



ZignSec

Interim report Q2

1 April to 30 June 2023

Report highlights



Financial overview Q2 2023

- Net revenue amounted to SEK 21.1 (23.4) million, a decrease of 10% compared with the corresponding quarter the year before.
- Operating profit/loss before depreciation and amortization EBITDA amounted to SEK -7.2 (-7.5) million.
- Cash and cash equivalents amounted to SEK 8.2 (6.3) million.

Significant events during the second quarter

- Glenn Mac Donald has been appointed as the new CEO for the group, the change is made to allow an increased focus on sales and growth in the group with the company's best interests in mind.
- ZignSec has decided to implement measures for cost savings and efficiencies which are estimated to reduce the group's costs by SEK 14 million annually.
- ZignSec has been granted a Limited Use Authorization as a FinTech Entity by India's International Financial Services Centers Authority (IFSCA). ZignSec is currently the only company offering KYC services in the IFSCA sandbox program.

Significant events after the end of the second quarter

- ZignSec has carried out a Rights Issue that was 61 percent subscribed for, with and without the support of subscription rights. ZignSec thereby receives a total of approximately SEK 19.6 million before issue costs.

Summary A word from the CEO

During the second quarter, where we generated net sales of SEK 21.1m (SEK 23.4m), our focus has been to restructure the organization for improved profitability and cash flows. The results of these efforts will materialize from Q4 2023. To secure our current cash needs, ZignSec has carried out a rights issue generating SEK 19.6m before issue costs.



ZignSec

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Interim report Q2

1 April to 30 June 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)	Apr 1 - Jun 30 2023	Apr 1 - Jun 30 2022	Jan 1 - Jun 30 2023	Jan 1 - Jun 30 2022	Jan 1 - Dec 31 2022
Total revenue	21.8	23.9	44.5	48.5	91.4
Net revenue	21.1	23.4	43.1	47.7	89.9
Net revenue growth	-10%	293%	-10%	-10%	69%
EBITDA	-7.2	-7.5	-12.8	-11.1	-23.5
Operating profit/loss (EBIT)	-25.9	-33.9	-49.5	-58.6	-149.4
Net cash	-12.5	4.6	-12.5	4.6	4.7
Equity/Assets ratio	74%	70%	74%	70%	76%
Average number of employees	66	73	66	77	75
Number of shares	53,559,944	33,831,244	53,559,944	33,831,244	53,559,944
Earnings per share (SEK)	-0.458	-1.012	-0.796	-1.740	-1.823



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A Word from the CEO

We continue our effort towards sustainable growth and improved profitability. The demand for our core products remains high, but due to the loss of a few larger clients during 2022, our net revenue for the second quarter of 2023 decreased by 10% compared with the same period last year.

The organization's restructuring towards a higher focus on improved profitability and cash flow has come a long way. As part of that new organization, a new management structure has been implemented for the group and the subsidiary level to increase efficiency. The results of these organizational changes and implemented efficiencies will materialize with substantially lowered operational costs from Q4 2023.

With the support of our investors, we carried out a rights issue in July to secure a cash position matching our current capital needs until we have achieved positive operational cash flow. This achievement has infused a cash net of approximately SEK 16.4 million into our growth endeavors and proves the market acknowledges ZignSec's role in digital identity verification and customer due diligence.

The raised capital will be pivotal in nurturing our growth strategy. The core objectives are strengthening product development, optimizing our sales structure, and fortifying our

technological framework. As we embark on this journey, we remain committed to revolutionizing digital identity verification and combatting fraud risks.

We envision the ZignSec group as an essential player in the market, transforming how businesses verify digital identities and combat business fraud risks. This sentiment guides us as we innovate, evolve, and continue shaping the Regtech landscape. I look forward to the fact that with the great expertise in the company and the vital role we can play in the market, we will increase our customer base and product range.

Thank you for your unwavering support. ZignSec remains committed to driving value for our shareholders, customers and partners. Together, we shape a future of trusted digital identity solutions.

Sincerely,

Glenn Mac Donald



Group development

The quarter April to June 2023

Revenue and operating profit

The Group's net sales for Q2, 2023 amounted to SEK 21.1 (23.4) million, which corresponds to a decrease of 10% compared to the same quarter for the previous year.

