

## **COMPANY ANNOUNCEMENT NO. 07/2024**

### **cBrain takes lead within AI for government**

Copenhagen, April 24, 2024

cBrain (NASDAQ: CBRAIN) entered 2024 on the back of continued strong organic growth and solid earnings, reporting full-year 2023 results showing a 27% growth year-over-year and EBT (earnings before tax) of 34%.

The first months of 2024 show continued business development in line with plans, winning new customers and projects in both Denmark and internationally. Consequently, cBrain maintains its expectations for 2024, forecasting full-year revenue growth of 20-25% and EBT (earnings before tax) of 24-30%.

First quarter 2024 has been exciting for cBrain. While executing the growth plan, with a continued focus on F2 Climate Software as an international door opener and developing the F2-for-Partners concept, cBrain has in parallel developed a new F2 standard module for government Artificial Intelligence (AI), called F2 AI Assistant.

F2 AI Assistant has been developed in close collaboration with Danish government authorities. On April 15th, cBrain released a new version of F2, which includes the F2 AI Assistant module. This release marks a significant milestone for cBrain and strongly supports the growth plan.

By delivering fully integrated, ready-to-use AI functionality specifically trained for government purposes and built to run on-premises, the release of the new F2 AI module positions cBrain as a front-runner and a leading supplier of AI for government. F2 AI Assistant is the first product within a new product line of AI-based F2 software modules, and the F2 AI Assistant module thereby initiates a new line of business and AI based projects.

#### **The cBrain growth plan**

cBrain differentiates itself from its competitors by delivering solutions based on standard, off-the-shelf software, designed as a single, fully integrated platform and specifically built for government use.

All customers run on the exact same software, they automatically upgrade to new F2 versions on a regular basis, and due to highly efficient integrated configuration tools, the F2 standard software can be configured to meet individual customer requirements without any changes to the standard software.

The adoption of standard software represents a disruptive and game-changing approach, which offers government entities substantial business benefits through cost reductions, faster delivery, and accelerated digital transformation. cBrain thereby challenges one of the largest global industries, referred to as government digitization, and faces a significant business opportunity.

cBrain capitalizes this opportunity by executing an ambitious international growth plan. Extending the long-term growth plan, cBrain added specific areas of focus for the period 2023-2025. This includes investing in "F2 Climate Software," which serves as a door opener and accelerator for export and investing in the "F2-for-Partners" concept, which allows cBrain to further scale its business.

The growth plan is based on organic growth, and cBrain delivers solid growth and earnings with a strong positive cash flow.

#### **Revenue is driven by standard software**

In Denmark, most revenue is derived from long-term framework contracts through which government authorities rent the F2 standard software. Software subscriptions are based on capacity, which is calculated based on number of F2 users and modules. Internationally, revenue typically follows a traditional split between software licenses and software maintenance subscriptions.

More than 50% of total cBrain revenue is based on software subscriptions. Total software revenue, which is based on software licenses and software subscriptions, accounts for approximately 80% of total revenue.

Due to the percentage of subscriptions based on long-term government contracts, the cBrain business is based on a solid foundation. However, as subscriptions are based on the actual capacity usage, which is measured across the user base by the end of each quarter, subscriptions can vary significantly over time.

Consequently, cBrain's revenue forecast is based on existing long-term contracts and projects, estimated subscription development, and estimated inflow of new projects from either existing customers or new customers.

### **cBrain forecasts revenue growth of 20-25%**

By end of first quarter 2024, cBrain have invoiced revenue and signed orders which by now show a total revenue for 2024, which is slightly higher than total revenue for 2023. This is in line with expectations, and it puts cBrain in a comfort zone, already today knowing that the company will deliver growth and positive earnings in 2024.

For the year 2024, cBrain has forecasted full-year revenue growth of 20-25%. The actual estimates and pipeline confirm the estimated growth of software subscriptions as well as a continued inflow of new customers and projects. Consequently, cBrain maintains the full-year revenue forecast growth of 20-25%.

### **cBrain forecasts EBT (earnings before tax) of 24-30%**

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.

So far cBrain has only activated a smaller part of these investments.

This includes continued investments into building a position in the US, with a special focus on climate software that support environmental permitting, and building a stronger market position in Germany, leveraging the award as company of the year, which cBrain was recently awarded by the German-Danish Chamber of Commerce. Additionally, investments have been made to establish a subsidiary in Kenya, and to support the newly established joint venture in Chennai, Tamil Nadu, India.

### **cBrain continues to win new projects and customers**

In Denmark, cBrain has a broad base of customers who continue to initiate new projects.

In first quarter, The Danish Working Environment Authority completed the first phase of a large digital transformation project and went live on a new F2 based digital platform, which among other functionalities support case processing and work environment inspections. With this project cBrain has extended the customer base by a large agency, and cBrain has got a customer reference within a new field which can be used internationally.

