



ZignSec

Year-end Report

Q4 2022



ZignSec

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www.zignsec.com

Report highlights



Financial overview full year 2022

- Net revenue amounted to SEK 89.9 (52.9) million, an increase of 69% compared with the corresponding period the previous year.
- Operating profit/loss before depreciation and amortization EBITDA amounted to SEK -23.4 (-24.8) million.
- Cash and cash equivalents amounted to SEK 26.2 (25.9) million.

Financial overview Q4 2022

- Net revenue amounted to SEK 20.8 (22.7) million, a decrease of 8% compared with the corresponding quarter the previous year.
- Operating profit/loss before depreciation and amortization EBITDA amounted to SEK -5.6 (-2.9) million.

Significant events during the fourth quarter

- ZignSec has hired Glenn Mac Donald as the new Chief Sales Officer (CSO) to be responsible for coordinating the sales strategy across the ZignSec group, focusing on growth and continuing client development.
- ZignSec has secured growth financing of SEK 20 million with DBT Capital AB as lender for the purpose of enabling further growth and working towards a positive operational cash-flow in the coming year.

Significant events after the end of the fourth quarter

- ZignSec has appointed Daniel Grech as its Chief Technology Officer (CTO). In this role, Daniel will lead the technology strategy and development efforts for the group, including its subsidiaries Web Shield, and Wyzer.

Summary A word from the CEO

During the fourth quarter we generated a net revenue of SEK 20.8 (22.7) million, a decrease of 8% against the corresponding quarter of last year mainly due to the focused effort on restructuring the group. I am pleased to report that this is close to completion and the business is now on a more solid footing to deliver sustainable growth going forward.



Year-end Report 2022

Interim report Q4 2022

About the Group

ZignSec is a technology group in the fast-growing RegTech industry. The group provides a 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)	Oct 1 - Dec 31 2022	Oct 1 - Dec 31 2021	Jan 1 - Dec 31 2022	Jan 1 - Dec 31 2021
Total revenue	21.1	23.1	91.4	53.5
Net revenue	20.8	22.7	89.9	52.9
Net revenue growth	-8%	446%	69%	278%
EBITDA	-5.6	-2.9	-23.4	-24.8
Operating profit/loss (EBIT)	-26.1	-27.8	-112.1	-78.9
Net cash	4.7	24.3	4.7	24.3
Equity/Assets ratio	79%	73%	79%	73%
Average number of employees	69	83	75	58
Number of shares	53,559,944	33,831,244	53,559,944	33,831,244
Earnings per share (SEK)	-0.368	-0.906	-1.823	-2.150

A Word from the CEO

During Q4 2022, ZignSec achieved net revenues of SEK 20.8m with an EBITDA of SEK -5.6m. This represents a small decline in revenue compared to the previous quarter and a decline of approximately 8% compared to the same period last year. This also means that we have not achieved the previously communicated goal of SEK 100m of revenue for FY2022, a result I am not satisfied with. However, it leaves me more determined than ever to accomplish our new financial aim: becoming cash-flow positive by the end of 2023.

Our business was impacted by several factors during the quarter, the knock-on effects of the restructuring work that has been implemented over the past three quarters and a delay in the implementation of the new Chargeback rules. However, we have continued to invest in product development, organisation and sales and marketing which has resulted in the interest from several potential clients which, if the projects materialise, will single-handedly help us achieve a positive cash-flow during the year. We believe the increased expenses in the short term has helped to expose us towards more substantial potential client agreements and subsequently higher revenue potential in the future.

Whilst much of 2022 involved the restructuring of the group, the effects of which were still felt in Q4, 2022, I am pleased to report that this is close to completion and the business is now on a more solid footing to deliver sustainable growth going forward. Over the quarter, Glenn Mac Donald joined the group to lead our sales team and has achieved considerable success in revitalising our sales efforts. We plan to strengthen the sales team further with more senior hires to continue to structure our core product sales channels in an increasingly professional manner.