EBITDA amounted to SEK -7.2 (-7.5) million. The improvement is mainly due to lower costs for personnel and consulting services, the effect of which, is offset by lower net sales.

Development

During the second 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 second quarter amounted to SEK -18.7 (-26.4) million. The change is due mainly to lower amortization of acquired goodwill.

Financial net

Net financial items for the second quarter amounted to SEK 3.8 (-1.3) 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 second quarter amounted to SEK 0.8 (1.0) million.

The period January to June 2023

Revenue and operating profit

The Group's net sales for the period 2023 amounted to SEK 43.1 (47.7) million, which corresponds to a decrease of 10% compared to the same period for the previous year.

EBITDA amounted to SEK -12.8 (-11.1) 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 0.2 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 -36.8 (-47.5) million. The change is due mainly to lower amortization of acquired goodwill.

Financial net

Net financial items for the period amounted to SEK 3.3 (-2.0) million, the change is mainly due to a revaluation of the final deferred consideration for the Wyzer acquisition.

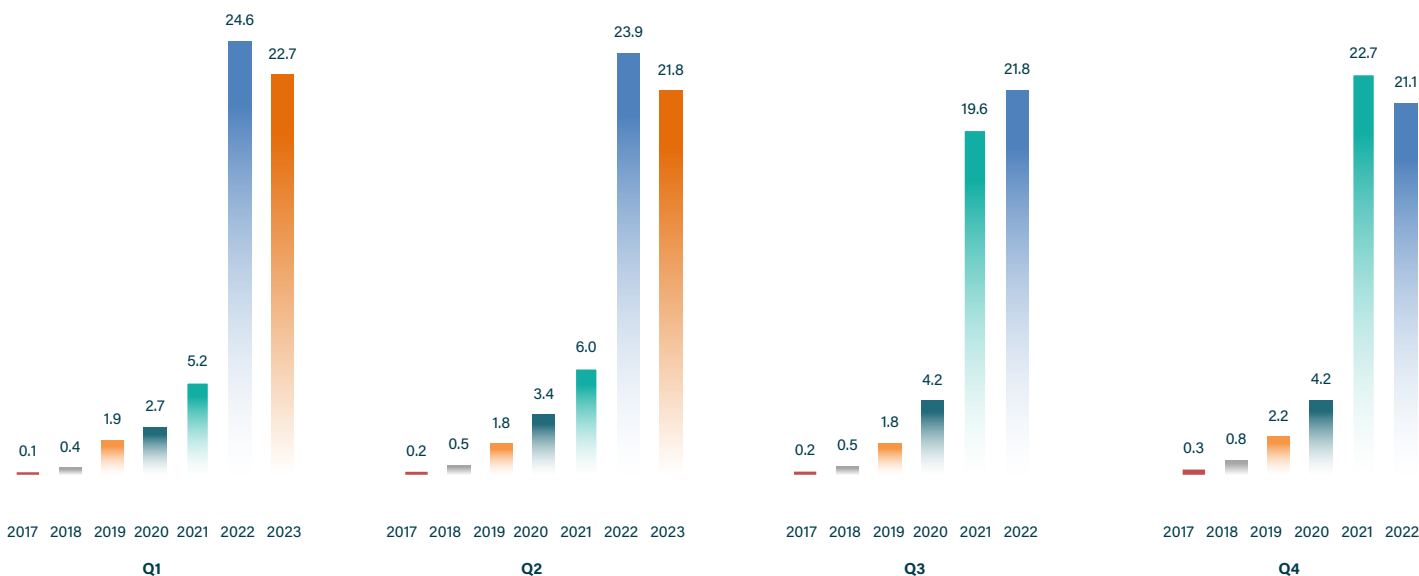
Tax

Estimated tax on profit for the period amounted to SEK 1.6 (1.7) million.

Quarterly turnover development

2017-2023

(mSEK)



Financial position

Financial position and liquidity

As of June 2023, the group had SEK 8.2 (6.3) million in cash and cash equivalents. The balance sheet total amounted to SEK 247.8 (340.8) 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 2023 amounted to SEK -5.5 (-6.3) million.

Financing

The company carried out a rights issue after the end of the second quarter, generating SEK 19.6 million before issue costs, approximately SEK 16,4 million net.

Existing cash and cash equivalents are deemed to be sufficient to meet current capital needs.

