



ZignSec

Interim report Q2

1 April to 30 June 2024

Report highlights



Financial overview

- Net revenue amounted to SEK 21.8 (21.1) million, an increase of 3% compared with the corresponding period year before.
- Operating profit/loss before depreciation and amortization EBITDA amounted to SEK -1.9 (-7.1) million.
- Cash and cash equivalents amounted to SEK 25.1 (8.2) million.

Significant events during the second quarter

- ZignSec's subsidiary Web Shield signed a customer agreement with a leading Nordic-Baltic banking group to streamline their onboarding process for new merchant accounts and monitoring existing clients.
- The Board initiated a process to evaluate ZignSec's potential strategic alternatives to maximize shareholder value, which may include a sale of the Company or other possible transactions.
- In June, ZignSec carried out a rights issue that was subscribed for a total of approximately 87.5 percent. The rights issue generated approximately SEK 24.1 million after issuing costs.

Significant events after the end of the second quarter

- ZignSec's newly launched proof of address solution has started to generate revenue, and several new agreements has been signed with both new and existing clients.

Summary A word from the CEO

In Q2 2024, net revenue reached SEK 21.8 million, an increase by 3% compared to the same period last year. Our core segments, Know Your Business (KYB) and Know Your Customer (KYC), have shown robust performance with stable margins.

Our priorities for the remainder of 2024 include deepening our presence in key markets, enhancing our product portfolio, and driving further operational efficiencies.

Interim report Q2

1 April to 30 June 2024

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 2024 | Apr 1 - Jun 30 2023 | Jan 1 - Jun 30 2024 | Jan 1 - Jun 30 2023 | Jan 1 - Dec 31 2023 |
|-------------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|
| Total revenue | 22.5 | 21.8 | 44.4 | 44.5 | 86.2 |
| Net revenue | 21.8 | 21.1 | 43.1 | 43.1 | 84.7 |
| Net revenue growth | 3% | -10% | 0% | -10% | -6% |
| EBITDA | -1.9 | -7.1 | -3.7 | -12.5 | -22.2 |
| Operating profit/loss (EBIT) | -20.6 | -25.8 | -40.6 | -49.2 | -98.4 |
| Net cash and cash equivalents | 13.1 | -12.5 | 13.1 | -12.5 | -1.0 |
| Equity/Assets ratio | 78% | 74% | 78% | 74% | 77% |
| Average number of employees | 60 | 66 | 60 | 66 | 63 |
| Number of shares | 111,284,958 | 53,559,944 | 100,392,981 | 53,559,944 | 63,871,971 |
| Earnings per share (SEK) | -0.188 | -0.397 | -0.397 | -0.834 | -1.465 |



ZignSec

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A Word from the CEO

I am pleased to present our interim report for Q2 2024, showcasing the continued strength of our core business areas, operational efficiencies, and targeted market expansion. ZignSec remains firmly positioned in the RegTech industry, effectively navigating both opportunities and challenges as we strive for market leadership.

For Q2 2024, net revenue reached SEK 21.8 million, reflecting a modest 3% growth compared to last year. While this growth is measured, it underscores the stability of our core business and the effectiveness of our strategic initiatives in a dynamic market environment.

Our core segments, Know Your Business (KYB) and Know Your Customer (KYC), have shown robust performance with stable margins. The KYB segment, led by our flagship products InvestiGate and Monitor, demonstrates continued growth, particularly in Eastern Europe, where the adoption of our solutions has been substantial.

Similarly, the KYC segment has maintained its progress, with Identity Data Verification and ID Verification products leading the way. The increasing demand for reliable identity verification in our key markets further reinforces the relevance and value of our offerings.

While our core products perform well, we recognize that our growth is tempered by the ongoing transition of certain services. The shift from our Legal Library service to the future-ready Compliance Pass is advancing, albeit with some temporary revenue dips. This necessary transition is integral to securing long-term sustainability and enhanced customer

satisfaction, which remain at the forefront of our strategy.

