



ZignSec

Interim report Q1

1 January to 31 March 2024

Report highlights



Financial overview

- Net revenue amounted to SEK 21.4 (22.1) million, a decrease of 3% compared with the corresponding period year before.
- Operating profit/loss before depreciation and amortization EBITDA amounted to SEK -1.8 (-5.3) million.
- Cash and cash equivalents amounted to SEK 7.0 (15.0) million.

Significant events during the first quarter

- ZignSec has launched an AI-enabled solution to analyze and monitor merchant websites, a key part of regulatory onboarding for acquiring banks and PSPs.
- The MyConnect platform, our partnership with Schufa, has launched several banks and a large credit comparison platform in production in the first quarter of 2024.

Significant events after the end of the first quarter

- ZignSec has signed a customer agreement with a leading Nordic-Baltic banking group for the use of solutions that streamline the onboarding process for new merchants and monitoring of existing clients, with a focus on the Baltics.
- The Company's Board of Directors has initiated a process to evaluate ZignSec's potential strategic options to maximize shareholder value.
- The Board has resolved to carry out a rights issue of approximately SEK 33.5 million before issue costs, which has been secured to approximately 75 percent, through subscription commitments and underwriting commitments.

Summary A word from the CEO

In the first quarter, net sales decreased by 3% compared to the same period last year, which at the same time was a significant recovery from the decline in Q4 2023. Operational efficiency increased and EBITDA improved significantly as a result of our implemented cost savings.

We continue to focus on technology development and product innovations, such as the launch of our AI-enabled web crawling and fraud analytics tools. Expansion into emerging markets and successful partnerships demonstrate the company's commitment to global reach.



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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)

	Jan 1 - Mar 31 2024	Jan 1 - Mar 31 2023	Jan 1 - Dec 31 2023
Total revenue	22.0	22.7	86.2
Net revenue	21.4	22.1	84.7
Net revenue growth	-3%	-9%	-6%
EBITDA	-1.8	-5.3	-22.2
Operating profit/loss (EBIT)	-20.1	-23.4	-98.4
Net cash and cash equivalents	-6.7	-6.6	-1.0
Equity/Assets ratio	77%	76%	77%
Average number of employees	60	66	63
Number of shares	89,379,981	53,559,944	63,871,971
Earnings per share (SEK)	-0.212	-0.436	-1.465



ZignSec

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A Word from the CEO

As we review our performance for the first quarter of 2024, I am pleased to inform you about our strategic initiatives and operational adjustments that have set us on a promising path towards recovery and growth. Despite a slight decrease in net revenue of 3% compared to the same period last year SEK 21.4 (22.1) million, this quarter marks a significant step forward in our revenue recovery efforts, compensating for the previous downturn experienced in Q4 2023.

Our operational efficiency has increased significantly. We have diligently managed costs, resulting in a substantial improvement in EBITDA from SEK -5.3 million in Q1 2023 to SEK -1.8 million this year.

We continue to focus on technological advancements and product innovations, such as the launch of AI-enabled web crawling and fraud analytics tools. Additionally, we have seen renewed interest in our Academy offering, with an almost sold-out course in Q2 and several requests for in-house classes later in the year. These developments underscore our commitment to not only advancing technology but also cultivating expertise within the industry.

In response to current market dynamics and with an eye on maximizing shareholder value, our Board has proactively initiated an evaluation of the Company's strategic options. This includes a rights issue which, if fully subscribed, will raise approximately SEK 33.5 million before issue costs to bolster our financial position.

This initiative aims to ensure our capacity to seize upcoming opportunities and sustain our growth momentum.

We continue to expand into targeted growth markets, such as Cameroon, indicating our commitment to global reach and regulatory excellence. We have also built up our presence in Eastern Europe and Central Asia, with more than 30% of our new deals in Q1 coming from clients in these regions. Our maturing partnership with Schufa in Germany through the myConnect platform and recent contracts in the Nordic-Baltic region underscore our growing influence and the trust clients place in our solutions.

Looking ahead, we remain dedicated to leveraging our core technological strengths and expanding our market presence to increase operational efficiencies and drive sustainable growth.

Thank you for your continued support and trust in ZignSec. We truly value this support as we move forward together, creating a promising future filled with notable successes and new developments.

Sincerely,
Glenn Mac Donald



Group development

The quarter January to March 2024

Revenue and operating profit

The Group's net sales for Q1, 2024 amounted to SEK 21.4 (22.1) million, which corresponds to a decrease of 3% compared to the same quarter for the previous year.

