



ZignSec

Interim report Q2

1 April to 30 June 2022

Report highlights



Financial overview Q2 2022

- Net revenue amounted to SEK 23.4 (6.0) million, an increase of 293% compared with the corresponding quarter the year before.
- Operating profit/loss before depreciation and amortization EBITDA amounted to SEK -7.5 (-7.3) million.
- Cash and cash equivalents amounted to SEK 6.3 (151.3) million.

Significant events during the second quarter

- ZignSec launched its new portal that will simplify the onboarding process of new customers, as well as make it easier for the company's existing customers, to discover and purchase more relevant products.
- ZignSec developed a new communication platform to make it easier for banks to handle Mastercard's new rules regarding disputes for refunds.

Significant events after the end of the second quarter

- ZignSec has signed a partnership agreement with Mastercard's subsidiary Ethoca that enables the company to offer its platform for processing payment claims to failing banks as an official Mastercard Collaboration Service Provider.
- ZignSec has, through its subsidiary Web Shield, signed a customer agreement with Deutsche Bank regarding the use of solutions to automate the due diligence process for merchants.
- ZignSec AB has carried out a rights issue that has provided the company with SEK 59.2 million, before issue costs.

Summary A word from the CEO

ZignSec delivered a sales figure broadly similar to that of the previous quarter. In Q2, 2022, we generated net revenue of SEK 23.4 million against a net revenue of SEK 24.3 million in Q1, 2022. The key factors behind the less aggressive growth were the termination of client agreements in Russia and paused sales initiatives of ZignSec products as we concentrated on finalizing the new portal.

In-housing R&D activities and expanding our development team has accelerated our product roadmap, launching the new SaaS portal and the Chargeback Management Platform, which has secured our position as a Mastercard Collaboration Service Provider.



Interim report Q2

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About the Group

ZignSec is a technology group in the fast-growing RegTech industry. The company provides SaaS platform with digital real-time solutions for customer due diligence and ID verification with global reach.

The solutions are used by companies that in turn can optimize their processes for “onboarding” both corporate customers and consumers and at the same time ensure compliance with ever-changing local and global regulatory requirements for Know Your Customer (KYC) and Anti Money Laundering (AML).

Financial summary

(mSEK)	Apr 1 - Jun 30 2022	Apr 1 - Jun 30 2021	Jan 1 - Jun 30 2022	Jan 1 - Jun 30 2021	Jan 1 - Dec 31 2021
Total revenue	23.9	6.0	48.5	11.3	53.5
Net revenue	23.4	6.0	47.7	11.1	52.9
Net revenue growth	293%	85%	-10%	95%	278%
EBITDA	-7.5	-7.3	-11.1	-13.7	-24.8
Operating profit/loss (EBIT)	-33.9	-12.1	-58.6	-22.0	-78.9
Net cash	4.6	151.3	4.6	151.3	24.3
Equity/Assets ratio	70%	81%	70%	81%	73%
Average number of employees	73	40	77	39	58
Number of shares	33,831,244	29,665,008	33,831,244	29,665,008	33,831,244
Earnings per share (SEK)	-1.012	-0.452	-1.740	-0.843	-2.150



ZignSec

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A Word from the CEO

ZignSec delivered a sales figure broadly similar to that of the previous quarter. In Q2, 2022, we generated net revenue of SEK 23.4m against a net revenue of SEK 24.3m in Q1, 2022, a decline of approximately 4%. This is not the same aggressive growth that we have experienced in the past as we have made some decisions that will benefit the Group in the long term, but will have an impact on growth in the short term.

To summarize the key factors behind this; we have terminated some client agreements in Russia, developed new products to address impending regulations (such as the Mastercard / Ethoca partnership), merged Basis ID with ZignSec, and paused sales initiatives of ZignSec products as we concentrated on finalizing the new portal. The above-mentioned initiatives are now complete and will shift our sales growth towards Q4 2022 and 2023.

Q2, 2022 was a period of investment and transition for ZignSec, as we implemented many of the changes that had been identified as part of the review that took place since assuming the role of CEO towards the end of Q1, 2022. Some of these initiatives will continue during Q3 2022, but several have an end-date in Q4-2022.

In addition to reorganizing and augmenting the management team we have focused on integrating the various entities within the Group to create a more unified and cohesive organization as well as centralize many functions within the Group to enhance efficiencies and facilitate our plans for scaling the Company.