Additionally, we are managing a controlled revenue decline in our Customized Platforms segment by strategically reallocating resources toward higher-growth areas. This realignment aligns with our broader focus on sustainable growth and delivering greater shareholder value, setting the foundation for more robust future performance.

Given the current revenue trajectory and the strategic realignment, we are more determined than ever to push harder on achieving our financial targets. We are intensifying our efforts to ensure that despite the transitional adjustments, our short-term goals remain fully within reach.

Looking ahead, we remain optimistic about improving our growth trajectory. The evolving regulatory landscape presents both challenges and opportunities, and we are fully prepared to adapt and excel. Our priorities for the remainder of 2024 include deepening our presence in key markets, enhancing our product portfolio, and driving further operational efficiencies. We are actively monitoring regulatory changes to maintain our competitive edge and compliance, ensuring ZignSec is well-positioned for future success.

Innovation and customer-centric solutions will continue to drive our strategy as we move forward. Our commitment to delivering increased value to our shareholders, coupled with our focus on building on current positive momentum, will guide ZignSec toward sustained growth and long-term success.

Sincerely,
Glenn Mac Donald



Group development

The quarter April to June 2024

Revenue and operating profit

The Group's net sales for Q2, 2024 amounted to SEK 21.8 (21.1) million, which corresponds to an increase of 3% compared to the same quarter for the previous year.

EBITDA amounted to SEK -1.9 (-7.1) million. The improvement is mainly due to lower costs for personnel and consulting services.

Development

During the second quarter of 2024, capitalized development expenditures after depreciation remained unchanged. 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 -18.7 (-18.7) million.

Financial net

Net financial items for the second quarter amounted to SEK -1.2 (3.7) million, the change is mainly due to interest on external loans and a revaluation made in 2023 of the final deferred consideration for the Wyzer acquisition.

Tax

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

The period January to June 2024

Revenue and operating profit

The Group's net sales for the period 2024 amounted to SEK 43.1 (43.1) million, which remained unchanged compared to the same period for the previous year.

EBITDA amounted to SEK -3.7 (-12.5) million. The change is mainly due to reduced costs for personnel and consulting services.

Development

During the period 2024, capitalized development expenditures after depreciation decreased by a total of SEK 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 period amounted to SEK -37.0 (-36.8) million. The change is due to slightly higher amortization of acquired goodwill.

Financial net

Net financial items for the period amounted to SEK -0.8 (3.0) million, the change is mainly due to interest on external loans and a revaluation made in 2023 of the final deferred consideration for the Wyzer acquisition.

