



Interim Report

1 January 2020 – 31 March 2020

Interim Report January – March 2020

January – March 2020 (Quarter)

- Revenue for the 3 months to 31 March 2020 was SEK 5.8m, a 3% increase compared with the same period in 2019 (SEK 5.6m).
- EBITDA for the 3 months to 31 March 2020 was SEK -13.7m, a 92% decrease compared with the same period in 2019 (SEK -7.1m).
- Net loss for the 3 months to 31 March 2020 was SEK -16.1m, a 95% increase compared with the same period in 2019 (SEK -8.3m).

July 2019 – March 2020 (YTD)

- Revenue for the 9 months to 31 March 2020 was SEK 19.5m, a 23% increase compared with the same period in 2019 (SEK 15.8m).
- EBITDA for the 9 months to 31 March 2020 was SEK -24.7m, a 55% decrease compared with the same period in 2019 (SEK -15.9m).
- Net loss for the 9 months to 31 March 2020 was SEK -31m, a 60% increase compared with the same period in 2019 (SEK -19.4m).

Significant Events in the period

- An EGM was held on 28 February 2020 whereby Mikael Näsström was re-elected, Stefan Charette was elected the new chairman of the board and Zutec's founder Brian McGuire was elected as a new board member.
- Gustave Geisendorf was appointed CEO on 2 March 2020 replacing Clíona Farrelly, the interim CEO and CFO, who left to pursue other career opportunities.
- Draw down of €300k loan against €1m credit facility with Athanase Industrial Partners in February 2020 which was previously approved by shareholders at the November 2019 AGM.

Key Figures

000 SEK	Q3	Q3	YTD	YTD	FY
	Jan - Mar 20	Jan - Mar 19	31-Mar-20	31-Mar-19	Jul-Jun 19
Revenue	5,751	5,602	19,479	15,791	22,515
Gross profit	4,086	4,289	14,769	12,797	18,822
<i>Gross profit margin</i>	71%	77%	76%	81%	84%
EBITDA	(13,659)	(7,118)	(24,647)	(15,896)	(24,017)
EBITDA margin	(238%)	(127%)	(127%)	(101%)	(106%)
Net (loss)/income	(16,138)	(8,284)	(30,931)	(19,366)	(28,928)
Net (loss)/income margin	(281%)	(148%)	(159%)	(123%)	(128%)
Cash	5,797	24,168	5,797	24,168	15,075

Comments from Our CEO

Dear Shareholders,

This quarter has been characterized by a number of meaningful changes in the organization with the appointment of a new board, new management team and also commencement of a number of new strategic initiatives, productivity and efficiency enhancement measures as well as cost cutting efforts.

At an extraordinary general meeting on 28 February 2020, a new board of directors was formed with the election of Stefan Charette as the new chairman, Zutec's founder Brian McGuire rejoined as a board member and Mikael Näsström was reelected. Subsequent to that I was fortunate enough to be trusted to lead this company as the new CEO. What lies ahead is a by no means an easy task but the potential of Zutec is intriguing. The combination of Zutec's product, the industry it operates in and above all the people within the business form a strong platform to start executing on the next step of the company's future.

We have since my appointment launched a new strategic direction to bring the organization together and focus on products. Previously Zutec has had an organization focused on geographic segments. However, in order for Zutec to be closer to the market and to pool resources and skills, Zutec will going forwards be focused on the type of customers and size of construction projects it provides its product to. As such, Zutec will going forwards operate its business according to two business areas, Enterprise and Infrastructure Solutions. The Enterprise business area includes providing the Zutec cloud-based software platform to commercial and residential development projects for both Office and Field teams. Our Infrastructure Solutions business includes infrastructure projects such as hospitals, airports, ports and tunnels and any large building projects that involve a meaningful element of bespoke configuration and in some instances bespoke development as well as onsite and offsite support.

Revenue for the quarter ending March 2020 was SEK 5.8m, an increase of 3% compared to the same period in 2019. Revenue for the period from October 2019 to March 2020 shows an increase of 22% to SEK19.5m. The company continues to be loss making and we are taking concrete measures to reduce losses and improve the cash flow situation.

We will clearly feel the impact from the COVID-19 pandemic. We have however been encouraged by how our software continues to be used by construction teams working offsite and it is too early to comment on the direct impact on our business. There is however no doubt that the construction industry as a whole has been negatively impacted by the virus.

