



Q2 Interim Report FY 2021

1 October – 31 December 2020

Summary of Zutec for the Financial Year 2021 Q2

Financial Highlights

- Net sales in Q2 were SEK 9.2m, corresponding to a 48.5% increase compared with the same period in 2019 (SEK 6.2m). Sales growth in Q2 based on constant currency was 54.0% compared with the same period in 2019. Sales for the rolling twelve months period was SEK 33.0m.
- EBITDA of SEK -1.7m (SEK -7.3m) corresponding to an EBITDA margin of -18.2% compared to -117.4% for the comparative period. EBITDA before FX-translation was SEK 1.0m (SEK -6.3m) which is a more accurate reflection of underlying earnings.
- Net loss was SEK 3.9m compared with the loss in the same period in Financial year 2020 (SEK -9.4m).
- Basic earnings per share amounted to SEK -0.09 (-1.29).
- Cash outflow from operating activities of SEK 2.6m primarily due to paying payroll taxes in Ireland for FY 2020 Q3 to FY 2020 Q1 as the company used the option of deferring payment due to COVID-19.

Operational Highlights

- More than 50 new agreements were signed in FY 2021 Q2.
- Signed a 4-year enterprise agreement of SEK 2.6m with Bandaranaike International Airport (BIA) and a 3-year framework agreement with Quintain Development Ireland Limited.
- New customer wins with leading contractors and developers including, Roberts Pizzarotti, Taisei and ISG Interiors.
- Continued expansion of our sales team with three new hires joining during the quarter focused exclusively on new customer sales.
- Reached agreement to acquire the last 10% of Zutec (Australia) Pty Ltd to increase ownership to 100%.
- New value-add product features launched in our Field app.
- Pilot project under way for our Sustainability offering.

Significant Events after the Period

- No significant events since the period end.

Key Figures

SEK m	Q2		YTD		FY	LTM
	Oct-Dec 20	Oct-Dec 19	Dec-20	Dec-19	Jul-Jun 20	Oct-Dec 20
Net sales	9.2	6.2	19.3	13.0	26.7	33.0
EBITDA	(1.7)	(7.3)	0.3	(11.0)	(28.0)	(16.7)
Operating profit/(loss)	(3.9)	(8.9)	(3.8)	(14.2)	(35.5)	(25.0)
Net profit/(loss)	(3.9)	(9.4)	(3.9)	(14.8)	(36.7)	(25.8)
Operating cashflow	(2.6)	(5.7)	(10.1)	(8.3)	4.2	2.8
Cash	36.6	6.2	36.6	6.2	57.6	30.4
Net Debt	36.6	3.0	36.6	3.0	47.1	33.5
Earnings per share before Dilution	(0.09)	(1.29)	(0.09)	(2.04)	(4.67)	(0.57)

Comments from Our CEO

Another Strong Quarter with Organic Sales Growth of 48.5% and EBITDA margin of 11.2%

This quarter was another strong quarter for Zutec and we are gradually building a strong business. We are particularly pleased with the progress in sales and we believe we have only seen some of what the team can achieve.

Continued Progress in Sales

We are focused on growing and scaling Zutec and we are proud about the progress. We now have three very successful quarters behind us with quarterly growth of 29.6% in Q4, 47.2% in Q1 and now 48.5% in this last quarter. We remain humble about what still needs to be done and the battle is by no means won, however our relentless focus on growth continues.

Our sales objective is to build diversified, recurring and stable revenues with little customer churn. I am very pleased to see the progress we are making in a number of aspects and our team is making heroic efforts

- The recurring revenue proportion of our sales is increasing but perhaps more important the recurring revenue proportion in our new agreements is substantially higher;
- We are onboarding a large number of new customers and we are seeing record number of new customer inflows;
- The duration of our contracts with customers are longer with the binding period in our agreements being longer;
- We are focused on selling recurring software and the software proportion of our revenues as a % of sales is increasing;
- Our customer concentration has been substantially reduced with no customer representing more than 15% of sales and these numbers are going down;
- Our sales velocity is rapidly improving with the number of days a deal stays in our sales pipeline is going down;

- Our renewal rates and our repeat customer rates are high; and
- Our sales pipeline is bigger than ever before both in terms of depth and width.