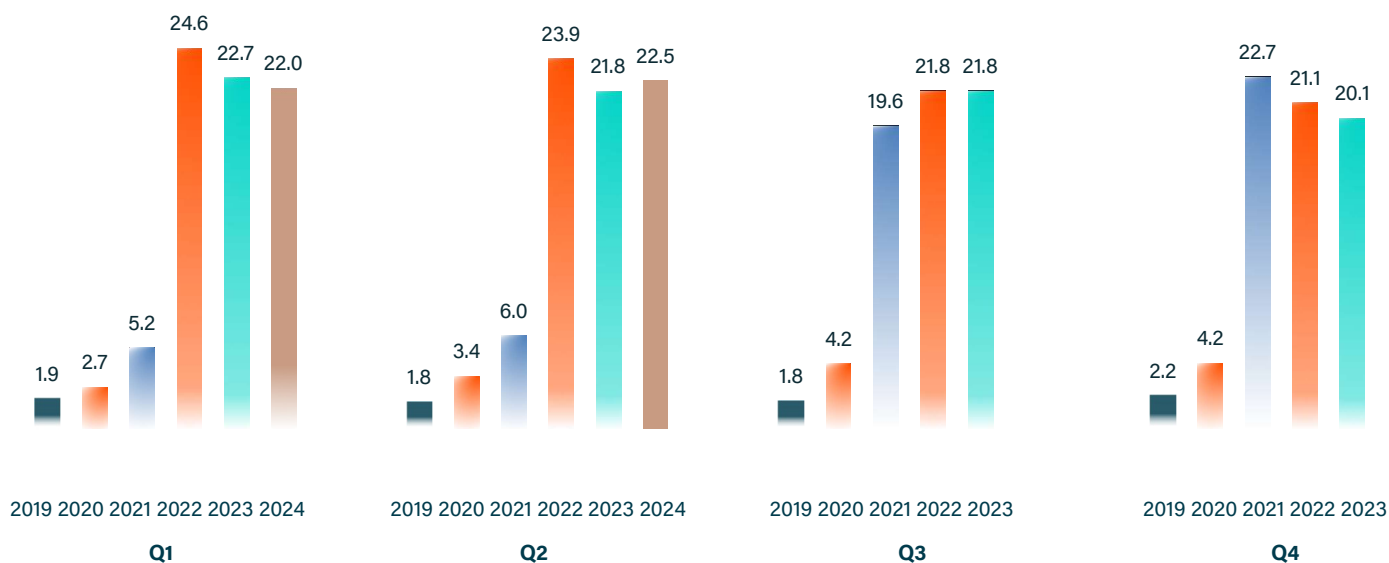
Tax

Estimated tax on profit for the period amounted to SEK 1.6 (1.6) million.

Quarterly turnover development

2019-2024

(mSEK)



Financial position

Financial position and liquidity

As of June 2024, the group had SEK 25.1 (8.2) million in cash and cash equivalents. The balance sheet total amounted to SEK 178.9 (247.8) million.

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

Operating cash flow

Cash flow from operating activities during the second quarter 2024 amounted to SEK -3.9 (-5.5) million.

Financing

During the second quarter, the company carried out a rights issue of shares, generating SEK 29.3 million before issuing costs, approximately SEK 24.1 million net. Cash and cash equivalents are deemed to be sufficient to meet current capital needs.

Significant events in the second quarter

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

ZignSec signed a customer agreement with the rapidly growing cryptocurrency broker hi. According to the agreement, ZignSec will be hi's exclusive platform for KYC and AML processes. The solutions will be deployed worldwide and serve over 3.5 million users.

The Board 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 June, ZignSec carried out a rights issue that was subscribed for a total of approximately 87.5 percent. The rights issue generated approximately SEK 24.1 million after issuing costs.

Significant events after the second quarter

ZignSec's newly launched proof of address solution has gone live with transactions and is starting to generate revenue. During July and August, several new client agreements for this solution has been signed, both with new clients as well as existing clients that added this service to their existing contracts.

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.

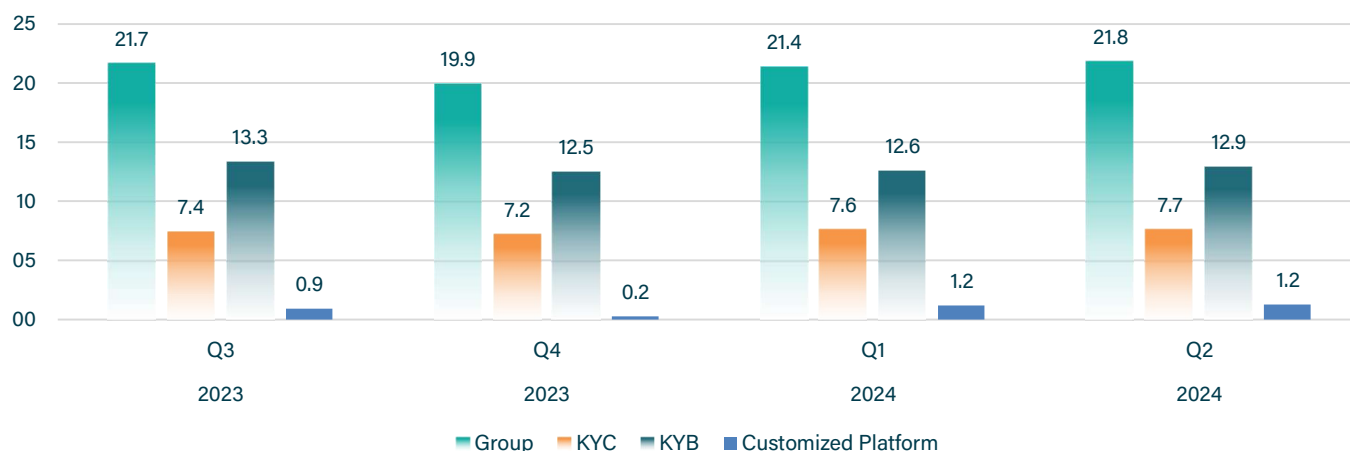
ZignSec's business model is based on recurring subscriptions, re-occurring transaction fees and low integration costs. The company's costs mainly consist of development and integration costs as well as ongoing verification and transaction fees. After the integration, the number of transactions for each 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.