On May 5, 2020 there will be an extraordinary general meeting to decide on the board of director's proposal for the fully guaranteed SEK 42.4m rights and directed share issue. We are very fortunate to have such a strong shareholder base and we are very grateful for your continued support.

Gustave Geisendorf
Chief Executive Officer

Revenue and Earnings for the Quarter

Revenue

Total revenue for the 3-month period to March 2020 was SEK 5.8m, an increase of 3% on the same period in 2019. Year to date revenue for the 9-month period to 31 March 2020 has increased 22% when compared to the corresponding period in 2019 driven by significant new deals in terms of quantity and quality won in Q1 and Q2 19/20.

In particular, there has been significant growth in revenue from Ireland in the 3-month period when compared to the corresponding period in 2019. In the previous report we mentioned that we had signed an enterprise deal with one of the largest homebuilders in Ireland. Since then our product has been rolled out across additional construction sites.

The UK has remained a key source of revenue and has stayed stagnant compared to the same period in 2019. Although revenue has remained the same when compared to the previous year, the number of customers and quality of the revenue has increased. In the quarter the company entered a deal with one of the leading privately-owned construction companies in the UK and is now operating across multiple of their construction sites.

Middle East revenue decreased reflecting the continuous decrease in operations that has been occurring in the Middle East since September 2018 and we are currently evaluating how our future is going to look for this region. The Middle East is clearly a large opportunity, but our approach has to change. Revenue from Australia has meaningfully decreased for the 3-month period when compared with the corresponding period in 2019.

Earnings

Earnings for the 3-month period to 31 March 2020 have decreased by 93% when compared to the same period in 2019. The decrease in earnings was driven by a 53% increase in operating costs when compared with same quarter in 2019. Year to date earnings for the 9-month period to 31 March 2020 have decreased by 55% when compared to the corresponding period in 2019 driven by a 39% increase in operating costs in the period.

Personnel costs were 30% higher in the 3-month period to 31 March 2020 and 27% in the year to date 9-month period to 31 March 2020 when compared to the same periods in 2019. As previously reported, the company has incurred significant losses in recent quarters. At the company's current level of trading, it was not possible to retain all employees and the decision to undertake a redundancy plan was required. In addition to the redundancy costs there was also exit costs involved with departing members at executive and board level. The higher personnel costs incurred in this quarter will ensure the company is in a stronger position going into future quarters.

Other external costs were 68% higher in the 3-month period to 31 March 2020 and 51% higher in the year to date 9-month period to 31 March 2020 when compared to the same periods in 2019. The main driver of these increased costs arose from an additional bad debt provision related to a change in the method of calculating impairment under IFRS 9. This resulted in a 100% provision of the previously reported Qatar debt. Although external costs have increased due to the bad debt provision, costs were down in travel, marketing, office costs as well as legal & professional fees.

Financials

Group Income Statement

	Q3 Jan - Mar 20 SEK 000	Q3 Jan - Mar 19 SEK 000	YTD 31-Mar-20 SEK 000	YTD 31-Mar-19 SEK 000	FY Jul-Jun 19* SEK 000
Operating income					
Net sales	5,228	5,320	18,254	14,906	21,463
Other income	523	282	1,225	885	1,052
Gross income	5,751	5,602	19,479	15,791	22,515
Operating expenses					
Other external costs	(12,725)	(7,586)	(23,759)	(15,712)	(24,886)
Personnel costs	(6,685)	(5,134)	(20,368)	(15,975)	(21,646)
Operating (loss)/profit before depreciation and amortisation (EBITDA)	(13,659)	(7,118)	(24,648)	(15,896)	(24,017)
Depreciation and amortization of intangible & tangible assets	(2,211)	(1,166)	(5,431)	(3,473)	(5,057)
Operating income	(15,870)	(8,284)	(30,079)	(19,369)	(29,074)
Interest income & similar credits	(268)	-	(853)	3	(71)
(Loss)/ Income after financial items	(16,138)	(8,284)	(30,932)	(19,366)	(29,145)
Income taxes	-	-	-	-	217
(Loss)/income for the period	(16,138)	(8,284)	(30,932)	(19,366)	(28,928)
Attributable to:					
Equity holders of the parent company	(16,032)	(8,313)	(30,499)	(19,063)	(28,628)
Non-controlling interests	(106)	29	(433)	(303)	(300)
Total	(16,138)	(8,284)	(30,932)	(19,366)	(28,928)
Earnings per share (parent company) SEK	(2.26)	(1.17)	(4.31)	(2.69)	(4.04)
Number of shares	7,083,333	7,083,333	7,083,333	7,083,333	7,083,333

*Audited.

