



ZignSec

Interim Report Q3

1 July to 30 September 2023



ZignSec

ZignSec AB (publ) Interim Report Q3 • 2023 | Org. No. 559016-5261

www.zignsec.com

Report highlights



Financial overview Q3 2023

- Net revenue amounted to SEK 21.7 (21.4) million, an increase of 1% compared with the corresponding quarter the year before.
- Operating profit/loss before depreciation and amortization EBITDA amounted to SEK -5.5 (-6.7) million.
- Cash and cash equivalents amounted to SEK 9.4 (33.9) million.

Significant events during the third quarter

- ZignSec has announced the initial launch of the new Malta Business Registry (MBR). This innovative platform is designed to facilitate seamless digital interactions between businesses and government agencies, simplifying their operations.
- The signing of Absa Bank as a new customer is an important step on our geographic expansion towards the African market, and clearly shows that we have a product offering to match the demands of African banking and financial services.

Significant events after the third quarter

- ZignSec, 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.

Summary A word from the CEO

During the quarter, we generated net revenue of SEK 21.7m, which is an increase of 1% compared to the same period the prior year. The demand for our solutions remains high and our sales team demonstrated a solid performance by securing a large number of customer contracts, expanding our client portfolio.

The successful launch of the innovative platform Malta Business Registry (MBR) was announced, which will have a great impact on how businesses interact with government agencies in Malta. Spearheaded by ZignSec's subsidiary Wyzer, this project will create a new source of recurring revenue for the Group.

Interim report Q3

1 July to 30 September 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)	Jul 1 - Sep 30 2023	Jul 1 - Sep 30 2022	Jan 1 - Sep 30 2023	Jan 1 - Sep 30 2022	Jan 1 - Dec 31 2022
Total revenue	21.8	21.8	66.3	70.3	91.4
Net revenue	21.7	21.4	64.8	69.1	89.9
Net revenue growth	1%	10%	-6%	126%	69%
EBITDA	-5.5	-6.7	-18.2	-17.8	-23.5
Operating profit/loss (EBIT)	-24.8	-27.4	-74.3	-86.0	-149.4
Net cash	-9.5	33.9	-9.5	33.9	4.7
Equity/Assets ratio	77%	76%	77%	76%	76%
Average number of employees	66	71	66	78	75
Number of shares	69,073,473	46,451,960	58,787,946	38,084,379	53,559,944
Earnings per share (SEK)	-0.370	-0.568	-1.194	-2.238	-1.823



ZignSec

ZignSec AB (publ) Interim report Q3 • 2023 | Reg. No. 559016-5261

A Word from the CEO

During the third quarter, ZignSec generated net revenue of SEK 21.7m, an increase of 1% compared to the same period the prior year. The demand for our solutions remains high, and our sales team demonstrated solid performance by securing many customer contracts and increasing our customer base.

Our marketing efforts have yielded valuable results, with notable increases in web traffic and relevant leads. The "Mission Compliance" book launch at the Mastercard RiskX conference has solidified our position as thought leaders in regulatory compliance. Furthermore, our engagement with clients for case studies and testimonials has demonstrated the market suitability of our products, increased our awareness of customer demands and improved our credibility.

As part of our strategy for geographic expansion, the high-paced growth of eCommerce and digital payments in Africa, with subsequent demand for digital compliance solutions, has been targeted as one of our focus areas. The signing of Absa Bank during the third quarter shows that our product offering is well-matched to meet the demands of African banking and financial services. Also, we continued working closely with the Indian IFSCA based on our Limited Use Authorization as a FinTech Entity, and we are now in the phase where we will be introduced via the IFSCA to local Indian institutions. We expect further progress during Q1 of next year.

Favorable trends in KYC sales have emerged, with some of our largest customers expanding into new markets and growing demand from significant industry players, recognizing the

substantial value of our product scope and the global reach of our solutions when entering new markets.