During the quarter, we also enhanced our product management initiatives to enable the group to bring new products and services to market more rapidly to meet customer demand and remain at the forefront of industry innovations. We have recently introduced a new PEP and sanction screening tool as well as a new online document scanning and liveness service that cuts digital verification to a matter of seconds. Several additional services are planned for Q1, 2023 as well as new features and product enhancements.

We are also introducing a new branding of the ZignSec Group to facilitate a better understanding of the group. The ZignSec Group is a regtech technology provider consisting of the core divisions ZignSec, WebShield and Wyzer. Leveraging innovative, relevant and expert-driven solutions we assist businesses streamline and automate remote onboarding, monitoring and overall KYC/KYB compliance.

We will consequently be launching a ZignSec Group website during the first quarter of 2023 which will not only act as a centralised hub for all ZignSec Group activities but will also include a blog which will complement our existing communication channels with shareholders and other stakeholders and enable them to follow developments more closely. This is a component of our ongoing investment in improved communication with the market.

The start of 2023 has witnessed a heightened level of sales activity with a number of new contracts signed. In addition to this heightened demand for our services, it is encouraging to see a number of significant opportunities in our pipeline at differing stages of advancement.

Whilst it is the nature of our business that it takes time to implement clients and ramp up volumes, we feel the foundations are in place for delivering solid growth going forward in our goal to achieve a positive cash-flow by the end of the year.



Alex Noton CEO,
ZignSec AB (publ)



Group development

The quarter October to December 2022

Revenue and operating profit

The Group's net revenue for Q4, 2022 amounted to SEK 20.8 (22.7) million, which corresponds to a decrease of 8% compared to the same quarter for the previous year.

EBITDA amounted to SEK -5.6 (-2.9) million. The change is mainly due to lower net revenue and higher other costs for consultancy development work, offset by slightly lower personnel costs.

Development

During the fourth quarter of 2022, 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 fourth quarter amounted to SEK -20.5 (-24.9) million and is due to amortization of acquired technology, customer relations and goodwill.

Financial net

Net financial items for the fourth quarter amounted to SEK 8.2 (-0.2) million due to reduced definitive deferred consideration for the Wyzer acquisition.

Tax

Estimated tax on profit for the fourth quarter amounted to SEK 0.9 (-3.3) million.

The period January to December 2022

Revenue and operating profit

The Group's net revenue for the period 2022 amounted to SEK 89.9 (52.9) million, which corresponds to an increase of 69% compared to the same period for the previous year.

EBITDA amounted to SEK -23.4 (-24.8) million. The change is mainly due to higher gross margin, offset by higher personnel and consultancy costs related to the expansion of the sales and development organization.

Development

During the period 2022, capitalized development expenditures after depreciation decreased by a total of SEK 0.4 million. The investments 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 -88.7 (-54.1) million. The change is mainly due to amortization of acquired technology, customer relations and goodwill.

Financial net

Net financial items for the period amounted to SEK 6.4 (0.5) million mainly due to due to reduced definitive deferred consideration for the Wyzer acquisition.

