

31 August 2021

Loyal Solutions (“Loyal Solutions” or “Company”) announces financial results for the second half of financial year (1/1-30/6 2021) and year-end report 2020/21

TUESDAY, AUGUST 31, 2021, 08:00 CET
Company announcement no 1-2021

CEO Peter Kisbye comments

“The period 1 January – 30 June 2021 (“the Period”) was dominated by the IPO (“Initial Public Offering”) process that was successfully completed with the listing on Nasdaq First North Growth Market Stockholm, 3 June 2021. Thus, while the first half of the financial year was business as usual the decision to conduct the IPO demanded significant company resources, additional staffing etc. in the second half of the financial year ending 30 June 2021. Despite the significant additional workload and the concurrent Covid situation, the Company managed to deliver all client solutions on time and deliver an organic increase in revenue of 33% compared to 2020. This was achieved due to a strong and resilient SaaS business model and an impressive commitment and effort from the Loyal Solutions team.

During the Period the Company continued to expand its pipeline, with some of these new agreements having been announced after 30 June 2021. In addition, the company reached an important milestone by becoming PCI-DSS level 1 certified¹. Level 1 certification is the highest achievable, and is required to service large companies, especially in the FinTech sector. The Company also continued to build new advanced features into the successful LoyalTfacts® platform.

¹ Previously the company was Level 2 compliant

The Company maintains its expectation of revenue in the financial year 2021/22 totalling TDKK 19,500 as the expected increased activity “post-Covid” from Airline and Hospitality clients is slowly beginning to materialize.

As with everything these days, this is subject to any adverse developments in the Covid situation.”

HIGHLIGHTS FOR THE PERIOD

Business and operational highlights

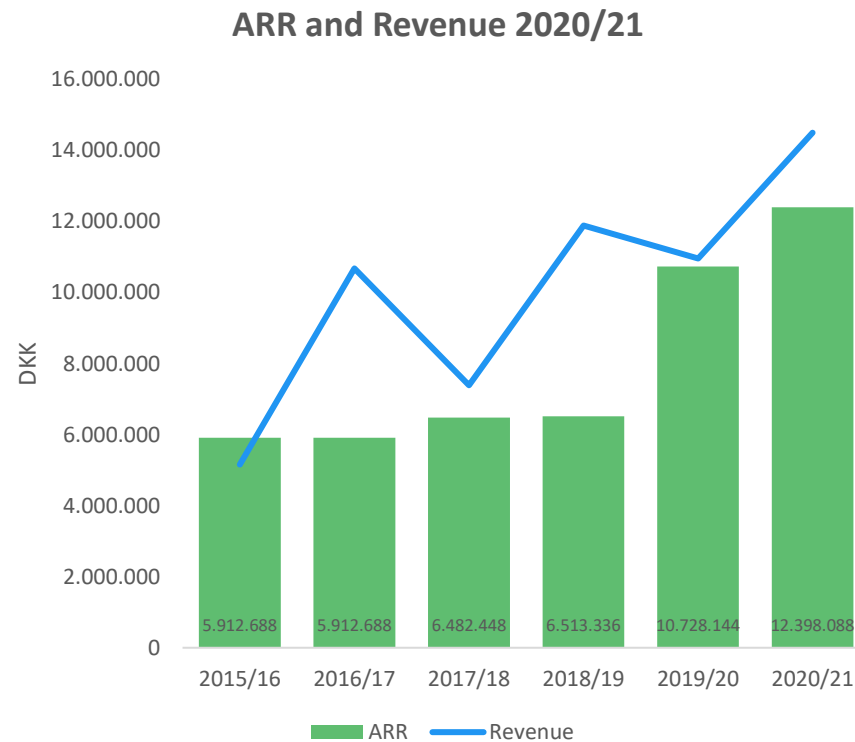
During the financial year 2020/21 the Company have achieved numerous milestones, including:

