

# Zwipe AS

## H1 2022 results

24 August 2022



### Presenters:

Robert Puskaric (President and CEO)

Danielle Glenn (CFO and Head of IR)



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# Agenda

- Introduction and highlights
- Zwipe in brief
- Operational review
- Financial review
- The way forward – goals and strategic priorities
- Q&A



# H1 2022: Key Highlights

**109.7 mNOK**

Cash on hand 30 June 2022 from 94.7 mNOK 30 June 2021

**-47.7 mNOK**

Net income in H1 2022, loss 13.9m higher vs. H1 2021 (adjusted).

**-8.1 mNOK**

Underlying average monthly operating cash flow from -5.3 mNOK in H1 2021

**+ 13**

Increase in headcount across R&D, product, operations, quality, sales and customer support

## Visa certification

Visa certifies Zwipe BPC platform and three major SCM customers receive Visa Letters of Approval for their cards built on the Zwipe Pay platform

## Zwipe Pay

Seven new issuer pilots and three significant new agreements with card manufacturing and personalization solutions providers

## Zwipe Access

One of two solutions selected for Fraport AG pilot of next generation access control, successfully integrated with LEGIC and HID access control solutions

## Management

Robert Puskaric hired as new CEO, Patrice Meilland as new Chief Strategy and Product Officer, Danielle Glenn as new CFO



# Zwipe in brief

# Two unique businesses built upon the same core technology platform

## TECHNOLOGY

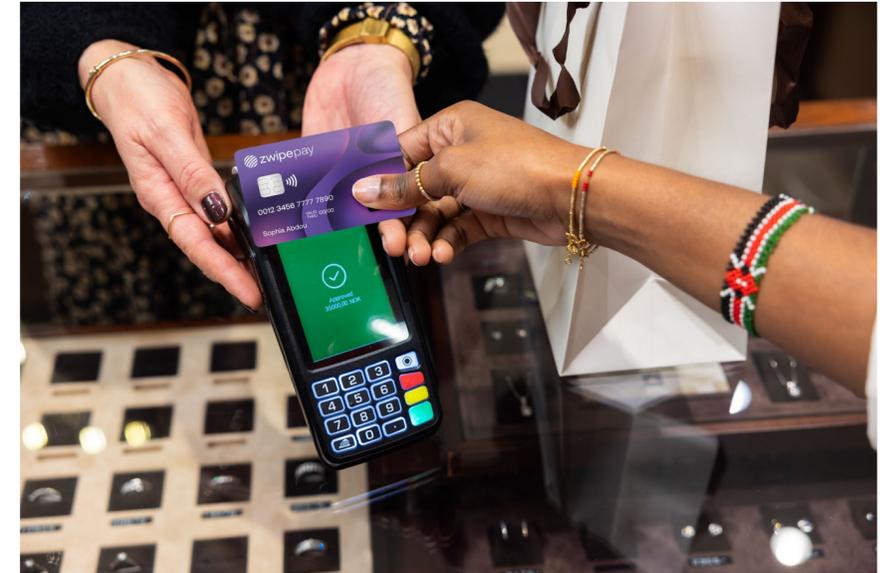
Complete biometric system on card comprising hardware, software, power harvesting and management systems, biometric algorithms, manufacturing, and packaging methods. The applets deployed are the only difference between Zwipe Pay and Zwipe Access.

## ZWIPE PAY

Biometric Payment Cards (BPCs)

