



**ZignSec**

# **Interim report Q1**

## **1 January to 31 March 2022**



**ZignSec**

ZignSec AB (publ) Interim report Q1 • 2022 | Reg. No. 559016-5261

[www.zignsec.com](http://www.zignsec.com)

# Report highlights



## Financial overview Q1 2022

- Net revenue amounted to SEK 24.3 (5.2) million, an increase of 370% compared with the corresponding quarter the year before.
- Operating profit/loss before depreciation and amortization EBITDA amounted to SEK -3.6 (-6.3) million.
- Cash and cash equivalents amounted to SEK 13.1 (26.2) million.

## Significant events during the first quarter

- The Board appointed Alex Noton as the new CEO of ZignSec to integrate the Group's companies and accelerate ZignSec's acquisition strategy.
- ZignSec signed an agreement with Finaro (formerly Credorax) for the use of ZignSec's customer due diligence platform.
- The company signed an agreement with AsiaPay, one of the fastest growing companies in Asia, for customer due diligence, fraud checks and a risk assessment function.

## Significant events after the end of the first quarter

- ZignSec has implemented an organizational change at Group level as part of optimizing the organization for continued growth and improved profitability.

## Summary A word from the CEO

During the first quarter of 2022, growth remained high and net sales increased by 370% compared with the same period last year. ZignSec continues to experience a strong demand for our integrated end-to-end solutions that can handle requirements for regulatory compliance for customers from a number of industries and geographical areas.

Investments have been made to develop the next generation of products, while at the same time we are expanding our presence in the American market with Web Shield's strong reputation as an entry point. We expect to be able to see the benefits of these investments start to take effect during the fourth quarter of 2022 and ZignSec expects to become cash flow positive during this quarter.



# Interim report Q1

## 1 January to 31 March 2022

## 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)	Jan 1 - Mar 31 2022	Jan 1 - Mar 31 2021	Jan 1 - Dec 31 2021
Total revenue	24.6	5.2	53.5
Net revenue	24.3	5.2	52.9
Net revenue growth	370%	107%	278%
EBITDA	-3.6	-6.3	-24.8
Operating profit/loss (EBIT)	-24.7	-9.9	-78.9
Net cash	11.4	26.2	24.3
Equity/Assets ratio	72%	60%	73%
Average number of employees	83	33	58
Number of shares	33,831,244	22,998,341	33,831,244
Earnings per share (SEK)	-0.728	-0.389	-2.150



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# A Word from the CEO

During this year's first quarter we witnessed another period of strong growth for ZignSec. The company achieved net revenue in Q1 of SEK 24.3 million, representing a growth of 370% compared to the same period in the prior year.

We continue to experience strong demand for our integrated, end-to-end solutions that can handle the compliance requirements of clients across multiple industries and geographies. We secured a number of notable client wins during the quarter, such as Finaro (formerly Credorax), a large global merchant acquirer as well as AsiaPay, one of the largest payment service providers in Asia.

After a period of extraordinary growth over the past two years, which saw the acquisition of three companies, Q1, 2022 has been a period of consolidation for ZignSec. The company has reorganised its management team with the departure of Timm Schneider, the former CEO of the company. We have adopted a more centralised approach to some functions within the Group and introduced a second layer of management to head up these departments. The steps we have taken will enable us to more closely integrate the companies within the Group, after acquiring the remaining 30% of Basis ID earlier in the quarter, which will foster greater cooperation across the Group, deliver operational efficiencies and put ZignSec on a strong footing for its next stage of growth.

We have also brought nearly all our R&D in-house, which offers ZignSec much greater control and flexibility over its product development and roadmap. We have invested

significantly in expanding our development resource and are planning to launch our next generation compliance orchestration platform at the end of Q2, 2022. In combination with the development of the new version of the platform we will also be launching a SaaS portal and industry-specific workflows. The SaaS portal offers the ability for small and medium sized organisations, who do not have the in-house IT capabilities to integrate via API to access our full suite of services via the web, thereby significantly increasing the size of our potential addressable market. The standardised industry-specific workflows enable ZignSec to provide a tailored approach for our target markets in a scalable manner, offering clear differentiation with competing solutions.