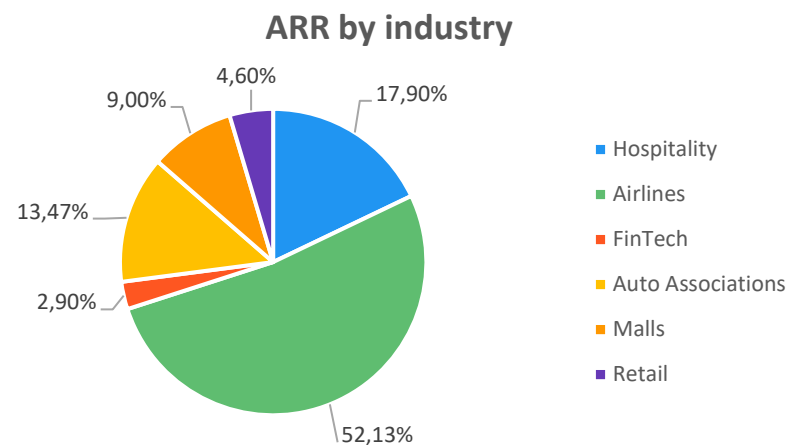
- Successful IPO and listing on Nasdaq First North Growth Market in Stockholm 3 June 2021
- 33% organic top-line growth despite Covid impact on some clients
- PCI DSS Level 1 certification
- Completed integration of LoyalTfacts® to leading Nordic acquirer and processor, NETS
- Launch of loyalty program “Darna Rewards” for Aldar Group, UAE
- Launch of loyalty program for FDM, The Danish Auto Association
- Accor added 3 additional countries to the program in preparation for post COVID, Brazil, Australia, and Thailand
- Enabled Mastercard and rolled out for Accor in 5 countries
- Good inflow to pipeline, incl. into late stages
- Further strengthened the management team with the addition of a CFO in early December 2020 at the start of the IPO process and in June 2021 the addition of a HR manager
- Post IPO we immediately started the planned recruitment process

ARR (Annual recurring revenue)

ARR reached TDKK 12,398 on 30 June 2021, a 16 % growth in the financial year with an average ARR of TDKK 1,240 per client. In the second half of 2020/21 there have been no additions or churns in the ARR.

As of June 2021, the 5-year CAGR (Compound Annual Growth Rate) is 23% and within the last financial year the growth is 32% despite the Covid situation.





Financial highlights for second half-year of 2020/21 (January 2021 – June 2021)

Key figures for the second half-year of 2020/21 are listed below, and at the end of this document detailed financial figures are listed for second half-year (1/1-30/6 2021) and financial year-ending 2020/21. (1/7 2020-30/6 2021)

	01-01-2021 30-06-2021	01-01-2020 30-06-2020	01-07-2020 30-06-2021	01-07-2019 30-06-2020
DKK				
Revenue	7,652	4,858	14,499	10,958
EBITDA before IPO costs, TDKK	-2,752	-545	-2,775	2,045
Profit/loss, TDKK	-7,775	-2,298	-9,781	-1,143
Net income per share, DKK*	-0,99	-0,31	-1,28	-0,15
Equity, TDKK			24,457	1,433
Cash and cash equivalents, TDKK			26,600	4,436
Annual Recurring Revenue (ARR) TDKK			12,398	10,958

The Company's net income per share is the net income for the period divided with the average number of shares for the period. The outstanding shares as of 30 June 2021 was 9,499,998 shares and for the period January to June 2021, the average number of shares amounted to 7,833,333 and for the financial year 7,666,667 shares.

Revenue

Revenue is comprised of subscription fees, implementation fees and revenue from ad-hoc work from clients and has increased organically by 33% from TDKK 10,958 in financial year 2019/20 to TDKK 14,499 in financial year ending 30 June 2021. The growth is attributable to new clients launched and increase in monthly revenue from existing contracts².

Expenses

Total operating expenses, excluding depreciation and costs for the IPO, amounted to TDKK 17,366 (TDKK 10,165).