Our approach towards sales is much more than just selling a cloud-based software to the construction industry. We are truly focused on assisting and working together with our customers on their digitization journey by applying a customer centric approach. This journey towards digitization differs substantially from customer to customer. Some customers have come far and some are just beginning. The recipe for providing our customer centric approach is to not only have a great product but also to have the knowledge and experience to understand our customers' needs and aspirations.

We recently opened an office in Abu Dhabi and with local presence I believe we are well equipped to enter a large untapped market. The Middle Eastern construction market is large and with focus and resources we believe we can carve out our share of the market.

The Change in our Industry is Accelerating

The digitization of the construction industry is truly fascinating, not only because it is the largest industry in the world but also because we believe the industry is now fully prepared to digitize. We are seeing this in all our customer interactions by observing the desire of our customers to do more with technology. We believe that by the construction industry becoming more accustomed to working with software and technology in their processes together with acceptance of that

technology, real value can be formed for a company like Zutec.

We are engaging with customers across the whole construction value chain, from developers to main contractors and subcontractors to asset owners. It is not only architects and main contractors that are digitizing and seeing the benefits from technology but also developers are starting to adopt technology. We are continuously on the lookout for the areas where we identify white spots in the markets, we believe they are out there, and we have already found some of them.

Innovation is Key; Sustainability and AI in Focus

As a software company we must continuously innovate. At Zutec we innovate both in terms of our product but also in terms of applying our knowledge to our customers in their digitization journey. Our software platform has been built to cater to the needs of the construction industry. In order to innovate we must have an in depth understanding of the industry and our customers' businesses. This in turn allows our people to provide cutting edge solutions to our customers. I am very excited about a few initiatives we are currently pilot testing. Zutec is more than a product, we care immensely about the solution we provide our customers with. Therefore we must innovate both in our product and also our services to provide best-in-class solutions to our customers.

The construction industry is the single largest contributor to global warming and there are a growing number of sustainability processes that construction companies must adhere to or chose to adhere to. In collaboration with one customer we are currently testing the Zutec platform as a tool for a construction company to use our system to attain a green standard accreditation. This pilot is so far progressing well and should it be successful we will roll out this initiative on a global basis.

We are also innovating to further improve our product. Given the large amount of data that we

are holding on our system in the form of documents, photos, 2D drawings, 3D drawings, and workflows we are well equipped to utilize this data to predict future behavior with the intention of providing our customers with value-add features to improve processes and save our customers money and time.

Update on Zutec 2.0

Our team wants to win and I am delighted that every employee at Zutec is now an owner either in the form of options or shares. Further, each one of our board members have also acquired shares in Zutec.

Zutec 2.0 was about recording growth and making sure there is a viable and scalable business model. We have enjoyed great momentum and also demonstrated that costs are tightly managed. We will continue with both and I am confident that the steps we have taken will yield further results.

At Zutec we are now preparing to further accelerate the growth we have already recently experienced. In the near future we will be making continued targeted investments in sales and marketing to grow our business organically. The results from these investments may take some time and we will remain disciplined to ensure that our investments yield the commensurate returns.

We are also taking steps to build out our M&A strategy which will be intended to increase our market shares in our home markets in the U.K., Ireland, Australia and UAE. The strategy is built around three pillars, new technology, new markets and new customers.

At Zutec we are very excited about what the future holds. I invite you to join our journey.

