



Q1 Interim Report FY 2021

1 July – 30 September 2020

Summary of Zutec for the First Quarter FY 2021

Financial Highlights

- Net sales was SEK 10.1m, corresponding to a 47.2% increase compared with the same period in 2019 (SEK 6.8m). Reaching SEK 10m in quarterly sales was a significant milestone.
- EBITDA of SEK 2.0m (SEK -3.7m) corresponding to an EBITDA margin of 19.4%.
- Net profit was SEK 0.1m compared with the loss in the same period in 2019 (SEK -5.4m).
- Basic earnings per share amounted to SEK 0.00 (-0.75).
- Cash outflow from operating activities of SEK 7.1m primarily due to normalization of working capital as well as a result of paying the lease amounts to April 2021 on the terminated Irish head office.
- Repayment of Athanase loan of EUR 1m plus accrued interest.
- Finalized the funding from the equity issue of SEK 2.0m resulting in that the total number of outstanding shares on the September 30, 2020 was 44,254,389 (7,083,333).

Operational Highlights

- Hired Chief Revenue Officer and launched new sales organization and go to market strategy.
- EGM on July 17, 2020 elected BDO as new auditors.
- Signed 3-year enterprise agreement of SEK 4.3m with Cairn Homes and agreements with National Children Hospital of SEK 3.2m.
- Received Abu Dhabi trading license.

Significant Events after the Period

- Zutec has been successfully listed for the very first time on the UK Government's Digital Marketplace G-Cloud 12 public sector framework as a supplier of Cloud software.

Key Figures

SEK m	Q1		FY
	Jul-Sep 20	Jul-Sep 19	Jul-Jun 20
Net sales	10.1	6.8	26.7
EBITDA	2.0	(3.7)	(28.0)
Operating profit/(loss)	0.2	(5.3)	(35.5)
Net profit/(loss)	0.1	(5.4)	(36.7)
Operating cashflow	(7.1)	(2.6)	4.2
Net Debt/(cash)	(40.5)	(10.4)	(47.1)
Earnings per share, basic	0.00	(0.75)	(4.67)

Comments from Our CEO

A Break-Through Quarter with Organic Sales Growth of 47.2% and EBITDA margin of 19.4%

Since I was appointed CEO in March of this year, I have had a very strong belief in what Zutec can achieve. The main driver is that we have a relevant product in a market that is going through a period of massive growth and change. As a team, we have been working hard on increasing our confidence in demonstrating that we can win and make a difference to our customers. This is now starting to come through and I am immensely proud of what our employees have achieved. Our key assets are our products as well as our people and both are of great quality.

Accelerated change in construction industry, getting ready for disruption

We are seeing some encouraging signs that the revolution in the digitization of the construction industry has started. We are also seeing that contractors are becoming strategic about technology and are very thoughtful about what software companies it wishes to partner with. Changing its incumbent software provider or procuring its first ever software provider requires due consideration. We are also seeing that data is increasingly starting to matter for most contractors since with our analytics tool our customers are able to make fact-based and real time decisions to improve their construction projects. The ongoing pandemic is further accelerating this drive towards digitization.

Sales cycles have become shorter with the time between first contact with a new customer to closing having gone down dramatically. This allows our sales team to be able to work on a larger amount of projects and new customers and hence being more productive.

“Zutec 2.0” = Growth, growth, growth

Zutec 2.0 is how we are going to grow Zutec going forwards. We are starting to see signs of what Zutec 2.0 can deliver. Our focus is about delivering growth and that is what Zutec’s focus is all about. This growth is about taking even better care of existing customers, and about getting new customers. The focus around our

existing customers is about retention, upselling and getting stickier and longer revenues whilst at the same time delivering best in class services and customer satisfaction.

With our existing customers and in particular our repeat customers we are engaging in discussions around Enterprise Agreements which in our view delivers the best value to our customers and at the same time the highest quality revenues for us. Our emphasis around new customers is first to get them to try Zutec and hands-on experience the benefits of what our cloud-based software can bring as well as expose them to our great people. Winning a new customer is great but keeping a customer is better which is why we are working relentless with our development team as well as our customer care and customer success team to also adding value to our customers projects once they have started using our platform.