## ZWIPE ACCESS

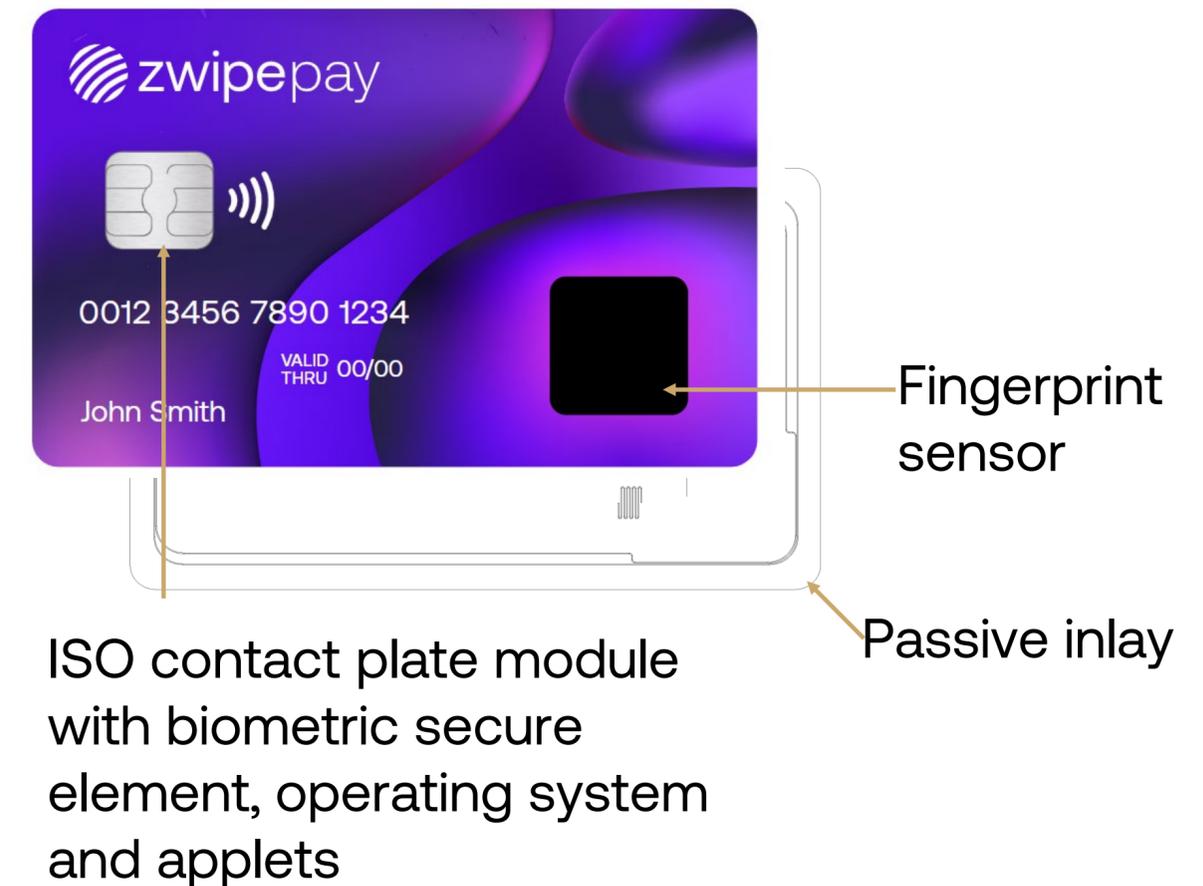
Biometric Access Control Solution



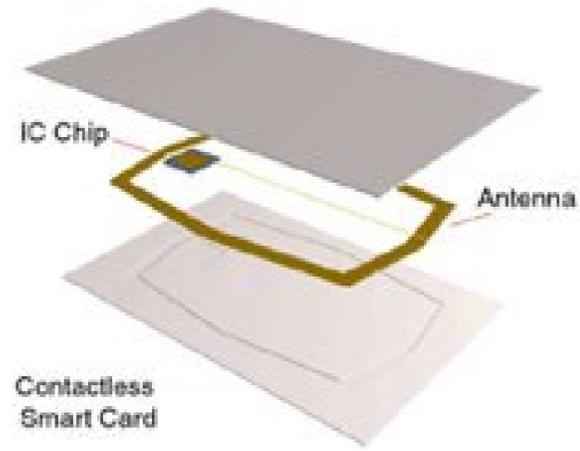
# Zwipe Technology

The single silicon platform used in Zwipe Pay and Zwipe Access cards represents the highest level of component integration and most future-proof design that is certified and available in the market today – delivering a secure, fast and intuitive authentication experience for users of biometric cards.

	Zwipe
<b>Longer read range at terminal</b> Much better user experience	✓
<b>Competitive unit cost</b> Optimized manufacturing process	✓
<b>Excellent biometric performance</b> Large sensor with great accuracy	✓
<b>Mobile app enrollment</b> First of its kind for full digital onboarding	✓
<b>Zwipe Experience</b> End-to-end pilot support for issuers and partners	✓



# Zwipe Pay: solutions and value-added services across the payments value chain to accelerate the adoption of BPCs



## Smart card manufacturers

- Complete biometric payments package comprising fingerprint sensors, ISO contact plate module, passive inlay, biometric-aware applets and OS license
- Technical support
- GTM / issuer engagement and support

## Card personalization bureaus

- Pre-personalization and personalization implementation guidelines
- Technical support
- GTM / issuer engagement and support

## Payment processors

- Technical guidance on issuing backend changes needed to process biometric payment transactions
- Support communication with schemes
- GTM / issuer engagement and support