Yours faithfully,

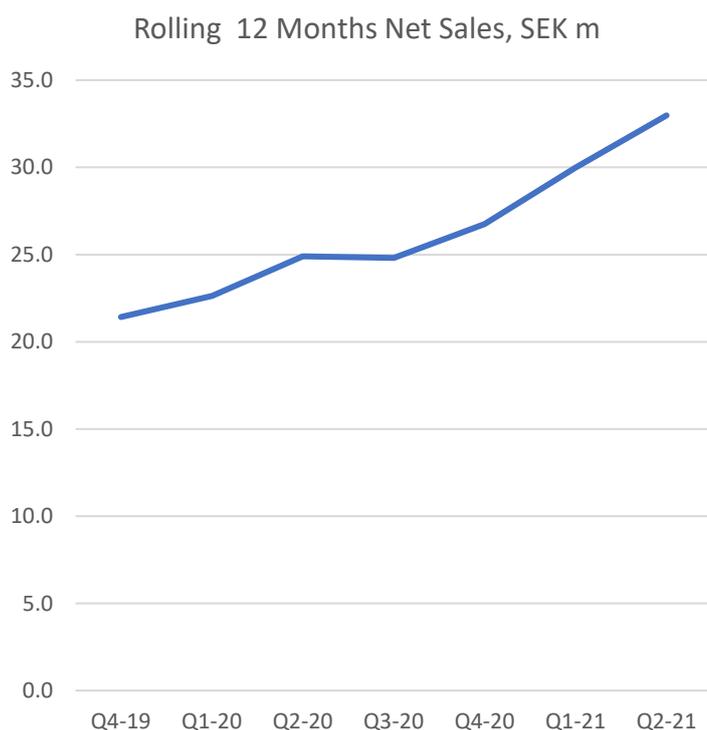
Gustave Geisendorf

Commentary on Financial Year 2021 Q2

Net sales

Net sales in the quarter was SEK 9.2m, corresponding to a 48.5% increase compared with the same period last year (SEK 6.2m). Net sales growth based on constant currency was 54.0%. The revenue increase was predominantly driven by strong customer inflows as well as high renewal rates. Net sales for the Rolling 12 Months period ending December 2020 were SEK 33.0m.

Our U.K. business and our Irish business continues to perform well with in particular our Irish business meaningfully outperforming our targets. Australia continues to be slightly down on expected revenue. We recently opened an office in Abu Dhabi which can be another springboard for growth.



Earnings

EBITDA was SEK -1.7m, compared to the same period last year of (SEK -7.3m) and the EBITDA margin was -18.2%. EBITDA excluding foreign exchange translation was SEK 1.0M (SEK -6.3M). Operating loss (EBIT) was SEK -3.9m compared to same period last year of (SEK -8.9m).

Personnel costs were reduced from SEK 6.3m in the same quarter last year to SEK 5.6m this quarter. This quarter we have increased our sales team with new hires in the UK, Middle East and Irish markets. We will be investing in the marketing team from FY 2021 Q3.

Other external costs were reduced from SEK 6.5m in the same quarter last year to SEK 2.8m this quarter. We have been successful in reducing our bad debt provision with payment for older debts. Additionally, there was expenditure incurred in recruitment, shares warrants advice and acquisition costs for Australia.

Earnings was negatively impacted by non-cash FX translation of SEK (2.7m). Foreign exchange was impacted by the 5% appreciation of the SEK against other currency for intercompany debt in the quarter.

	FY19 O-D '18	FY19 J-M '19	FY19 A-J '19	FY20 J-S '19	FY20 O-D '19	FY20 J-M '20	FY20 A-J '20	FY21 J-S '20	FY21 O-D '21
	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Net sales	3.9	5.3	6.6	6.8	6.2	5.2	8.5	10.1	9.2
EBITDA	(7.1)	(7.1)	(8.1)	(3.7)	(7.3)	(13.7)	(3.3)	2.0	(1.7)
Operating profit/(loss)	(8.4)	(8.3)	(9.7)	(5.3)	(8.9)	(15.9)	(5.4)	0.2	(3.9)
Cash	28.9	24.2	15.1	10.4	6.2	5.8	57.6	40.5	36.6

Financial position

Equity was SEK 39.7m (SEK 20.5m) at the end of the period. The equity/assets ratio was 65.7 (44.8) percent at 31 December 2020. Total assets were SEK 60.4m (SEK 45.9m). Equity has increased as a result of the directed and right issues. The cash position is strong at SEK 36.6m (SEK 6.2m).

