

ZignSec Enters Into an Agreement to Acquire 100 Percent of the Shares in Web Shield Ltd.

ZignSec AB ("ZignSec") has today entered into an agreement to acquire 100 per cent of the shares in the UK-based company Web Shield Ltd, including the subsidiaries Web Shield Services GmbH, Web Shield Services Polska sp.z.o.o and 50% of Web Shield Legal Services sp.z.o.o ("Web Shield").

Web Shield is a leading RegTech company with cutting-edge expertise in real-time onboarding, compliance and monitoring. Web Shield was founded in 2011 and currently has over 40 employees. In 2020, Web Shield generated sales of approximately EUR 4.6 million, corresponding to approximately SEK 47.9 million, and is expected to generate sales of EUR 6 million, corresponding to approximately SEK 61.4 million, in 2021. Through the acquisition, ZignSec will increase its total revenue by more than 300% for the full year 2020 on a pro forma basis.

The transaction in brief

- The transaction is in line with ZignSec's previously communicated strategy to perform complementary acquisitions to establish a stronger industry position.
- The transaction is expected to result in an increasingly diversified business model with recurring revenues.
- Completion of the transaction is subject to customary conditions and closing is expected to take place during Q3 2021.
- The initial consideration for the shares in Web Shield amounts to EUR 20 million, equivalent to approximately SEK 201.5 million, paid at the closing of the transaction (the "**Upfront Consideration**")
 - EUR 10 million, equivalent to SEK 100.75 million, of the Upfront Consideration will be paid with ZignSec shares (the "**Consideration Shares**"), based on the Volume Weighted Average Price ("**VWAP**") on Nasdaq First North Growth Market for the 10 consecutive trading days preceding this announcement (excluding today's trading) equal to SEK 24,52 per Consideration Share.
 - 25 per cent of the Consideration Shares will be subject to a 3-month lock-up and 75 per cent subject to an 18-month lock-up from the date of signing of the transaction.
 - EUR 10 million, the equivalent of SEK 100.75 million, of the Upfront Consideration will be paid in cash.
- The transaction also includes the right to a deferred consideration of a maximum of EUR 8 million, corresponding to SEK 80.6 million (calculated at the current exchange rate between EUR/SEK at European Central Bank) (the "**Deferred Consideration**")
 - The Deferred Consideration shall be paid within one month of Web Shield having completed the audited financial statements for the year 2021, but not later than September 1, 2022, and will be paid 50 percent in cash and 50 percent in shares (the "**Deferred Consideration Shares**").

- The subscription price for the Deferred Consideration Shares will correspond to the VWAP on Nasdaq First North Growth Market for the ten consecutive trading days preceding the date of each Deferred Consideration Share issue.
- The Deferred Consideration Shares will be subject to a 1-year lock-up from the respective dates of the Deferred Consideration Share issue.
- The transaction also includes an option to acquire a separate entity, including a product developed by the seller and a Big 4 company that is yet to generate any revenue. Any future revenue will go through Web Shield and the separate entity receives a 20% royalty should the project further materialize.

Background and rationale

Web Shield is based in the UK and Germany and is a leading RegTech company with cutting-edge expertise in real-time onboarding, compliance and monitoring. Web Shield was founded in 2011 and is led by CEO Alex Noton. The number of employees in the company amounts to over 40 people. Web Shield's software solution has the following functionality:

- Real-time analysis
- Automated account approval
- Automated alerts
- Compliance collaboration suite
- Open source monitoring

In 2020, Web Shield had approximately EUR 4.6 million, corresponding to approximately SEK 47.9 million, in total revenue and is expected to have total revenues of EUR 6 million, corresponding to approximately SEK 61.4 million, in 2021. With the acquisition of Web Shield, ZignSec will increase its total revenue by more than 300 % for the full year 2020 on a pro forma basis. Web Shield is a fast-growing company and is expected to generate strong operating margins of over 20% for the full year 2021. The majority of the company's revenues are transaction-based and therefore recurring.

The rationale behind the acquisition of Web Shield is the company's good profitability and growth, complementary product offering that results in an extensive expansion within the value chain, significant recurring transaction-based revenues, and the opportunity for the combined entity to address significantly larger clients than previously.