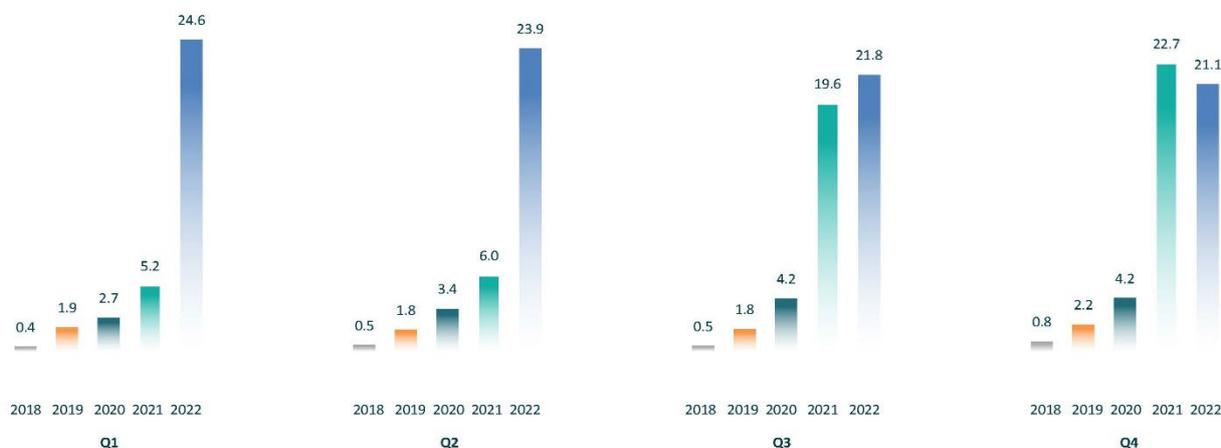
Tax

Estimated tax on profit for the period amounted to SEK 3.3 (1.0) million.



Quarterly turnover development 2018-2022

(mSEK)



Financial position

Financial position and liquidity

As of December 2022, the group had SEK 26.2 (25.9) million in cash and cash equivalents. The balance sheet total amounted to SEK 317.5 (388.8) 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 fourth quarter 2022 amounted to SEK -6.0 (-3.9) million.

Financing

The company signed an agreement for debt financing SEK 20 million during the fourth quarter. 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 fourth quarter

ZignSec has hired Glenn Mac Donald as the new Chief Sales Officer (CSO) for the group. Glenn was previously Chief Commercial Officer at International Card Services. He has extensive experience in the financial industry and has held management positions at Visa Europe, ING Bank, ABN Amro Bank, Adyen, Deloitte, and Smart2Pay. Glenn will be responsible for coordinating the sales strategy across the ZignSec group, focusing on growth and continuing client development.

ZignSec has secured growth financing of SEK 20 million with DBT Capital AB as lender. The financing will enable additional investments into new projects as well as expanding the sales team to enable further growth and working towards a positive operational cash-flow in the coming year. The annual interest rate is set at 9.95% + STIBOR 3M, the loan term is 42 months, and the first 6 months are interest-only.

Significant events after the quarter end

ZignSec has appointed Daniel Grech as Chief Technology Officer (CTO) for the group. In this role, Daniel will lead the group's technology strategy and development efforts, which also includes oversight of its subsidiaries Web Shield, and Wyzer. Daniel is an experienced professional specializing in artificial intelligence, FinTech, and business process automation. He is also passionate about no-code and low-code approaches to software development and automating manual tasks.

Personnel

As per the date of report publication the group has 70 employees, which can be compared to 87 employees at the same time in 2022.

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 group.

Financial and operational metrics

Net revenue (mSEK)



Net revenue for the group decreased in 2022 as a result of the customer contracts we canceled in Russia affecting the KYB business negatively. The temporary paused sales initiatives in connection with the completion of the new SaaS portal influenced the KYC sales during Q2 and Q3 but is again showing growth during the last quarter of 2022. The Platform customization revenues decreased during the second half of 2022 due to temporary delays for the Maltese government-to-business portal.

Average number of customers invoiced



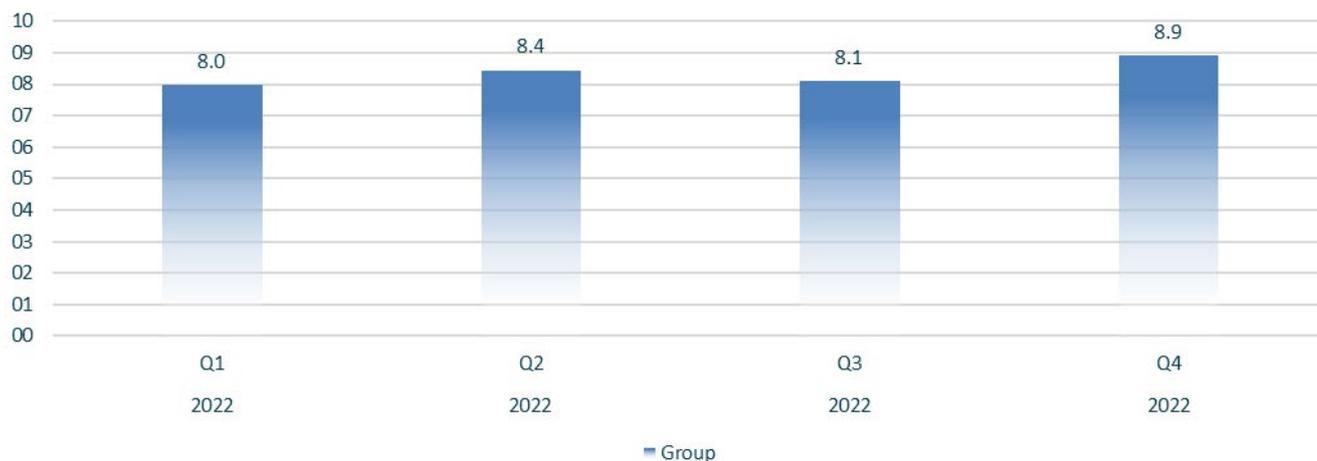
The monthly average number of invoiced customers decreased during 2022 mainly as a result of pausing and discontinuing smaller customer contracts for operations in the previously acquired Basis companies, whose products were consolidated into the group's platform during the third quarter.