In first quarter, cBrain initiated a large project with the Danish Environmental Protection Agency. Based on the F2 platform, the aim is to digitally administrate and support circular economy within the field of waste management. The phase of the project has to be delivered by the end of 2024.

In Germany, cBrain continues to work on several projects with Deutsche Rentenversicherung Bund. Due to these projects, which demonstrates that Danish government experiences can be reused to accelerate government digital transformation in Germany, cBrain was named Danish Company of the Year by the German-Danish Chamber of Commerce. Based on this cBrain has now initiated a market development project in Germany, working with German-Danish Chamber of Commerce and the Royal Danish Embassy in Germany, to build a stronger position and expand in Germany.

In Ghana the cBrain partner, Omni Strategies, has 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 standard F2 platform will be configured to support facilities management within the NCA, encompassing the digitization of processes related to building and fleet management.

In the United States cBrain has contracted with local authorities in California to deliver a digital solution to support the GRASS-C (Growing Responsible and Socially Sustainable Cannabis) certification program. Cannabis has been legalized in more than half of U.S. states and territories for recreational or medical use, and GRASS-C is a tiered market-incentive certification program for environmentally responsible cannabis production in California.

The GRASS-C agreement represents the next step in California. It extends the catalogue of climate software solutions, which has previously been delivered for the Resource Conservation Districts in California, and it is the first solution which is delivered in the United States based on the F2 Service Builder. The first phase of the GRASS-C project has an expected delivery time of only 8 weeks. This demonstrates how cBrain's F2 standard software can help governments around the world to significantly reduce risk and time spent on digitalizing mission-critical processes.

### **F2 AI Assistant initiates a new line of business**

The new F2 AI Assistant module has been developed in close collaboration with Danish government authorities, including working the Danish Ministry of Digital Government and Gender Equality as well as the Danish Environmental Protection Agency.

The release of the new module represents an important milestone for cBrain, and it strongly supports the growth plan.

F2 AI Assistant is the first product within a new product line of AI-based F2 software modules. F2 AI Assistant was released on April 15th, in parallel with the release of a new version of the F2 platform. The F2 AI Assistant module is offered as an extension module to standard F2, designed and built fully integrated software within the F2 platform.

Government customers can thereby acquire and immediately start using the F2 AI Assistant module as soon as they have upgraded to the new F2 version. Several customers have already ordered the new AI module, and cBrain sees this as a new line of business.

### **By releasing F2 AI Assistant cBrain takes a lead within the field of AI for government**

AI offers huge potential for government, including improvements in productivity, work quality, and better citizen services. However, government organizations across the world struggle to deploy AI due to concerns regarding the handling of personal data and information security issues.

F2 AI Assistant operates on premise, designed for government, and based on a large language model (LLM) which has been trained for government usage. Due to technical architecture and functionality, F2 AI Assistant thereby offers government organizations a fast track to leverage AI while eliminating numerous issues related to personal data and security.

F2 AI Assistant offers F2 users government-specific functionality out-of-the-box. Initially this includes text summary, drafting news articles, translation services, theme-based rewriting, correcting documents, and drafting memos. This is offered as a fully integrated part of the F2 standard user interface, and it thereby supports and helps government case workers and managers, directly within the context of their daily work routines.

It is a major challenge and a showstopper for government organizations, who want to deploy AI, that normally AI is offered as an external service. To utilize AI, government organizations thereby have to share data outside their controlled environment.

In contrast, the F2 AI Assistant runs on premise, and users are thereby offered AI functionality without taking any data out if the F2 system. This is essential to government AI usage, as it eliminates the many concerns related to the handling of personal data and information security issues.

By offering government organizations AI functionality, which is designed for government use cases, based on a government trained large language model specifically, and running on premise, cBrain has taken a lead as supplier of AI for government.

### **Further developing the F2 AI Assistant**

The F2 AI Assistant module is technically based on an open architecture, which makes it easy to add more features.

As the first customers deploy the first version of the F2 AI Assistant module, cBrain gains government AI usage experience which will form the basis for developing and adding further functionality to the F2 AI Assistant module.

### **F2 for Environmental permitting based on customer-specific AI**

In parallel with the F2 AI Assistant module, cBrain has developed an AI engine which makes it possible to e.g. offer natural language semantic search into customer specific data. This makes it possible to offer in-depth support for specific government work areas, which is not possible to support by using general purpose AI functionality.

cBrain is working with a number of different governments, using this technology to support customer individual working areas while training the AI engine on customer specific data.

This includes building an AI engine with a natural language interface which is trained to support environmental assessment. Environmental permitting is a key global challenge, for government as well as industries, in the need for meeting climate objectives and new energy sources. By extending the F2 Climate Software for permitting with AI functionality, cBrain is taking a lead as supplier of government solutions within this field.

Best regards

Per Tejs Knudsen, CEO

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