solution supporting the GRASS-C (Growing Responsible and Socially Sustainable Cannabis) certification program. This expands the cBrain catalog of climate software solutions previously delivered in California and represents the first solution delivered in the US based on the F2 Service Builder.
- **India:** In September 2023, cBrain announced a joint venture in India, cBrain Kodumburur. In February 2024, cBrain announced a Memorandum of Understanding (MoU) with the Government of Puducherry to promote and accelerate digital solutions in the Union Territory of Puducherry for the sustainable development of the territory. Additionally, a MoU was signed with the state of Tamil Nadu, aiming to establish a digital administration for the state.
- **Ghana:** In March, cBrain announced that its partner, Omni Strategies, won a public tender in Ghana to deliver an F2-based solution for the National Communication Authority (NCA) in Accra. Using the F2 Service Builder, the F2 platform will be configured to support facilities management within the NCA, digitizing processes related to building and fleet management.
- **Kenya:** During the spring, cBrain successfully launched a solution for the Kenya Dairy Board, a state corporation under the Ministry of Agriculture & Livestock Development. The solution will help support quality inspections related to milk production.
- **Nigeria:** In June, cBrain signed an agreement with the Ministry of Innovation, Science and Technology in Nigeria to deliver a Proof of Concept (PoC) project. The purpose is to deliver an F2-based solution that demonstrates secure and transparent government procurement processes, from planning and approval to filing and auditing, across multiple government agencies.
- **Romania:** cBrain's partner in Romania has delivered the first F2 solutions for government customers, using the F2 Service Builder to support customer-specific process requirements.
- **United Arab Emirates (UAE):** cBrain has just signed a contract to enter a new partnership, supporting an agency in the UAE with their AI-driven digital transformation. This supports the continued success of implementing the growth plan with a special focus on climate software, while building partnerships.
- **Washington DC:** In close collaboration with the Danish Environmental Protection Agency, cBrain has developed a unique F2 solution that end-to-end supports all functions to accelerate environmental permitting, from self-service and process control to Artificial Intelligence (AI). Environmental permitting is essential to the green transition, and cBrain is working with several federal agencies in Washington DC to validate if and how the F2 permitting solution can be reused in the US.

The first version of F2 AI Assistant was announced in April

During the spring, cBrain has marketed F2 version 11. F2 version 11 offers a long list of new features and extension modules, and many customers have already upgraded successfully.

In April, cBrain introduced the first version of the F2 AI Assistant. The F2 AI Assistant is a new extension module that provides AI functionality seamlessly and fully integrated with the F2 standard software.

The F2 AI Assistant was developed in collaboration with the Danish Ministry of Digitization and the Danish Environmental Protection Agency, aiming to create AI functionality specifically designed for government users and government security requirements.

The F2 AI Assistant operates on-premises, which is essential for governments to protect data and comply with GDPR requirements. Fully integrated with the F2 standard software, the F2 AI Assistant is context-sensitive and built to support public administration, offering functionality that generic AI services cannot provide. Features in the first version of the F2 AI Assistant include writing record summaries, speeches, notes, and news.

The introduction of the F2 AI Assistant marks the beginning of a new product line of AI extension modules for F2. In parallel with developing the F2 AI Assistant, cBrain has delivered a number of specialized AI projects, which are being used to inspire the design of future AI extension modules.

F2 Service Builder is a key driver for scaling

The F2-for-Partners strategy is a core element of our long-term growth plan. By establishing an ecosystem of partners and customers who manage the consulting work related to implementing and servicing F2 solutions, cBrain can scale its business without revenue growth being directly constrained by the burden of organizational expansion.

As part of the F2-for-Partners strategy, cBrain is preparing the F2 configuration toolset for external users, with the F2 Service Builder serving as a cornerstone for this transition.

The F2 Service Builder is an innovative and highly effective no-code/low-code configuration tool that stands out from existing tools on the market due to its design and architecture. It is a key technology enabler for building the F2 partner ecosystem and is therefore a central driver of both the F2-for-Partners strategy and long-term scaling.