Significant events in the second quarter

Glenn Mac Donald has been appointed as the new CEO of the ZignSec Group. Glenn is an outstanding executive with extensive experience in the fintech industry and has proven his ability to build high performing teams. The CEO change is being made to enable an increased focus on sales and growth in the group with the company's best interests in mind.

ZignSec has been granted a Limited Use Authorization as a FinTech Entity by India's International Financial Services Centers Authority (IFSCA). IFSCA is a unified authority for the development and regulation of financial products, financial services, and financial institutions in India. ZignSec is currently the only company to offer KYC services in the IFSCA's sandbox program.

In order to improve the group's profitability and create a positive operating cash flow, ZignSec has decided to implement cost savings and other efficiency measures. The measures mainly consist of a reduction in the workforce. The cost savings are estimated to reduce the group's costs by SEK 14 million annually and are expected to be fully implemented at the beginning of 2024.

Significant events after the quarter end

ZignSec has carried out a rights issue of shares with preferential rights for the company's shareholders. The rights issue was subscribed to 61 percent with and without the support of subscription rights. ZignSec will receive a total of approximately SEK 19.6 million before issue costs.

Personnel

As per the date of report publication the group has 63 employees, which can be compared to 71 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.

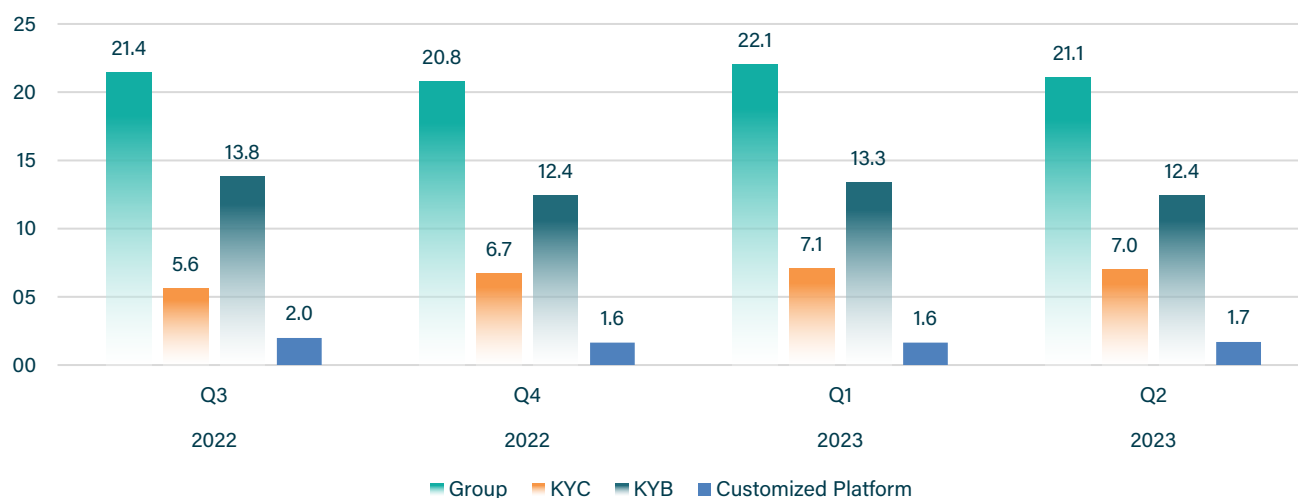
ZignSec's business model is based on low integration costs and recurring monthly and transaction fees. The company's costs mainly consist of development and integration costs as well as ongoing verification and transaction fees. After the integration, the number of transactions for each customer can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



