



**ZignSec**

# Interim report Q1

1 January to 31 March 2023



**ZignSec**

ZignSec AB (publ) Interim report 1 • 2023 | Org. No. 559016-5261

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

# Report highlights



## Financial overview

- Net revenue amounted to SEK 22.1 (24.3) million, a decrease of 9% compared with the corresponding quarter the year before.
- Operating profit/loss before depreciation and amortization EBITDA amounted to SEK -5.5 (-3.6) million.
- Cash and cash equivalents amounted to SEK 15.0 (13.1) million.

## Significant events during the first quarter

- ZignSec has appointed Daniel Grech as Chief Technology Officer (CTO). In this role, Daniel will lead the technology strategy and development efforts for the group, including subsidiaries Web Shield and Wyzer.

## Significant events after the end of the first 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.

## Summary A word from the CEO

During the first quarter, we generated net sales of SEK 22.1m (SEK 24.3m). We see that we are slowly recovering from the revenue loss caused by the conflict in Ukraine, and as part of our commitment to sustainable growth and higher efficiencies, we have implemented a re-organization strategy to improve profitability and cash flow, as well as optimizing our operations.

# Interim report Q1

## 1 January to 31 March 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)

	Jan 1 - Mar 31 2023	Jan 1 - Mar 31 2022	Jan 1 - Dec 31 2022
Total revenue	22.7	24.6	91.4
Net revenue	22.1	24.3	89.9
Net revenue growth	-9%	370%	69%
EBITDA	-5.5	-3.6	-23.5
Operating profit/loss (EBIT)	-23.6	-24.7	-149.4
Net cash	-6.6	11.4	4.7
Equity/Assets ratio	76%	72%	76%
Average number of employees	66	83	75
Number of shares	53,559,944	33,831,244	53,559,944
Earnings per share (SEK)	-0.503	-0.728	-1.823



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# A Word from the CEO

As the newly appointed CEO of the ZignSec Group, I am honored to lead our organization into a new chapter for the company. I am eager to take on new challenges and bring the Group to new heights. Together, we will drive innovation, foster growth, and make a positive impact for our customers and valued shareholders.

Despite geopolitical obstacles, during the first quarter of 2023, we were able to accelerate our efforts to the business and continue laying the groundwork for ZignSec's next growth phase. We generated net revenue of SEK 22.1 compared to SEK 24.3 million in the same period in 2022. Following this decline, we see that we are now slowly recovering from the revenue loss caused by terminated large volume clients due to the conflict in Ukraine.

As part of our commitment to sustainable growth and higher efficiencies, we have implemented a comprehensive re-organization strategy to immediately improve profitability and cash flow, as well as optimizing our operations. This strategic initiative has yielded the first positive results, empowering us to allocate resources more efficiently across our group entities and enhance our overall productivity.

We are excited to also announce significant improvements to our ID scan technology. With automatic authenticity control of static patterns and dynamic content of IDs, document liveness check, and real-time image quality assessment, our ID scan product is now more efficient and effective than ever. We are confident that our customers will be impressed with the enhancements we have made to our ID scan technology.

However, we have also faced delays in executing some of our large-scale projects for Chargeback and Malta Business Registry. The delays encountered can be attributed to the intricate nature of the solutions currently under development. Our team is diligently working to overcome these challenges and ensure that the final product meets the highest standards of quality and performance.

When it comes to establishing ourselves in opportune markets and regions where our customers need support, the APAC region is a strong case study of how ZignSec aims to play the long game as well. I am therefore thrilled to announce that we have been officially recognized as a Know Your Customer (KYC) provider in India. We will leverage this achievement to expand our presence and deepen our relationships within the Indian market and beyond.

Thank you for your continued trust and support. It is an honour to lead this great organization, and I am confident that we will achieve success together. I look forward to sharing more updates and exciting milestones on our journey.

Sincerely,

Glenn Mac Donald



# Group development

## The quarter January to March 2023

### Revenue and operating profit

The Group's net sales for Q1, 2023 amounted to SEK 22.1 (24.3) million, which corresponds to a decrease of 9% compared to the same period for the previous year.

EBITDA amounted to SEK -5.5 (-3.6) million. The change is mainly due to lower net revenue and higher consulting services costs for development work, offset by lower personnel costs.

### Development

During the first quarter of 2023, 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 -18.1 (-21.1) 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 -0.5 (-0.7) million.