As a result of bringing all our R&D activities in-house and expanding our development team, we have been able to exert greater control over our development initiatives and accelerate our product roadmap. During the quarter, we have extended the platform with new functionalities and launched SaaS portal, industry-specific workflows and a new web site to accompany this. The next generation of ZignSec's solutions offers a compelling proposition to clients and significantly increases our addressable market. In addition, we have developed a product for handling chargebacks for acquiring banks and their merchants and have signed an agreement with Mastercard / Ethoca as an official Collaboration Service Provider.

We recently announced the signing of Deutsche Bank as a client, which is a strong validation of our ability to manage the compliance of very large financial institutions. In addition, we also recently signed some other large financial service brands, including Qatar National Bank, one of the largest financial institutions in the Middle East and Sony Payment Services, Japan's largest payment service provider.

These new client wins across multiple geographies is a strong demonstration of ZignSec's ability to successfully grow internationally. Our recent push into the US market is also starting to show promising signs.



Whilst innovation remains at the core of ZignSec, we have now established the necessary infrastructure, organizational structure, as well a next generation suite of products, to enable us to start scaling the Company. We plan to start strengthening our sales team and sales initiatives to facilitate this growth.



Alex Noton
CEO, ZignSec AB (publ)



Group development

The quarter April to June 2022

Revenue and operating profit

The Group's net sales for Q2, 2022 amounted to SEK 23.4 (6.0) million, which corresponds to an increase of 293% compared to the same quarter for the previous year.

EBITDA amounted to SEK -7.5 (-7.3) million. The change is mainly due to increased costs for staff and consulting services related to the development and expansion of the company's service offerings, as well as an increased investment in the sales and marketing organizations.

Development

During the second quarter of 2022, the closing balance of capitalized development expenditures after depreciation remained unchanged. The investments made are mainly related to the development and integration of new ID verification solutions as well as work with improved user-experience in portals and product flows.

Depreciation and amortization during the second quarter amounted to SEK -26.4 (-4.8) million. The change is mainly due to consolidated amortization of acquired technology, customer relations and goodwill.

Financial net

Net financial items for the second quarter amounted to SEK -1.3 (-0.1) million.

Tax

Estimated tax on profit for the second quarter amounted to SEK 1.0 (0.6) million.

The period January to June 2022

Revenue and operating profit

The Group's net sales for the period 2022 amounted to SEK 47.7 (11.1) million, which corresponds to an increase of 328% compared to the same period for the previous year.

EBITDA amounted to SEK -11.1 (-13.7) million. The change is mainly due to increased costs for staff and consulting services related to the development and expansion of the company's service offerings, as well as an increased investment in the sales and marketing organizations.

Development

During the period 2022, capitalized development expenditures after depreciation decreased by a total of SEK 0.1 million. The investments made are mainly related to the development and integration of new ID verification solutions as well as work with improved user-experience in portals and product flows.

Depreciation and amortization during the period amounted to SEK -47.5 (-8.4) million. The change is mainly due to consolidated amortization of acquired technology, customer relations and goodwill.

Financial net

Net financial items for the period amounted to SEK -2.0 (0.0) million.

