



ZignSec

Interim report Q2

1 April to 30 June 2021



ZignSec

ZignSec AB (publ) Interim report Q2 • 2021 | Org. No. 559016-5261

www.zignsec.com

Report highlights



Financial overview

- Net revenue amounted to SEK 6.0 (3.2) million, an increase of 85% compared with the corresponding quarter the year before.
- The operating profit/loss before depreciation and amortization EBITDA amounted to SEK -7.3 (-2.5) million.
- Cash and cash equivalents amounted to SEK 151.3 (23.7) million.

Significant events during the second quarter

- A long term agreement was signed with SCHUFA for a minimum value of SEK 23 million for a jointly developed service called SCHUFA myConnect.
- ZignSec won a procurement of just over SEK 30 million, issued by the Maltese government for the creation of a digital portal that connects companies with authorities.
- A new share issue was carried out, bringing in a net payment of approximately SEK 130 million.

Significant events after the end of the second quarter

- ZignSec completed the acquisition of Web Shield, a leading RegTech company with cutting-edge expertise in corporate customer onboarding and compliance.

Summary A word from the CEO

During the second quarter growth remained strong and as we became an increasingly well-known company in the market, three long-term agreements with customers could be signed with order values between SEK 15-30 million each.

Immediately after the end of the second quarter, ZignSec's by far largest acquisition to date was completed. The acquisition of Web Shield will mean improved profitability, a complementary product range, as well as unique expertise in current international and local regulations for financial services.



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About the company

ZignSec is a tech company group within the fast growing RegTech industry. The company provides a technical platform for ID verification methods with global reach.

The methods are used by companies that in turn can simplify their "onboarding" and improve their customer knowledge by identifying their customers digitally in real time. The customers are found in several industries, with the greatest concentration in financial services and other regulated businesses.

Financial summary

(kSEK)	Apr 1 - Jun 30 2021	Apr 1 - Jun 30 2020	Jan 1 - Jun 30 2021	Jan 1 - Jun 30 2020	Jan 1 - Dec 31 2020
Total revenue	6,029	3,400	11,260	6,101	14,533
Net revenue	5,969	3,225	11,133	5,718	13,989
Net revenue growth	85%	85%	95%	183%	113%
EBITDA	- 7,302	- 2,470	- 13,652	- 5,350	- 12,519
Operating profit/loss (EBIT)	- 12,103	- 2,613	- 22,041	- 5,588	- 14,177
Net cash	151,303	23,663	151,303	23,663	48,343
Equity/Assets ratio	81%	86%	81%	86%	91%
Average number of employees	40	12	39	10	13
Number of shares	29,665,008	19,724,250	29,665,008	19,724,250	22,306,880
Earnings per share (SEK)	-0.452	-0.133	-0.843	-0.283	-0.659

A Word from the CEO

During the second quarter of the year, we see a continued increase in demand for ZignSec's products and services. As we become an increasingly more well-known company in the market, ever larger customer agreements have been signed. Sales growth remains strong and the company's net sales increased by 85% during the second quarter compared with the same period last year.

ZignSec displays a very strong start to the quarter with two new customers contracted to an order value of between SEK 15-30 million each. Furthermore, we have moved on to the next stage in the collaboration with our German partner SCHUFA. A long-term agreement over a minimum of five years has been signed with an initial order value of at least SEK 23 million, which also includes a variable transaction-based part.

The acquisition of Web Shield, announced during the second quarter and completed at the beginning of the third quarter, is ZignSec's largest acquisition to date. It is substantial and will lead to improved growth and profitability as it provides ZignSec with a complementary product range of world-leading solutions which are prerequisite to companies with strictly regulated operations regarding customer knowledge and customer onboarding.

The organization has grown significantly, and the acquisition of Web Shield enhances our skills with unique expertise in current international and local regulations for financial services. The new regulations from Mastercard and Visa, that will come into force during this autumn, requires all affected banks and partners to ensure exactly the processes which Web Shield is a world-leading provider of.

The market needs for increased automation of business processes, and new regulations getting imposed, leads to increased complexity for our customers. ZignSec is thus becoming an increasingly important supplier of the infrastructure that must be in place for continued growth. We are and intend to remain a global and complete provider of the best technology for digital onboarding and ID verification services by continuously aggregating world-leading technical solutions in our All-In-One Platform.

We know that smart digitization is the future of all successful companies and that the future is now.