EBITDA amounted to SEK -1.8 (-5.3) million. The improvement is mainly due to reduced costs for personnel and consulting services.

Development

During the first quarter of 2024, capitalized development expenditures after depreciation increased by 0,1 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 first quarter amounted to SEK -18.3 (-18.1) million.

Financial net

Net financial items for the first quarter amounted to SEK 0.4 (0.7) million, mainly due to exchange rate gains from revaluation of intercompany items offset by interest expenses on loans to credit institutions.

Tax

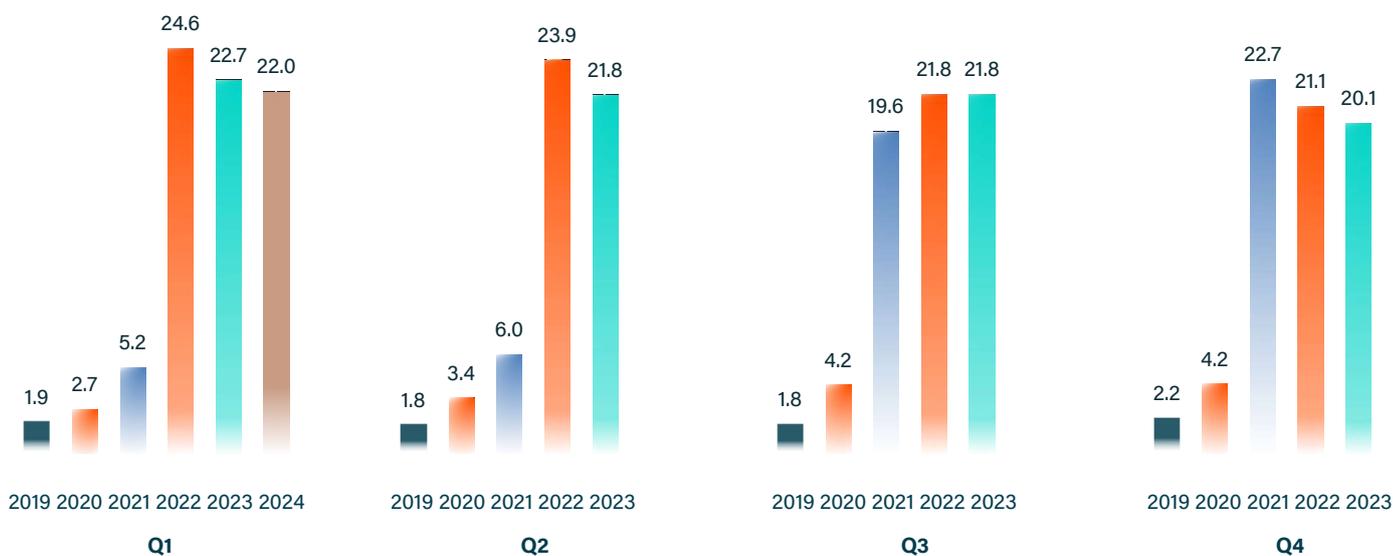
Estimated tax on profit for the first quarter amounted to SEK 0.8 (0.8) million.



Quarterly turnover development

2019-2023

(mSEK)



Financial position

Financial position and liquidity

As of March 2024, the group had SEK 7.0 (15.0) million in cash and cash equivalents. The balance sheet total amounted to SEK 179.0 (256.3) million.

The company will continue its initiated drive towards growth and positive operating cash flow.

Operating cash flow

Cash flow from operating activities during the first quarter 2024 amounted to SEK -5.7 (-11.0) million.

Financing

In April, ZignSec announced that the company will carry out a rights issue during the second quarter of the year for approximately SEK 33.5 million before issue costs. Thus, cash and cash equivalents are deemed to be sufficient to meet current capital needs.

Significant events in the first quarter

ZignSec has launched an AI-enabled solution to analyze, monitor and extract data from merchant websites, which is an important part of compliant onboarding for acquiring banks and PSP's. This technology is readily available for new customers and being rolled out gradually to existing customers.

The myConnect platform, our partnership with Schufa for compliant KYC processes under the Money Laundering Act in Germany, has launched several banks and a large credit comparison platform in production in the first quarter of 2024. ZignSec acts as the technical provider of the myConnect platform and is compensated for transactions.

ZignSec has signed a customer agreement with a technology platform in Cameroon, representing further progress in ZignSec's mission to meet and fulfill the requirements for sophisticated identity verification and KYC processes across Africa.