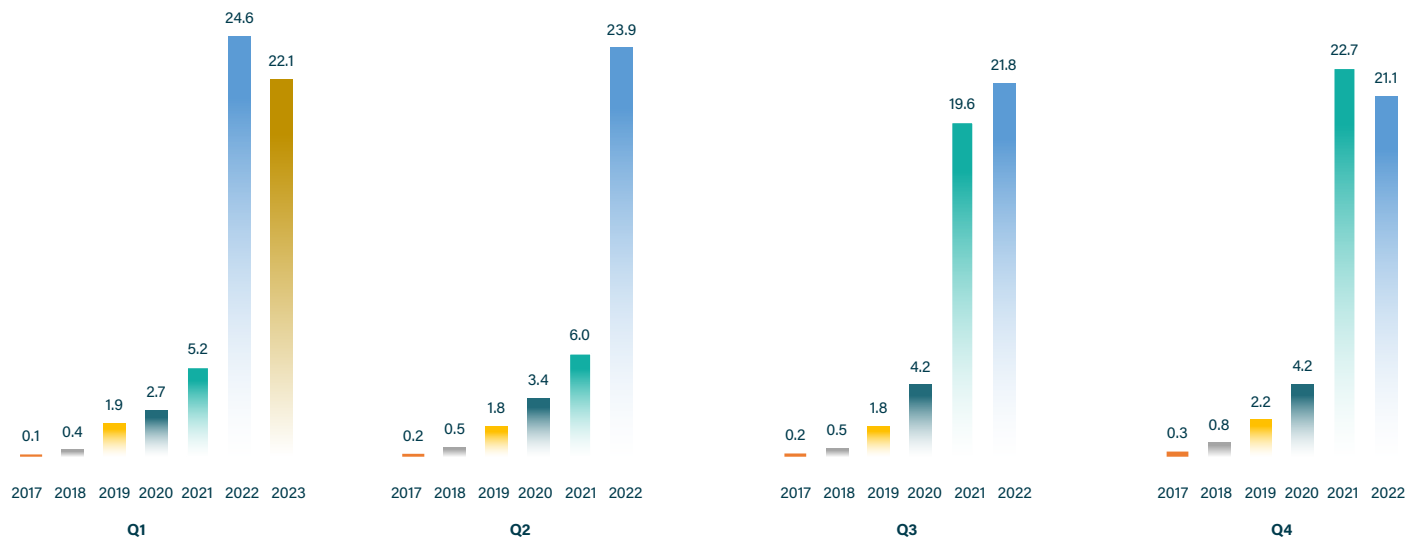
### Tax

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



## Quarterly turnover development 2017-2023

(mSEK)



# Financial position

## Financial position and liquidity

As of March 2023, the group had SEK 15.0 (13.1) million in cash and cash equivalents. The balance sheet total amounted to SEK 256.3 (364.1) 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 first quarter 2023 amounted to SEK -11.0 (-11.0) million.

### Financing

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



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## Significant events in the first quarter

ZignSec has appointed Daniel Grech as Chief Technology Officer (CTO) for the group. In this role, Daniel will lead the company's technology strategy and development efforts, including subsidiaries Web Shield and Wyzer. Daniel is an experienced professional specializing in artificial intelligence, FinTech and business process automation. He is passionate about no-code and low-code approaches to software development and automating manual tasks.

## Significant events after the quarter end

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.



## Personnel

As per the date of report publication the group has 66 employees, which can be compared to 73 employees at the same time in 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

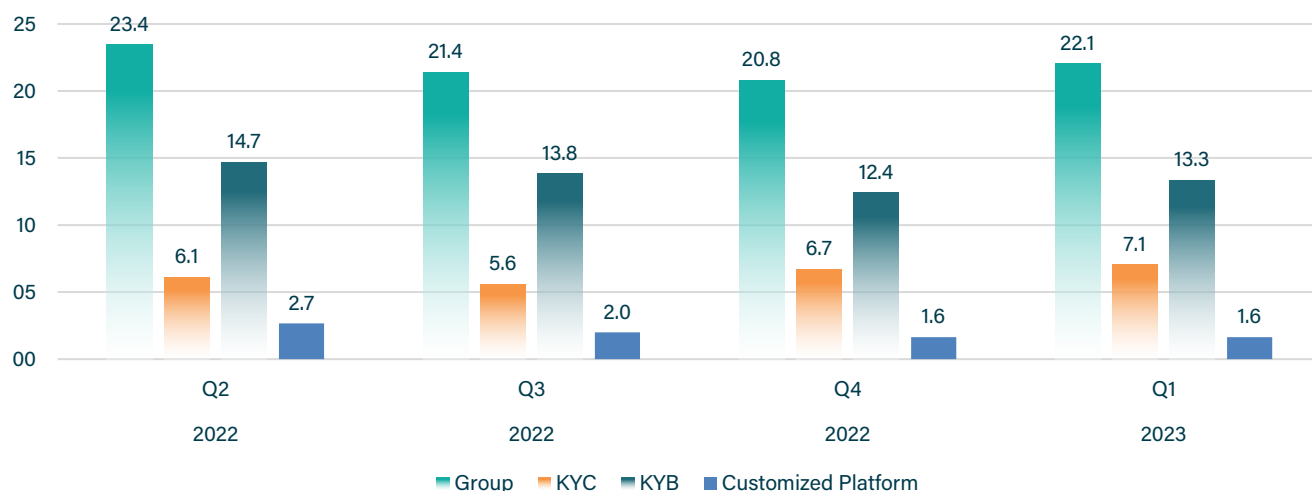
transaction fees. The company's costs mainly consist of development and integration costs as well as ongoing verification and transaction fees. After the integration, the number of transactions for each customer can increase without driving increased personnel costs.