In September, we proudly announced the launch of the Malta Business Registry (MBR), one of the large platform projects spearheaded by our subsidiary Wyzer. This innovative platform aims to revolutionize how businesses interact with government agencies in Malta, streamlining operations and embracing the digital age. The rollout of this platform has occurred gradually, and the MBR is now operational and fully functioning - creating a new source of recurring revenue for the Group.

The work with implementing our re-organization plan has been carried out successfully, and the new structure is in place with reduced staff to 58 employees compared to 72 a year ago. The positive effects on our operative result and cash flow from these changes will materialize during the fourth quarter of 2023 and be in full effect in the first part of 2024.

In summary, the third quarter has been marked by significant progress and achievement for our organization. As we move forward into Q4 and beyond, our commitment to innovation, excellence, and strategic partnerships remains unwavering.

Sincerely,
Glenn Mac Donald



Group development

The quarter July to September 2023

Revenue and operating profit

The Group's net sales for Q3, 2023 amounted to SEK 21.7 (21.4) million, which corresponds to an increase of 1% compared to the same quarter for the previous year.

EBITDA amounted to SEK -5.5 (-6.7) million. The improvement is mainly due to a higher gross profit margin and lower costs for personnel.

Development

During the third quarter of 2023, 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 third quarter amounted to SEK -19.3 (-20.7) million. The change is due mainly to lower amortization of acquired goodwill.

Financial net

Net financial items for the third quarter amounted to SEK -1.4 (0.2) million, the change is mainly due to interests for the loan from the credit institution.

Tax

Estimated tax on profit for the third quarter amounted to SEK 0.7 (0.8) million.

The period January to September 2023

Revenue and operating profit

The Group's net sales for the period 2023 amounted to SEK 64.8 (69.1) million, which corresponds to a decrease of 6% compared to the same period for the previous year.

EBITDA amounted to SEK -18.2 (-17.8) million. The change is mainly due to lower net sales, which has been partially offset by reduced costs for personnel and consulting services.

Development

During the period 2023, capitalized development expenditures after depreciation decreased by a total of SEK 0.3 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 -56.1 (-68.2) million. The change is due mainly to lower amortization of acquired goodwill.

Financial net

Net financial items for the period amounted to SEK 1.9 (-1.7) million, the change is mainly due to a revaluation of the final deferred consideration for the Wyzer acquisition.

