



ZignSec

Year-End Report

Q4 2023



ZignSec

ZignSec AB (publ) Year-end Report • 2023 | Org. No. 559016-5261

www.zignsec.com

Report highlights



Financial overview full year 2023

- Net revenue amounted to SEK 84.7 (89.9) million, a decrease of 6% compared with the corresponding period year before.
- Operating profit/loss before depreciation and amortization EBITDA amounted to SEK -22.6 (-23.5) million.
- Cash and cash equivalents amounted to SEK 14.3 (26.2) million.

Financial overview Q4 2023

- Net revenue amounted to SEK 19.9 (20.8) million, a decrease of 4% compared with the corresponding quarter the year before.
- Operating profit/loss before depreciation and amortization EBITDA amounted to SEK -4.4 (-5.6) million.
- Cash and cash equivalents amounted to SEK 14.3 (26.2) million.

Significant events during the fourth quarter

- ZignSec has, through its subsidiary Web Shield, launched a new Regulatory Monitoring platform for cryptocurrency merchants called CompliancePass, that allows crypto businesses to prove their compliance with local laws and industry rules.
- ZignSec carried out a directed issue of shares and warrants that raised SEK 8.6 million before issuing costs.

Summary A word from the CEO

During the quarter, we generated net revenue of SEK 19.9 (20.8) million, which is a decrease of 4% compared to the same period the prior year. Despite facing some challenges, several key achievements have been accomplished with laying a solid foundation for future growth, and our geographic expansion continues as we enter new diverse markets with our clients.

Our portfolio expanded with the release of new solutions and innovations to the existing offering. We successfully launched CompliancePass, our new regulatory monitoring platform for crypto businesses and an innovative Proof of Address solution generating significant interest in the iGaming industry.



Year-end report 2023

Interim report Q4 2023

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)	Oct 1 - Dec 31 2023	Oct 1 - Dec 31 2022	Jan 1 - Dec 31 2023	Jan 1 - Dec 31 2022
Total revenue	20.1	21.1	86.3	91.4
Net revenue	19.9	20.8	84.7	89.9
Net revenue growth	-4%	-8%	-6%	69%
EBITDA	-4.4	-5.6	-22.6	-23.5
Operating profit/loss (EBIT)	-24.5	-26.1	-98.8	-149.4
Net cash and cash equivalents	-1.0	4.7	-1.0	4.7
Equity/Assets ratio	77%	76%	77%	76%
Average number of employees	62	69	63	75
Number of shares	78,958,264	53,559,944	63,871,971	41,985,070
Earnings per share (SEK)	-0.297	-0.319	-1.465	-3.324

A Word from the CEO

During the fourth quarter 2023 ZignSec generated net revenue of SEK 19.9 (20.8) million, a decrease of 4% compared to the same period the prior year caused mainly by delays in large external platform projects. Despite facing some challenges, several key achievements have been accomplished with the release of new solutions and innovations to our existing offering and increased revenue for our core KYB products Monitor and Investigate of 27% and 36% respectively, compared to the same period the year before.

A new regulatory monitoring platform for crypto businesses called CompliancePass was launched during the fourth quarter. This platform allows clients to receive an on-demand legal opinion on their alignment with local laws and industry standards in different jurisdictions. CompliancePass will expand further during 2024 to cover acquiring banks and their portfolios.

Our launch of the innovative Proof of Address product has rapidly gained market traction, signaling potential for future revenue growth. This, along with our expansion in emerging markets, showcases our growing global influence and capability to tap into new market segments.

ZignSec's geographic expansion continues, deepening client relationships and demonstrating our capacity to scale in diverse markets. This strategic growth underscores the trust in our solutions and opens doors for further partnerships. Our expansion in the CIS region has notably increased Web Shield's presence, establishing a solid market foothold.

New websites have been published for both Web Shield and Wyzer, significantly enhancing our digital presence. Our focused marketing campaigns have yielded a record number of qualified leads for ZignSec and increased traffic for Web Shield, indicating potential new business opportunities.

Participating in industry events like SiGMA and RiskX has raised our brand visibility and facilitated new business relationships. Our Proof of Address solution has attracted significant interest, leading to promising negotiations, particularly in the iGaming industry.