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.



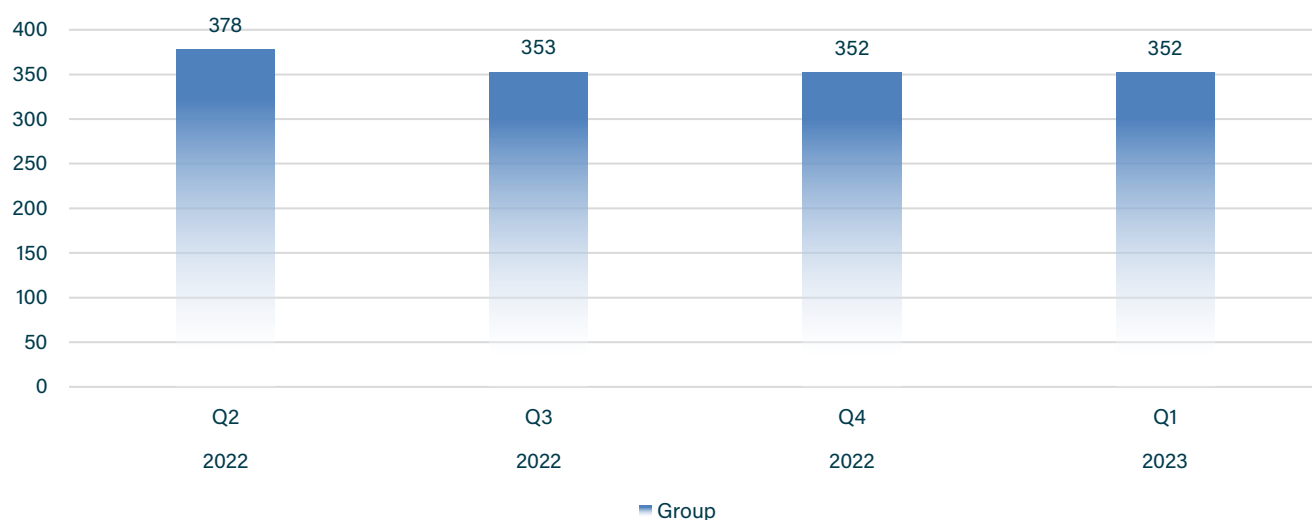
# Financial and operational metric

## Net revenue (mSEK)



Net sales for the group increased during the first quarter of 2023 compared to the fourth quarter of 2022, mainly as a result of increased contractual monthly fees within the KYC and KYB segments. Revenues for customized platforms in the first quarter of 2023 remained at the same level as in the fourth quarter of 2022 due to continued delays for the two digital portal projects for the Maltese authorities.