Timm Schneider,
CEO, ZignSec AB (publ)

Group development

The quarter April to June 2021

Revenue and operating profit

The Group's net sales for Q2, 2021 amounted to SEK 5,969 (3,225) thousand, which corresponds to an increase of 85% compared to the same period for the previous year.

EBITDA amounted to SEK -7,302 (-2,470) thousand. 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 2021, the capitalized development expenditures increased by a total of SEK 12 thousand, of which SEK 0 (94) thousand was activated own development work. 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 second quarter amounted to SEK -4,801 (-144) thousand. 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 -84 (-1) thousand.

Tax

Tax on profit for the second quarter amounted to SEK 0 (0) thousand.

The period January to June 2021

Revenue and operating profit

The Group's net sales for the period 2021 amounted to SEK 11,133 (5,718) thousand, which corresponds to an increase of 95% compared to the same period for the previous year.

EBITDA amounted to SEK -13,652 (-5,350) thousand. 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 2021, the capitalized development expenditures increased by a total of SEK 119 thousand, of which SEK 0 (255) thousand was activated own development work. 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 -8,389 (-237) thousand. The change is mainly due to consolidated amortization of acquired technology, customer relations and goodwill.

Financial net

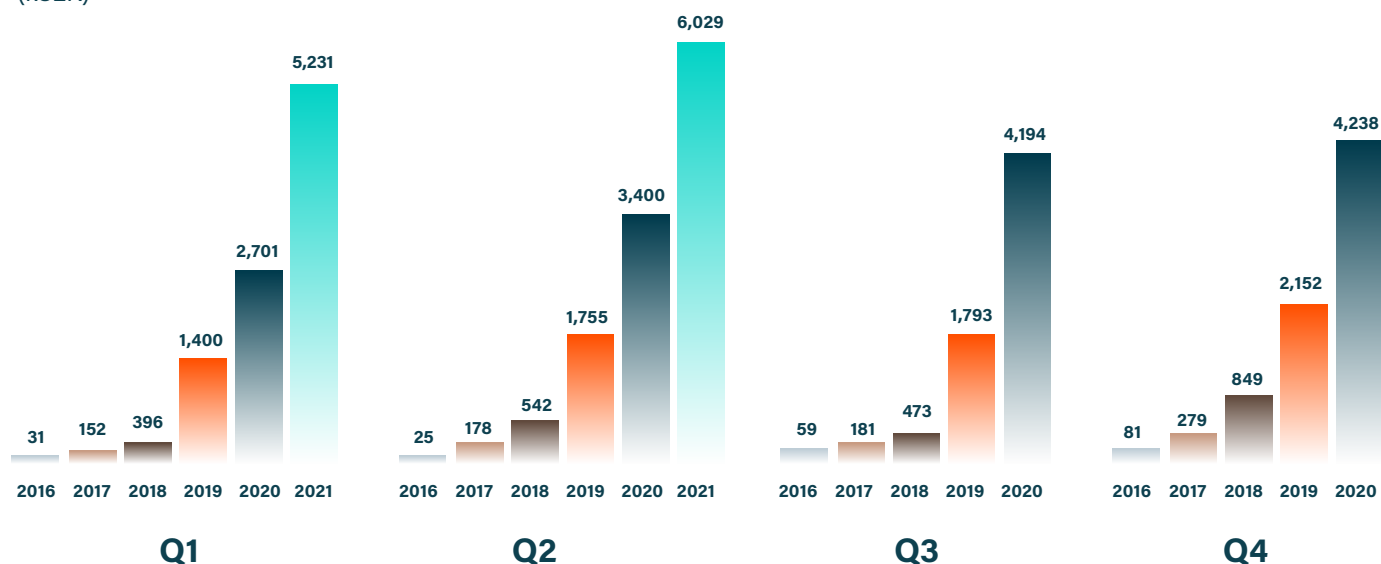
Net financial items for the period amounted to SEK 1 (-1) thousand.

Tax

Tax on profit for the period amounted to SEK 0 (0) thousand.

Quarterly turnover development 2016-2021

(kSEK)



Financial position

Financial position and liquidity

As of June 30, the Group had SEK 151,303 (23,663) thousand in cash and cash equivalents. The balance sheet total amounted to SEK 241,056 (31,677) thousand.

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 2021 amounted to SEK -7,499 (-2,914) thousand.

Financing

During the second quarter 2021 a new share issue was carried out, bringing in a net payment of approximately SEK 130 million. Existing cash and cash equivalents are deemed to be sufficient to meet the current capital needs. The company has no loans and is fully financed by contributions through share issues.