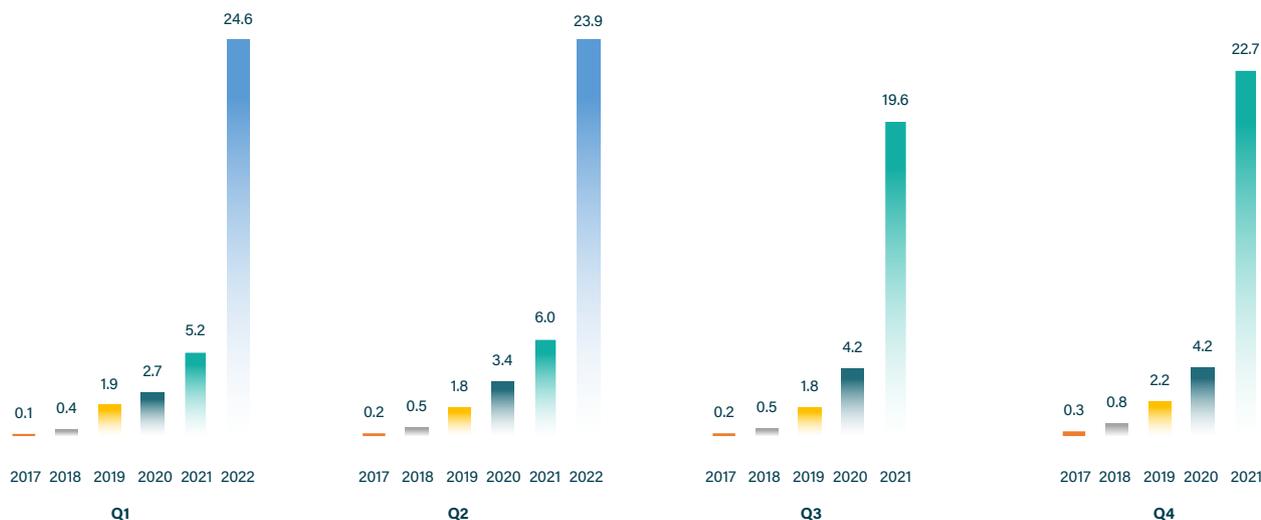
Tax

Estimated tax on profit for the period amounted to SEK 1.7 (1.0) million.

Quarterly turnover development

2017-2022

(mSEK)



Financial position

Financial position and liquidity

As of June 2022, the group had SEK 6.3 (151.3) million in cash and cash equivalents. The balance sheet total amounted to SEK 340.8 (241.1) million.

The company will continue its initiated drive towards international expansion with focus on development and sales.

Operating cash flow

Cash flow from operating activities during the second quarter 2022 amounted to SEK -6.4 (-7.5) million.

Financing

The company carried out rights issue after the end of the second quarter, which raised SEK 59.2 million before issue costs. Existing cash and cash equivalents are deemed sufficient to meet current capital needs.

Investments and acquisitions

ZignSec has communicated that an acquisition strategy is being applied and will keep the market updated in the future.

Significant events in the second quarter

In the second quarter of 2022, ZignSec developed a communication platform for acquiring banks to address Mastercard's new rules regarding chargeback dispute resolution. The developed platform will be directly connected to the Web Shield due diligence (InvestiGate) system to ensure smooth management and onboarding of new merchants.

ZignSec launched its new Customer Portal, a compliance orchestration platform that provides clients with a convenient way to access ZignSec's portfolio of integrated, best-of-breed KYC, KYB and AML compliance solutions. The launch of the portal is accompanied by a new web presence.

ZignSec has implemented a structural organizational change at group level that has resulted in a more function-based organization. As part of the change, several departments have been centralized in order to optimize the organization for continued investment in growth and improved profitability.

Significant events after the quarter end

ZignSec, through its subsidiary Web Shield, has signed a partnership agreement with Ethoca, a Mastercard's subsidiary. The agreement makes the company an official Mastercard Collaboration Service Provider and enables Web Shield to offer its ready-made chargeback management platform to acquiring banks.

ZignSec has signed a customer agreement with Deutsche Bank. The agreement means that Deutsche Bank will use Web Shield's InvestiGate and Monitor solutions to improve its merchant due diligence process. The solutions are used by risk managers and underwriting teams worldwide to assess merchant applications and monitor merchant websites.

ZignSec has carried out an issue of shares with preferential rights for the existing shareholders. The rights issue was subscribed to 110 percent with and without the support of subscription rights. ZignSec received a total of approximately SEK 59.2 million before issue costs.

Personnel

As per the date of report publication the group has 71 employees, which can be compared to 81 employees at the same time in 2021.

ZignSec continues to expand the organization, primarily in development and sales, to realize its growth target.

Briefly about the market

The global market value of digital ID verification solutions is expected to increase from \$ 13.7 billion in 2019 to \$ 30.5 billion in 2024, an annual growth rate of over 17%. Driving factors behind the market growth are the continuously increasing number of identity and authorization frauds that take place worldwide, as well as an increased focus on improving the user experience for the consumer.

The geographically highest growth until the year 2024 is expected to take place in the APAC (Asia-Pacific) region. The outlook for the future remains positive as more companies complete their digital transformation, which includes all companies that currently manage their verification processes manually or semi-manually.

Business model

ZignSec offers a platform with digital solutions for onboarding, customer due diligence and real-time ID verification to customers in regulated industries. The company's business model is based on aggregating verification methods in different countries under one umbrella that can be used to verify users digitally in over 200 countries in the world through a single API integration or via ZignSec's customer portal.