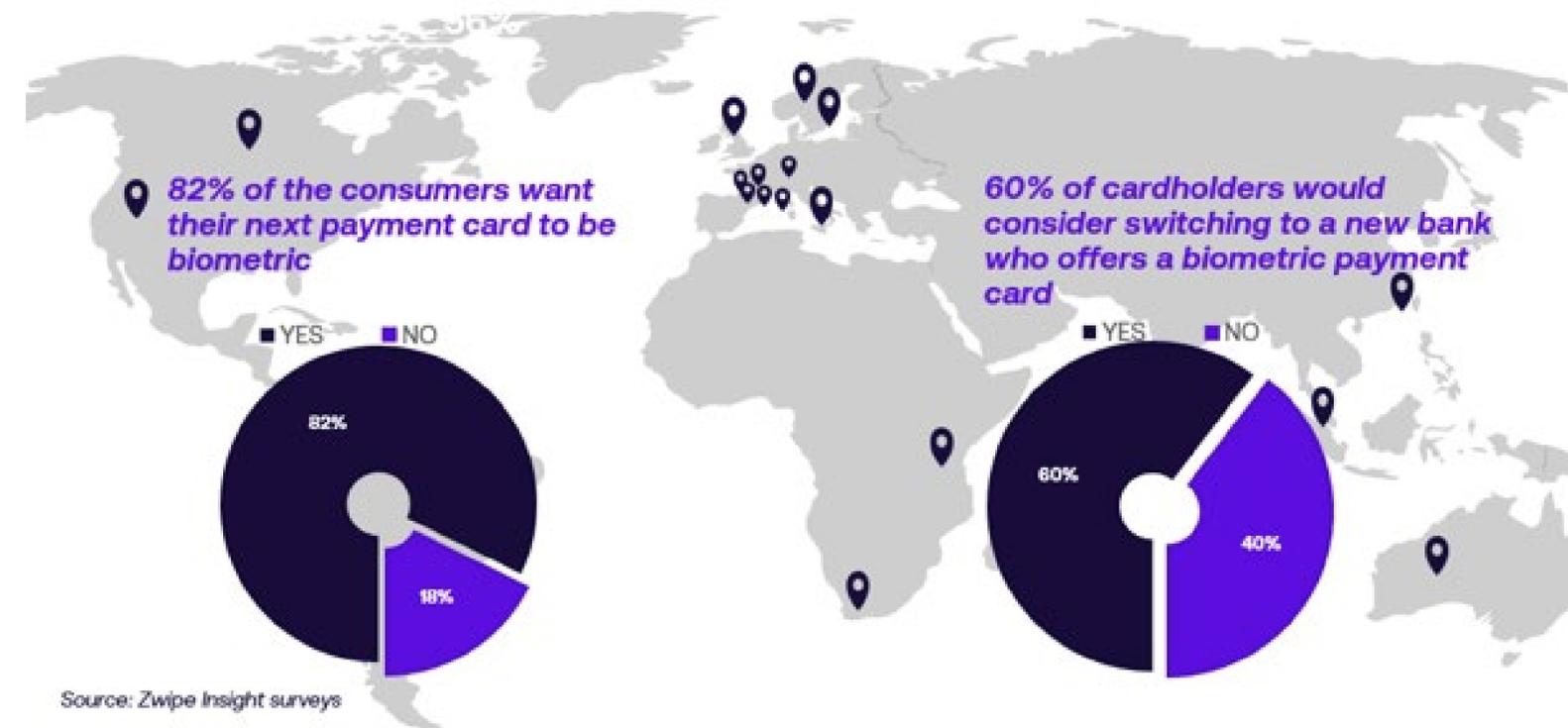
## Issuers

- Ensure user-centric launches
- ROI calculator for issuers
- Consumer insights
- End-to-end technical advisory
- CX capture & assessment
- Campaign support

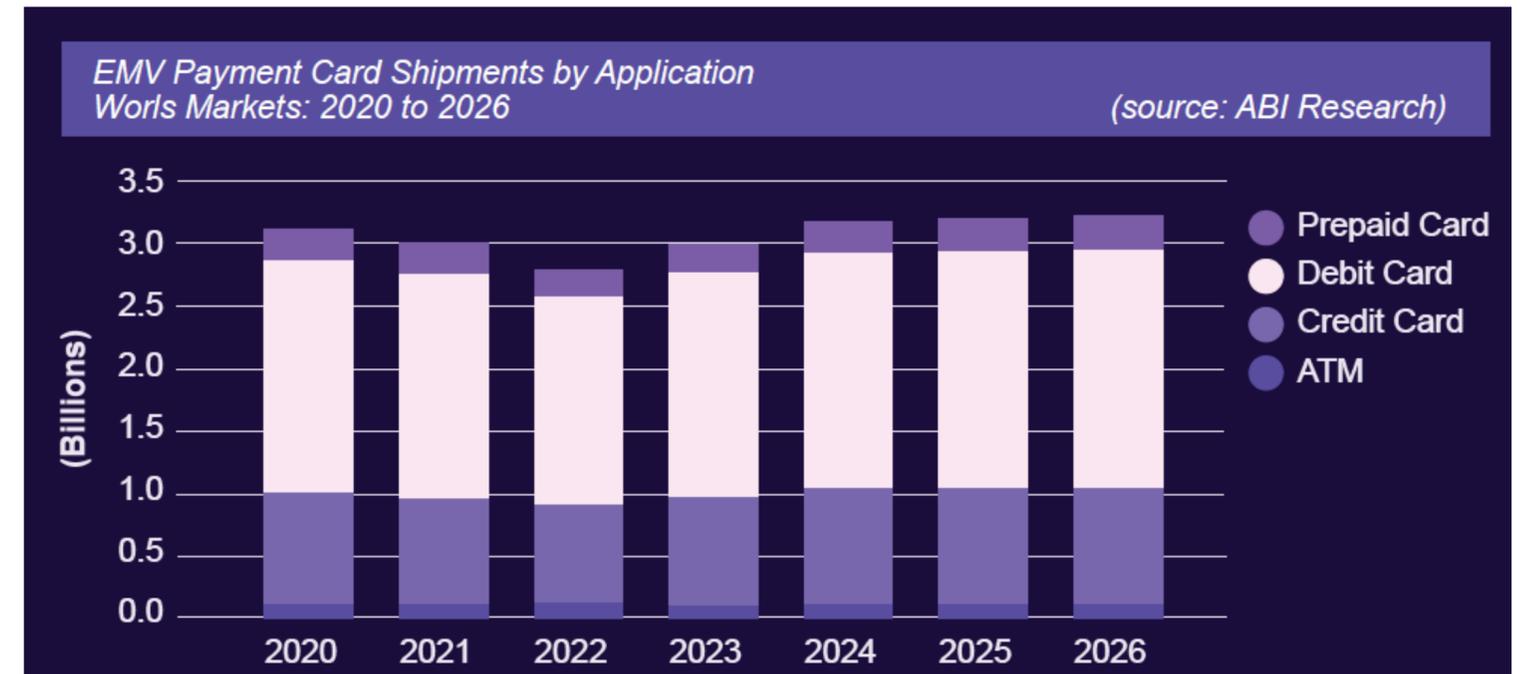
Zwipe solutions across the payments value chain