Group Cash Flow

	Q3 Jan - Mar 20 SEK 000	Q3 Jan - Mar 19 SEK 000	YTD 31-Mar-20 SEK 000	YTD 31-Mar-19 SEK 000	FY Jul-Jun 19* SEK 000
Operating activities					
Operating loss for period	(15,870)	(8,284)	(30,079)	(19,369)	(29,074)
Adjustment for items not included in net cash	749	1,166	4,026	2,886	5,057
Currency adjustment	-	-	-	-	(211)
Paid taxes	-	-	-	-	882
Capital gains/losses on tangible fixed assets	-	-	-	-	205
Interest paid	(53)	-	(29)	-	(75)
Interest received	(215)	-	(824)	3	4
Cash flow from operating activities					
Movement in current receivables	9,645	-	9,951	-	189
Movement in current liabilities	7	-	196	-	(1,909)
Changes in other working capital	5,080	4,312	7,774	(5,163)	-
Cash flow from operating activities	(657)	(2,806)	(8,985)	(21,643)	(24,932)
Investing activities					
Investments in intangible assets	(2,170)	(1,923)	(5,077)	(1,509)	(6,576)
Investments in tangible assets	-	-	-	-	(768)
Cash flow from investing activities	(2,170)	(1,923)	(5,077)	(1,509)	(7,344)
Financing activities					
Repaid finance liabilities	3,172	-	6,312	-	-
Related party loan	(735)	-	(1,528)	-	-
Cash flow from financing activities	2,437	-	4,784	-	-
Cashflow for the period	(390)	(4,729)	(9,278)	(23,152)	(32,276)
Change in cash and cash equivalents					
Cash and cash equivalents, at the beginning of the year	6,187	28,897	15,075	47,320	47,320
Translation differences on cash and cash equivalents	-	-	-	-	31
Cash and cash equivalents, at the end of the year	5,797	24,168	5,797	24,168	15,075

*Audited.

Group Balance Sheet

	31/03/2020	31/03/2019	30/06/2019*
	SEK 000	SEK 000	SEK 000
ASSETS			
Non-current assets			
Intangible assets	12,333	10,316	10,859
Tangible assets	760	1,096	1,008
Other long-term receivables	7,927	-	304
Total non-current assets	21,020	11,412	12,171
Current assets			
Trade receivables	5,086	18,010	15,037
Other receivables	4,321	4,296	3,742
Prepaid costs & other income	1,511	1,568	1,401
Cash & cash equivalents	5,797	24,168	15,075
Total current assets	16,715	48,042	35,255
TOTAL ASSETS	37,735	59,454	47,426
EQUITY AND LIABILITIES			
Liabilities			
Trade payables	1,989	2,833	1,793
Other liabilities	32,786	12,243	10,389
Total current liabilities	34,775	15,076	12,182
Equity			
Equity	4,348	44,725	36,182
Non-controlling interest	(1,388)	(347)	(938)
Total equity	2,960	44,378	35,244
TOTAL EQUITY & LIABILITIES	37,735	59,454	47,426

*Audited.

Group Statement of Equity

Statement of Changes in Equity						
	Share capital	Other contributed capital	Translation reserve	Retained earnings	Minority interests	Total equity
Balance as at 1 June 2019	1,417	42,869	177	(8,281)	(938)	35,244
Movement in YTD	-	-	(191)	(31,643)	(450)	(32,284)
Balance as at 31 March 2020	1,417	42,869	(14)	(39,924)	(1,388)	2,960

*Audited.

Parent Income Statement

	Q3 Jan - Mar 20 SEK 000	Q3 Jan - Mar 19 SEK 000	YTD 31-Mar-20 SEK 000	YTD 31-Mar-19 SEK 000	FY Jul-Jun 19* SEK 000
Operating expenses					
Operating costs	(78)	(196)	(571)	(1,129)	(1,466)
Operating (loss)/profit before depreciation and amortization	(78)	(196)	(571)	(1,129)	(1,466)
EBIDTA					
Interest income & similar credits	(360)	0	(360)	-	-
	(438)	(196)	(931)	(1,129)	(1,466)

*Audited.