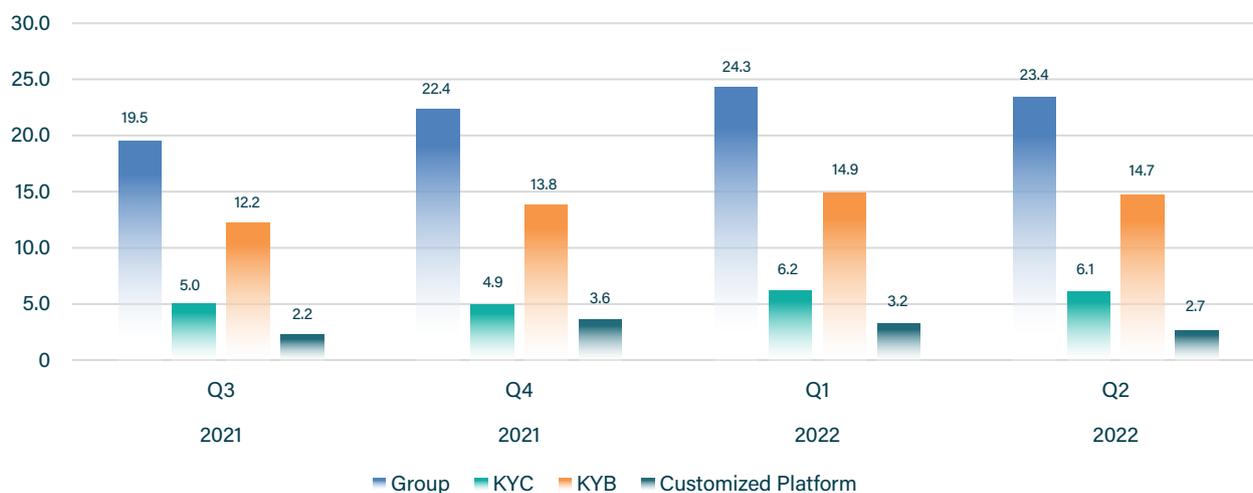
ZignSec's business model is based on low integration costs and recurring monthly and transaction fees. The company's costs mainly consist of development and integration costs as well as ongoing verification and transaction fees. After the integration, the number of transactions for each customer can increase without driving increased personnel costs.

ZignSec's customers can also add additional solutions from the company's offering or connect more markets to verify their users. This creates an incentive for the customer to use ZignSec as a complete supplier for all markets, while at the same time driving profitability for the company.



Financial and operational metrics

Net revenue (mSEK)



Net revenue for the group is increasing in all three business areas over the last 12 months. However we have a decrease in group net revenue in Q2 2022 mainly due to terminated client agreements in Russia and paused sales initiatives when finalizing the new SaaS-portal.

