

Q4

Irisity AB (publ)  
INTERIM REPORT

January - December 2022



Building the world leader in security  
video analytics


- Marcus Bäcklund-

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This is a translation of the Swedish version of the interim report. When in doubt, the Swedish wording prevails





# 01

## THE GROUP'S SUMMARY OF THE PERIOD



## 1 October – 31 December 2022

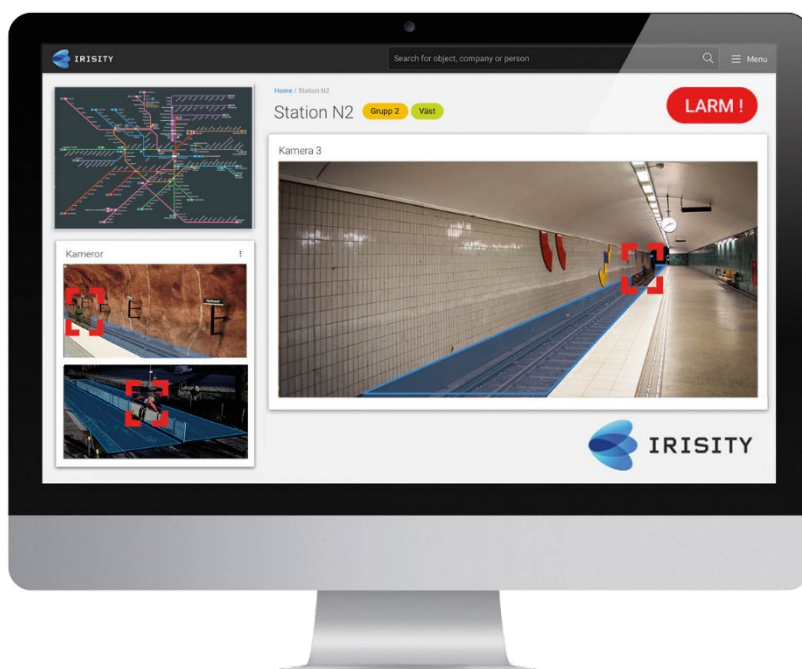
- Net sales amounted to MSEK 12.5 (35.8).
- Work performed for own account amounted to MSEK 11.7 (5.1).
- Gross margin amounted to 89.2 percent (83.0).
- EBITDA amounted to MSEK – 14.4 (8.6).
- Result after tax amounted to MSEK – 44.2 (-11.6).
- Cash liquidity at the end of the period was MSEK 17.6 (71.3).
- Change in cashflow from previous quarter was -0.2 MSEK Q/Q
- MRR at the end of the quarter amounted to MSEK 4.4 (4.7) Q/Q

## 1 January – 31 December 2022

- Net sales amounted to MSEK 87.7 (77.3)
- Work performed for own account amounted to MSEK 24.9 (15.4).
- Gross margin amounted to 79.7 percent (71.9).
- EBITDA amounted to MSEK – 32.0 (6.4), negatively impacted by timing of order and revenue recognition timing in H2.
- Result after tax amounted to MSEK – 136.9 (-23.9).

Future CEO, Keven Marier, announced February 21 2023.

The Board of Directors proposes, to the Annual General Meeting on April 17, 2023, that no dividend will be paid.



# The CEO comments on the fourth quarter

With the quarter, we end a both significant and challenging year in which we navigated the integration work after the acquisition of Agent Vi while simultaneously developing our business.

The year has been affected by negative market dynamics, including a lengthy supervisory process from the privacy authority IMY in Sweden, continued component shortages for our important camera partners and general macro concerns that delayed our sales processes.

We ended the year by establishing framework agreements with market-leading anchor customers with good revenue potential in the coming periods. Order intake was strong with just over SEK 45 million, well distributed between our priority markets in the USA, Europe and Asia. Several of these deals were closed at the end of the year, which together with a reassessment of projects in Holland, the United Arab Emirates and Singapore, based on delivery status, led to a shift in revenue to the coming months.

During the second half of the year, the negative market dynamics and the revenue shift have burdened our EBITDA. Through the strong order intake, we expect to strengthen the EBITDA result in the coming periods.

