

INDUCT INTERIM REPORT – Q1 2021

Highlights

- The platform revenues increased from NOK 1,8 million in Q1 2020 to NOK 2,1 million in Q1 2021
- More than 25,000 unique user log ins in Q1 2021
- Global eCPM (revenue for 1000 shown ads) of NOK 20,04 in Q1 2021, up from NOK 17,65 in Q4 2020
- Gross Margin of 96,5 % for platform revenues in Q1 2021
- Q1 2021 consulting revenue of NOK 0.2 million, down from NOK 1.4 million in Q1 2020 due to significantly less consulting activity during global lockdown
- Operating cost of NOK 2.6 million in Q1 2021, up from NOK 2.2 million in Q1 2020
- EBITDA for Q1 2021 is NOK 0.2 million compared to 0.7 million in Q1 2020
- A video conference offering was successfully launched at the end of Q1 2021

CEO comment

We are very pleased to have reached the 25k milestone! Since early December, we have worked hard to recruit users. As we see the number of users grow, we also see that the usage and ad impressions grow. However, there is a lag between the newly recruited users and how much impressions they generate per month. The video meeting functionality seems to shorten the period between a user creating an account and becoming a significant impression generator. The platform revenues (subscriptions and ads) are growing, and we are confident that the ad business model will contribute to significant revenues going forward and become a competitive advantage for us!

Our consulting revenues have been heavily impacted by COVID-19. We have not had any consulting revenues in Norway in Q1 and Spain has been hit hard due to several lockdowns. This has affected our groups net profit, but we expect to replace the consulting revenues with platform revenues with much higher gross margin. Therefore, it is promising to see the results of the efforts put into onboarding customers in Spain. Our ad based (free of charge) business model seems to work very well in Spain.

During Q2 2021 we will increase our efforts to recruit more users to the platform. User recruitment will be our highest priority in the next quarter, and we have several initiatives underway to reach our next milestone of 50k users. One of the initiatives is to engage our registered user base of 165k users with our video meeting functionality.

With other video meeting providers now reducing their free offerings, and tightening their payment plans, we see an opportunity to use the video meeting functionality to penetrate this market. With the upcoming release where we will move Meet @Induct from beta to a full-scale solution, we will carry out several marketing campaigns nationally and internationally.

Stay safe and use our video meeting facility to meet and connect with others!

*Alf Martin Johansen
CEO of Induct*

Operational review

In Q1 we reached several important milestones. On the 22nd of March we announced that we had over 25.000 signed in users within a 3-month period. Our user base consists of both individuals and organizations, and we are receiving good feedback and input from both user groups on platform functionality and usability. On the 26th of March we announced the release of an integrated video meeting solution (in beta) on the Induct platform. Video meetings are part of our free offering and is available for individual users and organizations. Results from the beta solution are very promising and we will be releasing the first full scale version of Meet@Induct at the beginning of the second quarter.

We have continued the development of our @HOME and @WORK offerings on the induct.net platform. Key areas developed and implemented during the quarter include better invitation and membership request functionality, further development of @PATIENT for the NHS in England and the beta video meeting solution – Meet@Induct.

In the last quarter of 2020, we developed new processes and procedures to streamline the onboarding of organisations to @WORK. In Q1 we have developed starter templates for voluntary organizations in both English and Norwegian. These starter templates are pre-populated for organizations and contain standard governance rooms, categorization, project-, contract-, and group examples and a series of templates that are ready for use. The response to these templates has been very positive. They make it easier for organizations to get started with, and continue using, Induct and at the same time reduce the effort required from our resources in the onboarding process.

Our onboarding procedures are now in use by the UK and Spanish daughter companies. In the UK, we have over 25 organizations in the onboarding process. In Spain, we have identified target sectors and user groups and will start onboarding early in Q2. In Norway, we have more than 100 organizations in process. Typically, organizations being onboarded to @WORK represent between 100 – 20.000 members/users.

We have not had any churn in Q1, and in Spain we have renewed contracts with 3 customers. Although we have avoided churn during the quarter, there is no doubt that the COVID-19 pandemic has been challenging and reduced our revenues from professional services / consulting. Our focus is therefore on reducing cost where necessary and optimizing how we spend our time and efforts 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 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 Q1 2021	Unaudited Q1 2020	Unaudited FY 2020	Audited FY 2019
Revenues				
Sales revenue – platform ¹⁾	2 086	1 823	11 752	13 785
Sales revenue – consulting ¹⁾	246	1 439		
Total Revenues	2 332	3 261	11 752	13 785
Cost of sales				
Cost of sales – platform	73	89	348	629
Cost of sales – consulting	236	868	2 586	3 546
Total Cost of sales	309	957	2 934	4 175
<i>Gross Margin Platform</i>	<i>96,5%</i>	<i>95,1%</i>		
<i>Gross Margin Consulting</i>	<i>4,1%</i>	<i>39,7%</i>		
Personnel costs	1 364	1 119	3 885	5 840
Depreciation & Amortization	768	538	2 286	3 489
Other operating costs	494	518	1 427	5 969
Total Operating Costs	2 626	2 175	10 531	15 298
Operating result	- 603	129	1 221	- 5 688
Financial items				
Financial income	9	0	168	17
Financial costs	121	125	557	573
Total Financial items	- 112	- 125	- 389	- 556
Extraordinary Cost	258	0	2 738	0
Net Profit before Taxation	- 973	4	- 1 906	- 6 244
Corporate Tax	10	0	43	29
Net Profit after Taxation	- 983	4	- 1 949	- 6 274
EBITDA	165	667	3 519	- 2 199