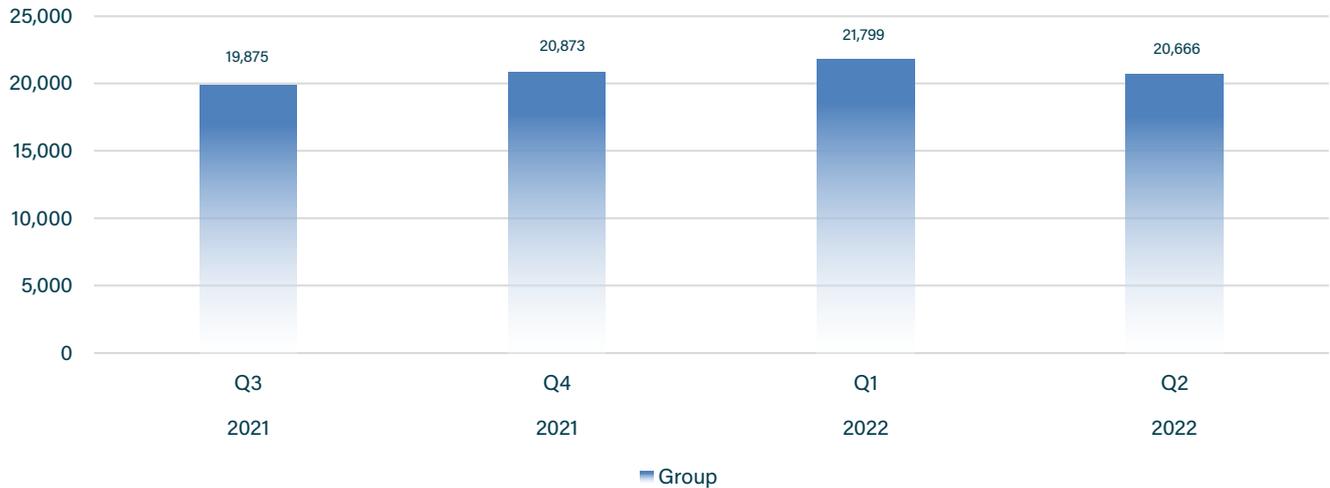
Average number of customers invoiced



The monthly average number of invoiced customers is steadily increasing. During the last 12 months we have seen high demand for our KYB solutions and that is the business area that has experienced the strongest customer growth.

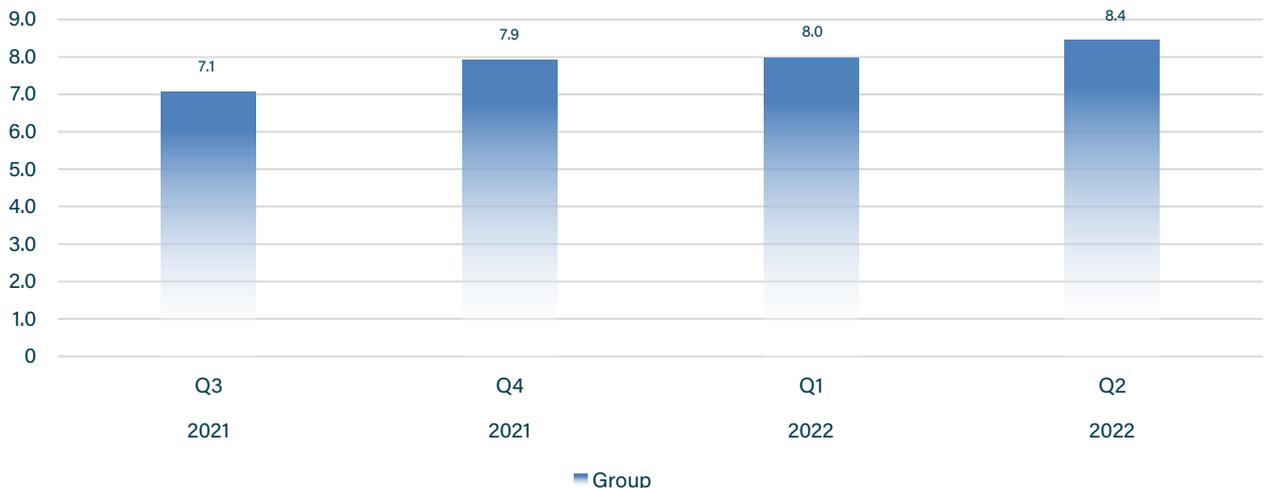


Average revenue per customer (ARPC) (SEK)



The monthly average revenue per customer (ARPC) is increasing over the last 12 month due to existing customers increasing the number of solutions consumed through the platform, set off during Q2 2022 by a couple of large contracts in Russia that were cancelled due to conflict in Ukraine.

Transactions performed (million)