Average revenue per customer (ARPC)



Average monthly revenue per customer (ARPC) has decreased over the past 12 months mainly due to large customer contracts that we were forced to cancel because of the situation in Ukraine together with delays in largest platform customization project for the Maltese Government.

Transactions performed (million)

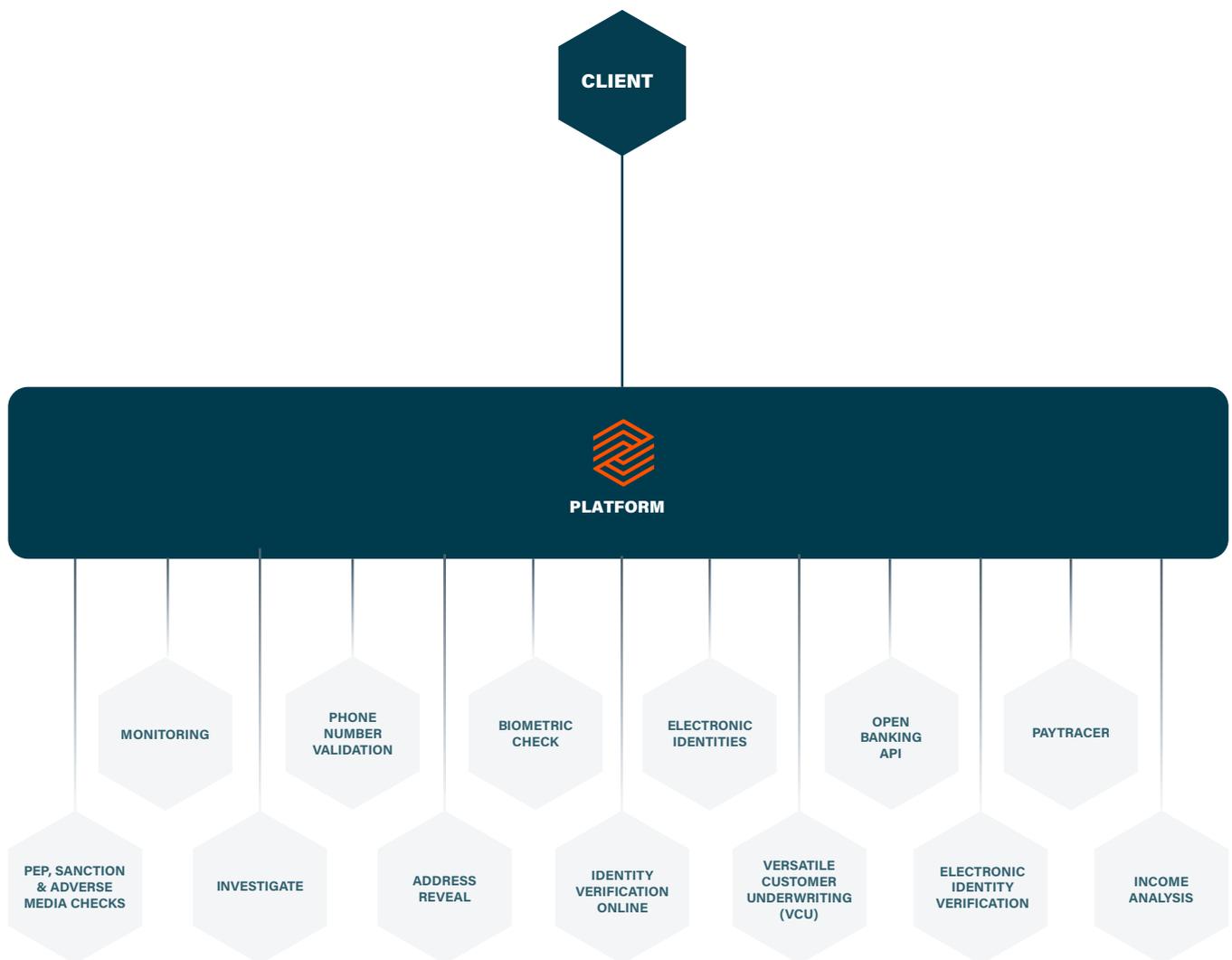


The number of executed transactions per quarter continues to increase. A natural seasonal variation due to lower consumer activity resulted in a lower number of transactions during Q3. The majority of the increased number of completed transactions comes from new and existing customers within the KYC 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)	Oct 1 - Dec 31 2022	Oct 1 - Dec 31 2021	Jan 1 - Dec 31 2022	Jan 1 - Dec 31 2021
Net turnover	20.8	22.7	89.9	52.9
Capitalized expenses	0.0	0.0	0.0	0.0
Other operating income	0.3	0.4	1.5	0.6
	21.1	23.1	91.4	53.5
Cost of sales	-4.7	-5.0	-23.1	-13.7
Other external costs	-9.5	-8.6	-37.6	-29.7
Personnel costs	-12.3	-12.8	-54.1	-34.9
Other operating costs	-0.1	0.0	-0.3	-0.2
Profit/loss from shares in associated companies	0.0	0.5	0.3	0.3
Operating profit/loss (EBITDA)	-5.6	-2.9	-23.4	-24.8
