CodeLab Capital

SECOND HALF REPORT 2024

CodeLab Capital AS

codelabcapital.com

About CodeLab Capital

- An investment company supporting tech companies with strategy, capital and network
- Focus on sustainable growth giving a positive global impact
- Listed on Euronext Growth

Second half highlights

- Uniscale commercialization showed very promising KPIs in third quarter, but low long-term adoption and too low conversion of trial to paying customers
- In order to protect the shareholders' values, CodeLab stopped funding of Uniscale on the back of delayed and lower revenues than planned for
- Significant cost reduction initiatives were implemented during 2nd half of 2024 to increase runway, including shutting down the commercial efforts during fourth quarter, reducing staff to a minimum and file for bankruptcy in the Danish subsidiary (all intellectual property remains in Uniscale AS – the Norwegian company)
- The CodeLab board has concluded that the value creation for the Uniscale product could be better achieved with another owner. As such, strategic processes continue to run to find a long term solution for Uniscale and potentially CodeLab
- Large write-downs in fourth quarter
- The Group had net cash of NOK 20m at end of December

Financial review first half

The quarter is highly impacted by large one-off effects in the accounts following disposal of Uniscale Denmark ApS and Acerat Ltd.

CodeLab Capital ("CODE"), reported NOK 26.4m in revenues in the second half. The revenues stem from paying Uniscale customers of NOK 158k, gain on disposal of subsidiary and debt write downs of NOK 26.2m.

Personnel expenses ended at NOK 13.5m for the second half of 2024, down from NOK 20.2m in 2H23. 2024 saw several rounds of cost cutting initiatives, including reorganizations and lay-offs. Bringing the costs of operations significantly down going into 2025.

Other opex came in at NOK 9.7m. In addition, the Group booked losses related to the disposals of NOK 5.2m.

Total capitalized costs were NOK 9.4m in the period related to development until October.

2H24 was a volatile period with high optimism through 3Q, but drastic measures were implemented in 4Q following negative surprises, mainly on churn of customers and time to market. This include reducing costs to a minimum, filing for bankruptcy for Uniscale Denmark ApS, and selling Acerat to eliminate further liabilities. This has had an impact on the financial accounts.

Balance sheet and cash flow items

The intellectual property has, as of year end and according to accounting principles / audit perspective, limited "in-use" value as the commercial operations have been halted, and has been written down to reflect this. The Board of CodeLab Capital is of the opinion that the IP has a substantial real and fair value.

The cash position was NOK 20.3m end of December, and there is no interest-bearing debt.

All previously intracompany items between the two companies Uniscale Denmark ApS and Acerat, to and from the other companies in the Group have been written down to 0, impacting the balance sheet items for the companies.

Total consolidated equity was NOK 28.2m by end of December.

The net cash flow in the period was NOK 4.8m. Operational cash flow came in at NOK -23.2m, while NOK -9.4m were total capitalized R&D costs.

Operational and other matters

CodeLab Capital enters 2025 with a cash burn rate that is significantly lower than ever, providing the company with necessary runway to find good long-term solutions for its shareholders.

The Uniscale product suite aimed to solve the major issues within software development. The tools could be used by any company doing software development, regardless of size, sector, regulations and/or geography. The B2B software tool would increase efficiency and quality of the software development process among its users. The company had taken the initial upfront investment in infrastructure to scale globally on its first products. Given good penetration Uniscale had the potential to reshape the entire IT/SW business landscape.

Uniscale launched the commercialization of its first products spring 2024. The initial primary target was smaller business customers (high volume in logos, but limited licenses per logo). Late summer of 2024 the company had over 300 licenses signed up. Adjusting for trial customers approx. 1/3 of these were revenue generating for Uniscale (30 and 104 paying licenses end of July and Sept respectively, and the average price per license increased). At that time the numbers were increasing, the pipeline growing and optimism high. Customers were signed up throughout Europe and in India. Uniscale decided therefore to expand into the enterprise segment where it quickly gained traction among some blue-chip Nordic enterprises.

July/August were the peak months where commercialization looked promising.

Late August the company received signs that smaller customers would churn, and in September that became a reality. Our segment of smaller trial customers didn't convert to paying customers (UI/UX challenges being the primary reason) although the company had been working hard to improve adoption rates. Therefore, the company narrowed the strategic and commercial focus towards the enterprise segment. This change led to a reorganization of the staff composition to reduce risk and cash burn.

Despite the set-back on the SME segment, the new strategy showed very promising progress with potential customers of high "face-value". The negotiations showed that the revenue/value for Uniscale per logo increased significantly. And the customers really acknowledged what the products could solve a major pain point in product development and maintenance.

In July CodeLab Capital carried out a share issue to fund the commercialization of the Uniscale products but was not able to raise as much as hoped for. As such the Board of Directors set rather short deadlines to prove commercial and monetary momentum.