The increase is due to the increased salary expenses which increased to TDKK 8,463 (TDKK 5,765) due to hiring of new staff to support Loyal Solutions in scaling up its business. Further the booked cost of warrants issued to key employees and management in conjunction with the IPO impacts expenses with TDKK 1,229. Variable costs increased to TDKK 7,474 (TDKK 5,725) primarily due to an increase in expenses to payment scheme infrastructure and cloud hosting. Other external costs increased to TDKK 3,348 (DKK 1,930) mainly related to achieving PCI-DSS level 1 certification. Due to more programs being launched in market, the sum of costs being activated as development has decreased from the previous year from TDKK 1,919 to TDKK 3,256.

² The Company's subscription model is primarily based on a percentage of sales generated from the use of the LoyalTfacts® platform, including a minimum monthly fee due.

EBITDA

Earnings before interest, tax, depreciation, and amortization (EBITDA) was negative by TDKK 5,964 (TDKK 545). EBITDA in addition to the above difference was impacted by TDKK 3,212 in costs related from the completed IPO. All costs defined as belonging to the one-time IPO relate only to external costs.

Specifications of IPO costs

<i>DKK</i>	<i>FY 2020/21</i>
IPO costs recognized in income statement	-3.212
IPO costs recognized on the equity	-868
VAT related to IPO costs	-9
Costs paid in new financial year	<u>58</u>
Impact on cash flow FY 2020/21	<u>-4.031</u>

Auditor review

This year-end report has not been formally reviewed by the Company's auditor.

Proposed appropriation of retained earnings

The Board of Directors and CEO have proposed that no dividend be paid for the financial year 2020/21.