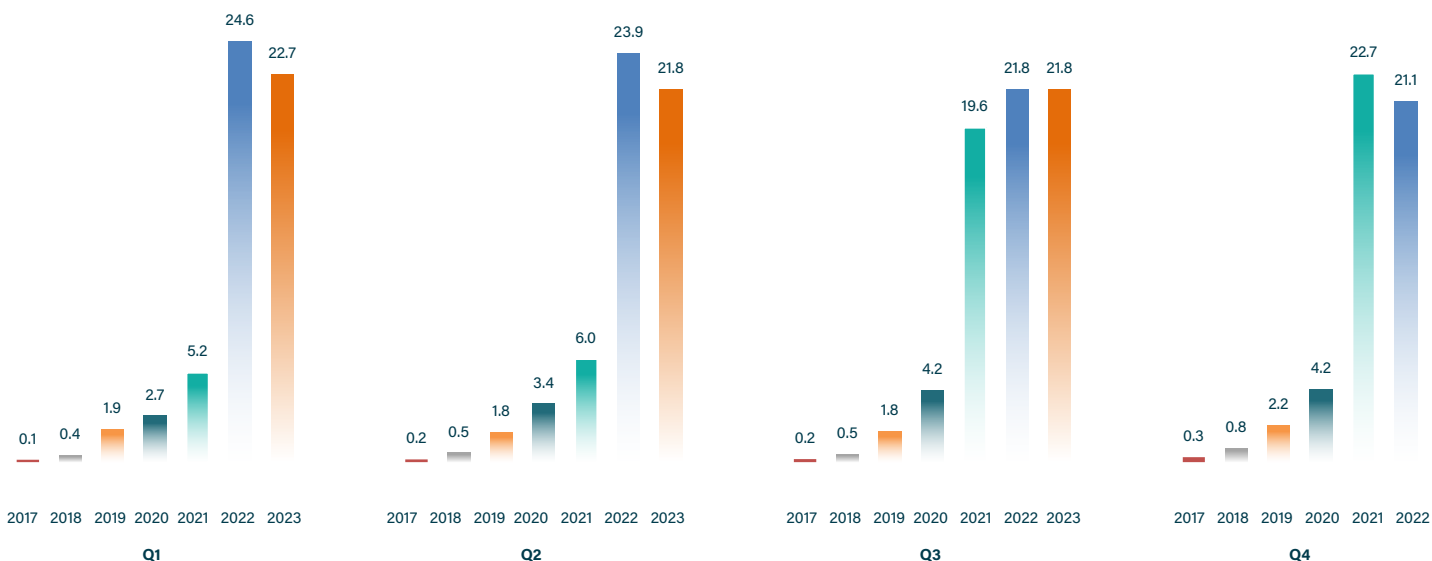
Tax

Estimated tax on profit for the period amounted to SEK 2.3 (2.5) million.

Quarterly turnover development

2017-2023

(mSEK)



Financial position

Financial position and liquidity

As of September 2023, the group had SEK 9.4 (33.9) million in cash and cash equivalents. The balance sheet total amounted to SEK 221.2 (349.2) 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 third quarter 2023 amounted to SEK -7.7 (-9.5) million.

Financing

ZignSec is evaluating different options to make sure that cash and cash equivalents will be sufficient to meet current capital needs.

Significant events in the third quarter

ZignSec, through its subsidiary Wyzer, announced the initial launch of the new Malta Business Registry (MBR). This cutting-edge platform is designed to facilitate seamless digital interactions between businesses and government agencies, simplifying their operations. The rollout is gradual and scheduled to occur in the coming months creating new recurring revenue for the Group.

The signing of Absa Bank as a new customer during the third quarter clearly shows that we have a product offering to match the demands of African banking and financial services. This is an important step for the geographic expansion towards the African market.

Significant events after the third quarter

ZignSec, through its subsidiary Web Shield, launched CompliancePass, a new Regulatory Monitoring platform for cryptocurrency merchants. CompliancePass allows crypto businesses to prove their compliance with local laws and industry rules. Through the platform, clients can communicate with a team of international legal experts and compliance analysts who will guide them through the process. The result is a comprehensive on-demand legal opinion detailing how a business meets laws in the selected jurisdictions and industry standards like card scheme requirements.

Personnel

As per the date of report publication the group has 58 employees, which can be compared to 72 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.