Cashflows and investments

Cash flow for Q2 2021 was SEK -3.9m (SEK -4.2m). Cash flow from operating activities was SEK -2.6m (SEK -5.7m). Our working capital was impacted by the payment of payroll taxes due from FY 2020 Q3 to FY 2021 Q1 of SEK 2.8M.

Cash flow from investing activities was SEK -1.3m (SEK -1.2m). Cash and cash equivalents were SEK 36.6m (SEK 6.2m) at the end of the period.

Personnel

There have been no material changes in the last quarter. We have hired sales staff for our operations in UK, Middle East and Ireland. The number of employees at 31 December 2020 was 26 (35).

The share

Earnings per share (EPS) for Q2 amounted to SEK -0.09 (SEK -1.29). After dilution EPS amounted to SEK -0.08 (SEK -1.29).

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 31st December.

The 10 largest owners as at 31st December 2020	Number of shares	Share of capital and votes
Athanase Industrial Partners	21,561,960	48.7%
Brian McGuire	4,177,160	9.4%
BNY Mellon SA	3,486,878	7.9%
Forsakringskassan	2,723,067	6.2%
Nordea Livförsäkring Sverige Ab	2,248,273	5.1%
Per Åkerman	875,000	2.0%
Six Sis Ag	866,620	2.0%
Marcus Schiller	858,147	1.9%
Magnus Oppenstam	700,000	1.6%
Societe Generale, Securities Services	600,000	1.4%
Other	6,157,284	13.9%
Total	44,254,389	100%

Financials

Group Financials

Income Statement SEK m	Q2		YTD		FY
	Oct-Dec 20	Oct-Dec 19	Dec-20	Dec-19	Jul-Jun 20
Operating Income					
Net sales	9.2	6.2	19.3	13.0	26.7
Other income	0.4	0.4	0.5	0.7	2.6
Total Operating Income	9.5	6.5	19.8	13.7	29.3
Operating expenses					
Other external costs	(2.8)	(6.5)	(5.6)	(11.1)	(23.9)
Personnel costs	(5.6)	(6.3)	(11.4)	(13.7)	(32.3)
Share Based Payments	(0.1)	0.0	(0.1)	0.0	0.0
Foreign Exchange	(2.7)	(1.0)	(2.3)	0.1	(1.1)
EBITDA	(1.7)	(7.3)	0.3	(11.0)	(28.0)
Depreciation and Amortisation	(2.3)	(1.6)	(4.0)	(3.2)	(7.5)
Operating Profit/(Loss)	(3.9)	(8.9)	(3.8)	(14.2)	(35.5)
Interest income & similar credits	(0.0)	(0.5)	(0.1)	(0.6)	(1.3)
Profit/(Loss) after financial items	(3.9)	(9.4)	(3.9)	(14.8)	(36.7)
Income taxes	0.0	0.0	0.0	0.0	0.0
Net Profit/(Loss) Income	(3.9)	(9.4)	(3.9)	(14.8)	(36.7)
Attributable to:					
Equity holders of the parent company	(3.9)	(9.1)	(3.9)	(14.5)	(36.3)
Non-controlling interests	(0.0)	(0.2)	(0.0)	(0.3)	(0.4)
Total	(3.9)	(9.4)	(3.9)	(14.8)	(36.7)
Earnings per share, basic	-0.09	-1.29	-0.09	-2.04	-4.67
<i>Number of shares at period end</i>	<i>44,254,389</i>	<i>7,083,333</i>	<i>44,254,389</i>	<i>7,083,333</i>	<i>42,500,004</i>