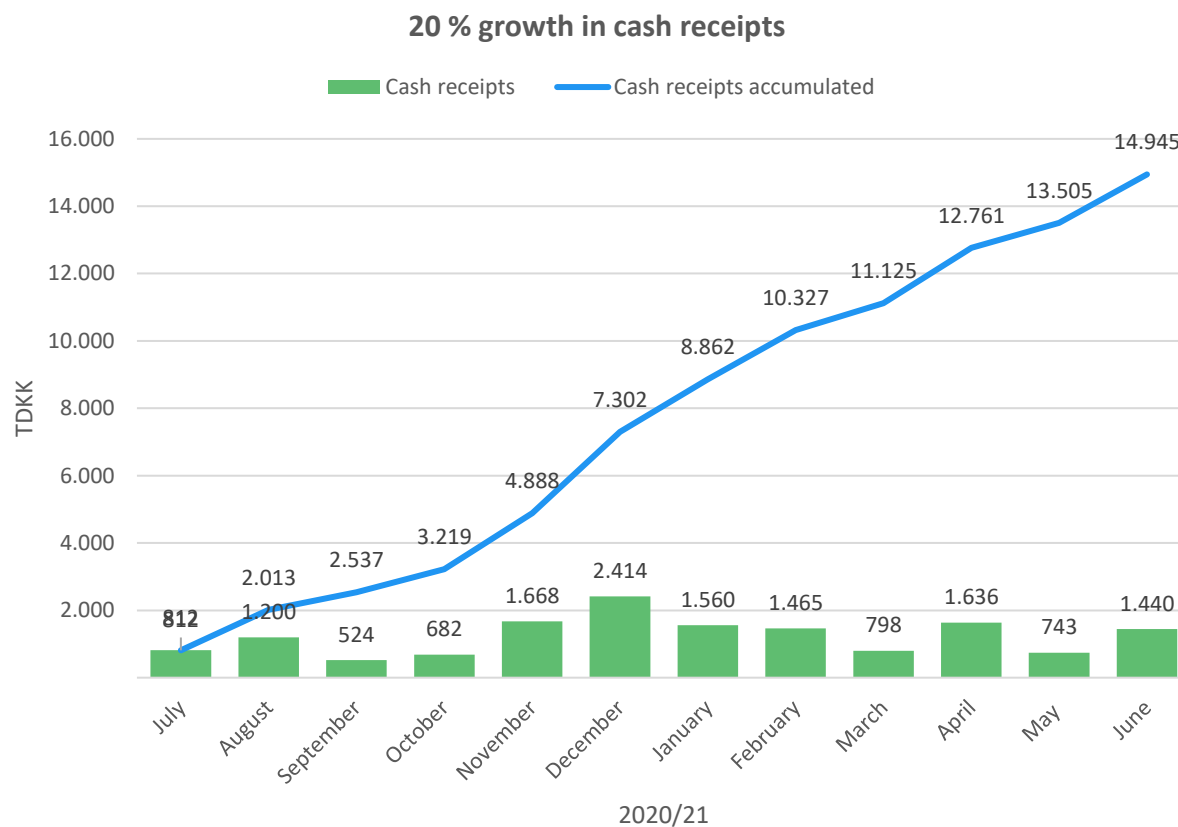
Accounting principles

Loyal Solutions applies the Danish Financial Statements Act when preparing its financial statements.

Cash Balance & Operating Cash Flow

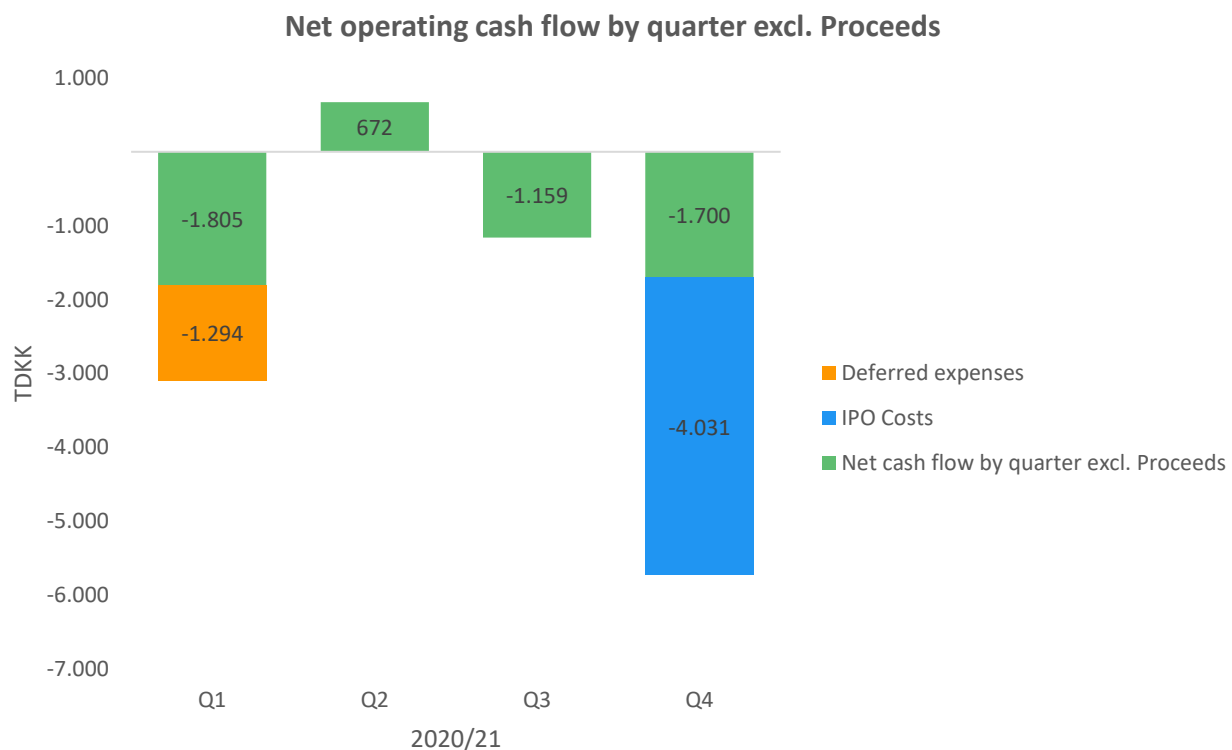
Cash Balance on 30 June 2021 was TDKK 26,600.