In addition to the investments made in developing our next generation products, we are also expanding our presence in the US market, leveraging the strong reputation of Web Shield in the merchant acquiring industry as an entry point. We expect to see the benefits of these investments start to take effect in Q4, 2022 when ZignSec expects to become cash flow positive during this quarter.

In 2019, ZignSec set out the financial goal of achieving net revenue of SEK 100 million with a 20% profit margin by 2022. ZignSec can confirm that we expect to achieve our revenue target of SEK 100 million in 2022 but we no longer expect to achieve a profit margin of 20% this year. Whilst ZignSec benefits from a high gross margin and had the potential to reach the operational profitability by additional cost cutting, the board and management of ZignSec took the strategic decision that it wants to further invest in the growth of the business to pursue the multiple interesting growth opportunities ahead of it.

Whilst we anticipated that the organisational changes may cause some limited friction in the company's trajectory, we are currently experiencing significant customer demand, which positions ZignSec well for the launch of its next generation platform. We are also in discussions with several high profile clients which, if they materialise, have the potential to deliver significant increased revenue.



Alex Noton  
VD, ZignSec AB (publ)



# Group development

## The quarter January to March 2022

### Revenue and operating profit

The Group's net sales for Q1, 2022 amounted to SEK 24.3 (5.2) million, which corresponds to an increase of 370% compared to the same period for the previous year.

EBITDA amounted to SEK -3.6 (-6.3) million. The change is mainly due to higher gross profit from acquired companies and organic growth, offset by increased personnel from the growing group organization.

### Development

During the first quarter of 2022, capitalized development expenditures after depreciation decreased by a total of SEK 0.1 million, of which

SEK 0 (0) thousand was capitalized as work for own account. 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 first quarter amounted to SEK -21.1 (-3.6) million. The change is mainly due to consolidated amortization of acquired technology, customer relations and goodwill.

### Financial net

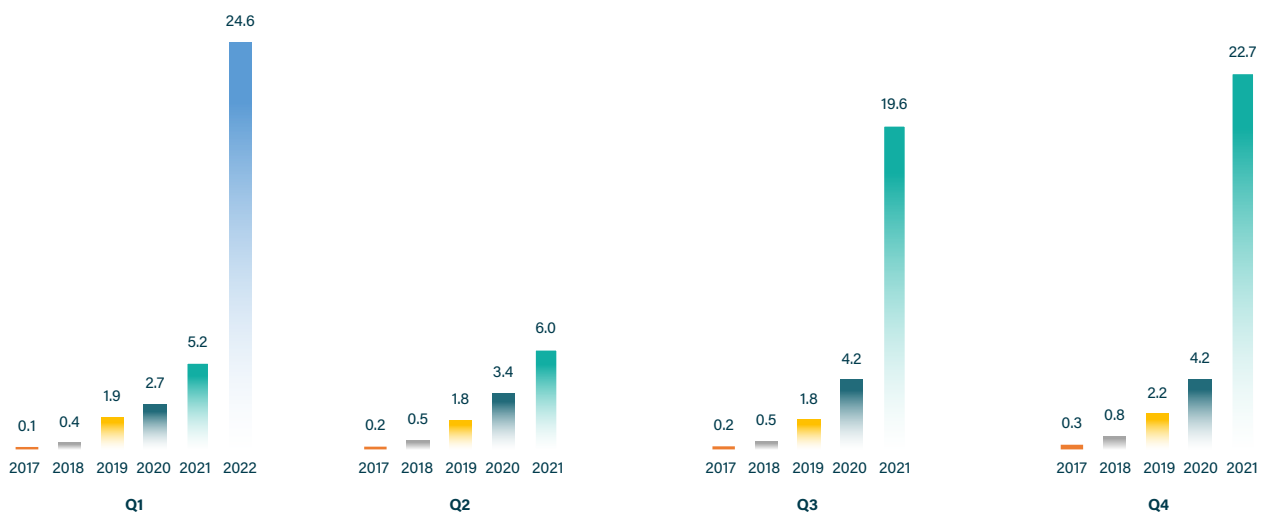
Net financial items for the first quarter amounted to SEK -0.7 (0.1) million.

