

INDUCT INTERIM REPORT – Q3 2021

induct

Highlights

- Total revenues increased from NOK 2,9 million in Q3 2020 to NOK 5,0 million in Q3 2021, whereas platform revenues increased from NOK 1,8 million in Q3 2020 to NOK 4,1 million in Q3 2021. The numbers for Q3 2021 includes OSINT Analytics AS.
- Global eCPM (revenue for 1000 shown ads) of NOK 11,08 in Q3 2021 – with variance between NOK 0,82 and NOK 24,49 from lowest to highest paid market
- Positive EBITDA of NOK 1,6 million in Q3 2021, an increase from NOK 0,9 million in Q3 2020
- Gross Margin of 96,4 % for platform revenues in Q3 2021
- Ad revenues generated from 28 countries in Q3 2021, and ad revenues are generated in 44 countries so far in 2021
- The project for creating a digital eco-system for governmental organizations in Norway started in Q3 2021
- The NHS care pathway project is on track to go live with real patient data in Q4 2021

CEO comment

The delivery to NHS (National Health Services) England is underway and is scheduled to be delivered by the end of November 2021. We have built a 'one patient – one record' patient management system that allows for patient records to be shared between hospitals based on advanced access control. In the south east region of England, Portsmouth Hospitals University NHS Trust is a specialist center for severe asthma and provide specialist services for a network of hospitals. The system we have built makes it possible, and easy, for network hospitals to refer their patients to Portsmouth for assessment and treatment. It also gives Portsmouth the overview and control they need to manage their portfolio of network patients. The patient management system also supports process management capabilities, enabling hospitals to benefit from best practice care pathway frameworks. NHS England is a global frontrunner when it comes to allowing ad based solutions. They have a country wide policy in place for how ads should be managed, and we are compliant with this policy.

Our patient management system will replace the current patient management database, meaning that all actions and activities will take place in our platform. To illustrate potential earnings - based on the current eCPM (earnings per 1000 ads viewed), 1000 NHS users would generate approximately 9 MNOK in annual revenues.

Our partner hospital in the NHS, Portsmouth Hospitals University NHS Trust, is very excited about the system and we at Induct are very proud to delivering a state-of-the-art patient management system to one of the largest health care organizations in the world - helping them deliver better care, more efficiently.

Digital eco-system platforms for governmental organizations and networks are high on the agenda in Norway. The aim is to offer citizens seamless services, regardless of which governmental organization is involved. Induct is the only platform on the market that offer portfolio management at both an organizational level and network level. Several eco-system implementations will start in Q4 2021 and Q1 2022.

Induct has received acceptance from 100% of the shareholders of OSINT Analytics AS for the purchase of the company. OSINT stands for Open Source Intelligence, which means collecting information from available sources online. This includes data mining, various crawling techniques, data extraction, data washing, analysis and more. The crawler and search technology OSINT has developed to collect and structure unstructured data is a perfect match with our current Induct platform. In addition, OSINT has created two out of the box product offerings, which we are looking forward to commercializing with our ad-based revenue model at a global scale. The first product to globalize is the grant search portal – Tilskuddsportalen – where we will index grants from several large countries. We will provide a grant search portal where the user can find both local and global grants that are applicable for their organization. It will take about 2 months to index and add a

new country to the grant search portal. In Norway, this portal has about 25,000 active users per year and subscription based revenues of 8 MNOK yearly. In addition to expanding the geographic reach of the grant search portal, we can also expand by including new types of grants – like scholarships and research grants. To illustrate potential earnings, we will generate approximately 84 MNOK in yearly ad revenues if 5,5 million users use the portal for 20 minutes every month.

Another out of the box product is the news scanner technology that allows organizations and individuals to monitor the appearance of key words in news and media sources. This is very useful for staying on top of trends and being informed of what is written about you / your company.

OSINTs open access database and search engine is a wild card with huge potential. The search engine has the potential to revolutionize how researchers, librarians, scientists, students, and knowledge workers search for scientific articles, information, and data.