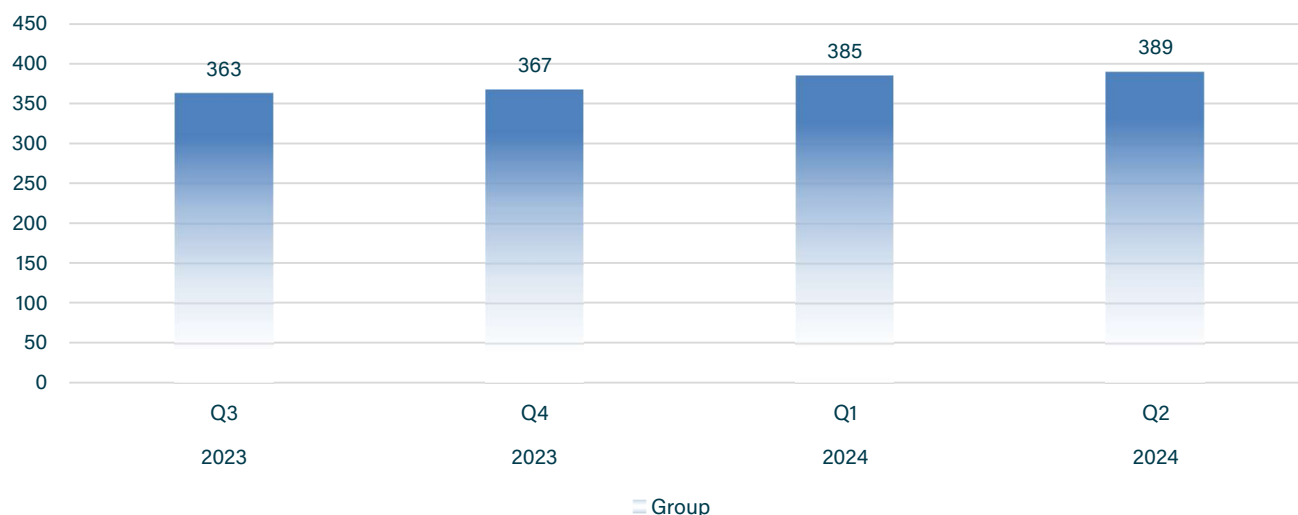
Financial and operational metric

Net revenue (mSEK)