### Tax

Estimated tax on profit for the first quarter amounted to SEK 0.7 (0.4) million.

## Quarterly turnover development 2017-2022

(mSEK)



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# Financial position

## Financial position and liquidity

As of March 2022, the group had SEK 13.1 (26.2) million in cash and cash equivalents. The balance sheet total amounted to SEK 364.1 (120.7) million.

The company will continue its initiated drive towards international expansion with focus on development and sales.

### Operating cash flow

Cash flow from operating activities during the first quarter 2022 amounted to SEK -11.0 (-6.0) million.

### Financing

ZignSec is evaluating different options for making existing cash and cash equivalents sufficient to meet current capital needs.

### Investments and acquisitions

ZignSec has communicated that an acquisition strategy is being applied and will keep the market updated in the future.

## Development of shares

<b>Number of shares at 2022-05-25</b>	<b>33,831,244</b>
Earn-Out financial year 2021 related to the acquisition of Wyzer	1,113,756
Deferred consideration related to the acquisition of Web Shield	1,643,638
Preferential rights issue	17,142,857
<b>Total</b>	<b>53,504,260</b>

Cash flows from share issues and acquisition-related considerations, before issue costs	
Preferential rights issue	59,204,677
Cash payment of Earn-Out financial year 2021 related to the acquisition of Wyzer	- 4,455,024
Cash payment of deferred consideration related to the acquisition of Web Shield	- 42,000,000
<b>Total</b>	<b>12,749,653</b>





## Significant events during the quarter

The Board of ZignSec AB appointed Alex Noton as the new CEO of ZignSec. Alex, former CEO of Web Shield Ltd, has a solid background in ID verification, M&A and strategic work. The reason for the change of CEO is to intensify the work of integrating the various companies within the ZignSec Group and to accelerate ZignSec's acquisition strategy.

ZignSec signed an agreement with Finaro (formerly Credorax), a licensed merchant acquiring bank with cross-border card redemption services. The agreement applies to the use of ZignSec's customer awareness platform for Merchant Onboarding.

ZignSec acquired the remaining 30 percent of Basis ID Group as part of the long-term strategy to fully integrate Basis ID Group into ZignSec's operations and platform.

ZignSec signed an agreement with the digital payment solution AsiaPay, which has been named one of the fastest growing companies in Asia. The agreement includes global ID services, PEP and sanction checks, document fraudulent checks and a risk assessment function.

## Significant events after the quarter

ZignSec has implemented a structural organizational change at group level that has resulted in a more function-based organization. As part of the change, several departments have been centralized in order to optimize the organization for continued investment in growth and improved profitability.





## Personnel

As per the date of report publication the group has 73 employees, which can be compared to 36 employees at the same time in 2021.

After the restructuring during Q1 2022, ZignSec continues to expand the organization, primarily in development and sales, to realize its growth target.