We are now also expanding our delivery capacity to meet our new multinational framework agreements.

During the year, we invested further in the sales force with a strengthened presence in all priority markets. The sales force focuses on handling ever larger and more complex customer engagements.

At the end of the year, the company had cash and credit limits of SEK 39 million. In January, we drew the remaining tranche of SEK 5m on our SEK 20m DBT loan (communicated in the Q3 report). Operating cash flow was positive due to large customer payments in January and February. As of the end of January, the company had liquid funds including available credits amounting to SEK 44 million, which is expected to cover the capital requirement until positive cash flow.

Gothenburg, 2023-02-24



**Marcus Bäcklund**





# 02

## SALES & RESULTS

Sales and results, Group (kSEK)	October - december 2022	October - december 2021	January - december 2022	January - december 2021
Net sales	12,487	35,768	87,681	77,289
Work performed for own account	11,709	5,104	24,951	15,424
Other operating income	154	275	8,617	339
EBITDA	-14,454	8,625	-32,024	6,401
EBIT	-46,809	-13,234	-147,429	-25,827
Operating margin %	neg	neg	neg	neg
Result after financial items	-47,080	-13,729	-147,752	-26,436
Result for the period	-44,254	-11,598	-136,925	-23,935

## Irisity in brief

Irisity is a leading provider of AI-powered video analytics solutions. We develop innovative software upgrading ordinary security cameras to intelligent detection devices, while safeguarding personal privacy. Irisity currently serve customers in more than 90 countries and has offices in Sweden, USA, Israel, Singapore, UAE and Mexico. We operate through a network of resellers, partners, security companies, and camera manufacturers globally

## Products and services

Irisity's technology safeguards people and assets by detecting incidents in real time. This includes the detection of events such as intrusions, trespassing, flames, violence, falls, and unattended objects, as well as rapid search and analysis of recorded video, and extraction of statistical data. Irisity ensures ethical guarding without infringement on personal privacy by offering all functionality with patented real-time anonymization technology



Central Monitoring



Smart & Safe Cities



Rail & Transportation



Education & Public



Critical Infrastructure



Health & Elder Care



Construction



Custom Solutions



# 03

## SHARE & OWNERSHIP

### The ten major owners, 2022-12-31:

Shareholders	Number of shares	Ownership interest
Altshuler Shaham Trusts Ltd. *	4,149,530	10.8%
Försäkringsaktiebolaget Avanza Pension	4,092,181	10.7%
Westergyllen AB	2,700,000	7.1%
Chalmers Innovation Seed Fund	2,444,634	6.4%
Runmarker, Ulf	1,800,000	4.7%
Pershing, LLC, W9	1,777,657	4.6%
Perninger, Bo	753,400	2.0%
Bergvall, Leif Harald	631,536	1.7%
Handelsbanken Liv Försäkringsaktiebolag	618,316	1.6%
Förvaltningsaktiebolaget Brunnen	600,000	1.6%
The ten major shareholders in total	19,567,254	51.1%
Others	18,735,074	48.9%
<b>Total</b>	<b>38,302,328</b>	<b>100.0%</b>

\*Paying agent of former Agent Vi shareholders

### Number of shares

Irisity AB (publ) has 38,302,328 shares outstanding as of December 31, 2022.

### Ownership

Irisity AB (publ), org. nr./Reg. No. 556705-4571 is a public company listed on Nasdaq First North Growth Market under the ticker IRIS. The shareholder overview describes the situation as of December 31, 2022, when 6,961 shareholders were registered.

### Risk factors

The Company's key risk and uncertainty factors include operational risks as well as risks that relate to market and technology development, patents, competitors and future funding (such as risks related to securities, for example share price development, volatility and liquidity). With the increased interest rate and inflation, the risk has increased both on order intake and cost side. The company has now drawn the full DBT loan of 20 MSEK communicated end of October. Investors are urged to make their own assessments of each risk factor and their respective impact on the group's future potential. The above-mentioned risk factors are presented in no particular order and the list should not be regarded as exhaustive.