We have several projects where OSINTs technology, experience and expertise will be used to create state-of-the-art solutions. Combining our technical resources will speed up development, however, we could deliver faster and generate more revenue with increased capacity.

Although we have not yet fully finalized the due diligence process, we have included OSINT Analytics AS in the numbers for the third quarter.

*Alf Martin Johansen
CEO of Induct*

Operational review

At the end of the quarter, we launched our new chat service – CHAT@Induct. The chat service is available on the Induct platform and can be used as a stand-alone product or as an integrated part of @WORK or @HOME. CHAT@Induct caters for private 1-to-1 conversations and group chats. You can add attachments to your messages, send photos and add emojis. You can also show your reaction to messages received by others by giving it a e.g. thumbs up.

The chat service is fully responsive and can therefore be used on all devices (PC, tablet, smart phone), making it a great communication tool whilst working on the computer but also when you are on the go and only have your mobile available. Our video meeting solution, MEET@Induct, is also fully responsive and available from all devices.

With the launch of CHAT@Induct and the mobile friendliness of both the chat service and video meeting service, we now have a suite of communication tools that are easily available for all users. These services add great value to our @WORK and @HOME users but can also be used independently of the rest of the platform.

We are on plan with the development of the care pathway module that will be used in the treatment of patients with severe asthma in the NHS. The first version of the module will be published in November -21 and will be used by Portsmouth Hospitals University NHS Trust acting as a specialist center for severe asthma in their region. Shortly after this launch, we will activate the severe asthma module in 4 further hospitals in the severe asthma regional network. We have been approved for SkatteFUNN R&D tax credit for the project for the period 2021 -2023. Tax credits are estimated to be in the region of 2 MNOK.

In Q3 we started a project to redesign our platform user interface, to make it more user friendly. An integral part of this work is ensuring that self-onboarding is easy and quick regardless of what you want to use the platform for, and standardizing advertisement slots to maximize ad viewability and increase impressions.

Our UK and Spain offices are working on initiatives in the voluntary- and public sector in their respective countries. This, in addition to social media and network building activities, is helping us broaden the geographic reach of the platform.

Our continued focus on providing good customer service is paying off and we have not had any churn in the third quarter. In Norway, we have signed a new contract with Helse Sør-Øst to continue to innovation project on developing and implementing innovation indicators in the Norwegian healthcare sector. In Spain, we signed a new 12-month contract to deliver innovation management services to TRADISA – a European logistics operator.

Although we have avoided churn during the quarter, there is no doubt that the global pandemic continues to impact our revenues from services and consulting. Optimizing how we spend our time and efforts is therefore still important, as is the work to continue growing our customer and user base on induct.net.

About Induct

Induct AS was established in 2007 and offers web-based platforms for individuals and organizations to increase their efficiency of creating and utilizing knowledge, information, and experiences.

The company's software was commercially launched in June 2009 and has since then focused on building innovation management communities for organizations. Induct's innovation management platform is unique in enabling organizations and individuals to connect via networks to collaborate on, and share, high impact innovations. In health care for example, this enables reduced spending and improved social impact through better patient experiences and reduced waiting times.

Due to recent market breakthroughs, the innovation management platform is positioned to become the de facto industry standard for connecting health care providers in ecosystems and improve efficiency in global health care.

In 2020, Induct launched a new digital platform for work and collaboration, for individuals @HOME and organizations @WORK. The platform offers a free video meeting service and makes it easier to manage and collaborate on projects, create discussion groups, manage, and collaborate on contracts, and supports organizational growth and development through dedicated governance rooms.

If you use @HOME or @WORK - Induct aims to make your digital every-day life a bit easier by giving you access to video meetings, task management, file manager and unlimited document storage, news feeds and chat areas.

Induct.net is a secure, collaborative and access-controlled platform that is free to use for individuals and organizations. There is no charge per user or hidden costs.