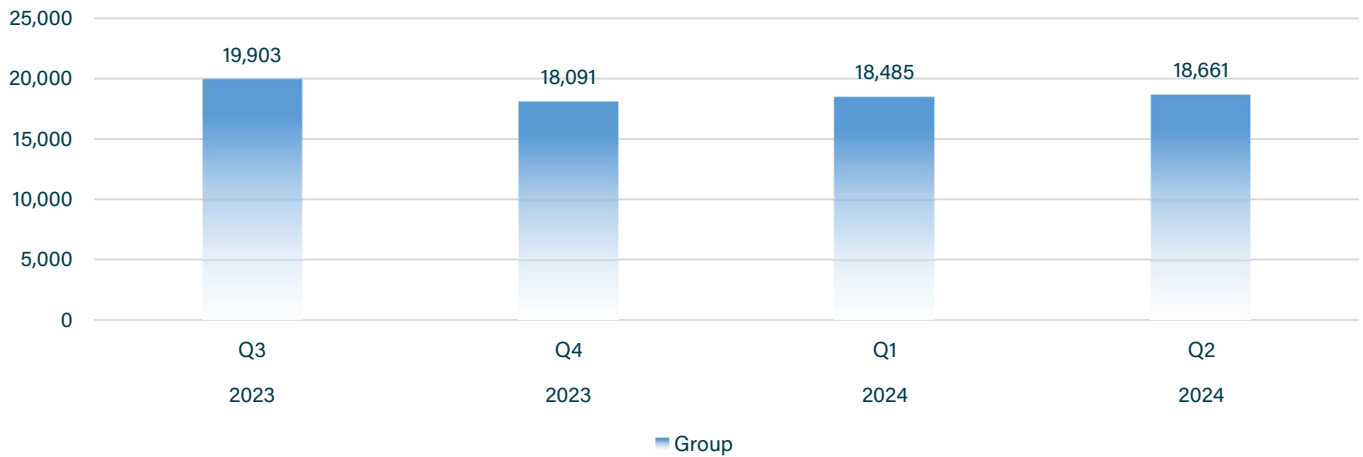
Net revenue for the group increased during the second quarter by SEK 0.4 million compared to the first quarter of 2024, mainly as a result of higher revenue per customer in the KYC and KYB segment.

Average number of customers invoiced



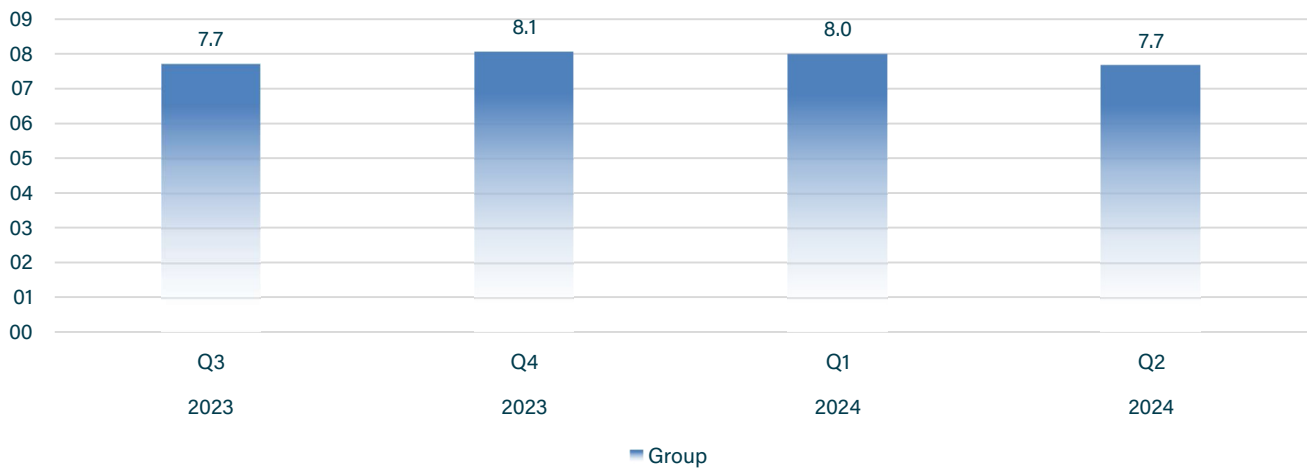
The monthly average number of invoiced customers has increased during the second quarter of 2024, mainly within the KYB segment.

Average revenue per customer (ARPC)



The average monthly revenue per customer (ARPC) has increased compared to Q1 2024, mainly due to increasing revenue from large KYC customers.