Group Cashflow SEK m	Q1		YTD		FY
	Oct-Dec 20	Oct-Dec 19	Dec-20	Dec-19	Jun-20
<i>Cash flow from operating activities</i>					
Operating profit/(loss) for period	(3.9)	(8.9)	(3.8)	(14.2)	(35.5)
<i>Adjustments for non-cash items</i>					
Depreciation & Amortisation	2.3	2.0	4.0	3.3	7.5
Shared Based Payment	0.1	0.0	0.2	0.0	4.6
Other non-cash items	2.3	0.0	2.3	0.0	0.8
Capital gains/losses on tangible fixed asset	0.0	0.0	0.0	0.0	0.0
Adjustments for non-cash items	4.6	2.0	6.6	3.3	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)	(0.5)	(0.1)	(0.6)	(1.3)
<i>Changes in working capital</i>					
Movement in current receivables	0.1	1.7	(1.0)	0.3	9.4
Movement in current liabilities	0.2	(0.4)	(1.4)	0.2	1.4
Changes in other working capital	(3.5)	0.3	(10.5)	2.7	17.1
<i>Cash flow from operating activities</i>	(2.6)	(5.7)	(10.1)	(8.3)	4.2
<i>Cash flow from investing activities</i>					
Investments in intangible assets	(1.3)	(1.2)	(2.4)	(2.9)	(5.7)
Investments in tangible assets	0.0	0.0	0.0	(0.0)	0.0
<i>Cash flow from investing activities</i>	(1.3)	(1.2)	(2.4)	(2.9)	(5.7)
<i>Financing activities</i>					
Financing activities	0.0	3.1	(10.5)	3.1	10.5
Rights Issue	0.0	0.0	2.0	0.0	36.0
Investment in NCI	0.0	0.0	0.0	0.0	(0.5)
Repaid finance liabilities	0.0	(0.4)	0.0	(0.8)	(2.0)
<i>Cash flow from financing activities</i>	0.0	2.7	(8.5)	2.3	44.0
<i>Cashflow for the period</i>	(3.9)	(4.2)	(21.0)	(8.9)	42.5
<i>Change in cash and cash equivalents</i>					
Cash and cash equivalents, at the beginning	40.5	10.4	57.6	15.1	15.1
Translation differences on cash and cash ec	0.0	0.0	0.0	0.0	0.0
<i>Cash and cash equivalents, at the end of the period</i>	36.6	6.2	36.6	6.2	57.6

Group Balance Sheet SEK m	31-Dec 2020	31-Dec 2019	Full year Jun-20
ASSETS			
Non-current assets			
Intangible assets	10.7	11.5	11.5
Tangible assets	0.4	0.8	0.6
Other long-term receivables	0.7	6.2	6.8
Total non-current assets	11.8	18.6	18.9
Current assets			
Trade receivables	6.6	14.7	5.6
Other receivables	4.1	4.7	3.7
Prepaid costs & other income	1.3	1.7	1.1
Cash & cash equivalents	36.6	6.2	57.6
Total current assets	48.6	27.3	68.0
TOTAL ASSETS	60.4	45.9	86.9
EQUITY AND LIABILITIES			
Liabilities			
Trade payables	1.8	2.0	3.2
Other liabilities	18.9	20.2	33.7
Interest bearing debt	0.0	3.1	10.5
Total liabilities	20.7	25.3	47.4
Equity			
Equity	40.9	21.8	40.8
Non-controlling interest	(1.2)	(1.3)	(1.3)
Total equity	39.7	20.5	39.5
TOTAL EQUITY & LIABILITIES	60.4	45.9	86.9