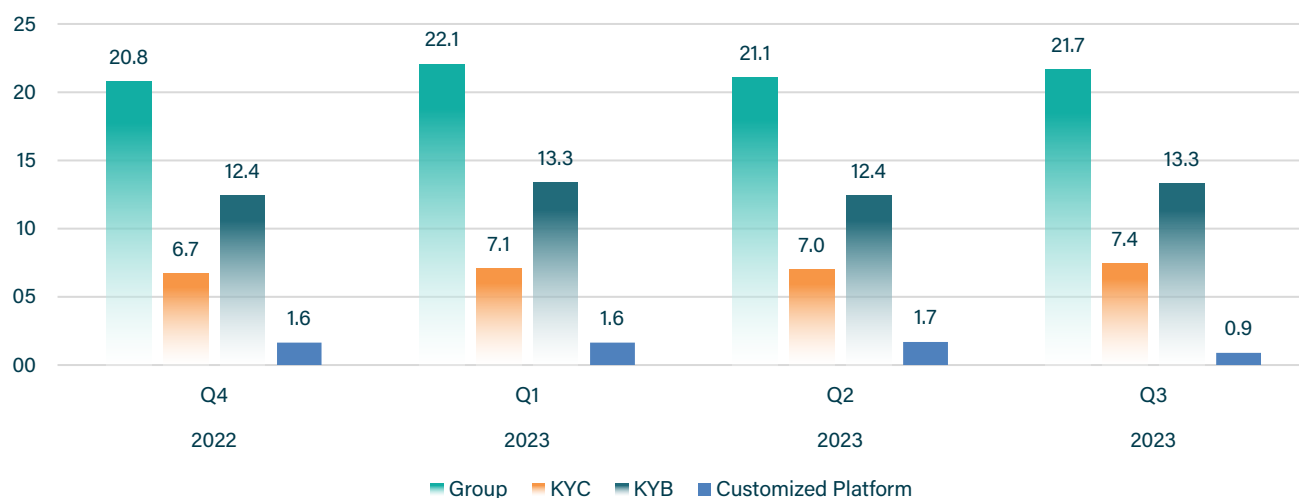
ZignSec's business model is based on low integration costs and recurring monthly and transaction fees. The company's costs mainly consist of development and integration costs as well as ongoing verification and transaction fees. After the integration, the number of transactions for each customer can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



Financial and operational metric

Net revenue (mSEK)



Net sales for the group increased during the third quarter by SEK 0.6 million compared to the second quarter of 2023, mainly as a result of higher average revenue per customer in the KYC segment and increased number of customers invoiced in the KYB segment. Revenues for Customized Platforms decreased due to temporary customer project delays.

Average number of customers invoiced



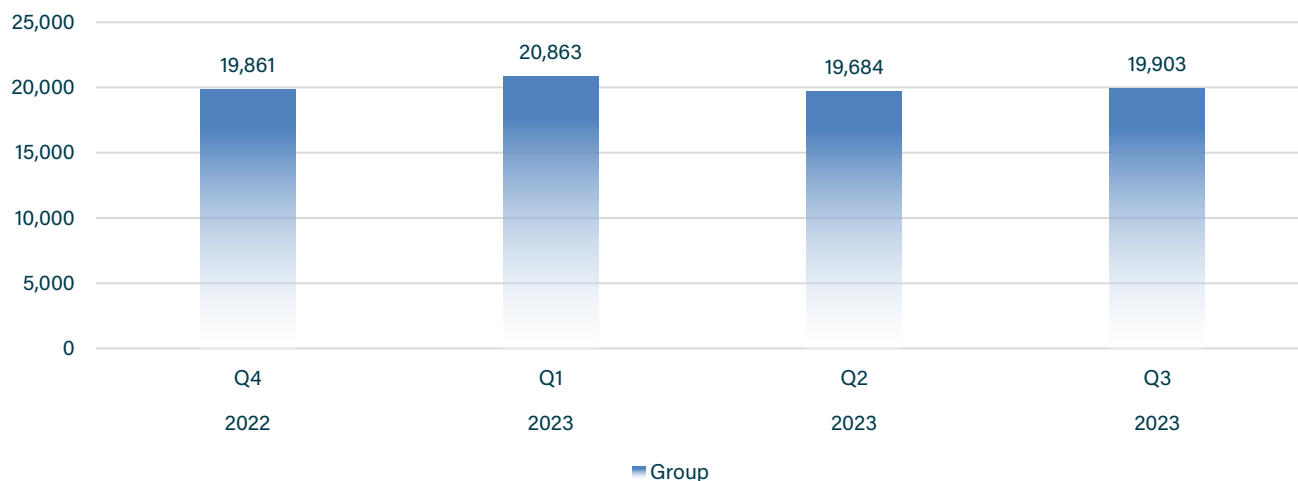
The monthly average number of invoiced customers has increased during the third quarter of 2023, mainly within the KYB segment.