## 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.

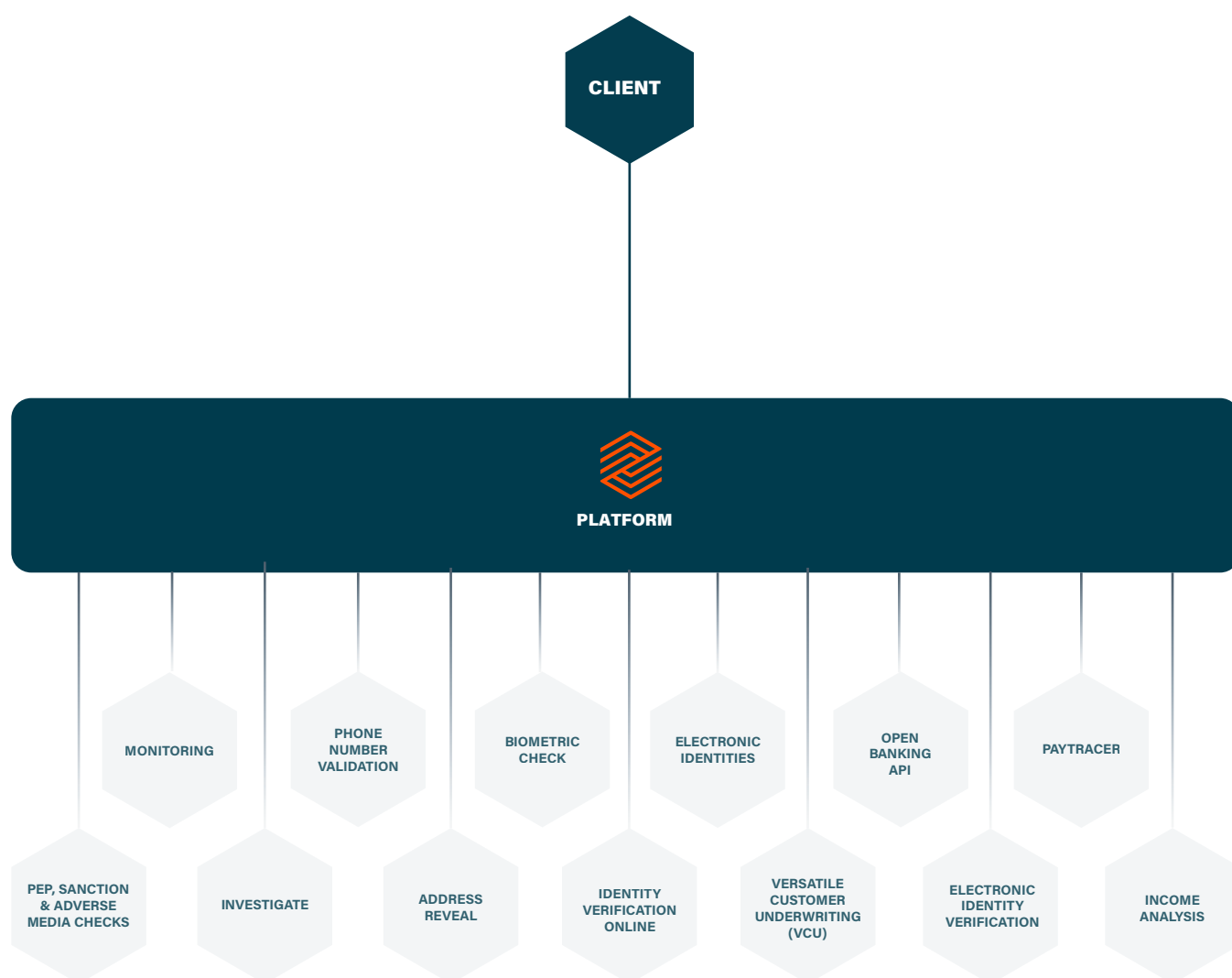
ZignSec's customers can also add additional solutions from the company's offering or connect more markets to verify their users. This creates an incentive for the customer to use ZignSec as a complete supplier for all markets, while at the same time driving profitability for the company.



# 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.



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# 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 on-boarding 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.