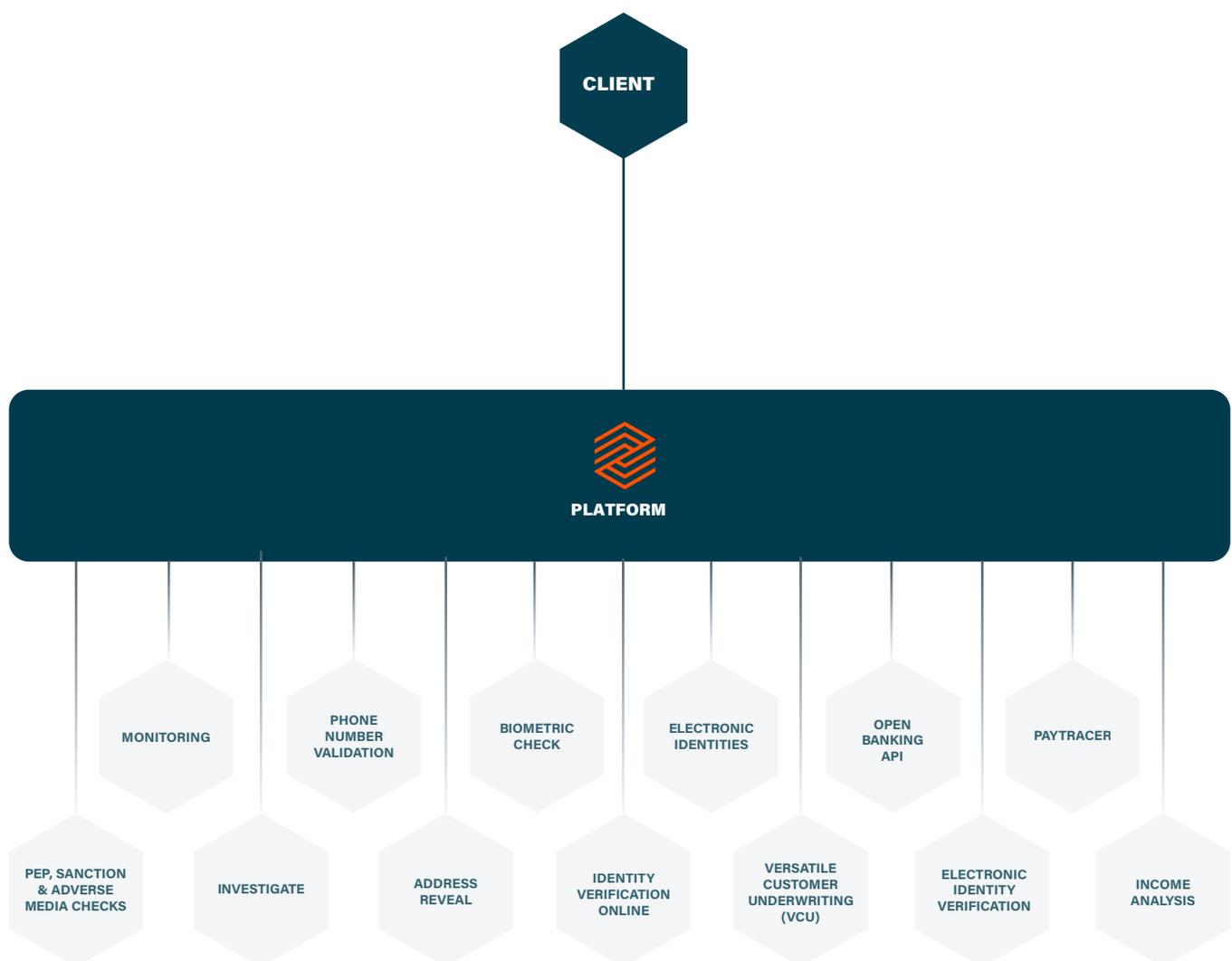
The number of transactions performed per quarter is increasing by an average of approximately 0.5 million checks (8%) quarterly during the last 12 months. The majority of the increased number of transactions performed comes from new and existing customers in the KYC business area.



Our Platform

An easy to connect verification platform for your business

ZignSec connects into different suppliers globally and makes them available via one easy to consume interface. We digitize and automate onboarding, due diligence and monitoring processes so our customers can focus on their core business. Through our channels - API, No Code Compliance Manager and soon our new SaaS Management portal - we make it easy to perform complex compliance workflows with the least effort.



Platform features



Electronic Identity Verification

Match personal information such as name, address, date of birth, or national ID with various data sources to quickly verify an individual.



Online Identity Verification

Allow your customers to identify themselves by letting them scan their passports, driver's licenses, ID-cards and other documents. In real-time.



Electronic Identities

Our platform offers a rapidly growing number of digital identity solutions across - the world. All available via one connection.



Phone Number Validation

Use our phone number validation service to authenticate users around the globe via SMS. With the ability to reach over 7 billion people.



Monitoring

A powerful combination of tools that automatically updates, tracks and re-checks validated information.



PayTracer

PayTracer screens payments and analyses transactions to provide instant risk scoring of the transaction and the parties involved in the transaction



Versatile Customer Underwriting (VCU)

VCU is a complete portal solution that simplifies customer onboarding in compliance with AML legislation.



Income Analysis

Our Income analysis feature gives you access to a detailed income reports without jeopardizing the privacy of your customers.