Investments and acquisitions

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



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Significant events in the second quarter

ZignSec signs an agreement with SCHUFA for the launch of a jointly developed service for the German market called SCHUFA myConnect. The agreement has an initial order value of at least SEK 23 million, as well as a transaction-based component that can result in revenues in excess of the initial order value. The agreement runs until further notice but for at least five years.

ZignSec's subsidiary Basis ID signs an agreement with the listed company NetEase Inc, which is one of China's largest IT companies, with a potential of SEK 15 million annually for the delivery of digital onboarding and electronic ID verifications.

ZignSec won through its subsidiary Wyzer Limited a procurement of just over SEK 30 million issued by the Government of Malta for the creation of a digital portal to connect government agencies and their services with companies.

The company further strengthened its service offering and geographical presence in Singapore by being approved as a distributor of their local eID MyInfo and MyInfo-Business.

ZignSec signs an agreement with Savelend Credit Group AB regarding access to ZignSec's global verification platform.

Significant events after the end of the second quarter

ZignSec completed the acquisition of Web Shield, a leading RegTech company with cutting-edge expertise in corporate customer onboarding, compliance and monitoring. Web Shield, with currently just over 40 employees, had sales of approximately SEK 48 million in 2020 and is expected to have sales of just over SEK 61 million in 2021.

ZignSec signs an agreement with Trustly Group AB for the use of ZignSec's services for improved customer awareness. Trustly Group AB is a Fintech company that provides payment solutions in real time through its technology for direct payment via bank.



Personnel

As per the date of report publication the group has 81 employees, which can be compared to 11 employees at the same time in 2020.

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

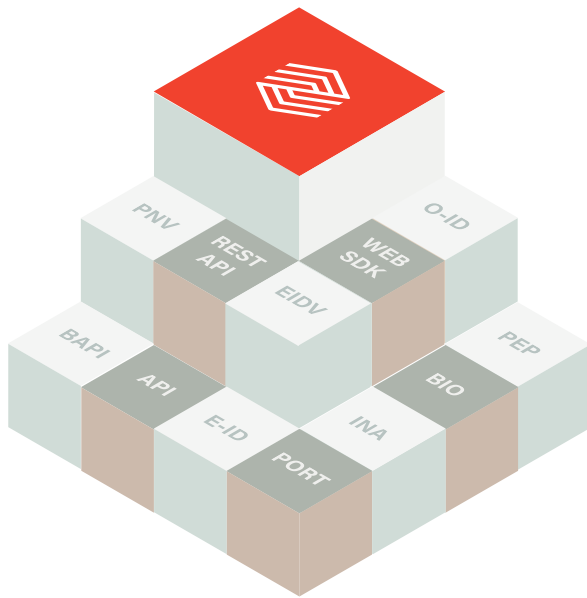
ZignSec offers a platform with digital ID verification solutions to companies in need of verifying their customers digitally in real-time. The company's business model is based on aggregating verification methods in different countries under one umbrella that can be used to verify users digitally in 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.

Our Platform

We are an aggregator of global solutions who help companies to digitize, automate and optimize their ID verification and compliance processes. Our platform offers KYB/C, AML checks, age verification, fraud detection, onboarding, etc.



KYC/B and AML



Fraud protection



Global reach



Increased revenue



Efficient onboarding

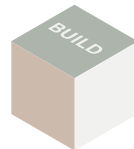


Age-verification



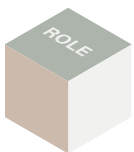
Auto document generation

No manual actions. We automate and seamlessly integrate the generation of PDF documents and store them in context to the business process that created them.



Drag and Drop

With our drag and drop functionality anyone can create and change forms and processes for identification and compliance workflows.



Roles & permissions

Our platform comes with a bunch of preset roles and permissions that can be assigned to the team using it. Ensuring that confidential data is protected and only access by authorised personnel.



Single-sign-on

We have integrated our platform with various authentication providers in order to offer a single sign-on across our whole platform. This lets users move freely between the different features and functionality by only logging in once.



On-premise or cloud deployment

Our platform may be deployed on-premise or fully on the cloud in a Software-as-a-Service manner.



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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.



Income Analysis

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



Online ID Verification

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



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).