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# Profit and loss

(mSEK)	Jan 1 - Mar 31 2022	Jan 1 - Mar 31 2021	Jan 1 - Dec 31 2021
Net turnover	24.3	5.2	52.9
Activated development work for own account	0.0	0.0	0.0
Other operating income	0.3	0.1	0.6
	<b>24.6</b>	<b>5.2</b>	<b>53.5</b>
Cost of sales	-5.3	-1.7	-13.7
Other external costs	-9.3	-5.5	-29.7
Personnel costs	-13.4	-4.3	-34.9
Other operating costs	-0.1	-0.1	-0.2
Profit/loss from shares in associated companies	0.0	0.0	0.3
<b>Operating profit/loss (EBITDA)</b>	<b>-3.6</b>	<b>-6.3</b>	<b>-24.8</b>
Depreciation	-21.1	-3.6	-54.1
<b>Operating profit/loss (EBIT)</b>	<b>-24.7</b>	<b>-9.9</b>	<b>-78.9</b>
<b>Result from financial items</b>			
Interest income, costs and similar items	-0.7	0.1	0.5
<b>Total result from financial items</b>	<b>-0.7</b>	<b>0.1</b>	<b>0.5</b>
<b>Profit/loss before tax (EBT)</b>	<b>-25.4</b>	<b>-9.9</b>	<b>-78.3</b>
Tax	0.7	0.4	1.0
<b>Profit/loss for the period</b>	<b>-24.6</b>	<b>-9.4</b>	<b>-77.3</b>
Attributable to owners of the parent	-24.6	-8.8	-72.7
Attributable to non-controlling interests	0.0	-0.7	-4.6



# Balance Sheet

(mSEK)

	Mar 31 2022	Mar 31 2021	Dec 31 2021
<b>ASSETS</b>			
<b>Non-current assets</b>			
<b>Intangible assets</b>			
Capitalized development expenditure	2.1	2.5	2.2
Customer relationships	53.5	0.0	56.6
Technology	20.8	3.2	23.2
Goodwill	238.1	60.4	252.2
Patent, trademarks, licenses	0.4	19.2	0.4
<b>Total intangible assets</b>	<b>315.0</b>	<b>85.4</b>	<b>334.7</b>
<b>Tangible assets</b>			
Property, plant and equipment	1.3	0.5	1.4
<b>Total tangible assets</b>	<b>1.3</b>	<b>0.5</b>	<b>1.4</b>
<b>Financial assets</b>			
Shares in associated companies	4.0	0.0	3.8
<b>Total financial assets</b>	<b>4.0</b>	<b>0.0</b>	<b>3.8</b>
<b>Total non-current assets</b>	<b>320.3</b>	<b>85.9</b>	<b>339.9</b>
<b>Current assets</b>			
Accounts receivable	11.4	2.6	9.8
Other receivables	10.2	1.0	7.8
Prepaid expenses and accrued income	9.1	5.0	8.1
<b>Total current assets</b>	<b>30.7</b>	<b>8.5</b>	<b>25.7</b>
<b>Cash and cash equivalents</b>	<b>13.1</b>	<b>26.2</b>	<b>25.9</b>
<b>Total current assets</b>	<b>43.8</b>	<b>34.8</b>	<b>51.7</b>
<b>TOTAL ASSETS</b>	<b>364.1</b>	<b>120.7</b>	<b>391.6</b>



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# Balance Sheet

(mSEK)

	Mar 31 2022	Mar 31 2021	Dec 31 2021
<b>EQUITY, PROVISIONS AND LIABILITIES</b>			
<b>EQUITY</b>			
Share capital	1.3	0.9	1.3
Equity method reserve	0.9	0.0	0.9
Share premium reserve	358.0	90.2	358.0
Reserves (translation difference)	14.0	0.5	12.7
Retained earnings incl. profit/loss of the period	-112.8	-24.5	-88.8
<b>Equity attributable to owners of the parent</b>	<b>261.5</b>	<b>67.1</b>	<b>284.2</b>
Equity attributable to non-controlling interests	0.0	5.8	2.3
<b>TOTAL EQUITY</b>	<b>261.5</b>	<b>72.9</b>	<b>286.5</b>
<b>PROVISIONS</b>			
Provisions for deferred tax	9.3	7.1	10.1
Other provisions	17.3	33.8	17.3
<b>TOTAL PROVISIONS</b>	<b>26.6</b>	<b>40.9</b>	<b>27.3</b>
<b>LIABILITIES</b>			
Liabilities to credit institutions	1.7	0.0	1.7
<b>Total non-current liabilities</b>	<b>1.7</b>	<b>0.0</b>	<b>1.7</b>
<b>Current liabilities</b>			
Prepayments from customers	0.3	0.2	0.5
Accounts payable	3.5	1.0	3.9
Liabilities to associated companies	0.4	0.0	1.7
Tax liabilities	0.3	0.0	0.2
Other liabilities	54.5	0.5	52.5
Accrued expenses and prepaid income	15.3	5.2	17.3
<b>Total current liabilities</b>	<b>74.3</b>	<b>6.9</b>	<b>76.0</b>
<b>TOTAL LIABILITIES</b>	<b>76.0</b>	<b>6.9</b>	<b>77.7</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>364.1</b>	<b>120.7</b>	<b>391.6</b>