During this quarter we experienced growth of 47.2% and our quarterly net sales just surpassed SEK 10m. Surpassing SEK 10m in quarterly revenues is a significant milestone for us. We are seeing the benefits from both better customer retention and lower churn rates as well as improving new customer addition rates. We have also started on a limited scale making investments in marketing and that remains an area of focus for the rest of the year.

Impact from cost cutting

I earlier reported on that we in March embarked on a meaningful cost cutting and efficiency program to realign our cost base. The primary focus was to reduce our personnel costs and overheads. The vast majority of these cost cutting initiatives have now come through although some remain. We have reduced our personnel cost by 22.7% compared to the same quarter last year. We also materially reduced the external costs from SEK 4.6m to SEK 2.8m. These cost reductions are permanent. We will however start seeing an increase in personnel costs as we

are continuing to build our sales and marketing teams.

As a result of the increasing sales as well as the cost reduction program, our EBITDA was SEK 2.0m corresponding to an EBITDA margin of 19.4%. Whereas we are very pleased with this result and we believe it is an indication of what Zutec can achieve in the longer term, we are mindful that substantial investments will need to go into developing the product as well as growing the team and making increased investments in marketing.

Yours faithfully,

Gustave Geisendorf

Commentary on Financial Year 2021 Q1

Net sales

Net sales in the quarter was SEK 10.1m, corresponding to a 47.2% increase compared with the same period last year (SEK 6.8m). The quarter was an improvement on the previous quarter and is the strongest over the past nine quarters and a continuation of the strong momentum. Whereas we firmly believe that the overall trend at Zutec is positive, we are aware that this quarter was indeed strong and that the growth will be lumpy.

The increase is driven by better customer retention as well as an increase in the number of new customers. We are also seeing that an increasing number of projects and customers are entirely driven by software as we are seeking to reduce the services provided.

Our U.K. business and our Irish business also performed well achieving our target revenue. In particular our Irish business is starting to gain traction but with contractors and developers.

Australia was slightly down on expected revenue and the revitalization plan for that region is undergoing with the new team. We gained our trade license in Abu Dhabi and we believe we now have the cornerstones for making a push into the market.

Earnings

EBITDA was SEK 2.0m, compared to the same period last year of (SEK -3.7m) and the EBITDA margin was 19.4%. Operating profit (EBIT) was SEK 0.1m compared to same period last year of (SEK -5.4m).

Personell costs were reduced from SEK 7.4m in the same quarter last year to SEK 5.6m this quarter. We have substantially reduced the headcount with the right skillset as well as right sized for our current revenue levels. We still have capacity to grow based on existing staffing levels although hires are underway for our sales and marketing team. There were several redundancy settlements for the period that are not expected to reoccur.

Other external costs were reduced from SEK 4.6m in the same quarter last year to SEK 2.8m this quarter. We have reduced the number of consultants working for the company as well as made reductions in overheads. We expect this number to stabilise although we will do more investments in marketing. Our bad debt provision has stabilised in Q1. Additionally, there was expenditure incurred in increasing our shareholding in our Australian subsidiary.

Earnings was positively impacted by non-cash FX translation of SEK 0.4m. Foreign exchange was impacted by the appreciation of the SEK against other currency for intercompany debt and the payback of the Athanase loan.

SEKm	FY19 Q1	FY19 Q2	FY19 Q3	FY19 Q4	FY20 Q1	FY20 Q2	FY20 Q3	FY20 Q4	FY21 Q1
Net sales	5.6	3.9	5.3	6.6	6.8	6.2	5.2	8.5	10.1
EBITDA	(1.7)	(7.1)	(7.1)	(8.1)	(3.7)	(7.3)	(13.7)	(3.3)	2.0
Operating profit/(loss)	(2.7)	(8.4)	(8.3)	(9.7)	(5.3)	(8.9)	(15.9)	(5.4)	0.2

Financial position

Equity was SEK 41.8m (SEK 29.6m) at the end of the period. The equity/assets ratio was 62.0 (57.7) percent at 30 September 2020. Total assets were SEK 67.4m (SEK 51.2m). Equity has increased as a result of the directed and right issues. The cash position is strong at SEK 40.5m (SEK 10.4m).

Cashflows and investments

Cash flow for Q1 2021 was SEK -17.1m (SEK -4.7m). Cash flow from operating activities had an effect of SEK -7.1m (SEK -2.6m) on cash flow. Our working capital was impacted by the prepayment of rent due to the termination of our headoffice in Dublin as well as normalization of working capital from the previous quarter.