Additionally, our solutions are now being used by Schufa and tested by the Nordic's largest logistics company. Ongoing negotiations with major financial institutions indicate our growing relevance in this sector.

To support our growth plans and create value for our shareholders, a capital injection was secured through a directed share issue that was carried out in November, generating 8.6 million SEK before issuing costs.

In summary, while Q4's financial results were below expectations, our strategic advancements lay a solid foundation for future growth, global expansion, and enhanced shareholder value. Thank you for your ongoing support and confidence in our vision. We remain committed to driving sustainable growth and long-term value for all stakeholders.

Sincerely,

Glenn Mac Donald



Group development

The quarter October to December 2023

Revenue and operating profit

The Group's net sales for Q4, 2023 amounted to SEK 19.9 (20.8) million, which corresponds to a decrease of 4% compared to the same quarter for the previous year.

EBITDA amounted to SEK -4.4 (-5.6) million. The improvement is mainly due to reduced costs for personnel and consulting services.

Development

During the fourth quarter of 2023, 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 fourth quarter amounted to SEK -20.1 (-20.5) million. The change is mainly due to lower depreciation of acquired goodwill.

Financial net

Net financial items for the fourth quarter amounted to SEK 0.3 (8.2) million, due to a write down of an external loan offset by interest on loan from credit institution.

Tax

Estimated tax on profit for the fourth quarter amounted to SEK 0.8 (0.9) million.

The period January to December 2023

Revenue and operating profit

The Group's net sales for the period 2023 amounted to SEK 84.7 (89.9) million, which corresponds to a decrease of 6% compared to the same period for the previous year.

EBITDA amounted to SEK -22.6 (-23.5) million. The change is mainly due to reduced costs for personnel and consulting services, which has been partially offset by lower net sales.

Development

During the period 2023, capitalized development expenditures after depreciation decreased by a total of SEK 0.2 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 -76.2 (-125.9) million. The change is mainly due to lower amortization of acquired goodwill.

Financial net

Net financial items for the period amounted to SEK 2.1 (6.5) million, mainly as a result of a revaluation of the final deferred consideration for the Wyzer acquisition.

Tax

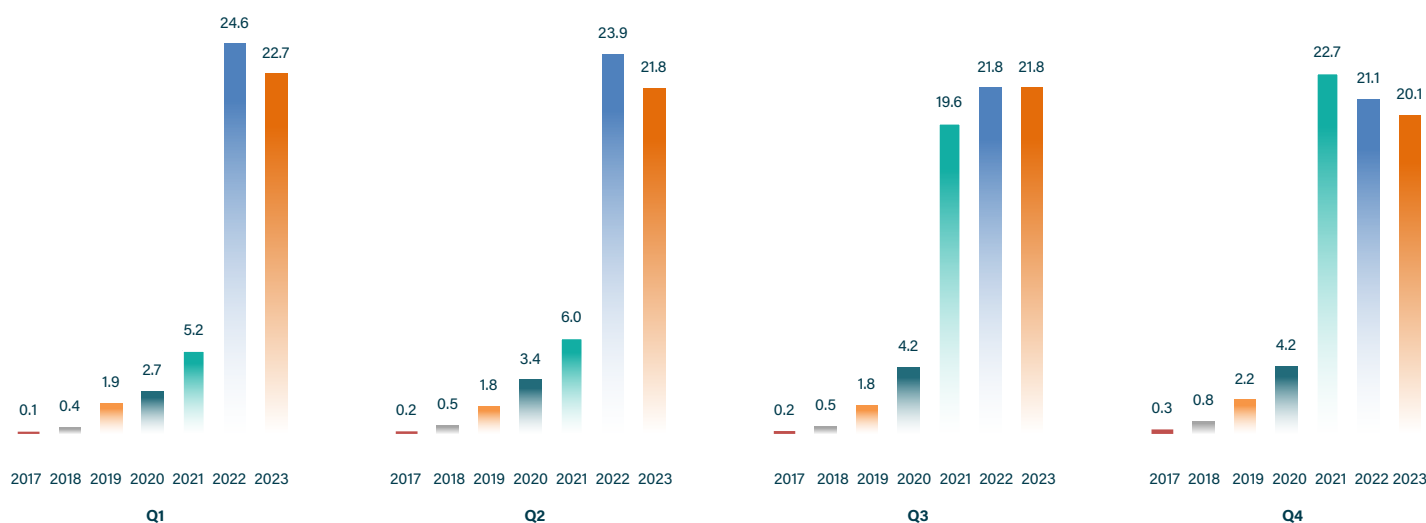
Estimated tax on profit for the period amounted to SEK 3.1 (3.3) million.