Significant events after the first quarter

ZignSec's subsidiary Web Shield has signed a customer agreement with a leading Nordic-Baltic banking group. The agreement, with a focus on the Baltics, enables the bank to leverage use Web Shield's solutions to streamline the onboarding process for new merchant accounts and monitor existing clients, while ensuring adherence to local laws and card association rules.

The Board has initiated a process to evaluate ZignSec's potential strategic alternatives to maximize shareholder value. As part of the process, the Board intends to consider a full range of strategic options, which may include a sale of the Company or other possible transactions.

In April, ZignSec announced that the company will carry out a rights issue during the second quarter of the year of approximately SEK 33.5 million before issue costs, which is secured to approximately 75 percent, through subscription commitments and underwriting commitments.



Personnel

As per the date of report publication the group has 60 employees, which can be compared to 66 employees at the same time in 2023.

ZignSec focuses on making the organization more efficient, primarily in development and sales, in order to realize its planned growth.

Briefly about the market

The global market value of RegTech is expected to increase from 15.7 billion USD in 2020 to 87.2 billion USD in 2028, representing an annual growth rate of over 23.9%. The growth forecast is based on increased digitization, a rising number of identity-related cybercrimes, and the need for reliable identity verification methods. The prominent digitalization in the Nordics, with national eID systems, demonstrates the value of digital identity management. The EU is also striving to introduce a common eID for its citizens, with the goal of 80% adoption by 2030.

Emerging markets such as Latin America, the Asia-Pacific region, and Africa are experiencing a significant increase in digital usage, leading to a greater need for compliance with KYC and AML regulations. In Africa, there is rapid expansion in financial services, especially in countries like South Africa and Nigeria, where the demand for digital KYC and AML solutions is high. Latin America is experiencing similar growth, driven by increased internet usage and regulatory changes effecting digital financial and insurance services.

The global KYB market has also demonstrated significant growth, driven by increased awareness of business risks and stricter compliance requirements to combat fraud.

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 recurring subscriptions, re-occurring transaction fees and low integration costs. 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.



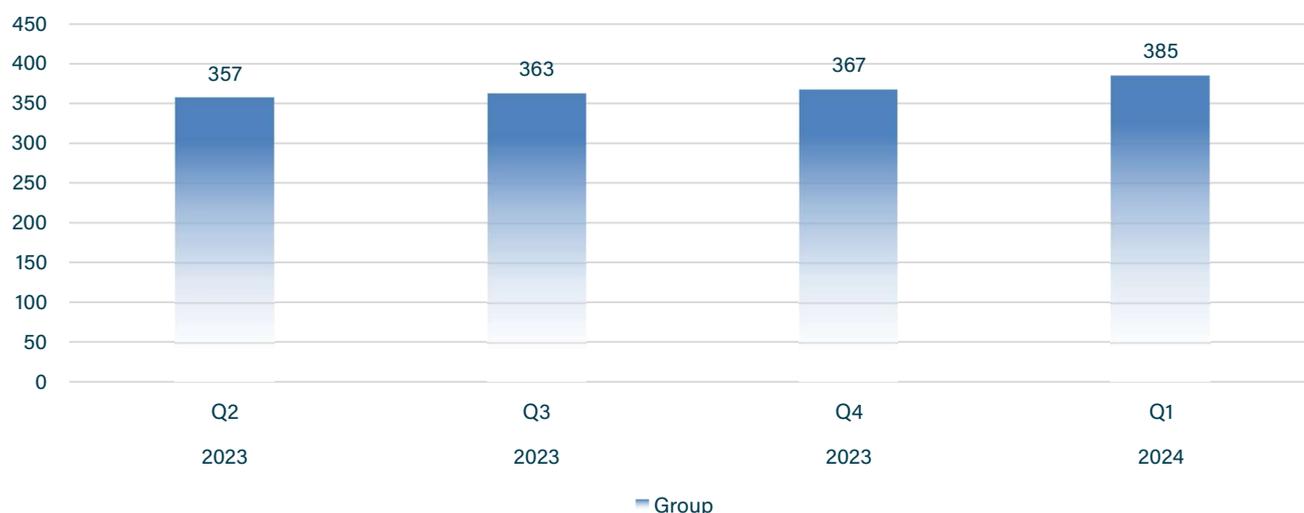
Financial and operational metric

Net revenue (mSEK)



Net revenue for the group increased during the first quarter by SEK 1.5 million compared to the fourth quarter of 2023, mainly as a result of higher revenue per customer in the KYC segment and revenue recovery for Customized Platforms.