Cash receipts amounted to TDKK 14,945 a 20% increase compared to 2019/20. In the financial year 2020/21 Loyal Solutions has received TDKK 3,901 in COVID-related loans from Vækstfonden, a Danish Government Growth Fund and in general Government COVID-packages. In addition, the Company received TDKK 29,321 in gross proceeds from issue of shares in the IPO.



In the second half of financial year 2020/21 and primarily in Q4 (1 April – 30 June), the Company has incurred the expected one-time expenses related to the IPO and listing on Nasdaq First North Growth Market Stockholm. The IPO costs impacts the cash flow with TDKK -4,031 and relates to the following operations: Administration and Corporate costs (TDKK 3,763) and Advertising and Marketing (TDKK 268).

Net operating outflows for the financial year amounts to TDKK 24,262 and net operating cash flow for the year is TDKK 23,905. If the IPO had not been initiated, Loyal Solutions would have had a net operating cash flow of TDKK -5,287 in the financial year 2020/21.



Outlook

Prior to conducting the IPO, the management and the Board of Directors defined the long-term vision in our “*LS Global 2025*” strategy - becoming the leading global SaaS loyalty platform in selected global industries by 2025. This plan is now under implementation.

Organizational growth

Loyal Solutions are currently 12 employees and expect to expand according to our plan over the next 6 month making sure we have the resources to support the growth plan. By 31 August 2021 the recruitment process is on track

Research & development (“R&D”)

By the end of first half-year of financial year 2021/22 we expect to have new dedicated R&D resources fully operational, focusing on providing clients with state-of-the-art user-friendly solutions and making sure we have sufficient resources to still be ahead of competitors in technology and functionalities in our software LoyalTfacts®.

Sales Pipeline

We expect the current good inflow and growth in our pipeline to continue and increase. Further, several of our existing clients are now scaling up programs post COVID, as expected.

In the first half-year of financial year 2021/22 Loyal Solutions expects to have the majority of its new salesforce fully implemented, with the first new client signings expected during financial year Q3 2021/22.

New Strategic agreements

After the Period, the Company announced an agreement for Digital Receipts with Mastercard Nordic, and shortly thereafter announced that Visa Inc. has selected Loyal Solutions as the one strategic partner supplying the SaaS platform for Visa customers globally. Both these agreements are expected to contribute significantly to the pipeline from now on. The first client from these agreements is already under implementation and will launch in December 2021.

Financial goals

The financial goals for the current financial year (1/7 2021-30/6 2022) remain unchanged:

- ARR increase of 30%
- CHURN kept at 0%
- Revenue of TDKK 19,500
- EBITDA TDKK -24,675

As we scale the business, we will continue to have a strong focus on cash management ensuring that the IPO proceeds are used as expected. As of 30 June 2021, the cash flow runway is 18+ months and we expect to commit around TDKK 7,000 in the first half-year of financial year 2021/2022.

Conference call to present second half-year and year-end reporting 2020/21

Loyal Solutions will present its second half year and year-end report 2020/21 via a brief live webcast through MS Teams on 31 August 2021, at 10.00-10.30 CET. Please join and ask questions directly to our CEO, Peter Kisbye, and CFO, Pernille Normand Farup-Hansen, at this investor event.

To participate, please join the conference call on this [link](#).

The audited annual report will be made public on our website under “reports and presentations” on the 30 September 2021 at 08.00 CET the Annual General Meeting will be held on 25 October 2021 at 13.00 CET.

Certified Adviser

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This press release constitutes inside information that Loyal Solutions A/S is obliged to make public pursuant to the EU Market Abuse Regulation 596/2014. The information was sent for publication, through the agency of the contact persons set out below, at the time stated by the Company's news distributor, Cision, at the publication of this press release.