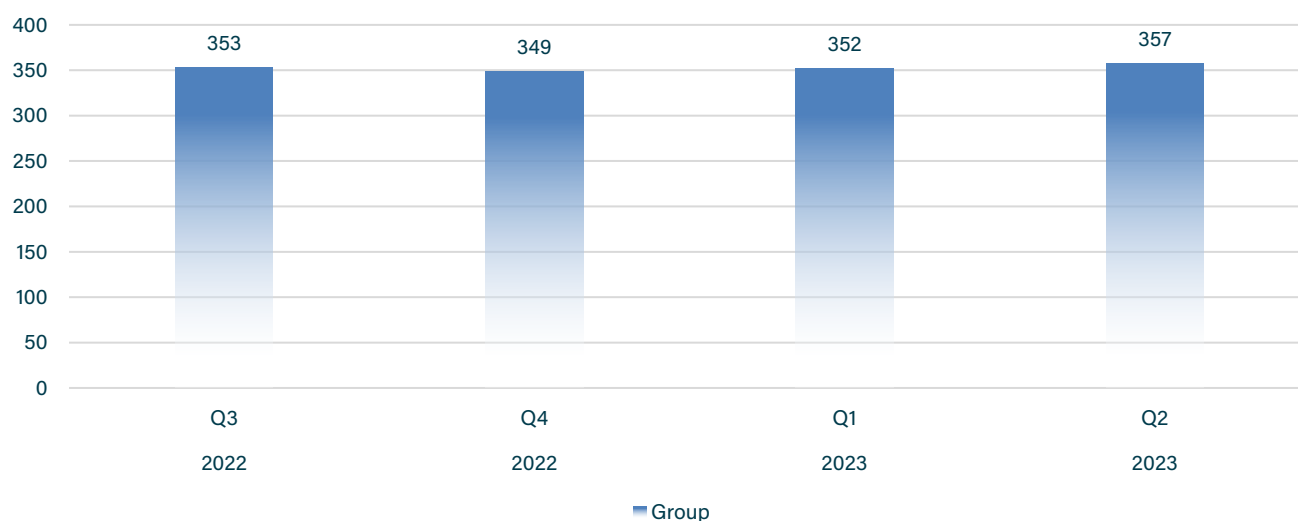
Financial and operational metric

Net revenue (mSEK)



Net sales for the group decreased during the second quarter by SEK 1.0 million compared to the first quarter of 2023, mainly as a result of lower average revenue per customer within the KYB segment. Revenues for KYC and Customized Platforms remained in the second quarter of 2023 at roughly the same level as in the first quarter.

Average number of customers invoiced



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



Average revenue per customer (ARPC)



The average monthly revenue per customer (ARPC) has decreased compared to Q1 2023, mainly due to changed product mix and the new customers signed in the KYB segment in the second quarter being smaller than the average customer base.

Transactions performed (million)



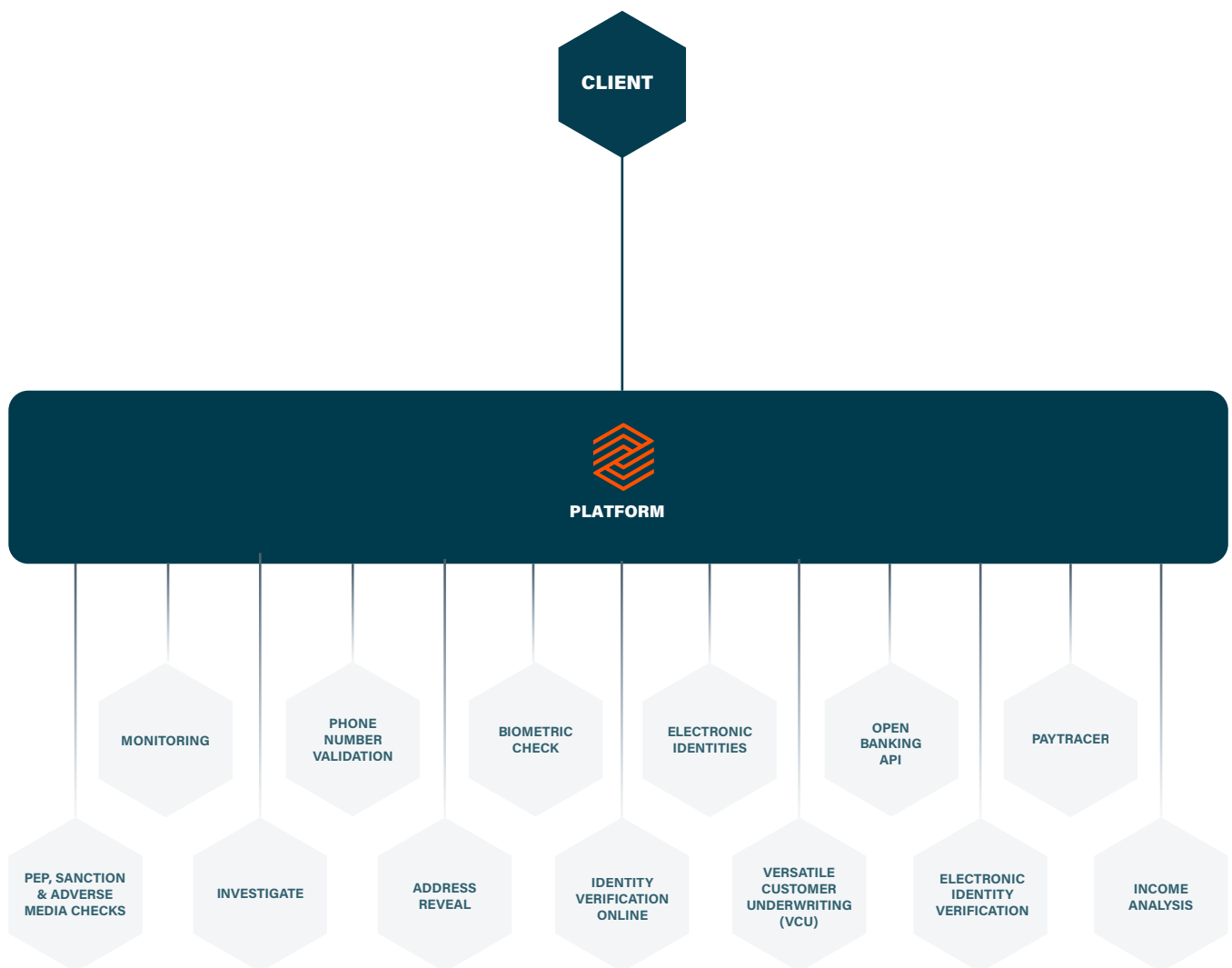
The number of completed transactions during Q2 2023 decreased as a result of lower volumes of completed eID transactions in the KYC segment, which is mainly due to temporarily lower onboarding activity by a few large customers.