1) Platform and consulting revenues are separated on quarterly basis.

Balance Sheet

	Unaudited Q1 2021	Unaudited Q1 2020	Unaudited FY 2020	Audited FY 2019
Non-current assets				
Intangible assets	13 521	11 028	13 735	10 964
Fixed assets	190	288	262	248
Total non-current assets	13 711	11 316	13 997	11 212
Current assets				
Receivables	4 162	5 947	3 748	5 694
Bank accounts	3 260	2 794	3 825	1 535
Total Current assets	7 422	8 741	7 574	7 229
Total assets	21 133	20 057	21 571	18 441
Shareholders Equity and Debt				
Paid-in capital				
Share capital	1 326	1 191	1 326	1 091
Non-registered share capital increase	-	-	-	4 000
Share premium reserve	96 014	90 336	96 073	91 509
Total paid-in capital	97 340	91 527	97 399	96 600
Retained earnings				
Uncovered loss	-91 716	-89 261	-91 937	-93 792
Total retained earnings	-91 716	-89 261	-91 937	-93 792
Total shareholder's equity	5 625	2 266	5 462	2 808
Debt				
Long-term debt	6 573	3 541	5 657	6 905
Short-term debt	8 935	14 250	10 451	8 728
Total debt	15 508	17 791	16 109	15 633
Total shareholder's equity and debt	21 133	17 900	21 571	18 441

Number of shares

Number of issued shares per 31.12.2020	13 260 030
Pending rights issue 1)	1 350 000
Pending share issue – acquisitions 2)	331 000
Convertible Loan 3)	1 500 000
Conversion of convertible notes 4)	179 487
Warrants attached to convertible notes 5)	374 724
Number of shares - fully diluted	16 995 241

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.

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. Induct is of the opinion that EHGO did not have the right to terminate the financing facility and have therefore claimed damages of around NOK 3.8 million which offsets EHGO's right to claim back their remaining NOK 3.7 million in convertible notes. 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.

Induct has appealed the decision to Borgarting Court of Appeals. The decision by Oslo District Court does not result in any cash payment or issuance of shares from Induct to EHGO until the case is finally settled by Borgarting Court of Appeal or the Supreme Court of Norway.

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 Q1 2021 amounts to NOK 2.1 million, which is an increase of 10% compared to Q1 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 Q1 2021 amounted to NOK 0.2 million which is down from NOK 1.4 million in Q1 2020. The global COVID lockdown has reduced consulting revenues significantly.

Operating costs in Q1 2021 is NOK 2.6 million, which is up 20% compared to Q1 2020, primarily due to some increase in employee costs and amortization.

Financial costs include 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 Q1 2021 is NOK 0.2 million compared to 0.7 million in Q1 2020.

Net Profit before taxation in Q1 2021 is NOK minus 1.0 million compared to a zero result in Q1 2020. The booked equity is NOK 5.6 million by the end of Q1 2021. This is an improvement from NOK 2.3 million in Q1 2020.

The group's interest- bearing debt by end of Q1 2021 amounts to NOK 6.7 million, which primarily consists of loan from Innovation Norway of NOK 1.4 million, a bank loan in Spain of NOK 1.7 million and NOK 3.6 million to NPP Capital AS.

Included in short-term debt by the end of Q1 2021 is deferred revenue amounting to NOK 2.1 million, down from NOK 2.7 million in Q1 2020.

The finance facility with European High Growth Opportunities Securitization Fund (EHGO) was terminated in November 2018. Convertible notes amounting to NOK 3.7 million due to EHGO and NOK 2.0 million in legal fees and interest are booked as short-term debt in Q4 2020. Supreme Court of Appeal has reached a decision regarding the dispute between Induct and EHGO which concludes that Induct has to issue 179,487 shares to EHGO and repay to EHGO the remaining NOK 3 million in convertible loan.

Cash situation and funding

Induct has completed a placement of convertible loans to secure payment of the results of the court case with ABO / EHGO.

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, 30 April 2021

Henning Petersen
(sign.)
Board Member

Vibeke Hammer Madsen
(sign.)
Chairman

Hans Martin Nakkim
(sign.)
Board Member