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About Loyal Solutions

Loyal Solutions was set up in 2009 with the sole purpose of disrupting the loyalty industry with new technology, new transparent concepts and a 100% focus on the end customer.

Loyal Solutions has quickly become a leading global provider of loyalty concepts, solutions, and SaaS technology for selected industries and clients. Our proprietary technology and global private SaaS cloud solutions are state of the art and market leading. We also offer clients full outsourcing options, making implementation of a full program seamless and easy.

We have our HQ in Copenhagen and are currently represented in Stockholm, Palo Alto, Mumbai, Cairo, Dubai, Johannesburg, Melbourne, and Sydney.

INCOME STATEMENT

	01-01-2021 30-06-2021	01-01-2020 30-06-2020	01-07-2020 30-06-2021	01-07-2019 30-06-2020
DKK	<i>Non-Audited</i>	<i>Non-Audited</i>	<i>Non-Audited</i>	<i>Audited</i>
Revenue	7.652.240	4.857.854	14.498.965	10.958.388
Variable costs	-4.114.827	-2.668.814	-7.473.623	-5.724.844
Gross profit 1	3.537.413	2.189.039	7.025.342	5.233.544
	46%	45%	48%	48%
Work performed at own expense and listed under assets	268.793	1.442.728	1.918.599	3.255.546
Other operating income	0	0	92.396	1.251.996
Other external costs	-1.009.329	-160.682	-3.347.976	-1.930.458
Gross profit 2	2.796.876	3.471.086	5.688.361	7.810.628
Staff costs	-5.548.897	-2.925.588	-8.463.016	-5.765.341
EBITDA before IPO costs	-2.752.021	545.497	-2.774.655	2.045.287
Costs regarding the IPO	-3.211.933	0	-3.211.933	0
EBITDA	-5.963.954	545.497	-5.986.588	2.045.287
Depreciation on tangible and intangible assets	-2.178.533	-2.994.632	-3.883.682	-2.994.631
EBIT	-8.142.487	-2.449.134	-9.870.270	-949.344
Financial income	25.910	2.326	33.726	12.412
Financial expense	-639.533	148.736	-926.023	-555.964
Profit before tax	-8.756.109	-2.298.072	-10.762.567	-1.492.896
Tax for the year	981.296	0	981.296	349.779
Operating profit	-7.774.813	-2.298.072	-9.781.271	-1.143.117
Dividend	0	0	0	0
Retained earnings	-7.774.813	-2.298.072	-9.781.271	-1.143.117
Profit for the period/year distributed	-7.774.813	-2.298.072	-9.781.271	-1.143.117

BALANCE SHEET

DKK

ASSETS

Development projects in progress

Completed development projects

Intangible assets

Fixture, fittings, tools and equipment

Property, plant and equipment

Deposits

Income tax

Investments

Total fixed assets

Trade receivables

Receivables from group enterprises

Income tax

Other receivables

Prepayments

Receivables

Cash and cash equivalents

Current assets

Total assets

	30-06-2021	30-06-2020
	<i>Non-Audited</i>	<i>Audited</i>
	0	0
	7.250.893	9.213.319
	7.250.893	9.213.319
	0	2.657
	0	2.657
	197.221	17.080
	394.378	0
	591.599	17.080
	7.842.492	9.233.056
	3.092.547	3.404.569
	0	363.506
	586.918	0
	2.869.621	1.187.158
	199.916	74.853
	6.749.002	5.030.087
	26.600.021	4.436.397
	33.349.023	9.466.484
	41.191.515	18.699.540

BALANCE SHEET (continued)