Electronic Identities

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



PEP and Sanction Checks

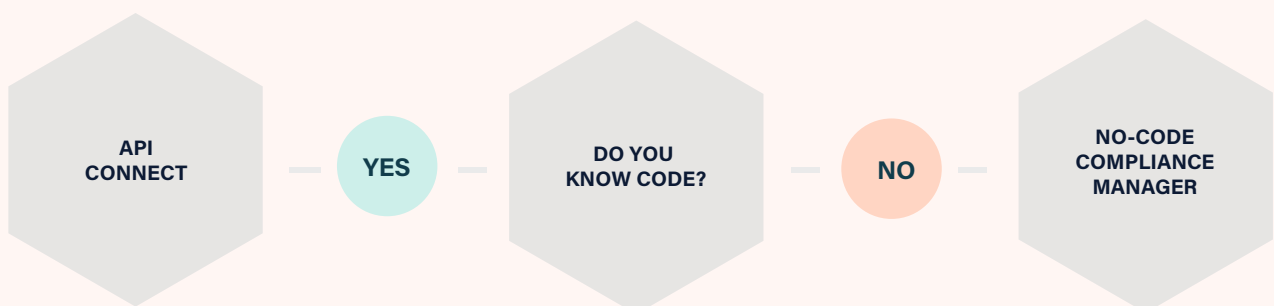
Real-time access to multiple global PEP and Sanction lists, increasing both geographic coverage and quality of service. A robust and effective way to carry out an initial risk.



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.

Code is fantastic! But not for everyone.



Profit and loss

(kSEK)	Apr 1 - Jun 30 2021	Apr 1 - Jun 30 2020	Jan 1 - Jun 30 2021	Jan 1 - Jun 30 2020	Jan 1 - Dec 31 2020
Net revenue	5,969.4	3,225.0	11,132.9	5,718.3	13,988.8
Activated own development work	0.0	94.1	0.0	254.6	254.6
Other operating income	59.5	80.5	126.7	127.9	289.6
	6,028.9	3,399.6	11,259.6	6,100.8	14,533.0
Cost of sales	- 1,779.2	- 892.1	- 3,487.2	- 1,712.4	- 4,240.0
Other external costs	- 6,097.5	- 2,418.0	- 11,599.1	- 4,505.1	- 12,443.2
Personnel costs	- 5,413.1	- 2,500.6	- 9,720.6	- 5,107.4	- 10,087.2
Other operating costs	- 41.0	- 58.4	- 104.4	- 126.1	- 282.0
Operating profit/loss (EBITDA)	- 7,302.0	- 2,469.6	- 13,651.6	- 5,350.3	- 12,519.4
Depreciation	- 4,800.7	- 143.8	- 8,389.1	- 237.4	- 1,657.2
Operating profit/loss (EBIT)	- 12,102.7	- 2,613.4	- 22,040.7	- 5,587.7	- 14,176.6
Result from financial items					
Interest income, costs and similar items	- 83.6	- 0.5	1.1	- 0.5	- 58.4
Total result from financial items	- 83.6	- 0.5	1.1	- 0.5	- 58.4
Profit/loss before tax (EBT)	- 12,186.3	- 2,613.8	- 22,039.6	- 5,588.3	- 14,235.1
Tax	621.4	0.0	1,049.5	0.0	44.6
Profit/loss for the period	- 11,564.9	- 2,613.8	- 20,990.1	- 5,588.3	- 14,190.4
Attributable to owners of the parent	- 10,855.0	- 2,613.8	- 19,611.8	- 5,588.3	- 13,545.2
Attributable to non-controlling interests	- 709.9	0.0	- 1,378.3	0.0	- 645.2



Balance sheet

(kSEK)

Jun 30 2021

Jun 30 2020

Dec 31 2020

ASSETS

Non-current assets

Intangible assets

Capitalized development expenditure	2,556.4	1,899.7	2,437.6
Technology	2,865.7	0.0	2,350.4
Goodwill	56,508.4	0.0	13,528.5
Patent, trademarks, licenses	17,948.9	7.1	393.5
Total intangible assets	79,879.4	1,906.8	18,710.0

Tangible assets

Property, plant and equipment	481.1	47.1	169.4
Total tangible assets	481.1	47.1	169.4

Total non-current assets	80,360.4	1,953.9	18,879.4
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Current assets

Accounts receivable	3,779.1	2,751.5	2,697.3
Other receivables	2,185.7	446.2	911.9
Prepaid expenses and accrued income	3,426.8	2,862.6	3,664.6
Total current assets	9,391.6	6,060.3	7,273.8

Cash and cash equivalents	151,303.4	23,663.0	48,342.8
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Total current assets	160,695.1	29,723.2	55,616.7
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TOTAL ASSETS	241,055.5	31,677.1	74,496.1
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Balance sheet

(kSEK)