Income Statement

	Unaudited ¹⁾ Q3 2021	Unaudited Q3 2020	Unaudited ¹⁾ YTD Q3 2021	Unaudited YTD Q3 2020
Revenues				
Sales revenue – platform	4 135	1 808	8 523	5 448
Sales revenue – consulting	564	1 043	1 212	3 176
Research grant	315		315	
Total Revenues	5 014	2 851	10 050	8 624
Cost of sales				
Cost of sales – platform	149	61	315	229
Cost of sales – consulting	455	868	1 022	2 346
Total Cost of sales	604	929	1 337	2 575
Gross Margin	4 410	1 922	8 713	6 049
<i>Gross Margin Platform</i>	<i>96,4%</i>	<i>96,6%</i>		
<i>Gross Margin Consulting</i>	<i>19,3%</i>	<i>16,8%</i>		
Personnel costs	2 347	722	5 106	2 804
Depreciation & Amortization	1 807	581	3 369	1 666
Other operating costs	458	406	966	934
Total Operating Costs	4 611	1 709	9 441	5 405
Operating result	- 201	213	- 727	644
Financial items				
Financial income	4	1	22	1
Financial costs	413	158	1 559	396
Total Financial items	- 409	- 157	- 1 537	- 395
Extraordinary Cost	0	0	258	0
Net Profit before Taxation	- 610	56	- 2 587	348
Corporate Tax	0	0	0	0
Net Profit after Taxation	- 610	56	- 2 587	248
EBITDA	1 606	971	2 384	2 310

1) Numbers are including OSINT Analytics AS as of 1. July 2021

Balance Sheet

	Unaudited ¹⁾ Q3 2021	Unaudited Q3 2020	Audited FY 2020	Audited FY 2019
Non-current assets				
Intangible assets	28 263	11 263	13 305	10 964
Fixed assets	183	278	178	248
Total non-current assets	28 446	11 263	13 483	11 212
Current assets				
Receivables	6 380	5 910	4 730	5 694
Bank accounts	4 910	3 806	3 768	1 535
Total Current assets	7 992	9 715	8 498	7 229
Total assets	39 736	21 225	21 981	18 441
Shareholders Equity and Debt				
Paid-in capital				
Share capital	1 326	1 191	1 326	1 091
Non-registered share capital increase	700	3 000	-	4 000
Share premium reserve	2 636	90 285	99 430	91 509
Total paid-in capital	4 662	94 476	100 756	96 600
Retained earnings				
Uncovered loss	0	-89 130	-95 844	-93 792
Total retained earnings	0	-89 130	-95 844	-93 792
Total shareholder's equity	4 662	5 740	4 912	2 808
Debt				
Long-term debt	23 329	5 740	5 335	6 905
Short-term debt	6 637	8 606	10 460	6 810
Deferred revenues	5 107	1 563	1 274	1 918
Total debt	35 073	15 908	17 069	15 633
Total shareholder's equity and debt	39 735	21 255	21 981	18 41

1) Numbers are including OSINT Analytics AS as of 1. July 2021

Number of shares

Number of issued shares per 31.03.2021	13 260 030
Pending rights issue 1)	1 700 000
Pending share issue – acquisitions 2)	331 000
Convertible Loan 3)	1 801 000
Conversion of convertible notes 4)	179 487
Warrants attached to convertible notes 5)	374 724
Shares to be issued to OSINT shareholders 6)	1 887 820
Number of shares - fully diluted	19 534 061

- 1) The strike price for 350,000 options is NOK 4 per share.
The strike price for 1,000,000 options is NOK 4 per share.
The strike price for 350,000 options is NOK 5,5 per share.
- 2) Pending share issue relates to the acquisition of subsidiaries in Brazil, Spain, and India.

In addition to the 331,000 shares mentioned above, the purchase agreements include a performance based earn-out element, with a total cap of an additional 1.1 million shares based on aggressive growth performance over a 3-year period from the acquisition date. No shares are earned as of 31.12.2019.