Through September and October, the enterprise segment backlog of potential customers grew, but early signs were received that the sales process would take longer time than initially planned for. Uniscale's most promising leads wanted to apply the tools/products on a real project (refactoring entire ERP systems, new development etc), but these projects were planned months down the road. That was not a timeline Uniscale's liquidity situation would allow with the cost base Uniscale had at that time.

Mid/late October 2024 the Board of Directors decided, based on the long lead time to revenue and a very challenging outlook on investor funding, that the risk was too high to continue with the current cost structure and without tangible enterprise customer agreement(s) (which would have been a catalyst to raise more money). The limited liquidity runway made it hard to prove a successful outcome. As a result, it was decided to reduce the funding of Uniscale to a minimum. This again involved reducing the cost base further to a minimum (terminating suppliers, reorganization etc.) and ultimately the Danish subsidiary filed for bankruptcy 5th of November and Acerat was sold.

The Danish subsidiary employed most of the staff and held most of the operating expenses, while the IP resides in Uniscale AS. The enterprise initiatives continued through November and December, but with declining probability of reaching tangible revenue in time to solve the liquidity situation. Development resources in Denmark were reduced in several rounds through 2024, and as such by October there was very few remaining employees in the Danish entity.

The future potential and value creation of the Uniscale product, based on the product development and the technical documentation developed through 2024, could be achieved through continue working towards enterprise customers, sell copies of the Uniscale source code as a white labelling solution, or monetize on the tool in connection with potential M&A cases.

We still believe the Uniscale IP to be valuable in the right hands. Several parties have confirmed that it addresses a common pain point in software development, and we will continue to explore opportunities for Uniscale going forward.

Outlook

We were negatively surprised by the lack of converting the commercial momentum to actual revenue for Uniscale during the autumn, and that forced drastic measures to protect the cash situation of the Group.

In February 2025, the company got a new majority owner and Chairman.

Further initiatives have been taken to safeguard liquidity, along with cost and liability reductions, providing the company with a cash runway to pursue opportunities for the Group.

We will continue CodeLab Capital’s mission of building and investing in promising companies, and securing long-term value for CodeLab Capital’s shareholders.

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Consolidated statement of profit & loss

CODELAB CAPITAL AS

	H2 2024	H2 2023
Revenue	158 204	2 793 420
Gain on disposal of subsidiary	26 236 106	0
Other operating income	19 850	0
Operating income	**26 414 160**	**2 793 420**
Cost of good sold	-728 763	-844 605
Gross profit	**25 685 396**	**1 948 815**
Payroll expenses	-13 478 448	-20 163 908
Loss on disposal of subsidiaries	-5 217 667	
Other operating expenses	-9 669 371	-10 122 505
EBITDA	**-2 680 090**	**-28 337 598**
Depreciation, amortisation and write downs	-69 215 260	-27 735 026
EBIT	**-71 895 349**	**-56 072 623**
Interest income	3 154 270	2 482 070
Other financial income	0	3 089 972
Interest expenses	-1 749 560	-783
Other Financial expenses	0	-1 242 042
Net financial income and expenses	**1 404 710**	**4 329 217**
Operating result before tax	**-70 490 639**	**-51 743 406**

Consolidated statement of financial position

CODELAB CAPITAL AS

ASSETS	H2 2024	H2 2023
Intangible assets		
Research and development	0	62 075 487
Total intangible assets	**0**	**62 075 487**
Tangible assets		
Property, plant & equipment	11 385	10 958 421
Total tangible assets	**11 385**	**10 958 421**
Non current financial assets		
Long term receivables	124 091	2 602 140
Total financial fixed assets	**124 091**	**2 602 140**
Total fixed assets	**135 476**	**75 636 048**
Current assets		
Trade receivables	66 096	324 038
Other receivables	355 244	4 915 397
Cash and bank deposits	20 336 247	57 226 063
Total current assets	**20 757 588**	**62 465 498**
TOTAL ASSETS	**20 893 064**	**138 101 546**

Consolidated statement of financial position

CODELAB CAPITAL AS

EQUITY AND LIABILITIES	**H2 2024**	**H2 2023**
Share capital	46 949 019	27 315 914
Other equity	-28 788 373	106 237 114
Total equity	**18 160 646**	**133 553 028**
Current liabilities		
Trade payables	1 538 934	1 005 375
Public duties payable	391 404	348 531
Other short term liabilities	802 080	3 194 612
Total current liabilities	**2 732 418**	**4 548 518**
TOTAL EQUITY AND LIABILITIES	**20 893 064**	**138 101 546**

