

Precise Biometrics CEO Patrick Höijer comments on proposed share issue and company publishes Q&A

Precise Biometrics (publ) CEO Patrick Höijer comments on the proposed share issue that was announced on April 3. The company also publishes a Q&A based on questions received from shareholders.

When I was entrusted to take over as the new CEO last year, my mission was clear: To commercialize the company's world-leading position in biometrics. Last week, the management and board of Precise Biometrics announced a proposal for a new share issue to strengthen the company's finances. This naturally brings with it follow-up questions from shareholders. I would like to take the opportunity to answer some of them.

I want to start by clarifying that the decision to initiate a share issue is not something we do if it is not deemed necessary and right for the company. It is a well-balanced decision based on the market situation, current payment obligations and, above all, to give the company and its shareholders the conditions for a significantly better return in the future. I feel confident in my opinion that this share issue strengthens the company's opportunity to grow according to the long-term business plan.

Precise Biometrics is a company with world-leading technology. We have already shown that we are the world-leader in software for biometric reading of fingerprints, especially for the use in mobile phones. During the last six months, however, the consumer electronics market in general, and the mobile and laptop market specifically, has had a very challenging market situation. It is not something Precise can control, but something we need to adapt to, as it affects our cash flow. Most assessments predict that the mobile phone market is expected to recover in the second half of 2023.

The second reason for the share issue is more positive. We have within Digital Identity developed an entry and visitor management system for offices and venues complete with the latest facial recognition technology over the past few years. We have now reached the time to commercialize this service through, among other things, geographical expansion to the USA. This, combined with the fact that we want to continue expanding our fingerprint software within Algo into new verticals, means that we also need to strengthen our finances to take advantage of these opportunities. Something that gives us the potential to increase our earnings and create more diversified revenue streams going forward.

Through the proposed issue, the company will receive net cash of approximately SEK 40.5 million. The net cash is meant to be used for the following areas of use, in order of priority:

- Geographical expansion to the United States
- Processing and in-depth partnerships within new verticals for the Algo business area
- Product development aimed at new customer groups within Digital Identity

- Continued improvements to the company's algorithms to ensure our world-leading position in Algo on the mobile phone market
- Strengthening of working capital, ongoing operations

As CEO, but also as a shareholder, I am convinced that this issue is the right way forward for the company. Naturally, as a shareholder, I will also subscribe to the upcoming issue. My hope is of course that all shareholders will have the opportunity to participate in the issue so that they can take part in the discount, but I also understand disappointed shareholders who may not have that possibility. Regarding the terms of the issue, Precise has engaged advisors to offer the market conditions required for a successful issue.

I want to emphasize again that I am proud to lead a strong Precise team and feel that I have their and the board's full support now as we initiate the efforts I have been tasked to implement. We have a good market position and with this new issue secured we are well positioned to capitalize on the global trend with increased focus on IT-security and growing use of biometrics in many areas of society. I look forward to continuing to commercialize our position as a leading global provider of identification software and contributing to a safer and more secure society.

- Patrick Höijer, CEO, Precise Biometrics

Q&A based on questions received by the company from shareholders

1. Last fall, you completed a share issue and a targeted new issue and the company raised SEK 44 million, now you have announced a new share issue of approximately another SEK 50 million. Why this need for capital?

The issue last fall was mainly a targeted new issue to Egis Technology. It was important for the company to bring in a strong main owner. Egis adds expertise in hardware, contributes to financing for continued investments and acts as a strong partner in Asia for Algo. Even though that part of the capital raise was successful, the market conditions last fall caused the share price during the subscription period to fall below the subscription price and this resulted in the share issue being subscribed to less than half. So now you can see this issue as a follow-up to the one we did last fall. In addition, the aim is now to raise capital for investment in our other business area, Digital Identity, and specifically an investment in growing our presence on the U.S. market.

2. Will the board and management participate in the new share issue?

Yes, everyone in the management team and on the board has announced their intention to subscribe to the new share issue. More detailed information about this will come in connection with the publication of the prospectus shortly.

3. For legacy shareholders who have seen the share price go down when tech stocks in general traded down and now get another new issue where they need to invest more money in order not to be diluted, can they feel confident that this is now really the turnaround for Precise?

I took over as new CEO less than a year ago. My task as CEO is to sometimes make difficult

decisions to ensure that the company is properly positioned for long-term growth. I realize that these decisions in the short term have tough consequences for shareholders who risk dilution and especially those who have been with us for a long time. But I am convinced that this bitter medicine is right, otherwise we would not have done this.