# Strong consumer demand in an addressable market expected to be large, even if market takeoff is later than expected



Zwipe has surveyed over 3200 cardholders across 17 countries within the past year to measure consumers' interest in BPCs.



Market takeoff has undeniably been slower than expected with ABI Research forecasting BPC card volumes at 1.9-11.7 million units in 2023.

However, BPCs are still expected to account for 15-20% of total EMV shipments by 2026-2030 according to third party research from UBS, Goode Intelligence, Edgar, Dunn and Company and others.

# Zwipe Access: wide range of uses in security sensitive segments

Fully validated and compatible with market-leading access control systems – reducing time to and cost of deployment for customers as there is no need to upgrade existing infrastructure.

**HID Global** (an ASSA ABLOY Group company): Zwipe Access cards are fully validated for integration into access control installations based on HID technology, used by millions of people in more than 100 countries.

**LEGIC:** Zwipe's cards add a new layer of security to the huge installed base of LEGIC card-based access control systems globally.



# Zwipe Access is a low cost, short time-to-market proposition



## Data protection (GDPR)

Fingerprint is securely stored in the card, not in the background system



## Ease of use

Enrolment and control requires no special skills or complex training



## Seamless security

Lost or stolen cards are useless, lending out is impossible. Proof of presence generated



## Multi Factor Authentication

Two different verification methods in one solution. No need for any additional biometric device.



## Advanced & reliable technology

Complete system on a card with full scalability, **battery-less** and ready for high volume applications



## Convenient & hygienic

Touchless interaction with standard card reader



## Fast & user friendly

Up to six times faster than today's biometric access control applications



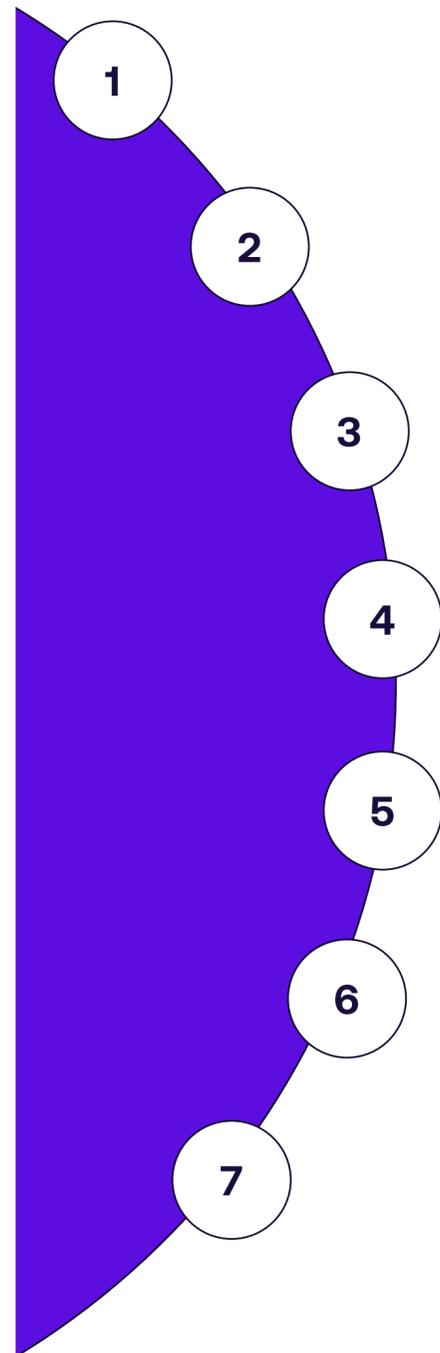
## Cost efficient & easy to integrate

Ready to use, no need to upgrade or replace existing system / infrastructure.



Global card-based access control market is expected to reach \$3.2 billion by 2027, up from \$2.1 billion in 2020, (CAGR of 6%)<sup>1</sup>

# Zwipe's value proposition



Zwipe Pay is an innovative and **complete turnkey solution for Biometric Payment Cards** (BPCs) – providing consumers increased safety, security, privacy and convenience in contactless payments.