Depreciations and amortization	-20.5	-24.9	-88.7	-54.1
Operating profit/loss (EBIT)	-26.1	-27.8	-112.1	-78.9
Result from financial items				
Interest income, costs and similar items	8.2	-0.2	6.4	0.5
Total result from financial items	8.2	-0.2	6.4	0.5
Profit/loss before tax (EBT)	-18.0	-28.0	-105.7	-78.3
Tax	0.9	-3.3	3.3	1.0
Profit/loss for the period	-17.1	-31.3	-102.4	-77.3
Attributable to owners of the parent	-17.1	-30.7	-102.4	-72.7
Attributable to non-controlling interests	0.0	-0.6	0.0	-4.6



Balance Sheet

(mSEK)	Dec 31 2022	Dec 31 2021
ASSETS		
Non-current assets		
Intangible assets		
Capitalized development expenditure	1.8	2.2
Customer relationships	45.7	56.6
Technology	13.4	23.2
Goodwill	199.1	252.2
Patent, trademarks, licenses	0.3	0.4
Total intangible assets	260.4	334.7
Tangible assets		
Property, plant and equipment	1.3	1.4
Total tangible assets	1.3	1.4
Financial assets		
Shares in associated companies	1.5	1.1
Total financial assets	1.5	1.1
Total non-current assets	263.1	337.1
Current assets		
Accounts receivable	9.8	9.8
Other receivables	6.7	7.8
Prepaid expenses and accrued income	11.6	8.1
Total current assets	28.2	25.7
Cash and cash equivalents	26.2	25.9
Total current assets	54.4	51.7
TOTAL ASSETS	317.5	388.8