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.

Profit and loss

(mSEK)	Apr 1 - Jun 30 2023	Apr 1 - Jun 30 2022	Jan 1 - Jun 30 2023	Jan 1 - Jun 30 2022	Jan 1 - Dec 31 2022
Net turnover	21.1	23.4	43.1	47.7	89.9
Capitalized expenses	0.0	0.0	0.0	0.0	0.0
Other operating income	0.7	0.5	1.3	0.8	1.5
	21.8	23.9	44.5	48.5	91.4
Cost of sales	-6.3	-7.2	-12.1	-12.5	-23.2
Other external costs	-8.7	-10.0	-18.0	-19.3	-37.8
Personnel costs	-13.8	-14.5	-26.5	-27.9	-53.9
Other operating costs	-0.1	-0.1	-0.3	-0.2	-0.3
Profit/loss from shares in associated companies	-0.1	0.4	-0.3	0.4	0.3
Operating profit/loss (EBITDA)	-7.2	-7.5	-12.8	-11.1	-23.5
Depreciations and amortization	-18.7	-26.4	-36.8	-47.5	-125.9
Operating profit/loss (EBIT)	-25.9	-33.9	-49.5	-58.6	-149.4
Result from financial items					
Interest income, costs and similar items	3.8	-1.3	3.3	-2.0	6.5
Total result from financial items	3.8	-1.3	3.3	-2.0	6.5
Profit/loss before tax (EBT)	-22.1	-35.2	-46.2	-60.6	-142.9
Tax	0.8	1.0	1.6	1.7	3.3
Profit/loss for the period	-21.3	-34.2	-44.7	-58.9	-139.6



Balance Sheet

(mSEK)	Jun 30 2023	Jun 30 2022	Dec 31 2022
ASSETS			
Non-current assets			
Intangible assets			
Capitalized development expenditure	1.6	2.1	1.8
Customer relationships	42.3	51.4	45.7
Technology	9.7	17.7	13.4
Goodwill	150.3	224.1	162.0
Patent, trademarks, licenses	0.2	0.4	0.3
Total intangible assets	204.0	295.7	223.2
Tangible assets			
Property, plant and equipment	1.2	1.3	1.3
Total tangible assets	1.2	1.3	1.3
Financial assets			
Shares in associated companies	1.3	4.2	1.5
Total financial assets	1.3	4.2	1.5
Total non-current assets	206.5	301.2	226.0
Current assets			
Accounts receivable	11.5	12.6	9.8
Other receivables	8.3	10.1	6.8
Prepaid expenses and accrued income	13.3	10.6	11.6
Total current assets	33.1	33.2	28.2
Cash and cash equivalents	8.2	6.3	26.2
Total current assets	41.2	39.5	54.4
TOTAL ASSETS	247.8	340.8	280.4