### Incentive scheme

The AGM resolved to adopt a long-term incentive programme directed at senior executives and key individuals in Irisity. The rationale behind the incentive programme is, among other things, to contribute to higher motivation and commitment among the employees and to retain employees. In order to enable the incentive programme, the AGM also resolved on a directed issue of not more than 470,000 warrants. Based on the outstanding number of shares, Warrant programme 2022 will upon exercise of all 470,000 Warrants increase the share capital by a maximum of SEK 42,300 and a maximum dilution corresponding to approximately 1.23 percent.



## **Disclosure of significant events after the end of the period**

Irisity announced the recruitment of Keven Marier as Chief Executive Officer, CEO, 21 Feb 2023.

The company leadership has implemented a sales organization with a flatter structure with four autonomous regions: Americas, Europe, Middle East & India, and SE Asia.

In January the company made the remaining 5 MSEK draw down of our 20 MSEK DBT loan (communicated in the Q3 report).

The company provided financial update regarding Q4, on February 14, 2023, and informed about the revenue shift of new orders and some existing deals. The company also informed that cash and cash equivalents including available credits amounted to SEK 44 million at the end of January.

## **Accounting policies**

The interim financial report is prepared in accordance with the recommendations and statements from the Swedish Accounting Standards Board, as well as the Swedish Annual Accounts Act. The accounting policies applied in this interim report are the same as those used in the most recent annual report. The accounting policies applied are the same for the Group and for the Parent Company. Goodwill arising on the acquisition of Visionists AB is depreciated over five years. Goodwill arising on the acquisition of Agent Video Intelligence Ltd. is depreciated over eight years.

## **The financial result and position of the Group and the Parent Company**

The financial result and position of the Group and the Parent Company in general is set out in the income statement and balance sheet below.

## Related party transactions

No transaction with related parties which significantly affected the result or financial position of the Company took place during the period. The related party transactions that took place in the Group and the Company during 2020 are provided in the last annual report (note number 5).

## True and fair view

The Managing Board has mandated the CEO to publish the report. The Managing Board and the CEO confirm that this report provides a true and fair view of the Group's operations, position and performance, and describes material risks and uncertainties faced by the Group.

This report has not been reviewed by the company's auditors.





# 04

## FINANCIAL OVERVIEW

## Net sales and result

The Group's net sales during the quarter amounted to MSEK 12.5 (35.8), and the work performed for own account amounted to MSEK 11.7 (5.1).

EBITDA amounted to MSEK -14.4 (8.6) and the result after tax amounted to MSEK - 44.2 (-11.6). Depreciation of intangible assets charges of MSEK - 29.5 (-21.1) are for the most part related to goodwill arising on the acquisition of Visionists AB, Agent Video Intelligence Ltd. and to amortizations attributable to capitalized development work.

EBITDA for the full year was -32.0 MSEK compared to 6.4 MSEK in 2021. The deviation of -38.4 consisted of increased costs of SEK -66.6 million, mainly related to 9 months of additional costs following the acquisition of Agent VI,, net revenue +10.4 MSEK, R&D capitalization +9.5 MSEK and currency impact +8.3 MSEK. The large order intake in Q4 is expected to materialize to revenue the coming months.

## Investments and financial position

The group's cash flow from operating activities before changes in working capital amounted to MSEK -14.7 (8.4) during the quarter. The cash flow from operating activities was MSEK -2.9 (-11.4).

During the same period, the cash flow from investing activities amounted to MSEK -12.2 (-79.7). From financing activities, the cash flow was MSEK 15.0 (-1.0) due to the DBT loan. In early January, the remaining 5 MSEK of DBT loan communicated end of October was paid to Irisity. The cash flow for Q4 amounted to MSEK -0.1 (-92.1).

The balance sheet total amounted to MSEK 863.4 (898.9) on December 31, 2022, with an 85.6 percent (85.0) solidity. The Groups's net debt amounted to MSEK - 2.6 (-61.6), thus a positive net debt. The Parent Company has an overdraft facility up to MSEK 20 in total, which on the balance sheet date remained unused.

## Staff and organization

At the end of the period, the company had 74 (100) full-time equivalent employees, 23 (16) of whom were women, distributed in Sweden, Israel, USA, UAE, Mexico and Singapore.