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# Statement of changes in equity

(mSEK)	Share capital	Share premium reserve	Reserves	Equity method reserve	Retained earnings incl. profit/loss of the period	Total	Non-controlling interests	Total equity
<b>Statement of changes in equity</b>								
<b>Balance at 2022-01-01</b>	<b>1.3</b>	<b>358.0</b>	<b>12.7</b>	<b>0.9</b>	<b>-88.9</b>	<b>284.1</b>	<b>2.3</b>	<b>286.4</b>
Profit/Loss of the period					-24.6	-24.6	0.0	-24.6
Acquisition of non-controlling interests					0.8	0.8	-2.3	-1.6
Translation difference			1.3			1.3	0.0	1.3
Change in equity method reserve				0.0		0.0		0.0
<b>Balance at 2022-03-31</b>	<b>1.3</b>	<b>358.0</b>	<b>14.0</b>	<b>0.9</b>	<b>-112.8</b>	<b>261.5</b>	<b>0.0</b>	<b>261.5</b>





# Statement of cash flow

(mSEK)	Jan 1 - Mar 31 2022	Jan 1 - Mar 31 2021	Jan 1 - Dec 31 2021
<b>Operating activities</b>			
<b>Operating profit/loss</b>	-24.7	-9.9	-78.9
Adjustments for:			
<i>Depreciation</i>	21.1	3.6	54.1
<i>Profit/loss from shares in associated companies</i>	0.0	0.0	-0.3
Interest received	0.0	0.0	0.0
Interest paid	0.0	0.0	0.0
Income tax paid	0.0	0.0	-0.5
<b>Cash flow from operating activities before changes in working capital</b>	<b>-3.6</b>	<b>-6.4</b>	<b>-25.5</b>
Changes in working capital			
Change in receivables	-7.9	1.0	-15.6
Change in short-term debts	0.6	-0.7	12.5
<b>Cash flow from operating activities</b>	<b>-11.0</b>	<b>-6.0</b>	<b>-28.6</b>
<b>Investing activities</b>			
Investment in subsidiaries	-1.6	-16.5	-125.9
Investment in intangible assets	-0.3	-0.4	-1.1
Investment in tangible assets	-0.1	0.0	-0.7
<b>Cash flow from investing activities</b>	<b>-1.9</b>	<b>-16.9</b>	<b>-127.6</b>
<b>Financing activities</b>			
New share issue	0.0	0.0	133.8
<b>Cash flow from financing activities</b>	<b>0.0</b>	<b>0.0</b>	<b>133.8</b>
<b>Total cash flow for the period</b>	<b>-12.9</b>	<b>-22.9</b>	<b>-22.4</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>25.9</b>	<b>49.1</b>	<b>48.3</b>
<b>Cash and cash equivalents at end of period</b>	<b>13.1</b>	<b>26.2</b>	<b>25.9</b>



# 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 2022, 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 2021: 25 May 2022

Quarterly report 1: 25 May 2022

Annual General Meeting: 28 June 2022

Quarterly report 2: 25 August 2022

Quarterly report 3: 25 November 2022

## 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 May, 2022.

For further information, please contact:

**Alex Noton, CEO**

**Mail: [alex.noton@webshield.com](mailto:alex.noton@webshield.com)**

**Tel: +44 7775 685 984**

**Alexander Albedj, Chairman**

**Mail: [alexander.albedj@zignsec.com](mailto:alexander.albedj@zignsec.com)**

**Tel: +46 76 221 30 75**