Average number of customers invoiced



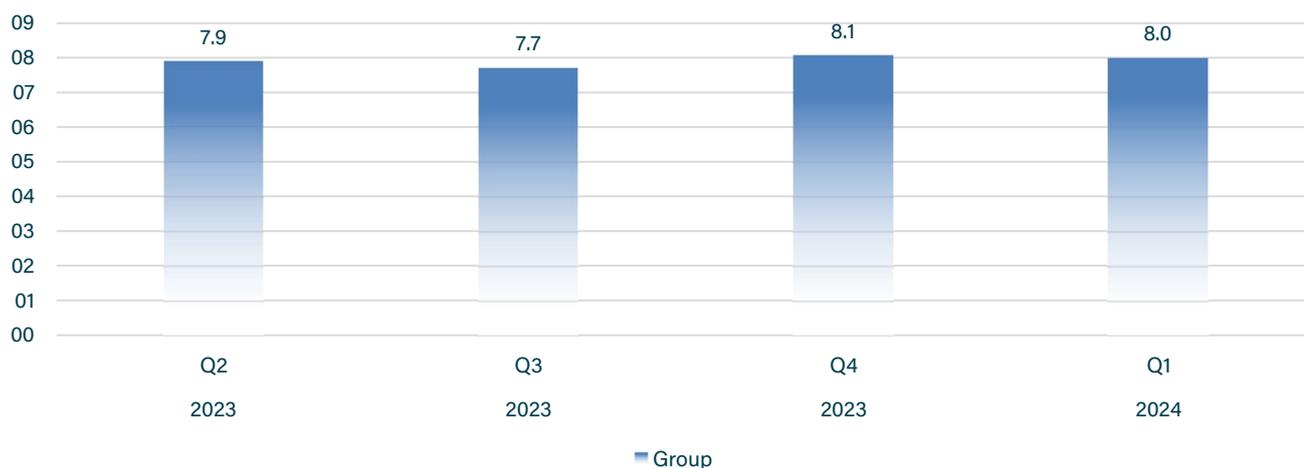
The monthly average number of invoiced customers has increased during the first quarter of 2024, mainly within the KYB segment.

Average revenue per customer (ARPC)



The average monthly revenue per customer (ARPC) has increased compared to Q4 2023, mainly due to recovery of Customized Platform projects and increasing revenue from large KYC customers.

Transactions performed (million)