DKK

EQUITY & LIABILITIES

	<u>30-06-2021</u>	<u>30-06-2020</u>
	<i>Non-Audited</i>	<i>Audited</i>
Share capital	9.499.998	7.500.000
Retained earnings	10.301.562	-13.252.939
Reserve for development expenditure	5.655.697	7.186.392
Equity	25.457.257	1.433.453
Long-term debt to other credit institutions	7.589.713	5.500.643
Long-term payables to group enterprises	0	5.131.926
Other long-term payables	597.667	583.983
Long-term liabilities	8.187.380	11.216.552
Short-term debt to other credit institutions	1.938.911	1.094.270
Prepayments received from customers	316.950	798.252
Trade payables	3.738.304	2.443.012
Other payables	1.552.713	1.714.003
Current liabilities	7.546.878	6.049.536
Total liabilities	15.734.258	17.266.087
Total equity & liabilities	41.191.515	18.699.540

CASH FLOW STATEMENT

DKK

	Note	01-07-2020 30-06-2021	01-07-2019 30-06-2020
		<i>Non-Audited</i>	<i>Non-Audited</i>
Operating profit		-9.781.271	-1.143.116
Other non-cash adjustments	1	3.307.658	697.310
Change in working capital	2	-50.605	851.076
Interests etc. received		33.726	12.412
Interests etc. paid		-926.023	-555.964
Income taxes paid		0	0
Cash flow from operating activities, net		-7.416.515	-138.282
Purchase of intangible assets		-1.918.599	-630.706
Purchase of property, plant and equipment		0	0
Change in other non-current assets		-180.141	19.400
Cash flow from investing activities, net		-2.098.740	-611.306
Dividend paid		0	0
Proceeds from loans and borrowings		3.689.174	2.400.000
Repayment of loans and borrowings		-463.320	-1.680.171
Proceeds from IPO		28.453.026	0
Cash flow from financing activities		31.678.880	719.829
Net increase/decrease in cash		22.163.624	-29.759
Cash at the beginning of the period		4.436.397	4.466.156
		22.163.624	-29.759
Cash at the end of the period		26.600.021	4.436.397

CASH FLOW STATEMENT (continued)

DKK

	01-07-2019	01-07-2018
	30-06-2020	30-06-2019
	<i>Non-Audited</i>	<i>Non-Audited</i>
Note 1 - Other non-cash adjustments		
Depreciation and impairment losses	3.883.682	2.994.631
Income taxes in the income statement	-981.296	0
Other non-cash adjustments	405.272	-2.297.321
	3.307.658	697.310
Note 2 - Change in working capital		
Change in inventories	0	0
Change in receivables	889.632	-412.587
Change in payables and other liabilities	-940.237	1.263.663
	-50.605	851.076

The above cannot be derived directly from the income statement and the balance sheet.

STATEMENT OF CHANGE IN EQUITY

01-07-2020 - 30-06-2021	Share capital	Retained earnings	Reserve development expenditure	Total
	<i>Non-Audited</i>	<i>Non-Audited</i>	<i>Non-Audited</i>	<i>Non-Audited</i>
Equity at 1 July 2020	7.500.000	-13.252.938	7.186.392	1.433.454
Share premium	1.999.998	27.321.105	0	29.321.103
Transactions costs	0	-868.077	0	-868.077
Dividend paid	0	0	0	0
Reserve for development expenditure	0	1.530.695	-1.530.695	0
Share-based payment	0	1.229.302	0	1.229.302
Group Contributions	0	4.122.746	0	4.122.746
Appropriation of profit	0	-9.781.271	0	-9.781.271
Equity at 30 June 2021	9.499.998	10.301.562	5.655.697	25.457.257

01-07-2019 - 31-06-2020	Share capital	Retained earnings	Reserve development expenditure	Total
	<i>Non-Audited</i>	<i>Non-Audited</i>	<i>Non-Audited</i>	<i>Non-Audited</i>
Equity at 1 July 2019	7.500.000	-11.403.477	6.480.047	2.576.570
Dividend paid	0	0	0	0
Reserve for development expenditure	0	-706.345	706.345	0
Appropriation of profit	0	-1.143.116	0	-1.143.116
Equity at 30 June 2020	7.500.000	-13.252.938	7.186.392	1.433.454