	October - december 2022	October - december 2021	January - december 2022	January - december 2021
<b>THE GROUP'S INCOME STATEMENT (kSEK)</b>				
Net sales	12,487	35,768	87,681	77,289
Work performed for own account	11,709	5,104	24,951	15,424
Other operating income	154	275	8,617	339
Cost of sales	-1,344	-6,092	-17,838	-21,748
<b>Gross result</b>	<b>23,006</b>	<b>35,055</b>	<b>103,412</b>	<b>71,304</b>
Other external charges	-11,383	-4,720	-33,801	-15,270
Personnel costs	-26,077	-21,710	-101,635	-49,633
Depreciation of tangible and intangible assets	-32,355	-21,859	-115,406	-32,228
<b>Operating results</b>	<b>-46,809</b>	<b>-13,234</b>	<b>-147,429</b>	<b>-25,827</b>
Interest income	7	0	7	0
Interest costs	-278	-494	-329	-609
<b>Result after financial items</b>	<b>-47,080</b>	<b>-13,729</b>	<b>-147,752</b>	<b>-26,436</b>
Income taxes	2,826	2,131	10,827	2,501
<b>Net profit or loss for the period</b>	<b>-44,254</b>	<b>-11,598</b>	<b>-136,925</b>	<b>-23,935</b>
Basic earnings per share (SEK)	-1.16	-0.30	-3.57	-0.62
Diluted earnings per share (SEK)	-1.16	-0.30	-3.57	-0.62
Number of shares at the end of the period	38,302,328	38,302,328	38,302,328	38,302,328
Fully diluted shares outstanding	38,302,328	38,302,328	38,302,328	38,302,328
Weighted average number of shares	38,302,328	27,831,890	38,302,328	27,831,890

\*Agent Vi was acquired 13 October 2021



<b>THE GROUP'S BALANCE SHEET (kSEK)</b>	<b>31-Dec 2022</b>	<b>31-Dec 2021</b>
<b>Assets</b>		
Intangible fixed assets	446,396	424,907
Goodwill	310,212	310,865
Tangible fixed assets	2,100	2,869
Deferred tax assets	38,576	33,507
<b>Total fixed assets</b>	<b>797,283</b>	<b>772,148</b>
Accounts receivable	18,882	40,229
Other current assets	29,640	15,170
Cash and bank balances	17,580	71,341
<b>Total current assets</b>	<b>66,103</b>	<b>126,740</b>
<b>Total assets</b>	<b>863,386</b>	<b>898,888</b>
<b>Equity and liabilities</b>		
Share capital	3,447	3,447
Other contributed capital	868,175	868,575
Other equity including result for the period	-132,550	-109,981
<b>Total equity</b>	<b>739,072</b>	<b>762,041</b>
<b>Long-term liabilities</b>	<b>21,312</b>	<b>8,568</b>
<b>Deferred tax liabilities</b>	<b>65,198</b>	<b>76,686</b>
Short-term financial liabilities	4,000	1,174
Accounts payable	5,285	12,450
Other short-term liabilities	28,519	37,968
<b>Total short-term liabilities</b>	<b>37,804</b>	<b>51,592</b>
<b>Total equity and liabilities</b>	<b>863,386</b>	<b>898,888</b>

**Pledged assets**

Business mortgages	35,000	13,000
Pledged account	0	1,500
<b>Total</b>	<b>35,000</b>	<b>14,500</b>