Balance Sheet

(mSEK)	Jun 30 2023	Jun 30 2022	Dec 31 2022
EQUITY, PROVISIONS AND LIABILITIES			
EQUITY			
Share capital	2.1	1.3	2.1
Equity method reserve	0.7	1.4	0.7
Share premium reserve	416.0	358.0	416.0
New share issue in progress	0.0	4.5	0.0
Reserves (translation difference)	36.9	20.1	21.4
Retained earnings incl. profit/loss of the period	-271.1	-147.1	-226.5
TOTAL EQUITY	184.5	238.2	213.7
PROVISIONS			
Provisions for deferred tax	6.1	8.5	7.1
Other provisions	0.0	17.3	0.0
TOTAL PROVISIONS	6.1	25.8	7.1
LIABILITIES			
Non-current liabilities			
Liabilities to credit institutions	12.0	1.7	15.3
Total non-current liabilities	12.0	1.7	15.3
Current liabilities			
Liabilities to credit institutions	8.7	0.0	6.2
Prepayments from customers	0.3	0.3	0.3
Accounts payable	3.3	2.9	3.1
Liabilities to associated companies	0.9	0.9	0.2
Tax liabilities	0.0	0.2	0.0
Other liabilities	11.2	51.8	15.7
Accrued expenses and prepaid income	20.7	19.0	18.6
Total current liabilities	45.1	75.1	44.3
TOTAL LIABILITIES	57.1	76.8	59.6
TOTAL EQUITY AND LIABILITIES	247.8	340.8	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					-44.7	-44.7
Translation difference			15.5			15.5
Balance at 2023-12-31	2.1	416.0	36.9	0.7	-271.2	184.5



Statement of cash flow

(mSEK)	Apr 1 - Jun 30 2023	Apr 1 - Jun 30 2022	Jan 1 - Jun 30 2023	Jan 1 - Jun 30 2022	Jan 1 - Dec 31 2022
Operating activities					
Operating profit/loss	-25.9	-33.9	-49.5	-58.6	-149.4
Adjustments for:					
<i>Depreciation and amortizations</i>	18.7	26.4	36.8	47.5	125.9
<i>Profit/loss from shares in associated companies</i>	0.1	-0.4	0.3	-0.4	-0.3
Interest received	0.0	0.0	0.0	0.0	0.0
Interest paid	-0.7	0.0	-1.3	0.0	-0.5
Income tax paid	0.0	0.0	0.0	-0.1	-0.2
Cash flow from operating activities before changes in working capital	-7.8	-7.9	-13.8	-11.6	-24.5
Changes in working capital					
Change in receivables	-1.6	8.2	-2.4	0.2	0.2
Change in short-term debts	3.9	-6.6	-0.3	-5.9	-2.6
Cash flow from operating activities	-5.5	-6.3	-16.5	-17.3	-26.8
Investing activities					
Investment in subsidiaries	0.0	0.0	0.0	-1.6	-28.6
Investment in intangible assets	-0.2	-0.4	-0.4	-0.6	-1.1
Investment in tangible assets	0.0	-0.1	0.0	-0.1	-0.3
Cash flow from investing activities	-0.2	-0.4	-0.5	-2.3	-30.0
Financing activities					
Loans	-1.1	0.0	-1.1	0.0	19.7
New share issue	0.0	0.0	0.0	0.0	37.4
Cash flow from financing activities	-1.1	0.0	-1.1	0.0	57.1
Total cash flow for the period	-6.8	-6.7	-18.0	-19.6	0.3
Cash and cash equivalents at beginning of period	15.0	13.1	26.2	25.9	25.9
Cash and cash equivalents at end of period	8.2	6.3	8.2	6.3	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

Quarterly report 3: 25 November 2023

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 25 August, 2023.

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