Parent Cash Flow

	Q3 Jan - Mar 20 SEK 000	Q3 Jan - Mar 19 SEK 000	YTD 31-Mar-20 SEK 000	YTD 31-Mar-19 SEK 000	FY Jul-Jun 19* SEK 000
Operating Activities					
Operating loss for period	(438)	(196)	(931)	(1,129)	(1,466)
Cash flow from operating activities	(438)	(196)	(931)	(1,129)	(1,466)
Movement in current receivables	(3,216)	(7,186)	(17,097)	(23,070)	(29,728)
Movement in current liabilities	2,902	189	6,250	1,076	728
Changes in other working capital	-	-	-	-	-
Cash flow from investing activities	(314)	(6,997)	(10,847)	(21,994)	(29,000)
Cashflow for the period	(752)	(7,193)	(11,778)	(23,123)	(30,466)
Change in cash and cash equivalents					
Cash and cash equivalents, at the beginning of the year	800	26,362	11,826	42,292	42,292
Cash and cash equivalents, at the end of the year	48	19,169	48	19,169	11,826

*Audited.

Parent Balance Sheet

	31/03/2020	31/03/2019	30/06/2019*
	SEK 000	SEK 000	SEK 000
ASSETS			
<i>Non-current assets</i>			
Investments in subsidiaries	120,000	120,000	120,000
Total non-current assets	120,000	120,000	120,000
<i>Current assets</i>			
Receivables on group companies	48,272	24,517	31,127
Other receivables	3	3	51
Cash & cash equivalents	48	19,169	11,826
Total current assets	48,323	43,689	43,004
TOTAL ASSETS	168,323	163,689	163,004
EQUITY AND LIABILITIES			
<i>Liabilities</i>			
Other liabilities	6,978	1,076	728
Total current liabilities	6,978	1,076	728
<i>Equity</i>	1,417	1,417	1,417
Share capital	162,369	162,369	162,369
Share premium reserve	(1,510)	(44)	(44)
Retained earnings	(931)	(1,129)	(1,466)
Total equity	161,345	162,613	162,276
TOTAL EQUITY & LIABILITIES	168,323	163,689	163,004

*Audited.

About Zutech

Zutech Holding AB (Parent Company) and its subsidiaries (collectively the Group) develop and market data and project management software in the construction and property sector. The Group's operations are conducted in Ireland with subsidiaries in the UK, Australia and Hong Kong.

The Parent Company is a limited liability company based in Stockholm. The address of the head office is Zutech Inc (Irl) Ltd., Level 3, Adelphi Plaza, George's Street Upper, Dún Laoghaire, Co. Dublin, A94 T927. The Parent Company's operations consist of the management of shares in subsidiaries.

About this Report

This Interim Report covers the 3-month period from January to March 2020.

This report contains forward-looking statements which reflect management's current expectations, estimates and projections about its operations. These statements are not guarantees of future performance and are subject to certain risks, uncertainties and other factors, some of which are beyond our control and are difficult to predict. Therefore, actual outcomes and results may differ materially from what is expressed or forecasted in such forward-looking statements.

The interim results to 31 March 2020 have not been reviewed by an external auditor.

Group Structure

Zutech Holding AB (publ) is a publicly owned company registered in Sweden and quoted on the Nasdaq First North Growth Market Stock Exchange. It commenced trading on 15th March 2018. The Swedish entity owns 100% of the share capital of Zutech Inc (Irl) Limited which in turn owns 100% of Zutech Inc (UK) Limited, 100% of Zutech Asia Limited (Hong Kong) and 56% of Zutech Australia (pty).

Accounting policies

The interim report has been prepared in accordance with IAS 34 Interim Financial Reporting.

Upcoming Reports

The Year-End Report is expected to be published on 30 September 2020.

Certified Adviser

Zutech is listed on Nasdaq First North Growth Market and Mangold Fondkommission AB is the Company's acting Certified Adviser (Tel. + 46 8 5030 1550, CA@mangold.se, www.mangold.se.)

For more information

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