The fully integrated F2 Service Builder represents a new type of no-code/low-code tool

No-code/low-code tools are becoming popular as they allow users to create and modify workflows and processes with minimal or no coding required. This enables users with limited technical expertise to build and customize solutions, thereby simplifying application development and process automation.

Most widely used no-code/low-code tools are either designed for general-purpose use or are specialized for IT service and operations management. They are typically developed as stand-alone software tools, integrated into a best-of-breed environment through pre-built or open connectors, and many offer process design, form building, and other functionalities based on a visual user interface.

F2 Service Builder differentiates itself by being fully integrated with F2 and designed specifically for government use. Additionally, F2 Service Builder offers a user-friendly interface that enables users with limited technical expertise to build and customize solutions simply by filling in a spreadsheet.

The design and architecture of F2 Service Builder provide significant benefits for government customers by eliminating integration work, optimizing system design, and offering unique government functionality.

While integration into best-of-breed environments often complicates no-code/low-code projects, turning them into complex IT deliveries, F2 Service Builder is delivered out-of-the-box, fully integrated, and ready-to-run. This approach saves significant time and eliminates the need for IT integration specialists. Furthermore, F2 Service Builder offers deep integration into specific F2 functions, providing integrated user functionality that is often nearly impossible to achieve within a best-of-breed environment.

In addition to these integration benefits, F2 Service Builder simplifies and optimizes the building of workflows through its integrated design method and user interface. Guided by F2 Service Builder, users can create complete, ready-to-run workflows, automated end-to-end from self-service to case management and filing, simply by filling out pre-defined fields in a spreadsheet.

The spreadsheet interface reduces the need for user training, allows for efficient reuse of workflows, and the design guidance is based on a best practices model for government work, thereby supporting well-designed workflows.

Democratizing IT Modernization

While governments around the world increase their investments in digital transformation and the IT industry expands to meet the demand, the shortage of skilled IT professionals is often cited as a key factor in delays or failures in IT modernization projects.

The emergence of Commercial Off-the-Shelf Software (COTS) for government addresses the labor gap. Standard software and tools like F2 and the F2 Service Builder enable users without a technical background to manage much of the IT work, reducing the demand for skilled IT resources.

This makes COTS for government an industry game-changing technology. By democratizing IT modernization and reducing the demand for skilled IT resources, COTS for government simultaneously lowers costs and accelerates successful digital transformation, becoming a key enabler for government transformation.

Enabling a new type of partners

Democratizing IT modernization is a core element and a significant value differentiator for the F2-for-Partners strategy. By enabling users with limited technical backgrounds to participate in digital transformation, F2 not only empowers customers but also a new type of partners who focus on transformation services.

At the heart of this democratization is the F2 Service Builder. Fully integrated with F2 and designed for government workflows, the F2 Service Builder eliminates the heavy integration work required when using general-purpose no-code/low-code tools and simplifies the process of configuring solutions tailored to specific governmental needs.

By heavily reducing reliance on skilled IT resources and offering best practice experience as an integral part of the configuration tools, the F2 Service Builder enables a new type of partner who offers specialized government transformation services, from advice to delivery, based on government domain expertise and without the burden of IT development.

Consequently, the F2-for-Partners strategy, fueled by the F2 Service Builder, not only enhances the agility of government agencies and speeds up transformation but also allows cBrain to scale its operations without proportionally increasing its internal resources.

cBrain announces F2 Service Builder 2

Being a key technology driver and an accelerator for the F2-for-Partners strategy, cBrain continues to invest in the F2 Service Builder.

The first version of F2 Service Builder has been well received and has been successfully used for solution delivery in several countries during the spring. Based on learnings from these projects, cBrain is now developing a new and extended version, called F2 Service Builder 2, which is planned for release in the autumn.

Best regards

Per Tejs Knudsen, CEO

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