Quarterly turnover development

2017-2023

(mSEK)



Financial position

Financial position and liquidity

As of December 2023, the group had SEK 14.3 (26.2) million in cash and cash equivalents. The balance sheet total amounted to SEK 193.5 (280.4) 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 fourth quarter 2023 amounted to SEK -1.0 (-0.2) million. For the full year 2023, cash flow from operating activities amounted to SEK -25.2 (-26.8) million.

Financing

During the fourth quarter, a directed issue of shares and warrants was carried out, generating SEK 8.6 million before issuing costs. We continue evaluating different financing options to meet our future capital needs.

Significant events in the fourth quarter

ZignSec has, through its subsidiary Web Shield, launched CompliancePass, a Regulatory Monitoring platform for cryptocurrency merchants. CompliancePass allows crypto businesses to prove their compliance with local laws and industry rules. The platform enables clients to engage with a global team of legal experts and analysts, receiving a detailed on-demand legal opinion on how their business aligns with laws in chosen jurisdictions and industry standards.

ZignSec carried out a directed issue of shares and warrants of SEK 8.6 million for funding the Company's growth plans including expanding the Group's market presence in Asia Pacific and South America.

Significant events after the fourth quarter

In February 2024, 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 January 2024. ZignSec acts as the technical provider to the myConnect platform and is compensated for transactions.

Personnel

As per the date of report publication the group has 60 employees, which can be compared to 70 employees at the same time in 2022.

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 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.

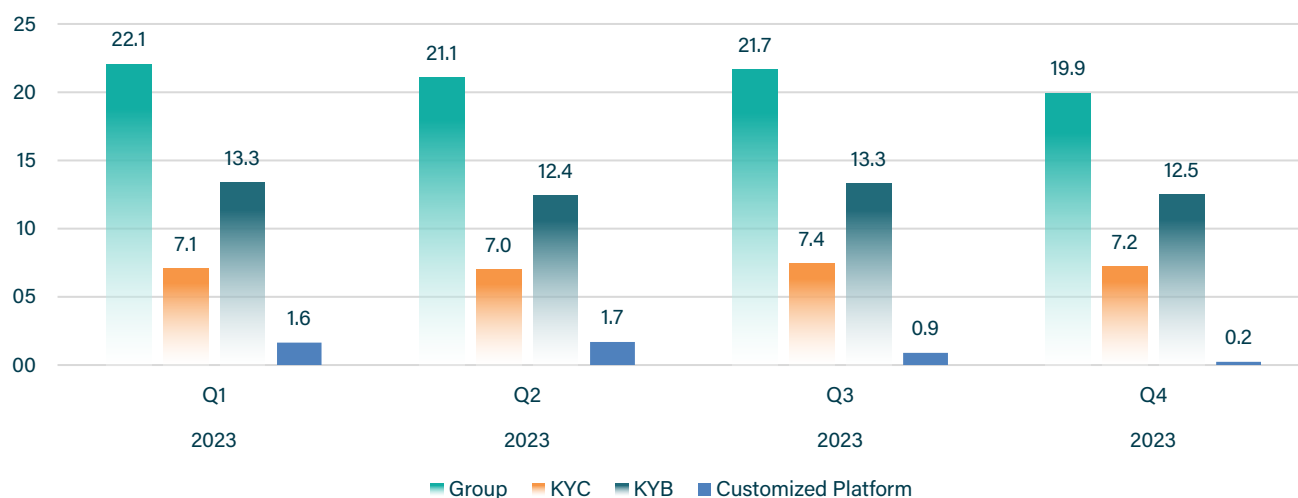
ZignSec's business model is based on recurring subscriptions, re-occurring transaction fees and low integration costs. The company's costs mainly consist of development and integration costs as well as ongoing verification and transaction fees. After the integration, the number of transactions for each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