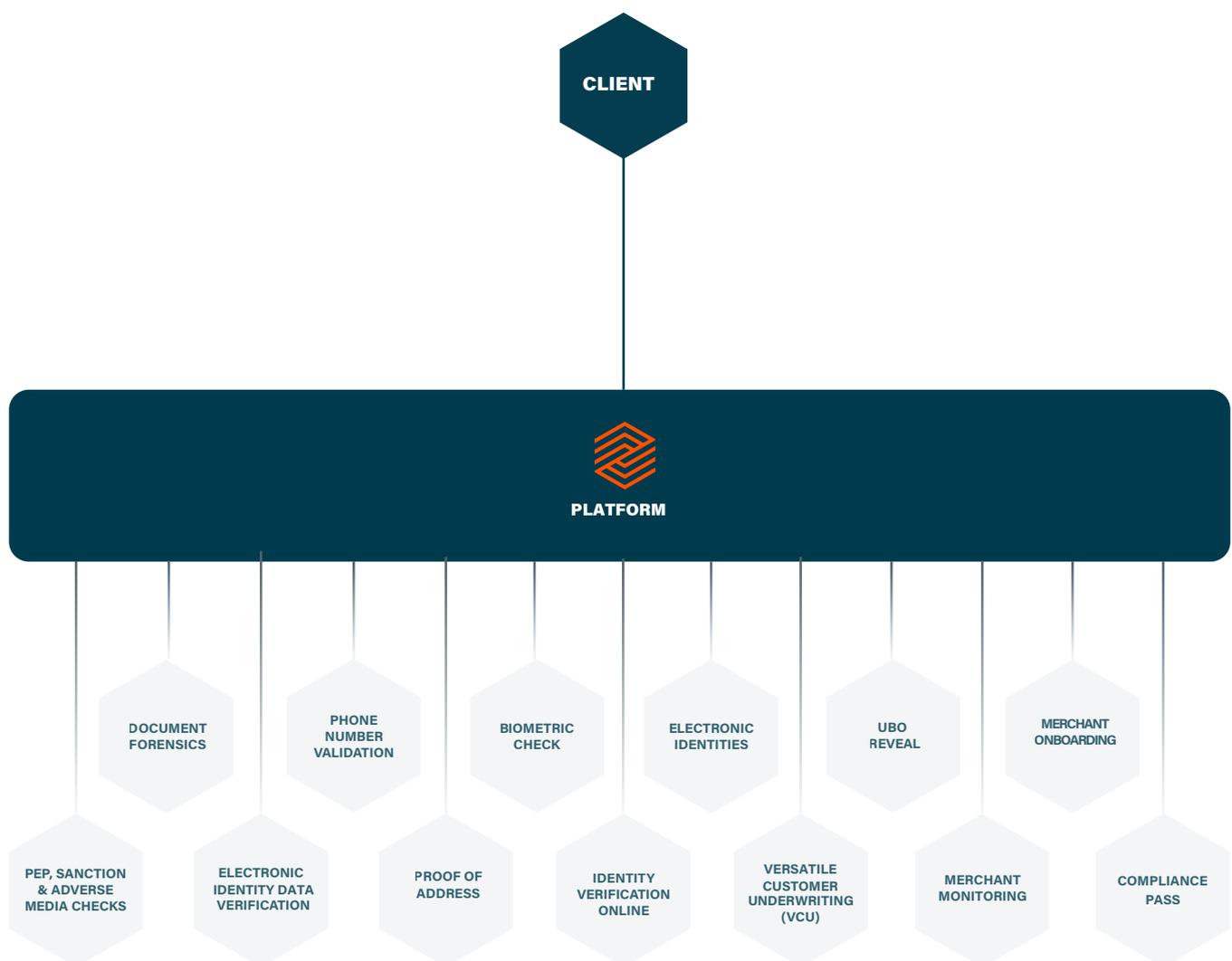


The number of completed transactions during Q1 2024 decreased as a result of slightly lower volumes of completed eID transactions, offset by higher onboarding activity at a few large customers within KYB segment.

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.



Product Features



ID and Biometric Verification

Allow customers to identify themselves by scanning their ID documents and automatically verifying them with a biometric liveness check.



Electronic Identity Hub

Our platform offers a rapidly growing number of digital electronic identity solutions across the world.



Email and Phone Number Validation

Use our phone number and email validation service to authenticate users around the globe, with the ability to reach over 7 billion people.



UBO Reveal

Identify an entity's ultimate beneficial owner based on retrieved corporate documents from official registries and perform AML checks.



Merchant Onboarding

Our InvestiGate solution provides users with research tools that automate and simplify the merchant due diligence process.



Merchant Monitoring

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



Identity Data Verification

Match personal information such as name, address, date of birth, or nwith data sources like official registers to verify identity data.



Proof of Address

Verify an individual's place of residence by automatically validating proof of address documents like utility bills.



Document Forensics

Use AI to read and categorise documents while identifying any signs of tampering, forgery, or manipulation.



AML Screening

Screen entities and individuals against multiple global PEP, sanctions and adverse media lists to enable anti-money laundering compliance.



Cryptocurrency Merchant Compliance

A solution that enables acquiring banks to maintain compliance with card scheme rules impacting cryptocurrency merchants.

Profit and loss

(mSEK)	Jan 1 - Mar 31 2024	Jan 1 - Mar 31 2023	Jan 1 - Dec 31 2023
Net revenue	21.4	22.1	84.7
Other operating income	0.6	0.6	1.5
	22.0	22.7	86.2
Cost of sales	-5.1	-5.8	-20.9
Other external costs	-7.0	-9.3	-36.0
Personnel costs	-11.5	-12.6	-50.7
Other operating costs	-0.1	-0.2	-0.9
Operating profit/loss (EBITDA)	-1.8	-5.3	-22.2
Depreciations and amortization	-18.3	-18.1	-76.2
Operating profit/loss (EBIT)	-20.1	-23.4	-98.4
Result from financial items			
Profit/loss from shares in associated companies	0.0	-0.2	-0.4
Interest income, costs and similar items	0.4	-0.5	2.1
Total result from financial items	0.4	-0.7	1.8
Profit/loss before tax (EBT)	-19.7	-24.1	-96.6
Tax	0.8	0.8	3.1
Profit/loss for the period	-18.9	-23.4	-93.6



