

INDUCT INTERIM REPORT – Q2 2021

Highlights

- Platform revenues increased from NOK 1,8 million in Q2 2020 to NOK 2,3 million in Q2 2021
- Global eCPM (revenue for 1000 shown ads) of NOK 17,78 in Q2 2021 – with variance between NOK 0,53 and NOK 172,80 from lowest to highest paid market
- Positive EBITDA of NOK 0,9 million in Q2 2021
- Gross Margin of 95,9 % for platform revenues in Q2 2021
- Ad revenues generated from 32 countries in Q2 2021, compared to 19 countries in Q1 2021
- The project for creating a digital eco-system for governmental organizations in Norway to start in Q3 2021
- The NHS care pathway project is estimated to go live with real patient data in Q4 2021

CEO comment

We have continued to increase our user base and will continue to work hard to recruit more users. The video meeting service has become popular and is now counting for half of our ad revenues. One of the reasons is the easy access and there is no need for any user registration or downloads to participate in meetings on computers or mobiles. Since there is no need to register for participating in video meetings, we have a lot of unregistered users which generate impressions and revenues. It is likely that unregistered users will get access to even more offerings going forward, and users will become revenue generating even though they are not registered as an active user.

The Norwegian eco-system case is very exciting, as the goal is to create a digital eco-system for collaboration and knowledge sharing for all governmental organizations. The project will start in Q3 and should be up and running within 2021. We expect this initiative will generate a significant number of registered active users and a lot of impressions from non-registered users from our video conference solution.

We are progressing with our acquisition activities and discussions to date are very promising, both in terms of user growth and services offered through the Induct platform.

Induct has applied for a grant from Innovation Norway to the amount of NOK 3,6 million for the collaboration with the NHS on the care pathway project. We expect a decision early Q4 2021 from Innovation Norway. This project has a phased roll out plan. Phase one is for severe asthma staff members at Portsmouth Hospitals University NHS Trust, phase two is for staff members at five other hospitals and related health care services, and phase three is for the severe asthma patients. Asthma.org.uk reports that severe asthma affects approximately 3.6% (~200,000) of the 5.4 million people in the UK with asthma. The number of new users generated by the project is estimated at ~ 10 000. The project has created excitement beyond Portsmouth Hospital and the potential for heavy usage within the healthcare sector in England is promising.

The Induct platform now has users in 32 countries, meaning we have recruited users in 13 new countries during the quarter. This type of organic growth is exciting to see and is an indication that there is a global need for our platform and business model.

I hope you have had a great summer, stay safe and don't forget to use our video meeting service!

*Alf Martin Johansen
CEO of Induct*

Operational review

On the 4th May we officially launched MEET@Induct, a video meeting service that is free to use for everyone – regardless of the number of meeting rooms created, people invited or duration of meetings. MEET@Induct is available on your PC, tablet and smartphone and participants can join meetings even if they do not have an Induct user account.

MEET@Induct is the latest service added to our induct.net platform offering. It is now being used by private individuals, businesses, and organizations such as housing associations for conducting digital annual meetings.

During the second quarter we have also improved and optimized several exiting features, including invitations, making it easy for Induct users to invite large numbers of people to their teams and workspaces.

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.

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 second quarter. In Norway, we signed a new contract with Fauske municipality for innovation management.