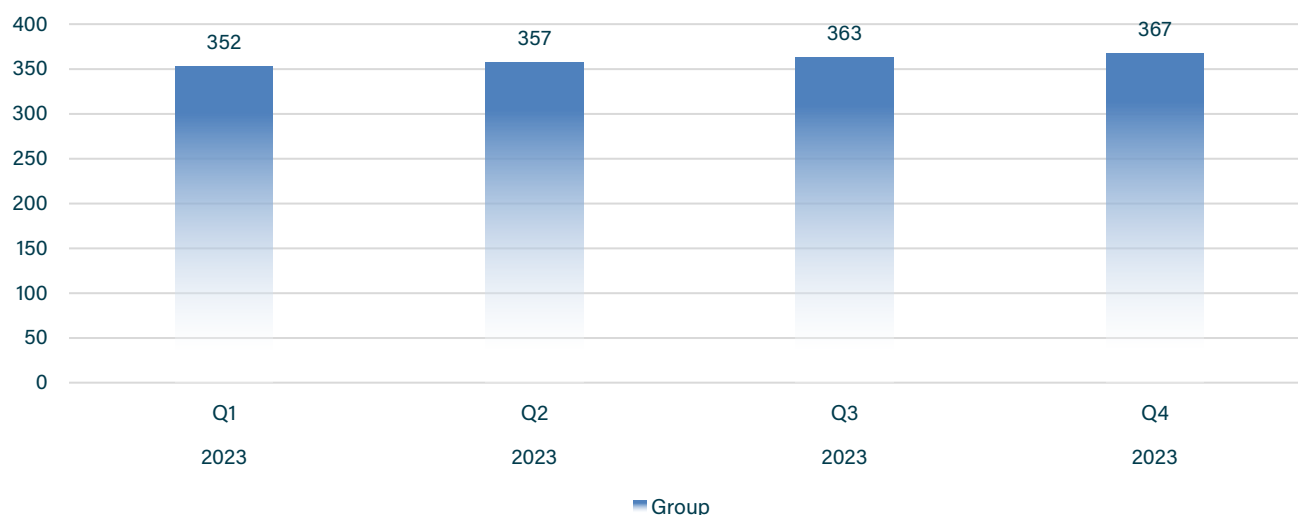
Financial and operational metric

Net revenue (mSEK)



Net revenue for the group decreased during the fourth quarter by SEK 1.7 million compared to the third quarter of 2023, mainly as a result of lower average revenue per customer in the KYB segment and decreased revenue for Customized Platforms due to temporary customer project delays.

Average number of customers invoiced



The monthly average number of invoiced customers has increased during the fourth quarter of 2023, mainly within the KYB segment.

Average revenue per customer (ARPC)



The average monthly revenue per customer (ARPC) has decreased compared to Q3 2023, mainly due to temporary delay in the Malta Business Portal project and new customers signed in the KYB segment that are in implementation phase.

Transactions performed (million)