Open Banking API

Allows you to include existing bank accounts to verify identities. It allows verifying addresses and additional user credentials (varies on country and bank).



PEP, Sanction and Adverse Media Checks

Real-time access to multiple global PEP and Sanction lists, increasing both geographic coverage and quality of service.



Address Reveal

An enhanced AML to instantly verify if customers are operating from virtual addresses.



Crypto Compliance Library

A solution that enables acquirers to maintain compliance when handling crypto-currency merchants.



Investigate

Investigate is our merchant onboarding solution offering a suite of research tools to deliver real-time underwriting.



Biometric Check

AI technology that matches an ID document photo with a selfie or video of the person in real time, and verifies that it is not a copy or an imitation.



Profit and loss

(mSEK)	Apr 1 - Jun 30 2022	Apr 1 - Jun 30 2021	Jan 1 - Jun 30 2022	Jan 1 - Jun 30 2021	Jan 1 - Dec 31 2021
Net turnover	23.4	6.0	47.7	11.1	52.9
Activated development work for own account	0.0	0.0	0.0	0.0	0.0
Other operating income	0.5	0.1	0.8	0.1	0.6
	23.9	6.0	48.5	11.3	53.5
Cost of sales	-7.2	-1.8	-12.5	-3.5	-13.7
Other external costs	-10.0	-6.1	-19.3	-11.6	-29.7
Personnel costs	-14.5	-5.4	-27.9	-9.7	-34.9
Other operating costs	-0.1	0.0	-0.2	-0.1	-0.2
Profit/loss from shares in associated companies	0.4	0.0	0.4	0.0	0.3
Operating profit/loss (EBITDA)	-7.5	-7.3	-11.1	-13.7	-24.8
Depreciation	-26.4	-4.8	-47.5	-8.4	-54.1
Operating profit/loss (EBIT)	-33.9	-12.1	-58.6	-22.0	-78.9
Result from financial items					
Interest income, costs and similar items	-1.3	-0.1	-2.0	0.0	0.5
Total result from financial items	-1.3	-0.1	-2.0	0.0	0.5
Profit/loss before tax (EBT)	-35.2	-12.2	-60.6	-22.0	-78.3
Tax	1.0	0.6	1.7	1.0	1.0
Profit/loss for the period	-34.2	-11.6	-58.9	-21.0	-77.3
Attributable to owners of the parent	-34.2	-10.9	-58.9	-19.6	-72.7
Attributable to non-controlling interests	0.0	-0.7	0.0	-1.4	-4.6



Balance Sheet

(mSEK)	Jun 30 2022	Jun 30 2021	Dec 31 2021
ASSETS			
Non-current assets			
Intangible assets			
Capitalized development expenditure	2.1	2.6	2.2
Customer relationships	51.4	0.0	56.6
Technology	17.7	2.9	23.2
Goodwill	224.1	56.5	252.2
Patent, trademarks, licenses	0.4	17.9	0.4
Total intangible assets	295.7	79.9	334.7
Tangible assets			
Property, plant and equipment	1.3	0.5	1.4
Total tangible assets	1.3	0.5	1.4
Financial assets			
Shares in associated companies	4.2	0.0	3.8
Total financial assets	4.2	0.0	3.8
Total non-current assets	301.2	80.4	339.9
Current assets			
Accounts receivable	12.6	3.8	9.8
Other receivables	10.1	2.2	7.8
Prepaid expenses and accrued income	10.6	3.4	8.1
Total current assets	33.2	9.4	25.7
Cash and cash equivalents	6.3	151.3	25.9
Total current assets	39.5	160.7	51.7
TOTAL ASSETS	340.8	241.1	391.6