Balance Sheet

(mSEK)	Dec 31 2022	Dec 31 2021
EQUITY, PROVISIONS AND LIABILITIES		
EQUITY		
Share capital	2.1	1.3
Equity method reserve	0.7	0.7
Share premium reserve	416.0	358.0
Reserves (translation difference)	21.4	9.1
Retained earnings incl. profit/loss of the period	-189.3	-87.7
Equity attributable to owners of the parent	250.9	281.4
Equity attributable to non-controlling interests	0.0	2.3
TOTAL EQUITY	250.9	283.8
PROVISIONS		
Provisions for deferred tax	7.1	10.1
Other provisions	0.0	17.3
TOTAL PROVISIONS	7.1	27.3
LIABILITIES		
Non-current liabilities		
Liabilities to credit institutions	15.3	1.7
Total non-current liabilities	15.3	1.7
Current liabilities		
Liabilities to credit institutions	6.2	0.0
Prepayments from customers	0.3	0.5
Accounts payable	3.0	3.9
Liabilities to associated companies	0.2	1.7
Tax liabilities	0.0	0.2
Other liabilities	15.8	52.5
Accrued expenses and prepaid income	18.6	17.3
Total current liabilities	44.2	76.0
TOTAL LIABILITIES	59.5	77.7
TOTAL EQUITY AND LIABILITIES	317.5	388.8

Statement of changes in equity

(mSEK)

	Share capital	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	9,1	0,7	-87,7	281,4	2,3	283,8
Profit/Loss of the period					-102,4	-102,4		-102,4
New share issue	0,8	58,0				58,8		58,8
- issue expenses		4,9						
Acquisition of non-controlling interests					0,8	0,8	-2,3	-1,5
Translation difference			12,3			12,3		12,3
Change in equity method reserve								
Balance at 2022-12-31	2,1	416,0	21,4	0,7	-189,3	250,9	0,0	250,9



Statement of cash flow

(mSEK)	Oct 1 - Dec 31 2022	Oct 1 - Dec 31 2021	Jan 1 - Dec 31 2022	Jan 1 - Dec 31 2021
Operating activities				
Operating profit/loss	-26,1	-27,8	-112,1	-78,9
Adjustments for:				
<i>Depreciation and amortizations</i>	20,5	24,9	88,7	54,1
<i>Profit/loss from shares in associated companies</i>	0,0	-0,5	-0,3	-0,3
Interest received	0,0	0,0	0,0	0,0
Interest paid	-0,5	-0,1	-0,5	0,0
Income tax paid	0,1	-0,5	-0,2	-0,5
Cash flow from operating activities before changes in working capital	-6,0	-3,9	-24,4	-25,5
Changes in working capital				
Change in receivables	6,1	-10,2	0,3	-15,6
Change in short-term debts	-0,3	4,8	-2,8	12,5
Cash flow from operating activities	-0,2	-9,3	-26,8	-28,6
Investing activities				
Investment in subsidiaries	-26,9	0,0	-28,6	-125,9
Investment in intangible assets	-0,4	-0,3	-1,1	-1,1
Investment in tangible assets	0,0	-0,6	-0,3	-0,7
Cash flow from investing activities	-27,3	-0,9	-30,0	-127,6
Financing activities				
New Loans	19,7	0,0	19,7	0,0
New share issue	0,0	0,0	37,4	133,8
Cash flow from financing activities	19,7	0,0	57,1	133,8
Total cash flow for the period	-7,7	-10,2	0,3	-22,4
Cash and cash equivalents at beginning of period	33,9	36,1	25,9	48,3
Cash and cash equivalents at end of period	26,2	25,9	26,2	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.

Corrections of errors closing balances 2021:

- 2021 closing balances has been corrected for Reserves (translation difference) -3.6 million, against retained earnings 3.6 million. Due to incorrect calculation of translation difference detected when migrating to new consolidation system.
- 2021 closing balances has been corrected for Equity method reserve - 0.3 million, against retained earnings 0.3 million.
- 2021 closing balances has been corrected for Shares in associated companies -2.8 million, against retained earnings -2.8 million. Due to incorrect financial data provided by associated company.

Financial Calendar

Annual Report 2022: 5 May 2023
Quarterly report 1: 25 May 2023
Annual General Meeting: 26 May 2023
Quarterly report 2: 25 August 2023
Quarterly report 3: 24 November 2023

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 24 February, 2023.

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