**Significant global addressable market** with BPCs estimated at 15-20% of approximately 3.5 billion total EMV card shipments expected by 2030.

Zwipe Access is a **Biometric Access Control solution** for security sensitive segments, a rapidly growing area driven by enterprise needs for higher security and better data privacy compliance.

The **same core technology comprising “biometric system on card” underpins both businesses**, with Zwipe offering superior energy efficiency and biometric performance at highly competitive cost levels.

**Value-added services** end-to-end across the payments and access control system value chains.

**Broad go-to-market strategy** targeting both smart card manufacturers (SCMs) and their customers such as banks and enterprises, leveraging a fast-growing partner and solutions provider network.

**Strong management team** with extensive experience within the fields of biometrics, smart cards, payments, access control, R&D, finance and sales.



# Operational review

# Zwipe Pay: an “execution first” approach

## Smart Card Manufacturers

- BCC, TAG Systems and Inkript obtained Visa LoAs for their BPCs built on the Zwipe Pay platform.
- Signed Placard, the largest payment card manufacturer in Australia and New Zealand, delivering more than 100 million cards annually.
- Focus is supporting our customers (SCMs) to deliver certified Zwipe Pay BPCs in high volumes.

## Partners

- Expanded Zwipe Pay’s global delivery capabilities by onboarding two major GTM partners:
- Wisecard - one of the world’s largest suppliers of turnkey personalization solutions, serves more than 150 issuers and 50 card personalization bureaus in 60 countries.
  - Modularsoft, one of Malaysia’s largest card personalization bureaus delivers smart card and payment solutions to banks, fintechs, healthcare and telecom customers.

## Issuers

- Signed seven new issuers in Europe, Middle East, Africa and India.
- First major announced pilot: user feedback from field tests being evaluated and next steps to be determined in H2.
- Global Tier-1 bank and partners: have delivered majority of milestones and preparing to launch pilot in 3 European markets.
- MEPS pilot expected to commence soon.
- 7 pilots progressing according to plan and the remainder delayed, although customers and partners remain committed.

## Technical progress

- Completed certification progress with Visa and obtained the Visa Letter of Approval (LoA) in March.
- Further testing completed with third party labs to ease additional payment scheme certifications.
- Started first volume shipments of Zwipe Pay components to SCMs.
- Progress with mobile enrollment solutions as well as sleeves and envelopes.

# Zwipe Access: strong market traction in security sensitive segments

- Selected by Fraport AG as one of two providers for a biometric access control pilot at Frankfurt Airport. Pilot successfully completed and Zwipe shortlisted as potential provider of solutions when Fraport moves to implement next generation access control.
- Increasing interest for biometric access cards at data centers with successful technical demo at a customer pilot project in Latin America.
- Integrated Legic applet and made our biometric card ready for the Legic access solution – major milestone in Zwipe Access product development.
- Growing number of requests for Zwipe Access solutions in security sensitive segments – such as transportation hubs, data centers and healthcare – as part of increasing demand for stronger data privacy compliance and higher security.



# Changes in management team



**Robert Puskaric**  
CEO and President

Mr. Puskaric has a long successful career mainly from the Ericsson group where positions held include President, Region Northern Europe and Central Asia, President, Ericsson Mobile Platforms, Senior Vice President, Business Unit Modems, and Executive Vice President, ST-Ericsson. He has also been President and CEO of Doro AB and President of Eniro AB. He holds a Bachelor's degree in Economics and Management (Civilekonom) from Lund University, Sweden.



**Danielle Glenn**  
CFO and Head of IR

Ms. Glenn was previously CFO of Arctic Bioscience AS. Prior to joining Arctic Bioscience, Ms. Glenn worked in several management roles with start-up and scale-up companies in Norway upon moving to Oslo in 2016. She spent the majority of her career in London and New York, working at Goldman Sachs, Caxton Associates and Bywater Capital as a global macro hedge fund manager and Chief Investment Officer. Ms. Glenn graduated magna cum laude from Harvard University.



**Patrice Meilland**  
Chief Strategy and Product Officer

Mr. Meilland brings substantial industry expertise, joining from his position of SVP of Advanced Cards at Idemia, where he was responsible for Idemia's biometric cards roadmap, including the BioSE project, as well as product lines such as eco-friendly cards, dynamic CVV cards, transport and urban mobility cards. His extensive business and technical experience in the semiconductor, mobile, and payment card industries include 7 years at Idemia and 26 years at STMicroelectronics and ST-Ericsson.