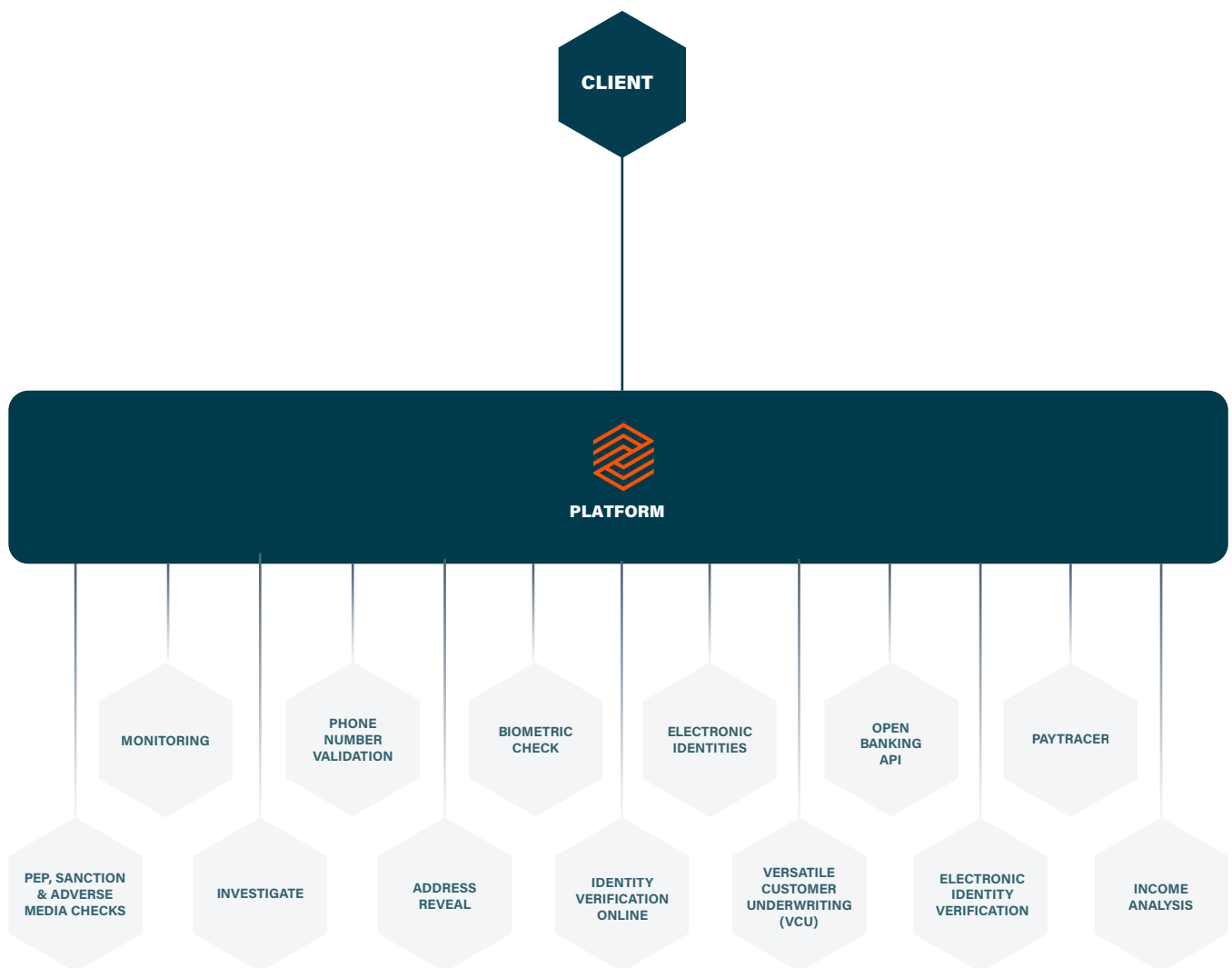


The number of completed transactions during Q4 2023 increased as a result of higher volumes of completed eID transactions, which is mainly due to higher onboarding activity at a few large customers.

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.



ZignSec

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Profit and loss

(mSEK)	Oct 1 - Dec 31 2023	Oct 1 - Dec 31 2022	Jan 1 - Dec 31 2023	Jan 1 - Dec 31 2022
Net revenue	19.9	20.8	84.7	89.9
Other operating income	0.1	0.3	1.6	1.5
	20.1	21.1	86.3	91.4
Cost of sales	-4.6	-4.7	-20.9	-23.2
Other external costs	-8.5	-9.5	-36.0	-37.8
Personnel costs	-11.3	-12.3	-50.7	-53.9
Other operating costs	0.0	-0.1	-1.0	-0.3
Profit/loss from shares in associated companies	0.0	0.0	-0.4	0.3
Operating profit/loss (EBITDA)	-4.4	-5.6	-22.6	-23.5
Depreciations and amortization	-20.1	-20.5	-76.2	-125.9
Operating profit/loss (EBIT)	-24.5	-26.1	-98.8	-149.4
Result from financial items				
Interest income, costs and similar items	0.3	8.2	2.1	6.5
Total result from financial items	0.3	8.2	2.1	6.5
Profit/loss before tax (EBT)	-24.2	-18.0	-96.7	-142.9
Tax	0.8	0.9	3.1	3.3
Profit/loss for the period	-23.4	-17.1	-93.6	-139.6