Cash flow from investing activities was SEK -1.1m (SEK -1.7m). Cash flow from financing activities was SEK -8.9m (SEK -0.4m) due to the Loan from Athanase being paid back in July 2020. Cash and cash equivalents were SEK 40.5m (SEK 10.4m) at the end of the period.

Personnel

During the last quarter we have made material reductions in our headcount. In addition to employees of the Company, we have also reduced the number of consultants providing services. The average number of employees at 30 September 2020 was 29 (39).

The share

Earnings per share (EPS) for Q1 amounted to SEK 0.00 (SEK -0.75). After dilution EPS amounted to SEK 0.00 (SEK -0.75).

The total number of outstanding shares at the end of the quarter was 44,254,389 (7,083,333). All shares carry an equal share of votes and capital.

The table below shows the top 10 shareholders (direct and indirect ownership) as at the 30th of September.

The 10 largest owners as at 30th September 2020	Number of shares	Share of capital and votes
Athanase Industrial Partners	21,533,160	48.7%
Brian McGuire	4,177,160	9.4%
BNY Mellon SA	4,068,258	9.2%
Forsakringskassan	2,809,848	6.3%
Nordea Livförsäkring Sverige Ab	2,657,756	6.0%
Per Åkerman	875,000	2.0%
Six Sis Ag	866,620	2.0%
Societe Generale, Securities Services	600,000	1.4%
Ann-Margret Maria Scott	516,000	1.2%
Cayjay Holding Ab	400,000	0.9%
Other	5,750,587	13.0%
Total	44,254,389	100%

Financials

Group Financials

Income Statement SEK m	Q1		FY
	Jul-Sep 20	Jul-Sep 19	Jul-Jun 20
Operating Income			
Net sales	10.1	6.8	26.7
Other income	0.2	0.4	2.6
Total Operating Income	10.3	7.2	29.3
Operating expenses			
Other external costs	(2.8)	(4.6)	(23.9)
Personnel costs	(5.7)	(7.4)	(32.3)
Share Based Payments	(0.1)	0.0	0.0
Foreign Exchange	0.4	1.1	(1.1)
EBITDA	2.0	(3.7)	(28.0)
Depreciation and Amortisation	(1.8)	(1.6)	(7.5)
Operating Profit/(Loss)	0.2	(5.3)	(35.5)
Interest income & similar credits	(0.1)	(0.1)	(1.3)
Profit/(Loss) after financial items	0.1	(5.4)	(36.7)
Income taxes	0.0	0.0	0.0
Net Profit/(Loss) Income	0.1	(5.4)	(36.7)
Attributable to:			
Equity holders of the parent company	0.0	(5.3)	(36.3)
Non-controlling interests	(0.0)	0.1	0.4
Total	0.0	(5.2)	(36.0)
Earnings per share, basic	0.00	-0.75	-4.67
<i>Total Weighted Average no of Shares</i>	<i>44,254,389</i>	<i>7,083,333</i>	<i>7,859,590</i>
<i>Number of shares at period end</i>	<i>44,254,389</i>	<i>7,083,333</i>	<i>42,500,004</i>