Statement of changes in Equity SEK m							
	Share Capital	Other Contributed Capital	Retained Reserves	Retained Earnings	Minority Total 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	0.0	0.0	2.0	0.0	2.0
Share Warrant	0.0	0.2	0.0	0.0	0.2	0.0	0.2
NCI	0.0	0.0	0.0	0.3	0.3	0.0	0.3
Translation	0.0	(0.2)	1.6	0.0	1.4	0.0	1.5
Results for period	0.0	0.0	0.0	(3.8)	(3.8)	0.0	(3.8)
Movement in year	0.4	1.7	1.6	(3.5)	0.1	0.1	0.2
Balance at 31 Dec 2020	8.9	78.1	2.1	(48.2)	40.9	(1.2)	39.7

Parent Financials

Parent Income Statement	Q1		YTD		FY
	Oct-Dec 20	Oct-Dec 19	Dec-20	Dec-19	Jul-Jun 20
SEK millions					
Operating expenses					
Other external costs	(0.4)	(0.3)	(0.8)	0.0	(0.2)
Personnel costs	(0.2)	0.0	(0.4)	(0.3)	(0.6)
EBITDA	(0.6)	(0.3)	(1.2)	(0.3)	(0.8)
Interest income & similar credits	0.0	(0.2)	(0.1)	(0.2)	(0.7)
Net Profit/(Loss) Income for the period	(0.6)	(0.5)	(1.3)	(0.5)	(1.4)

Parent Cash Flow	Q1		YTD		FY
	Oct-Dec 20	Oct-Dec 19	Dec-20	Dec-19	Jul-Jun 20
SEK millions					
<u>Cash flow from operating activities</u>					
Operating loss for period	(0.6)	(0.5)	(1.3)	(0.5)	(1.4)
Cash flow from operating activities	(0.6)	(0.5)	(1.3)	(0.5)	(1.4)
Adjustment for items not included in net cash	0.0	0.0	0.0	0.0	(0.2)
<u>Changes in working capital</u>					
Movement in current receivables	(0.4)	(7.9)	(2.0)	(13.9)	(21.2)
Movement in current liabilities	(0.2)	3.4	(14.9)	3.3	15.4
Movement in long term receivables	0.0	0.0	0.0	0.0	0.0
Cash flow from investing activities	(0.6)	(4.5)	(16.9)	(10.5)	(5.8)
<u>Financing activities</u>					
Rights share issue	0.0	0.0	2.0	0.0	36.0
Cash flow from financing activities	0.0	0.0	2.0	0.0	36.0
Cashflow for the period	(1.2)	(5.0)	(16.2)	(11.0)	28.5
<u>Change in cash and cash equivalents</u>					
Cash and cash equivalents, at the beginning of the period	25.4	5.8	40.4	11.8	11.8
Cashflow for the period	(1.2)	(5.0)	(16.2)	(11.0)	28.5
Cash and cash equivalents, at the end of the period	24.2	0.8	24.2	0.8	40.4

Parent Balance Sheet SEK millions	31-Dec 2020	31-Dec 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	54.3	45.1	52.3
Other receivables	0.0	0.00	0.0
Cash & cash equivalents	24.2	0.8	40.4
Total current asset	78.6	45.9	92.7
TOTAL ASSETS	203.4	165.9	217.4
EQUITY AND LIABILITIES			
<i>Liabilities</i>			
Other liabilities	1.0	0.9	5.4
Interest bearing debt	0.0	3.1	10.5
Total liabilities	1.0	4.1	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	(1.3)	(0.5)	0.0
Total Equity	202.3	161.8	201.5
TOTAL EQUITY & LIABILITIES	203.4	165.9	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 100% of Zutec Australia (pty).

Accounting policies

Zutec Holding AB (publ) The consolidated financial statements as of Zutec Holding AB (publ) for the three monthr period ended December 30, 2020, have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and are unchanged since the latest published annual report.

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 Q3 2021 (January – March 2021) is due to be published on the 22nd of April 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 25th January 2021:

<https://us02web.zoom.us/j/85875916106>

Or iPhone one-tap : Sweden: +46850520017, ,85875916106#, or Telephone Sweden: +46 8 5052 0017 Ireland: +353 1 653 3898.

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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