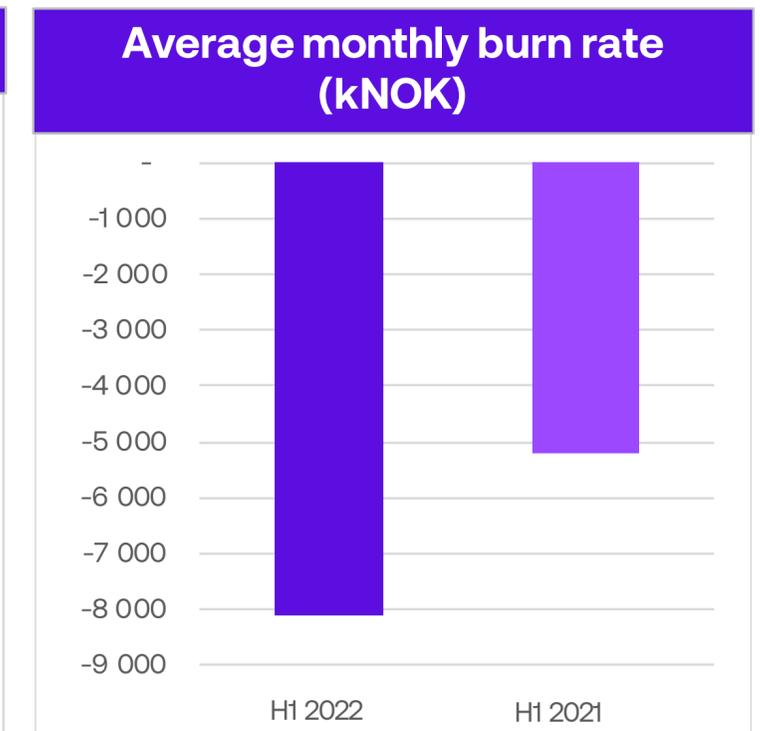
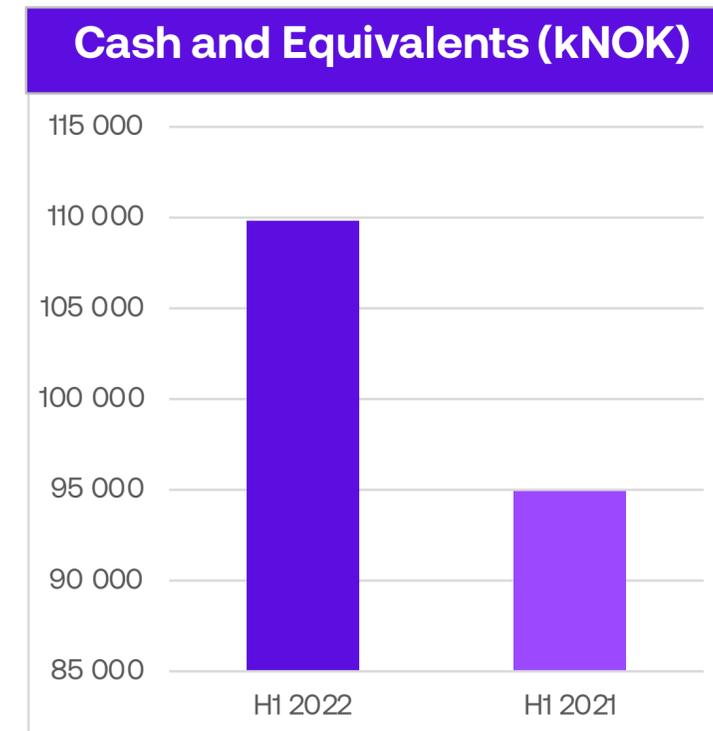
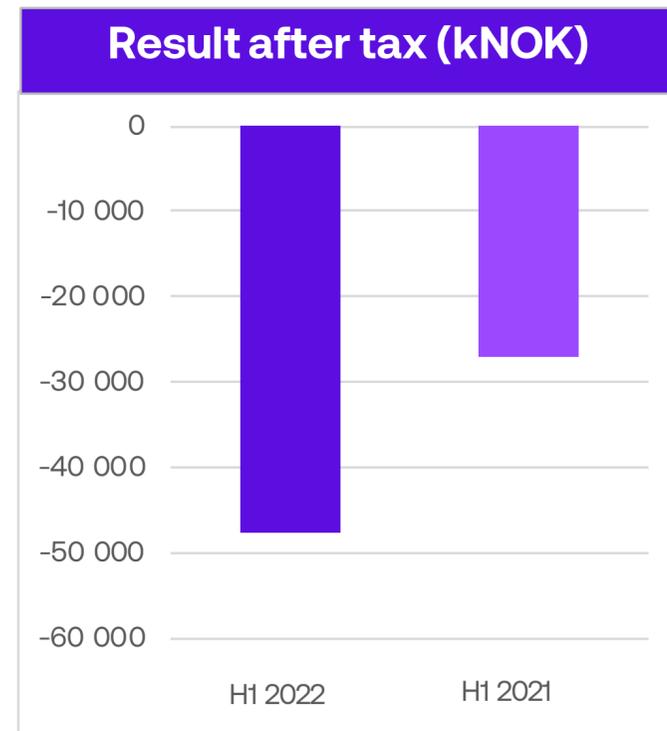
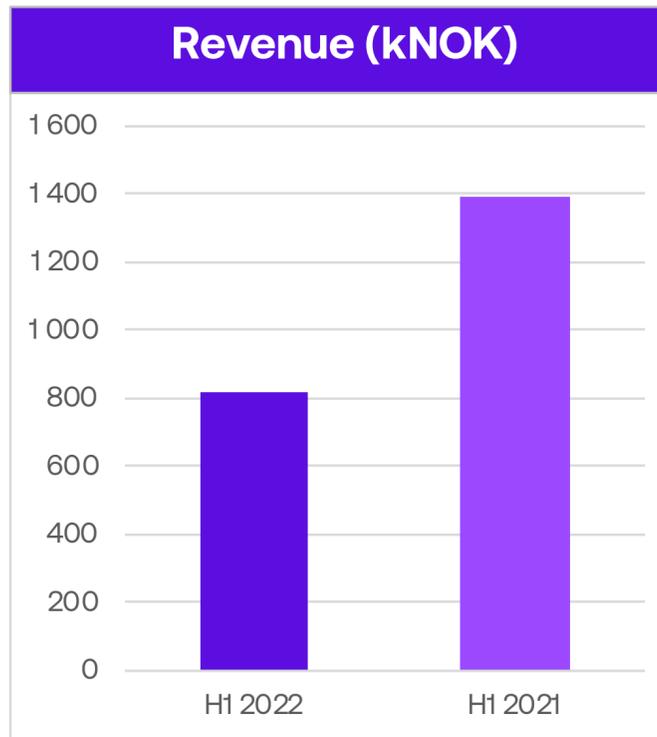
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The three new members of the management team are expected to strengthen leadership, bring industry expertise and position Zwipe well for the future