Transactions performed (million)



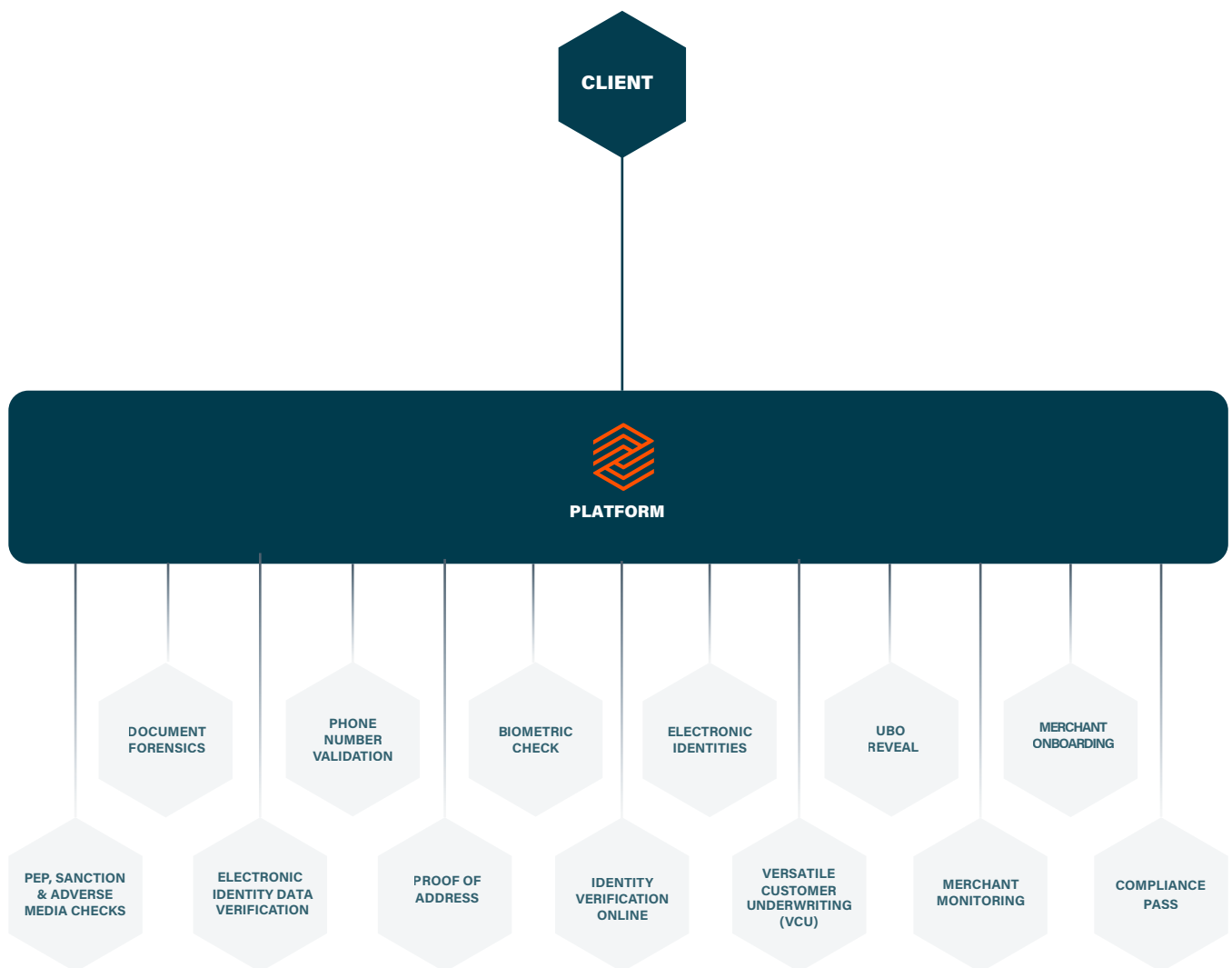
The number of completed transactions during Q2 2024 decreased as a result of slightly lower volumes of completed eID transactions.



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 and automatically verifying it with a biometric 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 with 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.



CompliancePass

A solution that enables cryptocurrency businesses to prove their compliance with local laws and industry rules.