**Contingent liabilities**

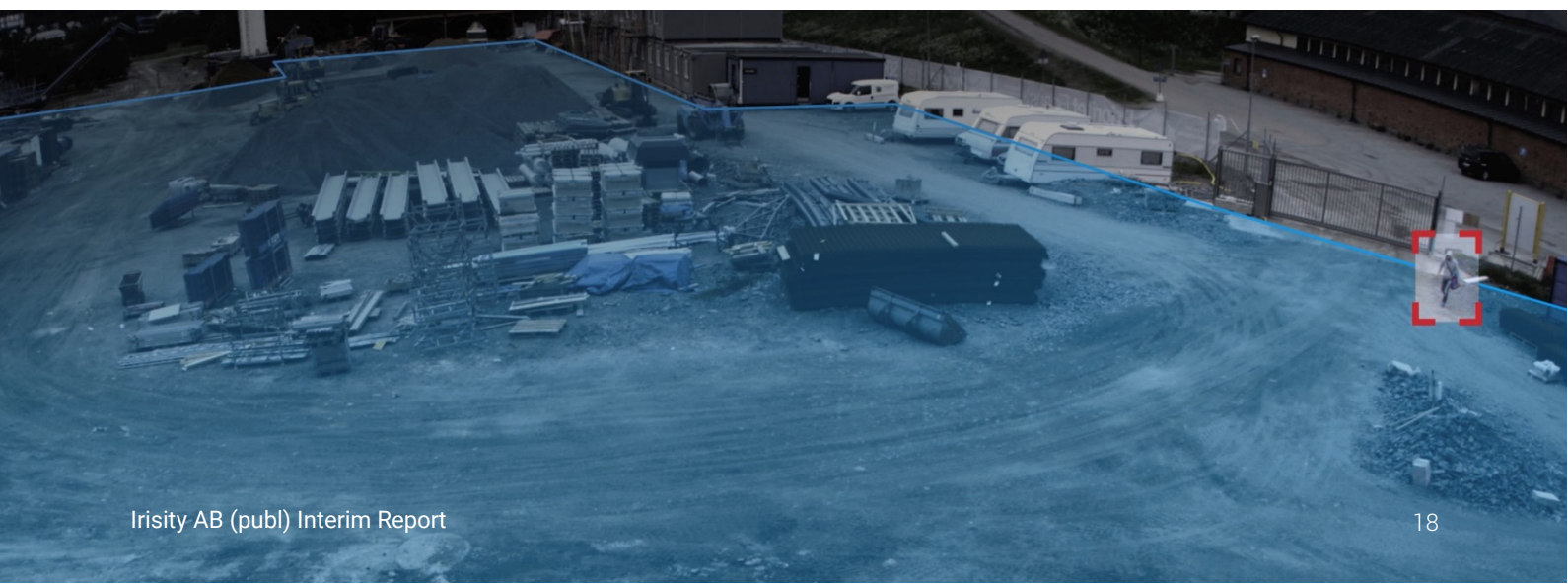
None	None
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## THE GROUP'S CHANGES IN EQUITY (kSEK)

	Share capital	Other contributed capital	including result for the period	Total
<b>Opening balance equity 2021-01-01</b>	<b>2,326</b>	<b>220,058</b>	<b>-104,623</b>	<b>117,761</b>
<i>Transactions with owners</i>				
New share issue	1,121	125,442		126,563
Non-cash issue		523,798		523,798
Costs attributable to the issue		-723		-723
Conversion difference			18,577	18,577
Result for the period			-23,935	-23,935
<b>Closing balance equity 2021-12-31</b>	<b>3,447</b>	<b>868,575</b>	<b>-109,981</b>	<b>762,041</b>
<b>Opening balance equity 2022-01-01</b>	<b>3,447</b>	<b>868,575</b>	<b>-109,981</b>	<b>762,041</b>
<i>Transactions with owners</i>				
New share issue				0
Non-cash issue				0
Costs attributable to the issue		-400		-400
Conversion difference			114,355	114,355
Result for the period			-136,924	-136,924
<b>Closing balance equity 2022-12-31</b>	<b>3,447</b>	<b>868,175</b>	<b>-132,550</b>	<b>739,072</b>

<b>THE GROUP'S CASH FLOW STATEMENT (kSEK)</b>	<b>October - december 2022</b>	<b>October - december 2021</b>	<b>January - december 2022</b>	<b>January - december 2021</b>
Cash flow from operating activities before change in working capital	-14,714	8,356	-31,820	5,176
Cash flow from operating activities	-2,942	-11,367	-41,956	-27,444
Cash flow from investing activities	-12,216	-79,714	-26,328	-90,159
Cash flow from financing activities	15,000	-1,024	13,768	123,791
Cash flow for the period	-158	-92,105	-54,515	6,188
Cash and cash equivalents at the beginning of the period	18,050	163,446	71,341	65,153
Exchange rate difference in cash equivalents	-311	0	755	0
Cash and cash equivalents at the end of the period	17,580	71,341	17,580	71,341