ZignSec

ZignSec AB (publ) Interim report Q3 • 2023 | Reg. No. 559016-5261

Average revenue per customer (ARPC)



The average monthly revenue per customer (ARPC) has increased compared to Q2 2023, mainly due to changed product mix in the KYC segment, slightly offset by the new customers signed in the KYB segment in the third quarter, in implementation phase generates lower revenue.

Transactions performed (million)

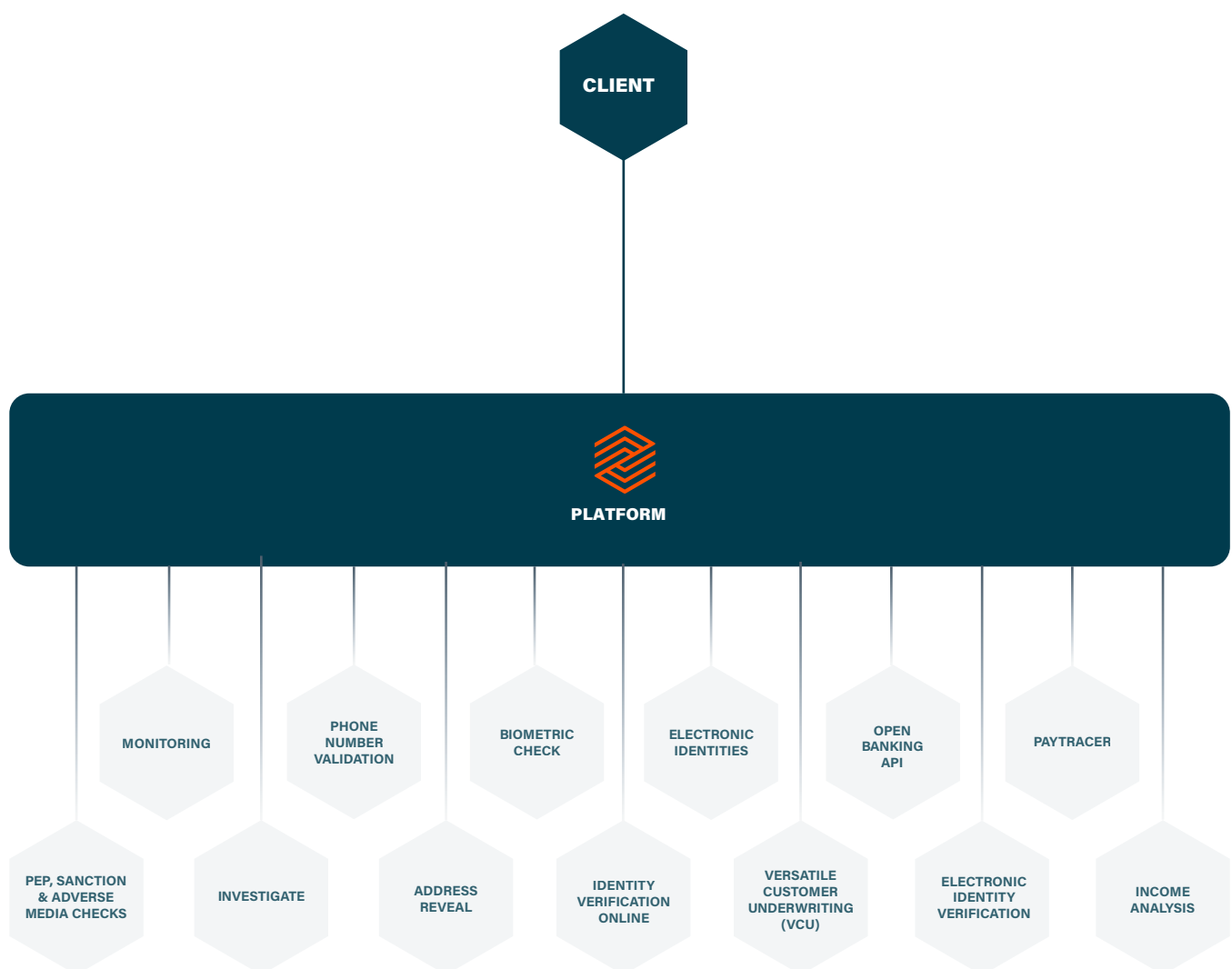


The number of completed transactions during Q3 2023 decreased as a result of lower volumes of completed eID transactions, which is mainly due to lower onboarding activity at a few large customers.