Profit and loss

| (mSEK) | Apr 1 - Jun 30 2024 | Apr 1 - Jun 30 2023 | Jan 1 - Jun 30 2024 | Jan 1 - Jun 30 2023 | Jan 1 - Dec 31 2023 |
|---|------------------------|------------------------|------------------------|------------------------|------------------------|
| Net revenue | 21.8 | 21.1 | 43.1 | 43.1 | 84.7 |
| Other operating income | 0.7 | 0.7 | 1.3 | 1.3 | 1.5 |
| | 22.5 | 21.8 | 44.4 | 44.5 | 86.2 |
| Cost of sales | -4.5 | -6.3 | -9.6 | -12.1 | -20.9 |
| Other external costs | -7.2 | -8.7 | -14.2 | -18.0 | -36.0 |
| Personnel costs | -11.8 | -13.8 | -23.3 | -26.5 | -50.7 |
| Other operating costs | -0.8 | -0.1 | -0.9 | -0.3 | -0.9 |
| Operating profit/loss (EBITDA) | -1.9 | -7.1 | -3.7 | -12.5 | -22.2 |
| Depreciations and amortization | -18.7 | -18.7 | -37.0 | -36.8 | -76.2 |
| Operating profit/loss (EBIT) | -20.6 | -25.8 | -40.6 | -49.2 | -98.4 |
| Result from financial items | | | | | |
| Profit/loss from shares in associated companies | 0.0 | -0.1 | 0.0 | -0.3 | -0.4 |
| Interest income, costs and similar items | -1.2 | 3.8 | -0.8 | 3.3 | 2.1 |
| Total result from financial items | -1.2 | 3.7 | -0.8 | 3.0 | 1.8 |
| Profit/loss before tax (EBT) | -21.7 | -22.1 | -41.4 | -46.2 | -96.6 |
| Tax | 0.8 | 0.8 | 1.6 | 1.6 | 3.1 |
| Profit/loss for the period | -21.0 | -21.3 | -39.9 | -44.7 | -93.6 |



Balance Sheet

| (mSEK) | Jun 30 2024 | Jun 30 2023 | Dec 31 2023 |
|-------------------------------------|--------------|--------------|--------------|
| ASSETS | | | |
| Non-current assets | | | |
| Intangible assets | | | |
| Capitalized development expenditure | 1.7 | 1.6 | 1.6 |
| Customer relationships | 27.0 | 42.3 | 32.6 |
| Technology | 0.0 | 9.7 | 4.4 |
| Goodwill | 95.5 | 150.3 | 114.9 |
| Patent, trademarks, licenses | 0.1 | 0.2 | 0.1 |
| Total intangible assets | 124.2 | 204.0 | 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 | 1.2 | 1.3 | 1.2 |
| Total financial assets | 1.2 | 1.3 | 1.2 |
| Total non-current assets | 126.3 | 206.5 | 155.7 |
| Current assets | | | |
| Accounts receivable | 10.7 | 11.5 | 8.4 |
| Other receivables | 8.0 | 8.3 | 7.7 |
| Prepaid expenses and accrued income | 8.8 | 13.3 | 8.1 |
| Total current assets | 27.5 | 33.1 | 24.2 |
| Cash and cash equivalents | 25.1 | 8.2 | 14.3 |
| Total current assets | 52.6 | 41.2 | 38.5 |
| TOTAL ASSETS | 178.9 | 247.8 | 194.2 |