THE PARENT COMPANY'S INCOME STATEMENT (kSEK)	October - december 2022	October - december 2021	January - december 2022	January - december 2021
Net sales	1,496	11,751	35,326	53,807
Work performed for own account	1,921	5,768	11,522	18,016
Other operating income	146	152	8,588	307
Cost of sales	-3,215	-5,180	-15,569	-22,397
<b>Gross profit</b>	<b>348</b>	<b>12,491</b>	<b>39,866</b>	<b>49,733</b>
Other external charges	-7,523	-5,243	-25,199	-20,434
Personnel costs	-11,683	-9,661	-43,591	-33,603
Depreciation of intangible assets	-2,554	-2,504	-10,264	-9,127
<b>Operating result</b>	<b>-21,412</b>	<b>-4,917</b>	<b>-39,188</b>	<b>-13,430</b>
Interest income	7	0	7	0
Interest costs	-278	-24	-329	-134
<b>Profit after financial items</b>	<b>-21,684</b>	<b>-4,942</b>	<b>-39,510</b>	<b>-13,565</b>
Group contribution received	598	4,602	598	4,602
Income taxes	-82	-1	-82	-1
<b>Net profit or loss for the period</b>	<b>-21,167</b>	<b>-341</b>	<b>-38,994</b>	<b>-8,964</b>





<b>THE PARENT COMPANY'S BALANCE SHEET (kSEK)</b>	<b>31-Dec 2022</b>	<b>31-Dec 2021</b>
<b>Assets</b>		
Intangible fixed assets	56,843	54,654
Tangible fixed assets	253	949
Financial fixed assets	630,501	630,501
Deferred tax assets	0	82
<b>Total fixed assets</b>	<b>687,597</b>	<b>686,186</b>
Accounts receivable	5,239	19,891
Receivables from Group companies	43,859	4,839
Other current assets	18,262	22,865
Cash and bank balances	12,793	65,205
<b>Total current assets</b>	<b>80,153</b>	<b>112,801</b>
<b>Total assets</b>	<b>767,750</b>	<b>798,987</b>
<b>Equity and liabilities</b>		
Restricted equity	60,652	57,761
Non-restricted equity	667,124	709,066
<b>Total equity</b>	<b>727,776</b>	<b>766,827</b>
<b>Long-term liabilities</b>	<b>11,000</b>	<b>0</b>
Short-term financial liabilities	4,000	1,174
Accounts payable	3,317	4,389
Liabilities to group companies	6,343	9,273
Other short-term liabilities	15,315	16,873
<b>Total current liabilities</b>	<b>28,974</b>	<b>32,159</b>
<b>Total equity and liabilities</b>	<b>767,750</b>	<b>798,987</b>
<b>Pledged assets</b>		
Business mortgages	35,000	13,000
Pledged account	0	1,500
<b>Total</b>	<b>35,000</b>	<b>14,500</b>
<b>Contingent liabilities</b>	None	None

## THE PARENT COMPANY'S CHANGES IN EQUITY (kSEK)

	Share capital	Fund for development costs	Share premium reserve	Retained earnings	Result for the period	Total
<b>Opening balance equity 2021-01-01</b>	<b>2,326</b>	<b>43,704</b>	<b>220,058</b>	<b>-125,677</b>	<b>-14,258</b>	<b>126,153</b>
Change in fund for development costs		10,610		-10,610		0
New share issue	1,121		125,442			126,563
New issue costs			523,798			523,798
Subscription warrants			-723			-723
Transfer of previous year's result				-14,258	14,258	0
Result for the period					-8,964	-8,964
<b>Closing balance equity 2021-12-31</b>	<b>3,447</b>	<b>54,314</b>	<b>868,575</b>	<b>-150,545</b>	<b>-8,964</b>	<b>766,827</b>
<b>Opening balance equity 2022-01-01</b>	<b>3,447</b>	<b>54,314</b>	<b>868,575</b>	<b>-150,545</b>	<b>-8,964</b>	<b>766,827</b>
Change in fund for development costs		2,891		-2,891		0
New share issue						0
Non-cash issue			-400			-400
Subscription warrants				342		342
Transfer of previous years's result				-8,964	8,964	0
Result for the period					-38,994	-38,994
<b>Closing balance equity 2022-12-31</b>	<b>3,447</b>	<b>57,205</b>	<b>868,175</b>	<b>-162,058</b>	<b>-38,994</b>	<b>727,775</b>