Group Cashflow SEK m	Q1		YTD		FY
	Jul-Sep 20	Jul-Sep 19	Sep-20	Sep-19	Jun-20
<u>Cash flow from operating activities</u>					
Operating profit/(loss) for period	0.1	(5.3)	0.1	(5.3)	(35.5)
<u>Adjustments for non-cash items</u>					
Depreciation & Amortisation	1.8	1.7	1.8	1.7	7.5
Shared Based Payment	0.1	0.0	0.1	0.0	4.6
Other non-cash items	0.0	0.0	0.0	0.0	0.8
Capital gains/losses on tangible fixed assets	0.0	0.0	0.0	0.0	0.0
Adjustments for non-cash items	2.0	1.7	2.0	1.7	12.9
Paid taxes	0.0	0.0	0.0	0.0	0.0
Interest received	0.0	0.0	0.0	0.0	0.0
Interest paid	0.0	(0.1)	0.0	(0.1)	(1.3)
<u>Changes in working capital</u>					
Movement in current receivables	(1.0)	(1.4)	(1.0)	(1.4)	9.4
Movement in current liabilities	(1.5)	0.6	(1.5)	0.6	1.4
Changes in other working capital	(6.5)	2.0	(6.5)	2.0	17.1
Cash flow from operating activities	(7.1)	(2.6)	(7.1)	(2.6)	4.2
<u>Cash flow from investing activities</u>					
Investments in intangible assets	(1.1)	(1.7)	(1.1)	(1.7)	(5.7)
Investments in tangible assets	0.0	(0.0)	0.0	(0.0)	0.0
Cash flow from investing activities	(1.1)	(1.7)	(1.1)	(1.7)	(5.7)
<u>Financing activities</u>					
Financing activities	(10.5)	0.0	(10.5)	0.0	10.5
Rights Issue	2.0	0.0	2.0	0.0	36.0
Investment in NCI	0.0	0.0	0.0	0.0	(0.5)
Repaid finance liabilities	(0.4)	(0.4)	(0.4)	(0.4)	(2.0)
Cash flow from financing activities	(8.9)	(0.4)	(8.9)	(0.4)	44.0
Cashflow for the period	(17.1)	(4.7)	(17.1)	(4.7)	42.5
<u>Change in cash and cash equivalents</u>					
Cash and cash equivalents, at the beginning of the period	57.6	15.1	57.6	15.1	15.1
Translation differences on cash and cash equivalents	-	0.0	0.0	0.0	
Cash and cash equivalents, at the end of the period	40.5	10.4	40.5	10.4	57.6

Group Balance Sheet SEK m	30-Sep 2020	30-Sep 2019	Full year Jun-20
ASSETS			
<i>Non-current assets</i>			
Intangible assets	11.4	11.5	11.5
Tangible assets	0.5	0.9	0.6
Other long-term receivables	2.3	6.7	6.8
Total non-current assets	14.2	19.2	18.9
<i>Current assets</i>			
Trade receivables	6.6	16.4	5.6
Other receivables	3.8	3.8	3.7
Prepaid costs & other income	2.3	1.5	1.1
Cash & cash equivalents	40.5	10.4	57.6
Total current assets	53.2	32.1	68.0
TOTAL ASSETS	67.4	51.2	86.9
EQUITY AND LIABILITIES			
<i>Liabilities</i>			
Trade payables	1.7	2.4	3.2
Other liabilities	23.9	19.3	33.7
Interest bearing debt	0.0	0.0	10.5
Total liabilities	25.6	21.7	47.4
<i>Equity</i>			
Equity	43.0	30.4	40.8
Non-controlling interest	(1.3)	(0.8)	(1.3)
Total equity	41.8	29.6	39.5
TOTAL EQUITY & LIABILITIES	67.4	51.2	86.9

Statement of changes in Equity SEK m							
	Share Capital	Other Contributed Capital	Reserves	Retained Earnings	Total	Minority Interest	Total Equity
Balance at 1 July 2020	8.5	76.4	0.5	(44.6)	40.8	(1.3)	39.5
Rights Issue	0.4	1.6			2.0		2.0
Share Warrant		0.2			0.2		0.2
NCI					0.0		0.0
Translation			0.1		0.1	(0.0)	0.1
Results for period				0.0	0.0	0.0	0.1
Movement in period	0.4	1.8	0.1	0.0	2.3	0.0	2.3
Balance at 30 Sep 2020	8.9	78.2	0.5	(44.6)	43.0	(1.3)	41.8

Parent Financials

Parent Income Statement	Q1		YTD		FY
	Jul-Sep 20	Jul-Sep 19	Sep-20	Sep-19	Jul-Jun 20
SEK m					
Operating expenses					
Other external costs	(0.4)	0.0	(0.4)	0.0	(0.2)
Personnel costs	(0.2)	0.0	(0.2)	0.0	(0.6)
EBITDA	(0.6)	0.0	(0.6)	0.0	(0.8)
Interest income & similar credits	(0.1)	0.0	(0.1)	0.0	(0.7)
Net Profit/(Loss) Income for the period	(0.7)	0.0	(0.7)	0.0	(1.4)