Balance Sheet

(mSEK)	Dec 31 2023	Dec 31 2022
ASSETS		
Non-current assets		
Intangible assets		
Capitalized development expenditure	1.6	1.8
Customer relationships	32.6	45.7
Technology	4.4	13.4
Goodwill	114.9	162.0
Patent, trademarks, licenses	0.1	0.3
Total intangible assets	153.6	223.2
Tangible assets		
Property, plant and equipment	0.9	1.3
Total tangible assets	0.9	1.3
Financial assets		
Shares in associated companies	1.2	1.5
Total financial assets	1.2	1.5
Total non-current assets	155.7	226.0
Current assets		
Accounts receivable	8.4	9.8
Other receivables	7.7	6.8
Prepaid expenses and accrued income	7.4	11.6
Total current assets	23.5	28.2
Cash and cash equivalents	14.3	26.2
Total current assets	37.8	54.4
TOTAL ASSETS	193.5	280.4

Balance Sheet

(mSEK)	Dec 31 2023	Dec 31 2022
EQUITY, PROVISIONS AND LIABILITIES		
EQUITY		
Share capital	3.5	2.1
Equity method reserve	0.7	0.7
Share premium reserve	438.7	416.0
Reserves (translation difference)	26.8	21.4
Retained earnings incl. profit/loss of the period	-320.1	-226.5
TOTAL EQUITY	149.6	213.7
PROVISIONS		
Provisions for deferred tax	4.2	7.1
TOTAL PROVISIONS	4.2	7.1
LIABILITIES		
Non-current liabilities		
Liabilities to credit institutions	8.7	15.3
Total non-current liabilities	8.7	15.3
Current liabilities		
Liabilities to credit institutions	6.7	6.2
Prepayments from customers	0.2	0.3
Accounts payable	3.6	3.1
Liabilities to associated companies	0.9	0.2
Other liabilities	5.4	15.7
Accrued expenses and prepaid income	14.2	18.6
Total current liabilities	31.0	44.3
TOTAL LIABILITIES	39.7	59.6
TOTAL EQUITY AND LIABILITIES	193.5	280.4

Statement of changes in equity

(mSEK)	Share capital	Equity method reserve	Share premium reserve	Reserves	Retained earnings incl. profit/loss of the period	Total equity
Statement of changes in equity						
Balance at 2023-01-01	2.1	0.7	416.0	21.4	-226.5	213.7
Profit/Loss of the period					-93.6	-93.6
New share issue	1.4		22.8			24.2
- issue expenses			4.1			
Translation difference				5.3		5.3
Balance at 2023-12-31	3.5	0.7	438.7	26.8	-320.1	149.6



Statement of cash flow

(mSEK)	Oct 1 - Dec 31 2023	Oct 1 - Dec 31 2022	Jan 1 - Dec 31 2023	Jan 1 - Dec 31 2022
Operating activities				
Operating profit/loss	-24.5	-26.1	-98.8	-149.4
Adjustments for:				
<i>Depreciation and amortizations</i>	20.1	20.5	76.2	125.9
<i>Profit/loss from shares in associated companies</i>	0.0	0.0	0.4	-0.3
Interest received	1.8	0.0	5.9	0.0
Interest paid	-0.6	-0.5	-2.6	-0.5
Income tax paid	0.0	0.1	-0.1	-0.2
Cash flow from operating activities before changes in working capital	-3.1	-6.0	-19.0	-24.5
Changes in working capital				
Change in receivables	3.1	6.1	1.8	0.2
Change in short-term debts	-1.0	-0.3	-8.0	-2.6
Cash flow from operating activities	-1.0	-0.2	-25.2	-26.8
Investing activities				
Investment in subsidiaries	0.0	-26.9	-5.5	-28.6
Investment in intangible assets	-0.3	-0.4	-1.0	-1.1
Investment in tangible assets	0.0	0.0	0.0	-0.3
Cash flow from investing activities	-0.3	-27.3	-6.5	-30.0
Financing activities				
New loans	0.0	19.7	0.0	19.7
Loan repayment	-1.6	0.0	-4.4	0.0
New share issue	7.8	0.0	24.2	37.4
Cash flow from financing activities	6.2	19.7	19.8	57.1
Total cash flow for the period	4.9	-7.7	-11.9	0.3
Cash and cash equivalents at beginning of period	9.4	33.9	26.2	25.9
Cash and cash equivalents at end of period	14.3	26.2	14.3	26.2



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 2023, 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 Report 2023: 30 April 2024

Quarterly report 1: 24 May 2024

Annual General Meeting: 31 May 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 23 February, 2024.

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