Jun 30 2021

Jun 30 2020

Dec 31 2020

EQUITY, PROVISIONS AND LIABILITIES

EQUITY

Share capital	1,175.6	781.7	884.0
Share premium reserve	222,887.5	0.0	77,085.0
New share issue in progress	1,200.0	0.0	0.0
Reserves (translation difference)	- 486.1	0.0	- 828.3
Retained earnings incl. profit/loss of the period	- 35,309.7	26,336.6	- 15,697.9
Equity attributable to owners of the parent	189,467.3	27,118.3	61,442.7
Equity attributable to non-controlling interests	5,013.8	0.0	6,263.7
TOTAL EQUITY	194,481.2	27,118.3	67,706.4

PROVISIONS

Provisions for deferred tax	6,355.5	0.0	479.5
Other provisions	33,833.0	0.0	0.0
TOTAL PROVISIONS	40,188.4	0.0	479.5

LIABILITIES

Current liabilities

Prepayments from customers	283.3	0.0	98.7
Accounts payable	1,035.4	1,116.3	2,872.1
Tax liabilities	18.9	0.0	13.8
Other liabilities	836.1	380.7	433.7
Accrued expenses and prepaid income	4,212.2	3,061.8	2,891.9
Total current liabilities	6,385.9	4,558.8	6,310.2
TOTAL LIABILITIES	6,385.9	4,558.8	6,310.2

TOTAL EQUITY, PROVISIONS AND LIABILITIES	241,055.5	31,677.1	74,496.1
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Changes in equity

(kSEK)		Share capital	Share premium reserve	Reserves	Retained earnings incl. profit/loss from the period	Total	Non-controlling interests	Total equity
Changes in equity								
Balance at	2021-01-01	884.0	77,085.0	- 828.3	- 15,697.9	61,442.7	6,263.7	67,706.4
Profit/Loss of the period					- 19,611.8	- 19,611.8	- 1,378.3	- 20,990.1
New share issues in progress			1,200.0			1,200.0		1,200.0
New share issue		291.6	145,802.5			146,094.1		146,094.1
- issue expenses			7,020.2					
Reserves (translation difference)				342.2		342.2	128.5	470.7
Balance at	2021-06-30	1,175.6	224,087.5	- 486.1	- 35,309.7	189,467.3	5,013.8	194,481.2



Statement of cash flow

(kSEK)	Apr 1 - Jun 30 2021	Apr 1 - Jun 30 2020	Jan 1 - Jun 30 2021	Jan 1 - Jun 30 2020	Jan 1 - Dec 31 2020
Operating activities					
Operating profit/loss	- 9,132.0	- 2,613.4	- 22,040.7	- 5,587.7	- 14,176.6
<i>Adjustments for:</i>					
Depreciation	1,841.3	143.8	8,389.1	237.4	1,657.2
Interest received	0.0	0.0	0.0	0.0	0.2
Interest paid	- 0.7	- 0.5	- 2.6	- 0.6	- 1.6
Cash flow from operating activities before changes in working capital	- 7,291.4	- 2,470.0	- 13,654.2	- 5,350.9	- 12,520.8
<i>Changes in working capital</i>					
Change in receivables	- 211.9	- 1,629.1	1,131.2	- 891.2	- 1,664.7
Change in short-term debts	- 419.3	1,185.3	- 1,072.0	1,401.9	3,188.3
Cash flow from operating activities	- 7,498.9	- 2,913.8	- 13,595.0	- 4,840.1	- 10,997.2
Investing activities					
Investment in subsidiaries	0.0	0.0	- 15,702.3	0.0	- 6,054.1
Investment in intangible assets	- 300.3	- 521.2	- 664.1	- 1,124.0	- 2,059.9
Investment in tangible assets	- 13.4	0.0	- 57.8	0.0	- 122.4
Cash flow from investing activities	- 313.7	- 521.2	- 16,424.1	- 1,124.0	- 8,236.5
Financing activities					
New share issue	132,979.8	0.0	132,979.8	0.0	37,949.4
Cash flow from financing activities	132,979.8	0.0	132,979.8	0.0	37,949.4
Total cash flow for the period	125,167.2	- 3,435.1	102,960.6	- 5,964.1	18,715.7
Cash and cash equivalents at beginning of period	26,136.2	27,098.1	48,342.8	29,627.1	29,627.1
Cash and cash equivalents at end of period	151,303.4	23,663.0	151,303.4	23,663.0	48,342.8



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 2021, 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

Interim report Q3: 25 November 2021

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 August 25, 2021.

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