## Average number of customers invoiced



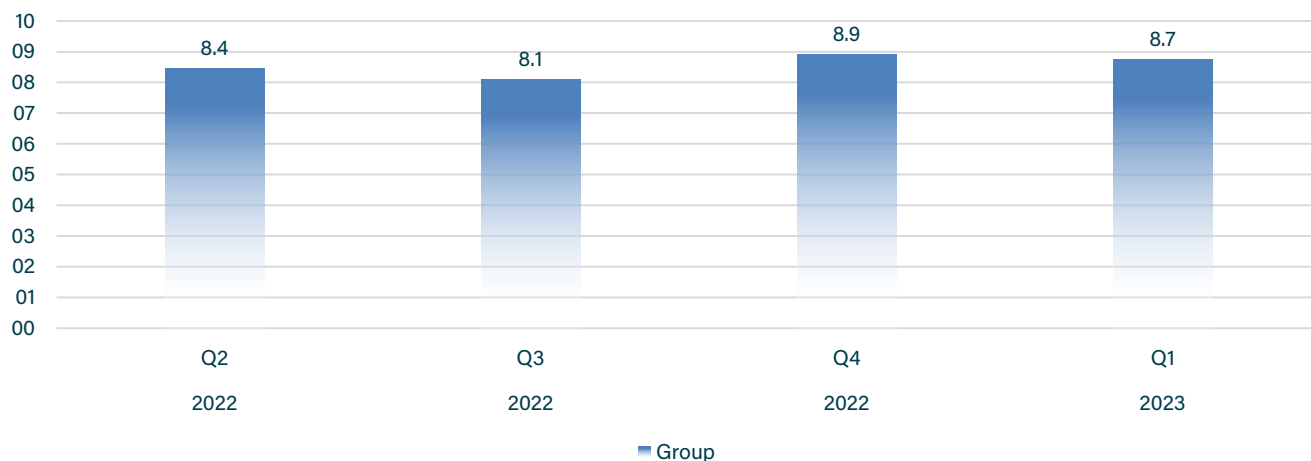
The monthly average number of invoiced customers remains at the same level as in Q4 2022 mainly as a result of the number of new customer contracts signed being offset by the contracts with smaller customers that were terminated due to a tougher economic climate mainly within the KYB segment.

## Average revenue per customer (ARPC)



Average monthly revenue per customer (ARPC) has increased compared to 2022, mainly due to increased contractual monthly fees and changes to the product mix.