- 3) Two convertible loans of NOK 5M and NOK 10M issued to NPP Capital AS with conversion price of NOK 10 per share. A total of 1,500,000 shares.
Three convertible loans of NOK 2M, NOK 0,6M and NOK 0,5M issued to Daimyo AS, Haadem Invest AS and Intelco AS. A total of 301,000 shares.
- 4) European High Growth Opportunities Securitization Fund (EHGO) had convertible notes amounting to NOK 3.7 million at the time they terminated the financing facility with Induct. Oslo District Court concluded that Induct has to issue 179,487 shares to EHGO and repay to EHGO the remaining NOK 3 million in convertible loan.
- 5) European High Growth Opportunities Securitization Fund has warrants attached to the convertible notes. The exercise price for the warrants is 120% of the weighted average trading price the last 5 trading days prior to Induct requesting a tranche.

The following warrants have been issued:

Tranche 1

100 000 warrants each giving the right to subscribe to one share each at a subscription price of NOK 12.50 per share.

Tranche 2

96 153 warrants each giving the right to subscribe to one share each at a subscription price of NOK 13.00 per share.

Tranche 3

178,571 warrants each giving the right to subscribe to one share each at a subscription price of NOK 7.34 per share.

The warrants expire five years from their issuance.

Since the financing facility has been terminated by EHGO, no more warrants will be issued under the facility.

- 6) Part of the purchase price for 100 % of the OSINT Analytics AS shares is to issue 1 887 820 shares to the shareholders in OSINT which chose to convert their OSINT shares to Induct shares. In addition, NOK 18 878 200 will be converted to shares in Induct when certain criteria are met. The conversion price is the weighted average share price of the month prior to meeting the criteria for conversion.

Financial results

Induct Group includes Induct AS and its 100% owned subsidiaries Induct Solutions UK Ltd. (UK), Induct Software Inc. (US), Induct SEA S.L (Spain), Induct R&D S.L (Spain), OSINT Analytics AS (Norway). Although we have not yet fully finalized the due diligence process, we have included OSINT Analytics AS in the numbers for the third quarter.

The group's platform revenue in Q3 2021 amounts to NOK 4.1 million, which is an increase of 127 % compared to Q3 2020. OSINT Analytics AS counts for NOK 2.1 million of the increase. Consulting revenue in Q3 2021 amounted to NOK 0.6 million which is down from NOK 1.0 million in Q3 2020.

Operating costs in Q3 2021 is NOK 4.6 million, which is up 169% compared to Q3 2020. OSINT Analytics AS counts for NOK 2.3 million of the increased operating costs.

Financial costs are mainly interest on convertible loans.

EBITDA for Q3 2021 has increased to NOK 1.6 million compared to NOK 0.9 million in Q3 2020.

Net Profit before taxation in Q3 2021 is NOK minus 0.6 million compared to NOK 0.1 million in Q3 2020. The booked equity is NOK 4.7 million by the end of Q3 2021, compared with NOK 5.7 million in Q3 2020.

The group's interest- bearing debt by end of Q3 2021 amounts to NOK 16.5 million, which primarily consists of convertible loans and loan from NPP Capital AS, Daimyo AS, Haadem Invest AS and Intelco AS.

Included in short-term debt by the end of Q3 2021 is deferred revenue amounting to NOK 5.1 million, up from NOK 1.6 million in Q3 2020. OSINT Analytics AS counts for the increase in deferred revenues.

Cash situation and funding

The cash situation is satisfactory for the company. However, the management and board strive to provide the most beneficial financing alternatives to its shareholders.

Oslo, 1 November 2021

Henning Petersen
(sign.)
Board Member

Karl Anders Grønland
(sign.)
Chairman

Hans Martin Nakkim
(sign.)
Board Member

Ole Jørgen Karud
(sign.)
Board Member

Øystein Tvenge
(sign.)
Board Member