Although we have avoided churn during the quarter, there is no doubt that the COVID-19 pandemic continues to impact our revenues from services and consulting. Reducing cost where necessary and 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 Q2 2021	Unaudited Q2 2020	Unaudited YTD Q2 2021	Unaudited YTD Q2 2020
Revenues				
Sales revenue – platform	2 302	1 807	4 388	3 641
Sales revenue – consulting	402	717	648	2 139
Total Revenues	2 704	2 519	5 036	5 780
Cost of sales				
Cost of sales – platform	93	79	166	168
Cost of sales – consulting	331	613	567	1 481
Total Cost of sales	424	692	733	1 649
Gross Margin	2 280	1 843	4 303	4 131
<i>Gross Margin Platform</i>	<i>95,9%</i>	<i>95,6%</i>		
<i>Gross Margin Consulting</i>	<i>17,6%</i>	<i>14,5%</i>		
Personnel costs	1 395	967	2 759	2 086
Depreciation & Amortization	794	548	1 562	1 086
Other operating costs	14	-561	508	507
Total Operating Costs	2 203	954	4 829	3 679
Operating result	77	323	- 526	452
Financial items				
Financial income	9	0	18	0
Financial costs	1 025	112	1 146	237
Total Financial items	- 1 016	- 112	- 1 128	- 237
Extraordinary Cost	0	0	258	0
Net Profit before Taxation	- 939	211	- 1 912	215
Corporate Tax	- 10	0	0	0
Net Profit after Taxation	- 928	211	- 1 912	215
EBITDA	872	871	1 036	1 538

Balance Sheet

	Unaudited Q2 2021	Unaudited Q2 2020	Audited FY 2020	Audited FY 2019
Non-current assets				
Intangible assets	14 098	11 083	13 305	10 964
Fixed assets	193	284	178	248
Total non-current assets	14 292	11 367	13 483	11 212
Current assets				
Receivables	4 489	7 702	4 730	5 694
Bank accounts	3 503	1 760	3 768	1 535
Total Current assets	7 992	9 462	8 498	7 229
Total assets	22 284	20 829	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	-	-	4 000
Share premium reserve	154	90 262	99 430	91 509
Total paid-in capital	2 180	91 453	100 756	96 600
Retained earnings				
Uncovered loss	0	-88 629	-95 844	-93 792
Total retained earnings	0	-88 629	-95 844	-93 792
Total shareholder's equity	2 180	2 824	4 912	2 808
Debt				
Long-term debt	16 495	6 157	5 335	6 905
Short-term debt	3 609	11 848	11 734	8 728
Total debt	20 104	18 005	17 069	15 633
Total shareholder's equity and debt	22 284	20 829	21 981	18 441

Number of shares

Number of issued shares per 31.03.2021	13 260 030
Pending rights issue 1)	1 350 000
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
Number of shares - fully diluted	17 296 241

- 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.
- 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.

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) and Induct R&D S.L (Spain).

The group's platform revenue in Q2 2021 amounts to NOK 2.3 million, which is an increase of 27 % compared to Q2 2020. We have increased the number of users, and the revenues are starting to increase, however, there will be a lag from user generation until we see the full revenue potential from all the active users. Consulting revenue in Q2 2021 amounted to NOK 0.4 million which is down from NOK 0.7 million in Q2 2020.

Operating costs in Q2 2021 is NOK 2.2 million, which is up 130% compared to Q2 2020, due to reclassification of Skattefunn accounting principle in Q2 2020.

Financial costs include interest on the settlement payment to ABO / EHGO with NOK 0.8 million, interest on loan from NPP Capital AS, a company wholly owned by Alf Martin Johansen, CEO of Induct, in addition to interest on loan from Innovation Norway.

EBITDA for Q2 2021 is NOK 0.9 million compared to 0.8 million in Q2 2020.

Net Profit before taxation in Q2 2021 is NOK minus 0.9 million compared to NOK 0.2 million in Q2 2020. The booked equity is NOK 2.2 million by the end of Q2 2021, compared with NOK 4.9 million in Q2 2020.

The group's interest- bearing debt by end of Q2 2021 amounts to NOK 16.5 million, which primarily consists of convertible loans and loan from NPP Capital AS.

Included in short-term debt by the end of Q2 2021 is deferred revenue amounting to NOK 2.4 million, down from NOK 2.8 million in Q2 2020.

The finance facility with European High Growth Opportunities Securitization Fund (EHGO) was terminated in November 2018. Because of Supreme Court of Appeals decision, Induct AS has paid all outstanding debt to EHGO, including purchase of 179,487 shares for NOK 2 million.

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, 13 August 2021

Henning Petersen
(sign.)
Board Member

Vibeke Hammer Madsen
(sign.)
Chairman

Hans Martin Nakkim
(sign.)
Board Member