Balance Sheet

(mSEK)	Mar 31 2024	Mar 31 2023	Dec 31 2023
ASSETS			
Non-current assets			
Intangible assets			
Capitalized development expenditure	1.7	1.7	1.6
Customer relationships	30.7	43.1	32.6
Technology	2.3	11.4	4.4
Goodwill	108.5	152.9	114.9
Patent, trademarks, licenses	0.1	0.2	0.1
Total intangible assets	143.3	209.3	153.6
Tangible assets			
Property, plant and equipment	0.8	1.2	0.9
Total tangible assets	0.8	1.2	0.9
Financial assets			
Shares in associated companies	1.3	1.3	1.2
Total financial assets	1.3	1.3	1.2
Total non-current assets	145.4	211.7	155.7
Current assets			
Accounts receivable	10.9	9.6	8.4
Other receivables	7.5	8.3	7.7
Prepaid expenses and accrued income	8.2	11.7	8.1
Total current assets	26.6	29.6	24.2
Cash and cash equivalents	7.0	15.0	14.3
Total current assets	33.6	44.5	38.5
TOTAL ASSETS	179.0	256.3	194.2

Balance Sheet

(mSEK)	Mar 31 2024	Mar 31 2023	Dec 31 2023
EQUITY, PROVISIONS AND LIABILITIES			
EQUITY			
Share capital	3.5	2.1	3.5
Equity method reserve	0.7	0.7	0.7
Reserves (translation difference)	33.0	24.9	26.8
Share premium reserve	438.7	416.0	438.7
Retained earnings incl. profit/loss of the period	-339.0	-249.9	-320.1
TOTAL EQUITY	137.0	193.8	149.6
PROVISIONS			
Provisions for deferred tax	3.6	6.5	4.2
TOTAL PROVISIONS	3.6	6.5	4.2
LIABILITIES			
Non-current liabilities			
Liabilities to credit institutions	7.0	13.6	8.7
Total non-current liabilities	7.0	13.6	8.7
Current liabilities			
Liabilities to credit institutions	6.7	8.0	6.7
Prepayments from customers	0.3	0.3	0.2
Accounts payable	3.2	1.7	3.6
Liabilities to associated companies	0.9	0.9	0.9
Tax liabilities	0.0	0.0	0.0
Other liabilities	5.2	14.7	5.4
Accrued expenses and prepaid income	14.9	16.9	14.9
Total current liabilities	31.3	42.4	31.7
TOTAL LIABILITIES	38.4	56.0	40.4
TOTAL EQUITY AND LIABILITIES	179.0	256.3	194.2



Statement of changes in equity

(mSEK)	Share capital	Equity method reserve	Reserves	Share premium reserve	Retained earnings incl. profit/loss of the period	Total equity
Statement of changes in equity						
Balance at 2023-01-01	3.5	0.7	26.8	438.7	-320.1	149.6
Profit/Loss of the period					-18.9	-18.9
Translation difference			6.3			6.3
Balance at 2023-12-31	3.5	0.7	33.0	438.7	-339.0	137.0



Statement of cash flow

(mSEK)	Jan 1 - Mar 31 2024	Jan 1 - Mar 31 2023	Jan 1 - Dec 31 2022
Operating activities			
Operating profit/loss	-20.1	-23.4	-98.4
Adjustments for:			
<i>Depreciation and amortizations</i>	18.3	18.1	76.2
Interest received	0.0	0.0	0.1
Interest paid	-0.6	-0.6	-2.6
Income tax paid	0.0	0.0	-0.1
Cash flow from operating activities before changes in working capital	-2.3	-5.9	-24.8
Changes in working capital			
Change in receivables	-0.8	-0.8	4.8
Change in short-term debts	-2.5	-4.2	-5.1
Cash flow from operating activities	-5.7	-11.0	-25.1
Investing activities			
Investment in intangible assets	-0.3	-0.3	-1.0
Investment in tangible assets	0.0	0.0	-0.1
Cash flow from investing activities	-0.3	-0.3	-1.1
Financing activities			
Loan repayment	-1.6	0.0	-4.4
New share issue	0.0	0.0	18.7
Cash flow from financing activities	-1.6	0.0	14.3
Total cash flow for the period	-7.6	-11.2	-11.9
Unrealized Fx Revaluation Effect	0.2	0.0	0.0
Cash and cash equivalents at beginning of period	14.3	26.2	26.2
Cash and cash equivalents at end of period	7.0	15.0	14.3



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 2024, 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

Annual General Meeting: 14 June 2024

Quarterly report 2: 23 August 2024

Quarterly report 3: 25 November 2024

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 15 May, 2024.

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