# Financial review

# Financial development in key metrics H1 2022 versus H1 2021



Actual figures	H1 2022	H1 2021	FY 2021
<b>Total revenue</b>	<b>815</b>	<b>1,393</b>	<b>2,541</b>
Cost of sales	734	427	855
<b>Gross profit</b>	<b>81</b>	<b>966</b>	<b>1,686</b>
Personnel	25,905	8,804	27,747
Sales & marketing	1,745	594	1,878
Other opex	19,566	16,985	55,058
Depreciation	484	1,198	8,393
<b>Operating profit</b>	<b>-47,619</b>	<b>-26,615</b>	<b>-82,997</b>
<b>EBITDA</b>	<b>-47,135</b>	<b>-25,417</b>	<b>-74,603</b>

Adjusted figures	H1 2022	H1 2021	FY 2021
<b>Total revenue</b>	<b>815</b>	<b>1,393</b>	<b>2,541</b>
Cost of sales	734	427	855
<b>Gross profit</b>	<b>81</b>	<b>966</b>	<b>1,686</b>
Gross margin %	10%	69%	66%
Personnel	25,905	16,804	27,747
Sales & marketing	1,745	594	1,878
Other opex	19,566	16,085	55,058
Depreciation	484	1,198	8,393
<b>Operating profit</b>	<b>-47,619</b>	<b>-33,715</b>	<b>-82,997</b>
<b>EBITDA</b>	<b>-47,135</b>	<b>-25,417</b>	<b>-74,603</b>

## Income

Revenue of 0.8mNOK in H1 2022 versus 1.4 mNOK in H1 2021.

Total operating expenses increased by 28.4 mNOK to 48.4 mNOK.

On a directly comparable basis, total operating expenses increased by 13.3mNOK in H1 2022 vs H1 2021.

- Personnel expenses increased by 9.1m NOK, with 5.5 mNOK owing to one-off costs related to former executives leaving the company and the remainder by a small negative stock option cost and an increase in headcount of 13 people.
- Sales & marketing costs increased by 1.2 mNOK to 1.7 mNOK.
- Other opex increased by 3.5m to 19.6 mNOK owing primarily due to increased travel and recruitment fees.

Operating profit was -47.6 mNOK in H1 2022 versus -26.6 in H1 2021 and -33.7 mNOK on an adjusted basis in H1 2021.



	H1 2022	H1 2021	FY 2021
Net cash flow from operating activities	-47,592	-30,145	-76,693
Net cash flow from investing activities	-968	-1,089	-1,712
Net cash from financing activities	5,045	800	105,245
Foreign currency translation	888	39	249
<b>Net cash flow</b>	<b>-42,627</b>	<b>-30,395</b>	<b>27,090</b>
<b>Cash and cash equivalents end of period</b>	<b>109,719</b>	<b>94,860</b>	<b>152,346</b>