Balance Sheet

| (mSEK) | Jun 30 2024 | Jun 30 2023 | Dec 31 2023 |
|---|--------------|--------------|--------------|
| EQUITY, PROVISIONS AND LIABILITIES | | | |
| EQUITY | | | |
| Share capital | 8.2 | 2.1 | 3.5 |
| Equity method reserve | 0.7 | 0.7 | 0.7 |
| Reserves (translation difference) | 32.5 | 36.9 | 26.8 |
| Share premium reserve | 458.2 | 416.0 | 438.7 |
| Retained earnings incl. profit/loss of the period | -359.9 | -271.1 | -320.1 |
| TOTAL EQUITY | 139.6 | 184.5 | 149.6 |
| PROVISIONS | | | |
| Provisions for deferred tax | 2.8 | 6.1 | 4.2 |
| TOTAL PROVISIONS | 2.8 | 6.1 | 4.2 |
| LIABILITIES | | | |
| Non-current liabilities | | | |
| Liabilities to credit institutions | 5.4 | 12.0 | 8.7 |
| Total non-current liabilities | 5.4 | 12.0 | 8.7 |
| Current liabilities | | | |
| Liabilities to credit institutions | 6.7 | 8.7 | 6.7 |
| Prepayments from customers | 3.7 | 0.3 | 0.2 |
| Accounts payable | 4.5 | 3.3 | 3.6 |
| Liabilities to associated companies | 0.9 | 0.9 | 0.9 |
| Tax liabilities | 0.0 | 0.0 | 0.0 |
| Other liabilities | 5.2 | 11.2 | 5.4 |
| Accrued expenses and prepaid income | 10.0 | 20.7 | 14.9 |
| Total current liabilities | 31.1 | 45.1 | 31.7 |
| TOTAL LIABILITIES | 36.5 | 57.1 | 40.4 |
| TOTAL EQUITY AND LIABILITIES | 178.9 | 247.8 | 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 | | | | | -39.9 | -39.9 |
| New share issue | 4.6 | | | 24.7 | | 29.3 |
| - issue expenses | | | | -5.2 | | -5.2 |
| Translation difference | | | 5.7 | | | 5.7 |
| Balance at 2023-12-31 | 8.2 | 0.7 | 32.5 | 458.2 | -359.9 | 139.6 |



Statement of cash flow

| (mSEK) | Apr 1 - Jun 30 2024 | Apr 1 - Jun 30 2023 | Jan 1 - Jun 30 2024 | Jan 1 - Jun 30 2023 | Jan 1 - Dec 31 2023 |
|--|------------------------|------------------------|------------------------|------------------------|------------------------|
| Operating activities | | | | | |
| Operating profit/loss | -20.6 | -25.8 | -40.6 | -49.2 | -98.4 |
| Adjustments for: | | | | | |
| <i>Depreciation and amortizations</i> | 18.7 | 18.7 | 37.0 | 36.8 | 76.2 |
| Interest received | 0.0 | 0.0 | 0.0 | 0.0 | 0.1 |
| Interest paid | -0.8 | -0.7 | -1.3 | -1.3 | -2.6 |
| Income tax paid | 0.0 | 0.0 | 0.0 | 0.0 | -0.1 |
| Cash flow from operating activities before changes in working capital | -2.7 | -7.8 | -5.0 | -13.8 | -24.8 |
| Changes in working capital | | | | | |
| Change in receivables | -1.1 | -1.6 | -2.2 | -2.4 | 4.8 |
| Change in short-term debts | -0.2 | 3.9 | -2.3 | -0.3 | -5.1 |
| Cash flow from operating activities | -3.9 | -5.5 | -9.5 | -16.5 | -25.1 |
| Investing activities | | | | | |
| Investment in intangible assets | -0.3 | -0.2 | -0.6 | -0.4 | -1.0 |
| Investment in tangible assets | -0.1 | 0.0 | -0.1 | 0.0 | -0.1 |
| Cash flow from investing activities | -0.3 | -0.2 | -0.6 | -0.5 | -1.1 |
| Financing activities | | | | | |
| Loan repayment | -1.6 | -1.1 | -3.3 | -1.1 | -4.4 |
| New share issue | 24.1 | 0.0 | 24.1 | 0.0 | 18.7 |
| Cash flow from financing activities | 22.5 | -1.1 | 20.8 | -1.1 | 14.3 |
| Total cash flow for the period | 18.2 | -6.8 | 10.7 | -18.0 | -11.9 |
| Unrealized Fx Revaluation Effect | -0.1 | 0.0 | 0.1 | 0.0 | 0.0 |
| Cash and cash equivalents at beginning of period | 7.0 | 15.0 | 14.3 | 26.2 | 26.2 |
| Cash and cash equivalents at end of period | 25.1 | 8.2 | 25.1 | 8.2 | 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

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 21 August, 2024.

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