4. What dilution does this new issue entail for the shareholders who do not participate in the new issue?

For existing ordinary shareholders who do not participate in the rights issue, this means, in the case of full subscription, a dilution effect of 40 percent. But then you should know that the issue is 100% guaranteed this time. This means relatively high costs for the issue, but it is a well-balanced decision we have taken, as there is no uncertainty about the outcome of the proposed issue.

5. How is Digital Identity doing and what are the revenues today from areas other than fingerprint recognition in mobile phones?

In 2022, Digital Identity accounted for approximately 25% of the company's total turnover. More details about the company's development during the first quarter will be published in connection with the company's interim report, which will be released at 08.00 on 9 May.

6. EastCoast was bought for SEK 80 million. Since then, Precise's market capitalization has decreased and after the proposal of this new issue was made public, the market capitalization has decreased further. Does that mean it was a bad deal?

No, the company's share price has now of course been affected by the price of shares in the new issue given the market conditions. But the acquisition of EastCoast is strategically important for Precise Biometrics. Recently a new brand was launched for EastCoast Visit which will now be called YOUNiQ Visit when it is launched in the U.S. It is one of many steps that we intend to take and that are part of the business plan for EastCoast. One of the reasons we are now taking in additional capital is to be able to deliver results from the acquisition of EastCoast through geographic expansion and increased marketing in exciting new markets.

7. Why is it so important to invest in Digital Identity and the American market?

The mobile phone market has been affected by a natural pause in an upward trend in terms of demand, something that has affected all subcontractors including us. We know that when demand increases again when macroeconomic factors improve, we are in a good position to capitalize on that market. But the investment in Digital Identity and the US market diversifies our income in the long term, both product-wise and geographically.

8. Why does Precise need to raise more capital now when the company still has money in the bank?

The company has a strategic business plan to follow and management assesses that existing working capital is not sufficient to fully deliver on that strategy within the next 12 months. The fact that the company chooses to act now instead of risking ending up in a worse liquidity situation in the future is positive. The risk in the business is reduced, the company's finances are strengthened, and the profit potential is greater, when we can make more targeted efforts as in the U.S. Even if existing

share owners need to add more capital in order not to be diluted, it is our firm opinion that it is a good investment for the company and its shareholders. The new management that has been appointed to turn around the development in the company will be able to act focused and aggressively in the future within both Algo and Digital Identity business areas.

9. How much capital is raised and how will it be used?

SEK 40.5 million will be raised after costs for the issue have been paid. The net cash is meant to be used for the following areas of use, in order of priority:

- Geographical expansion to the United States
- Processing and in-depth partnerships within new verticals for the Algo business area
- Product development aimed at new customer groups within Digital Identity
- Continued improvements to the company's algorithms to ensure our world-leading position in Algo on the mobile phone market
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10. How long will capital raised last, will there be more new issues in the future?

Our assessment is that market demand on the mobile phone market within Algo will increase again in the second half of 2023. In our other business area Digital Identity, we focus less on R&D development and more on the commercialization, e.g. the fact that we are now entering new markets such as the U.S. All this taken into account, means that the management's and the board's assessment is that we will stand strong and there are no plans for any additional capital acquisitions at the moment.

11. What are you most looking forward to now as you approach the end of your first year as CEO?

The company's focus is to accelerate our ability to deliver on our long-term growth strategy and create less risk through more diversified revenue streams. Perhaps the most exciting thing that the capital injection enables is an increased investment in YOUNiQ in the U.S. The need for secure systems for entry and visitor management is vast, for example in hospitals, commercial properties and gyms. In 2023, we therefore intend to accelerate our international expansion. With the capital injection, we are also strengthening our existing product development and our opportunities to expand our business on the mobile phone side within the Algo business area to new verticals such as laptops and the automotive industry.

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About Us

Precise Biometrics AB (publ) ("Precise") is a global supplier of identification software. The company offers products in various areas of application that enable users – using their own biometrics – to identify themselves in a convenient and secure way. Precise has two business areas; Digital Identity and Algo, and operates out of its offices in Lund, Sweden, Potsdam NY, USA and Shanghai, China. The Precise share is listed at Nasdaq Stockholm (PREC). For more information, please visit www.precisebiometrics.com

Attachments

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