## Cash Flow

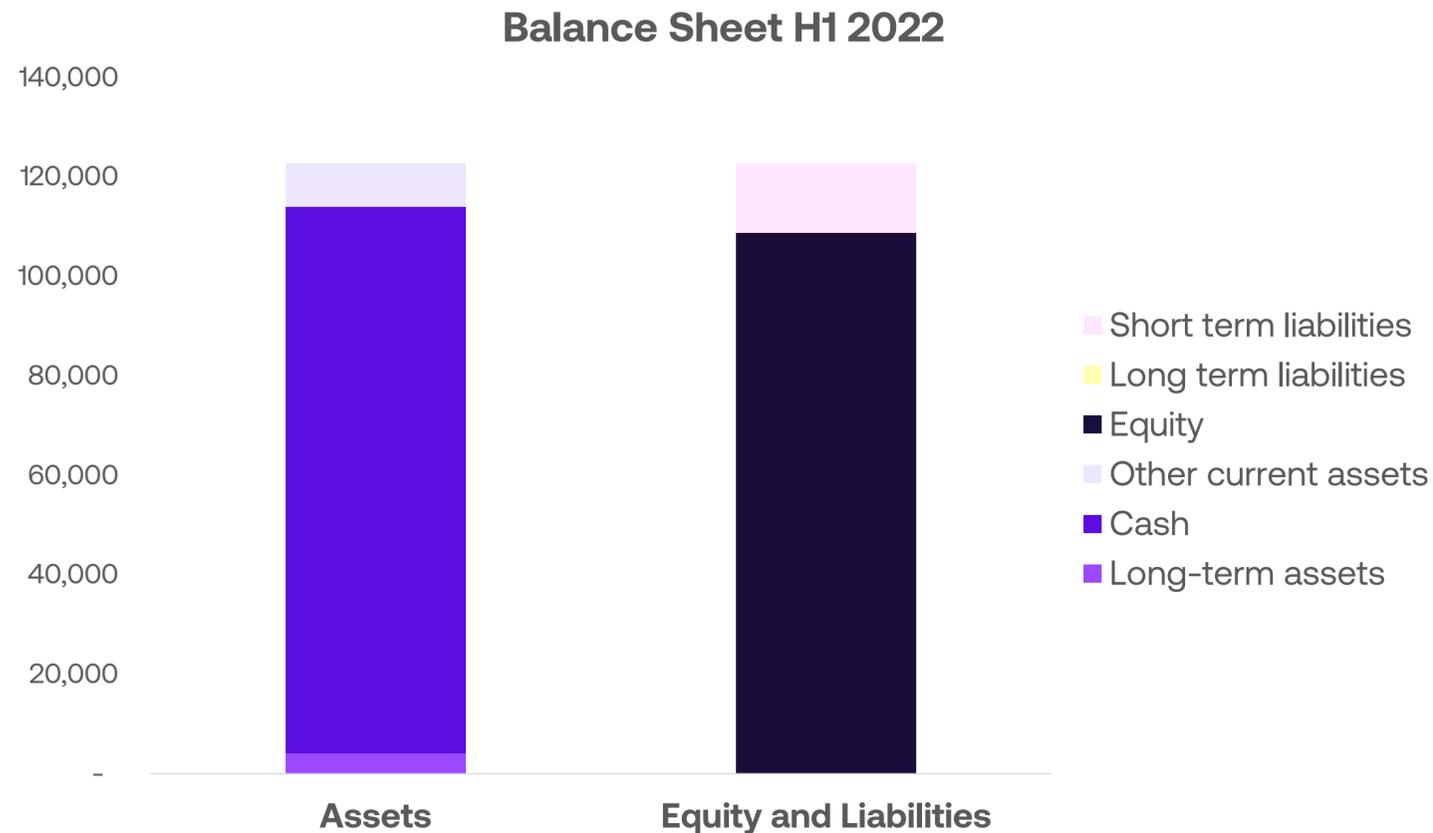
Cash flow from operating activities -47.6 mNOK driven by negative operating result.

Positive cash flow from financing activities primarily due to equity issue of 4.9 mNOK related to stock option exercises.

Net cash flow during H1 2022 of -42.7 mNOK compared to -30.4 mNOK in H1 2021.

Improved cash position at the of H1 2022 of 109.7 mNOK up from 94.9 mNOK in H1 2021.

# Balance sheet



**Total assets 122.6 mNOK, down from 163.4 mNOK at end 2021.**

- Fixed assets of 4.2 mNOK mainly comprised of 3.8 mNOK in equipment and 0.4 mNOK in other financial receivables.
- Current assets of 118.4 mNOK mainly comprised of 109.7 mNOK in cash as well as 4.3 mNOK in inventory and 4.4 mNOK in receivables.

**Total equity of 108.8 mNOK, down from 148.6 mNOK at end 2021.**

- Decrease primarily due to negative net income in the period of 47.7 mNOK and a capital raise of 4.9 mNOK linked to stock option exercises.

**Total liabilities of 13.8 mNOK, down from 14.9 mNOK at end 2021.**

- Comprised entirely of short-term liabilities.
- Other short-term liabilities of 9.2 mNOK composed mainly of accruals totaling 7.9m (5.5 mNOK related to former executives leaving the company).

**Equity ratio of 89%.**



# The way forward

# Goals and priorities in the near and medium term

## Zwipe Pay

- Speed up the execution of issuer pilots and launches.
- Support our SCM customers in attaining certification and scaling up manufacturing of BPCs.
- Expand customer and issuer pipeline.
- Establish a dedicated customer project management function.

## Zwipe Access

- Accelerate commercialization of biometric access card solutions.
- Grow customer pipeline in segments where we already have traction – transportation and data centers.
- Define strategy for expansion into other security sensitive segments.

## Financials

- Net monthly burn rate not to increase substantially in H2 vs H1 2022.
- Continue to invest intelligently in our people and technology by making critical hires in H2 2022.
- Zwipe Access to contribute a significantly larger part of revenue than previously assumed.



# Q&A