## Transactions performed (million)

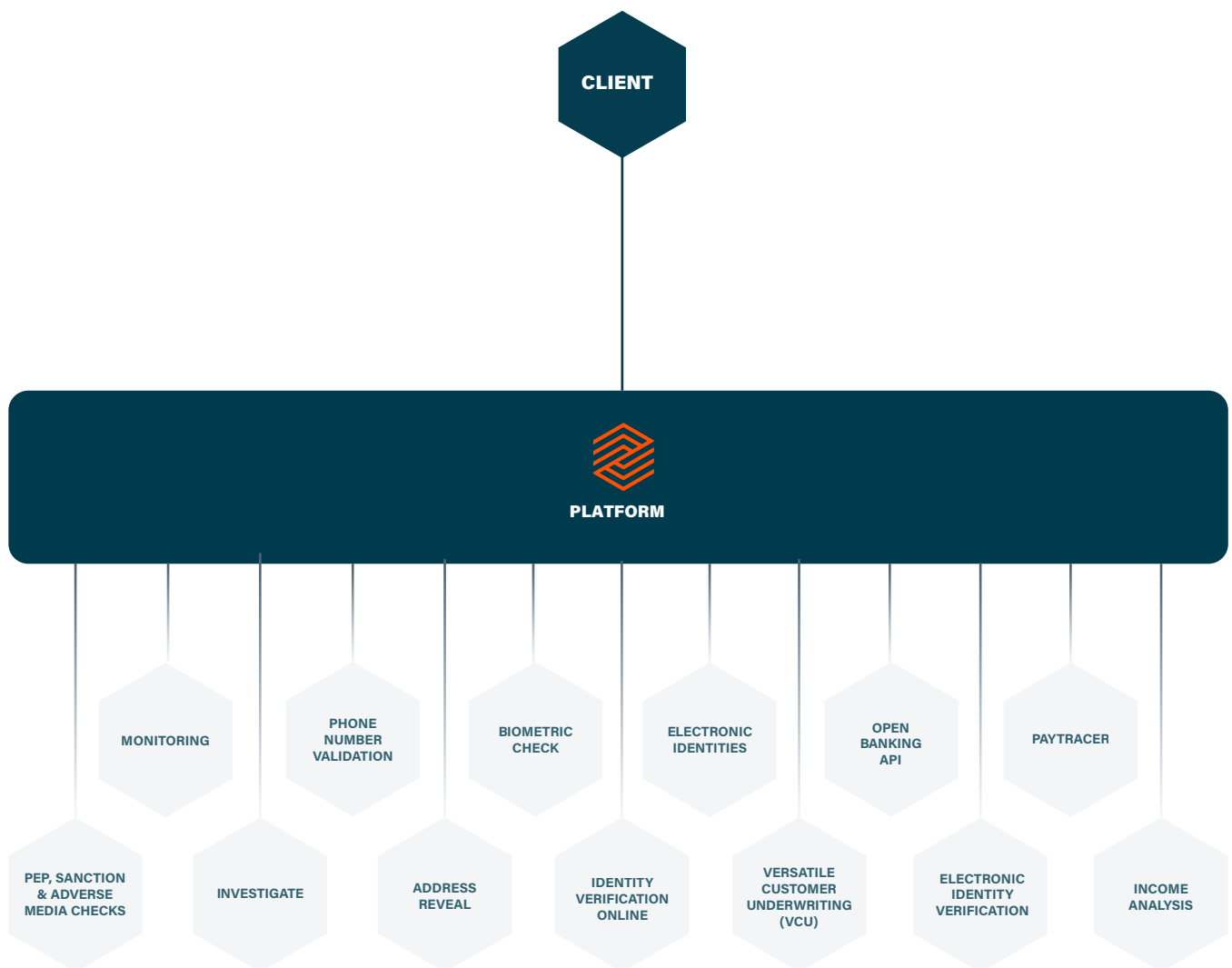


The number of completed transactions in Q1 2023 was slightly lower than in Q4 2022, this applies to both the KYC and KYB solutions. However, the number of transactions was still significantly higher than the average throughout 2022.

# 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)	Jan 1 - Mar 31 2023	Jan 1 - Mar 31 2022	Jan 1 - Dec 31 2022
Net turnover	22.1	24.3	89.9
Capitalized expenses	0.0	0.0	0.0
Other operating income	0.6	0.3	1.5
	<b>22.7</b>	<b>24.6</b>	<b>91.4</b>
Cost of sales	-5.8	-5.3	-23.2
Other external costs	-9.3	-9.3	-37.8
Personnel costs	-12.6	-13.4	-53.9
Other operating costs	-0.2	-0.1	-0.3
Profit/loss from shares in associated companies	-0.2	0.0	0.3
<b>Operating profit/loss (EBITDA)</b>	<b>-5.5</b>	<b>-3.6</b>	<b>-23.5</b>
Depreciations and amortization	-18.1	-21.1	-125.9
<b>Operating profit/loss (EBIT)</b>	<b>-23.6</b>	<b>-24.7</b>	<b>-149.4</b>
<b>Result from financial items</b>			
Interest income, costs and similar items	-0.5	-0.7	6.5
<b>Total result from financial items</b>	<b>-0.5</b>	<b>-0.7</b>	<b>6.5</b>
<b>Profit/loss before tax (EBT)</b>	<b>-24.1</b>	<b>-25.4</b>	<b>-142.9</b>
Tax	0.8	0.7	3.3
<b>Profit/loss for the period</b>	<b>-23.4</b>	<b>-24.6</b>	<b>-139.6</b>
Attributable to owners of the parent	-23.4	-24.6	-139.6
Attributable to non-controlling interests	0.0	0.0	0.0



# Balance Sheet

(mSEK)	Mar 31 2023	Mar 31 2022	Dec 31 2022
<b>ASSETS</b>			
<b>Non-current assets</b>			
<b>Intangible assets</b>			
Capitalized development expenditure	1.7	2.1	1.8
Customer relationships	43.1	53.5	45.7
Technology	11.4	20.8	13.4
Goodwill	152.9	238.1	162.0
Patent, trademarks, licenses	0.2	0.4	0.3
<b>Total intangible assets</b>	<b>209.3</b>	<b>315.0</b>	<b>223.2</b>
<b>Tangible assets</b>			
Property, plant and equipment	1.2	1.3	1.3
<b>Total tangible assets</b>	<b>1.2</b>	<b>1.3</b>	<b>1.3</b>
<b>Financial assets</b>			
Shares in associated companies	1.3	4.0	1.5
<b>Total financial assets</b>	<b>1.3</b>	<b>4.0</b>	<b>1.5</b>
<b>Total non-current assets</b>	<b>211.7</b>	<b>320.3</b>	<b>226.0</b>
<b>Current assets</b>			
Accounts receivable	9.6	11.4	9.8
Other receivables	8.3	10.2	6.8
Prepaid expenses and accrued income	11.7	9.1	11.6
<b>Total current assets</b>	<b>29.6</b>	<b>30.7</b>	<b>28.2</b>
<b>Cash and cash equivalents</b>	<b>15.0</b>	<b>13.1</b>	<b>26.2</b>
<b>Total current assets</b>	<b>44.5</b>	<b>43.8</b>	<b>54.4</b>
<b>TOTAL ASSETS</b>	<b>256.3</b>	<b>364.1</b>	<b>280.4</b>