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

ZignSec AB (publ) Interim report Q3 • 2023 | Reg. No. 559016-5261

Profit and loss

(mSEK)	Jul 1 - Sep 30 2023	Jul 1 - Sep 30 2022	Jan 1 - Sep 30 2023	Jan 1 - Sep 30 2022	Jan 1 - Dec 31 2022
Net turnover	21.7	21.4	64.8	69.1	89.9
Capitalized expenses	0.0	0.0	0.0	0.0	0.0
Other operating income	0.1	0.4	1.5	1.2	1.5
	21.8	21.8	66.3	70.3	91.4
Cost of sales	-4.2	-5.9	-16.3	-18.4	-23.2
Other external costs	-9.2	-8.7	-27.5	-28.1	-37.8
Personnel costs	-13.2	-13.9	-39.4	-41.8	-53.9
Other operating costs	-0.6	0.0	-1.0	-0.2	-0.3
Profit/loss from shares in associated companies	-0.1	0.0	-0.4	0.3	0.3
Operating profit/loss (EBITDA)	-5.5	-6.7	-18.2	-17.8	-23.5
Depreciations and amortization	-19.3	-20.7	-56.1	-68.2	-125.9
Operating profit/loss (EBIT)	-24.8	-27.4	-74.3	-86.0	-149.4
Result from financial items					
Interest income, costs and similar items	-1.4	0.2	1.9	-1.7	6.5
Total result from financial items	-1.4	0.2	1.9	-1.7	6.5
Profit/loss before tax (EBT)	-26.3	-27.1	-72.5	-87.7	-142.9
Tax	0.7	0.8	2.3	2.5	3.3
Profit/loss for the period	-25.6	-26.4	-70.2	-85.2	-139.6



Balance Sheet

(mSEK)	Sep 30 2023	Sep 30 2022	Dec 31 2022
ASSETS			
Non-current assets			
Intangible assets			
Capitalized development expenditure	1.6	1.8	1.8
Customer relationships	37.4	48.3	45.7
Technology	7.0	15.5	13.4
Goodwill	133.1	210.4	162.0
Patent, trademarks, licenses	0.1	0.3	0.3
Total intangible assets	179.1	276.3	223.2
Tangible assets			
Property, plant and equipment	1.0	1.3	1.3
Total tangible assets	1.0	1.3	1.3
Financial assets			
Shares in associated companies	1.2	4.4	1.5
Total financial assets	1.2	4.4	1.5
Total non-current assets	181.3	282.1	226.0
Current assets			
Accounts receivable	15.3	11.7	9.8
Other receivables	8.2	9.1	6.8
Prepaid expenses and accrued income	6.9	12.5	11.6
Total current assets	30.4	33.2	28.2
Cash and cash equivalents	9.4	33.9	26.2
Total current assets	39.8	67.1	54.4
TOTAL ASSETS	221.2	349.2	280.4