Consolidated statement of cash flow

CODELAB CAPITAL AS

	H2 2024	H2 2023
Cash flows from operating activities		
Profit/loss before tax	-70 490 639	-51 743 406
Gain / loss on disposal of subsidiaries	-21 018 438	0
Share based remuneration	0	1 721 513
Depreciation and amortisation expense	69 215 260	27 735 026
Net financial items	-1 404 710	-4 329 217
Change in accounts receivable	242 221	867 974
Change in accounts payable	988 468	-5 445 556
Change in other accrual items	-754 507	-287 684
Items classified as investing/financing activities	0	-4 750 000
Net cash flows from operating activities	**-23 222 346**	**-36 231 351**
Purchase of PPE and intangible assets	-9 401 468	-15 878 684
Payments to buy shares	0	-3 500 000
Proceeds from grants	0	4 750 000
Net cash flows from investment activities	**-9 401 468**	**-14 628 684**
Cash flows from financing acitvites		
Payments of transaction costs equity transactions	0	-162 500
Net new equity raised	35 982 517	0
Financing cost	1 404 710	4 329 217
Net cash flows from financing activities	**37 387 227**	**4 166 717**
Net change in cash and cash equivalents	4 763 413	-46 693 318
Effect of exchange rate differences	-39 495	139 406
IB Cash and bank deposits	15 612 328	103 779 975
Cash and bank deposits per 31/12	**20 336 247**	**57 226 063**

Notes

Accounting principles

Basis of preparation

The consolidated financial statements have been prepared in accordance with the Norwegian Accounting Act and generally accepted accounting principles in Norway (NGAAP). The consolidated financial statements are presented in NOK. The parent entity's functional currency is NOK.

Use of Estimates

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts in the profit and loss statement, the measurement of assets and liabilities and the disclosure of contingent assets and liabilities on the balance sheet date. Underlying results can differ from these estimates. Key judgemental items include the useful life of R&D (5 years), capitalized costs and deferred tax assets.

Consolidation

The Group's consolidated financial statements comprise Codelab Capital AS and companies in which Codelab Capital AS has a controlling interest. A controlling interest is normally obtained when the Group owns more than 50% of the shares in the company and can exercise control over the company. Codelab Capital AS has three subsidiaries as of end of 1H 2024, Uniscale AS (functional currency NOK), Uniscale ApS (functional currency DKK) and Acerat Ltd. (functional currency USD and Uganda Shilling). The consolidated financial statements have been prepared in accordance with the same accounting principles for both parent and subsidiary. When preparing the consolidated financial statements, intra-group transactions and balances, along with gains and losses on transactions between group entiteis have been eliminated. Subsidiaries are fully consolidated from the date on which control is obtained and consolidated until such control ceases.

Foreign currency

Foreign currency transactions are recorded at the exchange rate on the transaction date. Monetary items are translated to the year-end exchange rates. Changes in the carrying amount of such assets due to exchange rate movements between the transaction date and the balance sheet date are recognized as a foreign currency gain or loss classified as a financial item in the consolidated statement of profit or loss.

Revenue Recognition

Services are recognized as revenue as the service is delivered to the customer over the period of the customer contract. Revenue from subscription services and longer term contracts (over twelve months) is recognized evenly on a monthly basis in accordance with the customer agreement. During 2023 revenue is recognized related to the divested subsidiaries. No revenue was recognized after 30 April 2023.

Classification and valuation of current assets

Current assets consist of items that fall due for payment within one year of the balance sheet date. Initial recognition of receivables from customers and other short-term receivables is at transaction value after deducting a provision for expected losses. The provision for losses is made on the basis of an individual assessment of the respective receivables. In addition, when deemed necessary by management, an unspecified provision is made to cover expected losses on claims in respect of customer receivables. Accounts receivable are subsequently measured at amortized cost.

Leases

Leases for office space and other items are recognized as operating leases, and lease expense is recognized as the contractual amount incurred. The Group does not have any financial leases.

Research and development

Development expenses are capitalized to the extent that one can identify a future economic benefit related to the development of an identifiable intangible asset and where the acquisition cost can be measured reliably. Development related activities that do not meet these criteria are expensed as incurred. Capitalized development expenses are depreciated on a straight-line basis over its economic lifetime. Continuous impairment tests are conducted across all our R&D related activities and capitalized values, to assure that the value-in-use is intact.

Property, plant and equipment

Property, plant and equipment (PP&E) consists of tangible assets intended for long-term ownership and use. PP&E assets are valued at acquisition cost less depreciation and write-downs. Plant and equipment is capitalized and depreciated over the economic lifetime of the asset. Direct maintenance of plant and equipment is expensed on an ongoing basis under operating costs, while additions or improvements are added to the asset’s cost price and depreciated in line with the asset. Plant and equipment is written down to the recoverable amount in the event of a fall in value that is not expected to be temporary. The recoverable amount is the higher of the net sales value and the value-in-use. Value-in-use is the present value of future cash flows related to the asset. The write-down is reversed when the basis for the write-down is no longer present.

Tax

The tax charge in the profit and loss account consists of taxes payable for the period and the change in deferred tax. Deferred tax is calculated at the tax rate at 22% on the basis of tax-reducing and tax-increasing temporary differences that exist between accounting and tax values, and the tax loss carried forward at the end of the accounting year. Tax-increasing and tax-reducing temporary differences that reverse or may reverse in the same period are offset and entered net. The net deferred tax asset / liability is recognized in the balance sheet to the extent that it is likely that it can be utilized.

Statement of cash flows

The cash flow statement has been prepared using the indirect method. Cash and cash equivalents consist of cash and bank deposits.