The share capital consists of 38,302,328 shares, each with a quota value of SEK 0.09.

<b>THE PARENT COMPANY'S CASH FLOW STATEMENT (kSEK)</b>	<b>October - december 2022</b>	<b>October - december 2021</b>	<b>January - december 2022</b>	<b>January - december 2021</b>
Cash flow from operating activities before change in working capital	-19,125	-2,404	-29,234	-4,319
Cash flow from operating activities	-9,571	-16,206	-68,894	-30,496
Cash flow from investing activities	-1,921	-80,123	-12,157	-92,497
Cash flow from financing activities	15,000	-1,024	18,770	123,791
	0	0	0	0
Cash flow for the period	3,509	-97,354	-52,412	798
Cash and cash equivalents at the beginning of the period	9,285	162,559	65,205	64,408
Exchange rate difference in cash equivalents	0	0	121	0
Cash and cash equivalents at the end of the period	12,794	65,205	12,915	65,205

# 05

## Sustainability



## Irisity Sustainability – Smart @ Heart

We create safe cities, safe working environments – protecting assets and people by delivering sustainable solutions through products, services and operations.

We cultivate a corporate culture based on freedom and responsibility, a positive people culture with fairness and equality and gender balance .

We want to inspire and drive change, with the ambition to enable the security industry and society to change making the most out of intelligent technology.

Technology in service of mankind, enabling ethical use of advanced video analytics solutions, making the most out of intelligent technology, while preserving integrity, equality and freedom.



# 06

## DEFINITIONS

## OPERATING RESULTS

Profit or loss before financial items.

## OPERATING MARGIN (PERCENT)

Operating result divided by net turnover (since the operating margin is calculated in accordance with the definition of net turnover in the Annual Accounts Act, work performed for own account is not included in the margin calculation).

## SOLIDITY (PERCENT)

Adjusted equity capital in relation to the balance sheet total, expressed in percent.

## BALANCE SHEET TOTAL

The total of assets or the total of debts and equity.

## NET DEBT

Interest-bearing liabilities less interest-bearing assets and liquid assets.

## NUMBER OF SHARES

The number of outstanding shares at the end of the period.

## RESULT PER SHARE (SEK)

The result after taxes for the period divided by the number of shares.

## THE OBJECT

The object refers to the physical location where a client has installed Irisity's surveillance solution. A municipality may for instance use the system in a number of schools. Each school would then be considered a separate object.

## MRR

Monthly recurring revenue.

## R&D

Research and Development.

## PAYMENT MODEL

Depending on their needs, the company's customers can choose between the following payment models :

- Licensing – the customer pays a continuous fee for the service
- One-time purchase – the customer purchases a version of a specific algorithm of the software, or a licence
- Support subscription – the customer pays a continuous support fee in respect of the service connected to the licenses.



# 07

## FINANCIAL CALENDAR





### Publication dates for interim reports

- 2023-03-17 Annual report
- 2023-04-17 Annual General Meeting
- 2023-05-12 Interim report 1
- 2023-08-11 Interim report 2
- 2023-11-14 Interim report 3

### Certified adviser for the company :

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Stockholm, Sweden

**E-mail:** [certifiedadviser@penser.se](mailto:certifiedadviser@penser.se)

This information is information that Irisity AB is obliged to make public pursuant to the EU Market Abuse Regulation and the Securities Markets Act. The information was submitted for publication, through the agency of the contact person set out above, at 08:00 CET on February 24, 2023.





## IRISITY AB (publ)

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