Balance Sheet

(mSEK)	Sep 30 2023	Sep 30 2022	Dec 31 2022
EQUITY, PROVISIONS AND LIABILITIES			
EQUITY			
Share capital	2.9	2.1	2.1
Equity method reserve	0.7	1.5	0.7
Share premium reserve	431.5	416.0	416.0
New share issue in progress	0.0	0.0	0.0
Reserves (translation difference)	31.7	21.2	21.4
Retained earnings incl. profit/loss of the period	-296.6	-173.6	-226.5
TOTAL EQUITY	170.1	267.1	213.7
PROVISIONS			
Provisions for deferred tax	5.1	7.8	7.1
Other provisions	0.0	17.3	0.0
TOTAL PROVISIONS	5.1	25.0	7.1
LIABILITIES			
Non-current liabilities			
Liabilities to credit institutions	10.3	0.0	15.3
Total non-current liabilities	10.3	0.0	15.3
Current liabilities			
Liabilities to credit institutions	8.6	0.0	6.2
Prepayments from customers	0.3	0.4	0.3
Accounts payable	3.8	3.2	3.1
Liabilities to associated companies	0.9	2.1	0.2
Tax liabilities	0.0	0.1	0.0
Other liabilities	7.4	34.4	15.7
Accrued expenses and prepaid income	14.4	16.8	18.6
Total current liabilities	35.6	57.1	44.3
TOTAL LIABILITIES	45.9	57.1	59.6
TOTAL EQUITY AND LIABILITIES	221.2	349.2	280.4

Statement of changes in equity

(mSEK)	Share capital	Share premium reserve	Reserves	Equity method reserve	Retained earnings incl. profit/loss of the period	Total equity
Statement of changes in equity						
Balance at 2023-01-01	2.1	416.0	21.4	0.7	-226.5	213.7
Profit/Loss of the period					-70.2	-70.2
New share issue	0.8	15.5				16.3
- issue expenses		3.4				
Translation difference			10.2			10.2
Balance at 2023-12-31	2.9	431.5	31.7	0.7	-296.7	170.1



Statement of cash flow

(mSEK)	Jul 1 - Sep 30 2023	Jul 1 - Sep 30 2022	Jan 1 - Sep 30 2023	Jan 1 - Sep 30 2022	Jan 1 - Dec 31 2022
Operating activities					
Operating profit/loss	-24.8	-27.4	-74.3	-86.0	-149.4
Adjustments for:					
<i>Depreciation and amortizations</i>	19.3	20.7	56.1	68.2	125.9
<i>Profit/loss from shares in associated companies</i>	0.1	0.0	0.4	-0.3	-0.3
Interest received	0.0	0.0	0.0	0.0	0.0
Interest paid	-0.7	0.0	-2.0	0.0	-0.5
Income tax paid	-0.1	0.0	-0.1	0.0	-0.2
Cash flow from operating activities before changes in working capital	-6.2	-6.7	-19.9	-18.1	-24.5
Changes in working capital					
Change in receivables	1.1	0.8	-1.3	-6.1	0.2
Change in short-term debts	-2.6	-3.7	-2.9	-2.5	-2.6
Cash flow from operating activities	-7.7	-9.5	-24.2	-26.7	-26.8
Investing activities					
Investment in subsidiaries	-5.5	0.0	-5.5	-1.7	-28.6
Investment in intangible assets	-0.2	-0.1	-0.7	-0.7	-1.1
Investment in tangible assets	0.0	-0.2	0.0	-0.2	-0.3
Cash flow from investing activities	-5.7	-0.3	-6.2	-2.7	-30.0
Financing activities					
Loans	-1.6	0.0	-2.7	0.0	19.7
New share issue	16.3	37.4	16.3	37.4	37.4
Cash flow from financing activities	14.7	37.4	13.6	37.4	57.1
Total cash flow for the period	1.3	27.6	-16.8	8.0	0.3
Cash and cash equivalents at beginning of period	8.2	6.3	26.2	25.9	25.9
Cash and cash equivalents at end of period	9.4	33.9	9.4	33.9	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

Year-end report 2023: 23 February 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 24 November, 2023.

For further information, please contact:

Glenn Mac Donald, CEO

Mail: glenn.macdonald@zignsec.com

Tel: +31 647 13 26 22

Marie-Louise Gefwert, Chairman

Mail: marie-louise.gefwert@zignsec.com

Tel: +46 70 644 90 80