Balance Sheet

(mSEK)	Jun 30 2022	Jun 30 2021	Dec 31 2021
EQUITY, PROVISIONS AND LIABILITIES			
EQUITY			
Share capital	1.3	1.2	1.3
Equity method reserve	1.4	0.0	0.9
Share premium reserve	358.0	222.9	358.0
New share issue in progress	4.5	1.2	0.0
Reserves (translation difference)	20.1	-0.5	12.7
Retained earnings incl. profit/loss of the period	-147.1	-35.3	-88.8
Equity attributable to owners of the parent	238.2	189.5	284.2
Equity attributable to non-controlling interests	0.0	5.0	2.3
TOTAL EQUITY	238.2	194.5	286.5
PROVISIONS			
Provisions for deferred tax	8.5	6.4	10.1
Other provisions	17.3	33.8	17.3
TOTAL PROVISIONS	25.8	40.2	27.3
LIABILITIES			
Non-current liabilities			
Liabilities to credit institutions	1.7	0.0	1.7
Total non-current liabilities	1.7	0.0	1.7
Current liabilities			
Prepayments from customers	0.3	0.3	0.5
Accounts payable	2.9	1.0	3.9
Liabilities to associated companies	0.9	0.0	1.7
Tax liabilities	0.2	0.0	0.2
Other liabilities	51.8	0.8	52.5
Accrued expenses and prepaid income	19.0	4.2	17.3
Total current liabilities	75.1	6.4	76.0
TOTAL LIABILITIES	76.8	6.4	77.7
TOTAL EQUITY AND LIABILITIES	340.8	241.1	391.6



Statement of changes in equity

(mSEK)	Share capital	New share issue in progress	Share premium reserve	Reserves	Equity method reserve	Retained earnings incl. profit/loss of the period	Total	Non-controlling interests	Total equity
Statement of changes in equity									
Balance at 2022-01-01	1.3		358.0	12.7	0.9	-89.0	284.0	2.3	286.3
Profit/Loss of the period						-58.9	-58.9	0.0	-58.9
New share issue in progress		4.5					4.5		4.5
Acquisition of non-controlling interests						0.8	0.8	-2.3	-1.6
Translation difference				7.4			7.4		7.4
Change in equity method reserve					0.4		0.4		0.4
Balance at 2022-06-30	1.3	4.5	358.0	20.1	1.4	-147.1	238.2	0.0	238.2



Statement of cash flow

(mSEK)	Apr 1 - Jun 30 2022	Apr 1 - Jun 30 2021	Jan 1 - Jun 30 2022	Jan 1 - Jun 30 2021	Jan 1 - Dec 31 2021
Operating activities					
Operating profit/loss	-33.9	-9.1	-58.6	-22.0	-78.9
Adjustments for:					
<i>Depreciation</i>	26.4	1.8	47.5	8.4	54.1
<i>Profit/loss from shares in associated companies</i>	-0.4	0.0	-0.4	0.0	-0.3
Interest received	0.0	0.0	0.0	0.0	0.0
Interest paid	0.0	0.0	0.0	0.0	0.0
Income tax paid	0.0	0.0	-0.1	0.0	-0.5
Cash flow from operating activities before changes in working capital	-7.9	-7.3	-11.6	-13.7	-25.5
Changes in working capital					
Change in receivables	8.1	0.2	0.2	1.1	-15.6
Change in short-term debts	-6.6	-0.4	-5.9	-1.1	12.5
Cash flow from operating activities	-6.4	-7.5	-17.3	-13.6	-28.6
Investing activities					
Investment in subsidiaries	0.0	0.0	-1.6	-15.7	-125.9
Investment in intangible assets	-0.4	-0.3	-0.6	-0.7	-1.1
Investment in tangible assets	-0.1	0.0	-0.1	-0.1	-0.7
Cash flow from investing activities	-0.4	-0.3	-2.3	-16.4	-127.6
Financing activities					
New share issue	0.0	133.0	0.0	133.0	133.8
Cash flow from financing activities	0.0	133.0	0.0	133.0	133.8
Total cash flow for the period	-6.7	125.2	-19.6	103.0	-22.4
Cash and cash equivalents at beginning of period	13.1	26.1	25.9	48.3	48.3
Cash and cash equivalents at end of period	6.3	151.3	6.3	151.3	25.9



Other information

Transactions with related parties

No transactions with related parties that have not been on a market basis have taken place.

Audit

The company's auditor is Ernst & Young AB. This Interim report has not been subject to review by the company's auditor.

Accounting principles

This Interim report for the group has been prepared in accordance with BFNAR 2012:1 Årsredovisning och koncernredovisning (K3).

During 2022, no new or revised accounting principles with a material impact on the group have emerged. The accounting principles have been consistent since 2019.

When recognizing development costs the capitalization model is used.

Financial Calendar

Quarterly report 3: 25 November 2022

Important information

This information is information that ZignSec AB (publ) is obliged to make public pursuant to the EU Market Abuse Regulation and Securities markets Act. The information was submitted for publication, by the contact person below, on 25 August, 2022.

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