Upfront Consideration, Deferred Consideration, Lock-Up Period

The Upfront Consideration of EUR 20 million, equivalent to approximately SEK 201.5 million, is paid with EUR 10 million cash (equivalent to approximately SEK 100.75 million), and EUR 10 million (equivalent to approximately SEK 100.75 million) is paid with newly issued ZignSec shares. The Consideration Shares are issued at SEK 24.52 per share, equal to the VWAP on Nasdaq First North Growth Market for the ten consecutive trading days preceding this announcement (excluding today's trading).

25 percent of the Consideration Shares will be subject to a 3-month lock-up and 75 percent will be subject to an 18-month lock-up, all from the date of signing the transaction.

Furthermore, the sellers are entitled to a Deferred Consideration of up to EUR 8 million, corresponding to SEK 80.6 million. The Deferred Consideration shall be paid within one month of Web Shield having completed the audited financial statements for the year 2021, but no later than 1 September 2022, and will be paid at 50 percent with cash and at 50 percent with shares. The subscription price for the Deferred Consideration Shares shall correspond to the VWAP for ZignSec's shares on the Nasdaq First North Growth Market during the 10 consecutive trading days prior to the issue of the Deferred Consideration Shares. The Deferred Consideration Shares will be subject to a one-year lock-up from the issue date.

Issue of Consideration Shares

The board of directors of ZignSec will resolve to issue the Consideration Shares at the completion of the transaction pursuant to the authorization granted by the annual general meeting on May 26, 2021.

The Consideration Shares represent 15.2 percent of the total number of shares and votes in ZignSec on a fully diluted basis. By issuing the Consideration Shares, the number of shares and votes increase by 4,109,094. The share capital increases by SEK 162,843,40.

The Consideration Shares are issued at SEK 24.52 per share which equals the ten day VWAP of ZignSec shares on Nasdaq First North Growth Market up to and including June 8, 2021, and using the exchange rate EUR/SEK as of June 8, 2021 at European Central Bank.

Closing of the transaction

Closing of the transaction are subject to customary conditions including foreign investment approval, and closing is expected to take place during Q3 2021.

Advisors

Eversheds Sutherland is acting as legal advisor to ZignSec in this transaction.

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About ZignSec AB

ZignSec is a RegTech company that develops and operates a technical platform that has different types of ID verification methods in one place. The methods are used by companies to quickly and safely identify online customers in real time. The company's customers operate in various industries where identification is important, with the greatest concentration in financial services and other regulated industries.

Nasdaq First North (ZIGN)

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Forward-looking statements

This press release contains forward-looking statements that reflect the Company's intentions, beliefs, or current expectations about and targets for the Company's and the Group's future results of operations, financial condition, liquidity, performance, prospects, anticipated growth, strategies and opportunities and the markets in which the Company and the Group operates. Forward-looking statements are statements that are not historical facts and may be identified by words such as "believe", "expect", "anticipate", "intend", "may", "plan", "estimate", "will", "should", "could", "aim" or "might", or, in each case, their negative, or similar expressions. The forward-looking statements in this press release are based upon various assumptions, many of which are based, in turn, upon further assumptions. Although the Company believes that the expectations reflected in these forward-looking statements are reasonable, it can give no assurances that they will materialise or prove to be correct. Because these statements are based on assumptions or estimates and are subject to risks and uncertainties, the actual results or outcome could differ materially from those set out in the forward-looking statements as a result of many factors. Such risks, uncertainties, contingencies and other important factors could cause actual events to differ materially from the expectations expressed or implied in this release by such forward-looking statements. The Company does not guarantee that the assumptions underlying the forward-looking statements in this press release are free from errors and readers of this press release should not place undue reliance on the forward-looking statements in this press release. The

information, opinions and forward-looking statements that are expressly or implicitly contained herein speak only as of its date and are subject to change without notice. Neither the Company nor anyone else undertake to review, update, confirm or to release publicly any revisions to any forward-looking statements to reflect events that occur or circumstances that arise in relation to the content of this press release, unless it is not required by law or Nasdaq First North Growth Market rule book for issuers.

This information is information that ZignSec is obliged to make public pursuant to the EU Market Abuse Regulation. The information was submitted for publication, through the agency of the contact persons set out above, at 2021-06-09 17:31 CEST.

Attachments

[ZignSec Enters Into an Agreement to Acquire 100 Percent of the Shares in Web Shield Ltd.](#)