# Balance Sheet

(mSEK)	Mar 31 2023	Mar 31 2022	Dec 31 2022
<b>EQUITY, PROVISIONS AND LIABILITIES</b>			
<b>EQUITY</b>			
Share capital	2.1	1.3	2.1
Equity method reserve	0.7	0.9	0.7
Share premium reserve	416.0	358.0	416.0
Reserves (translation difference)	24.9	14.0	21.4
Retained earnings incl. profit/loss of the period	-249.9	-112.8	-226.5
Equity attributable to owners of the parent	193.8	261.5	213.7
Equity attributable to non-controlling interests	0.0	0.0	0.0
<b>TOTAL EQUITY</b>	<b>193.8</b>	<b>261.5</b>	<b>213.7</b>
<b>PROVISIONS</b>			
Provisions for deferred tax	6.5	9.3	7.1
Other provisions	0.0	17.3	0.0
<b>TOTAL PROVISIONS</b>	<b>6.5</b>	<b>26.6</b>	<b>7.1</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Liabilities to credit institutions	13.6	1.7	15.3
<b>Total non-current liabilities</b>	<b>13.6</b>	<b>1.7</b>	<b>15.3</b>
<b>Current liabilities</b>			
Liabilities to credit institutions	8.0	0.0	6.2
Prepayments from customers	0.3	0.3	0.3
Accounts payable	1.7	3.5	3.1
Liabilities to associated companies	0.9	0.4	0.2
Tax liabilities	0.0	0.3	0.0
Other liabilities	14.7	54.5	15.7
Accrued expenses and prepaid income	16.9	15.3	18.6
<b>Total current liabilities</b>	<b>42.4</b>	<b>74.3</b>	<b>44.3</b>
<b>TOTAL LIABILITIES</b>	<b>56.0</b>	<b>76.0</b>	<b>59.6</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>256.3</b>	<b>364.1</b>	<b>280.4</b>



# 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
<b>Statement of changes in equity</b>						
<b>Balance at 2023-01-01</b>	2.1	416.0	21.4	0.7	-226.5	213.7
Profit/Loss of the period					-23.4	-23.4
Translation difference			3.5			3.5
Change in equity method reserve						
<b>Balance at 2023-12-31</b>	2.1	416.0	24.9	0.7	-249.9	193.8





# Statement of cash flow

(mSEK)	Jan 1 - Mar 31 2023	Jan 1 - Mar 31 2022	Jan 1 - Dec 31 2022
<b>Operating activities</b>			
<b>Operating profit/loss</b>	-23.6	-24.7	-149.4
Adjustments for:			
<i>Depreciation and amortizations</i>	18.1	21.1	125.9
<i>Profit/loss from shares in associated companies</i>	0.2	0.0	-0.3
Interest received	0.0	0.0	0.0
Interest paid	-0.6	0.0	-0.5
Income tax paid	0.0	0.0	-0.2
<b>Cash flow from operating activities before changes in working capital</b>	<b>-5.9</b>	<b>-3.6</b>	<b>-24.5</b>
Changes in working capital			
Change in receivables	-0.8	-7.9	0.2
Change in short-term debts	-4.2	0.6	-2.6
<b>Cash flow from operating activities</b>	<b>-11.0</b>	<b>-11.0</b>	<b>-26.8</b>
<b>Investing activities</b>			
Investment in subsidiaries	0.0	-1.6	-28.6
Investment in intangible assets	-0.3	-0.3	-1.1
Investment in tangible assets	0.0	-0.1	-0.3
<b>Cash flow from investing activities</b>	<b>-0.3</b>	<b>-1.9</b>	<b>-30.0</b>
<b>Financing activities</b>			
New Loans	0.0	0.0	19.7
New share issue	0.0	0.0	37.4
<b>Cash flow from financing activities</b>	<b>0.0</b>	<b>0.0</b>	<b>57.1</b>
<b>Total cash flow for the period</b>	<b>-11.2</b>	<b>-12.9</b>	<b>0.3</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>26.2</b>	<b>25.9</b>	<b>25.9</b>
<b>Cash and cash equivalents at end of period</b>	<b>15.0</b>	<b>13.1</b>	<b>26.2</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 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

Annual report 2022: 02 June 2023

Annual General Meeting: 29 June 2023

Quarterly report 2: 25 August 2023

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 May, 2023.

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