Parent Cash Flow	Q1		YTD		FY
	Jul-Sep 20	Jul-Sep 19	Sep-20	Sep-19	Jul-Jun 20
SEK m					
<u>Cash flow from operating activities</u>					
Operating loss for period	(0.7)	(0.0)	(0.7)	(0.0)	(1.4)
<u>Cash flow from operating activities</u>	(0.7)	(0.0)	(0.7)	(0.0)	(1.4)
Adjustment for items not included in net cash					(0.2)
<u>Changes in working capital</u>					
Movement in current receivables	(1.7)	0.0	(1.7)	0.0	(21.2)
Movement in current liabilities	(14.6)	(0.1)	(14.6)	(0.1)	15.4
Movement in long term receivables	0.0	(6.0)	0.0	(6.0)	0.0
<u>Cash flow from investing activities</u>	(16.3)	(6.1)	(16.3)	(6.1)	(5.8)
<u>Financing activities</u>					
Rights share issue	2.0	0.0	2.0	0.0	36.0
<u>Cash flow from financing activities</u>	2.0	0.0	2.0	0.0	36.0
<u>Cashflow for the period</u>	(14.9)	(6.1)	(14.9)	(6.1)	28.6
<u>Change in cash and cash equivalents</u>					
Cash and cash equivalents, at the beginning of the period	40.4	11.8	40.4	11.8	11.8
<u>Cashflow for the period</u>	(14.9)	(6.1)	(14.9)	(6.1)	28.5
<u>Cash and cash equivalents, at the end of the period</u>	25.4	5.8	25.4	5.8	40.4

Parent Balance Sheet SEK m	30-Sep 2020	30-Sep 2019	Full year Jun-20
ASSETS			
<i>Non-Current assets</i>			
Investments in subsidiaries	124.8	120.0	124.7
Total Non-current assets	124.8	120.0	124.7
<i>Current assets</i>			
Receivables on group companies	54.0	37.1	52.3
Other receivables	0.0	0.1	0.0
Cash & cash equivalents	25.4	5.8	40.4
Total current asset	79.4	42.9	92.7
TOTAL ASSETS	204.2	162.9	217.4
EQUITY AND LIABILITIES			
<i>Liabilities</i>			
Other liabilities	1.3	0.7	5.4
Interest bearing debt	0.0	0.0	10.5
Total liabilities	1.3	0.7	15.9
<i>Equity</i>			
Share capital	8.9	1.4	8.5
Share premium reserve	192.9	162.4	191.3
Share Warrants	4.8	0.0	4.7
Retained earnings	(3.0)	(1.5)	(3.0)
Loss for the year	(0.7)	(0.0)	0.0
Total Equity	203.0	162.3	201.5
TOTAL EQUITY & LIABILITIES	204.2	162.9	217.4

About Zutec

Zutec Holding AB (Parent Company) and its subsidiaries (collectively the “Group” or the “Company”) is a cloud-based construction management software company. The Group’s operations are conducted in Ireland with operations in the UK, Australia and the Middle East.

The Parent Company is a limited liability company based in Stockholm. The address of the head office is Zutec 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 report contains forward-looking statements which reflects 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.

Group structure

Zutec 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 Zutec Inc (Irl) Limited which in turn owns 100% of Zutec Inc (UK) Limited, 100% of Zutec Asia Limited (Hong Kong) and 90% of Zutec Australia (pty).

Accounting policies

Zutec Holding AB (publ) The consolidated financial statements as of Zutec Holding AB (publ) for the three-month period ended September 30, 2020, have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Warrants

An EGM on May 22, 2020 resolved, in accordance with the Board’s proposal, to implement a share-

based incentive program, by way of a directed issue of warrants to the Company’s subsidiary, followed by a transfer of warrants to the participants. The incentive program comprises of 5,900,000 warrants and upon full exercise the Company’s share capital may increase with a maximum of SEK 1,180,000. The meeting also resolved, in accordance with the Board’s proposal, on a directed issue of warrants to the CEO. The number of warrants amounts to 8,850,000 and upon full exercise the Company’s share capital may increase with a maximum of SEK 1,770,000.

Upcoming reports

The next interim report for Q2 2021 (October – December 2020) is due to be published on 15th February 2021.

Auditors review

The interim report has not been reviewed by the Company’s auditor.

Webcast of this report

Analysts, investors and the media are invited to participate in the presentation at 8.00 CET on 2 November 2020,

<https://us02web.zoom.us/j/83838688566>

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Certified Adviser

Zutec 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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