

ZU TEC



Quarterly Report July – September 2019

Significant Events

- Revenue for the quarter to 30 September 2019 has increased to SEK 7.2m, a 7% increase compared with the prior quarter (Q4 18/19 SEK6.7m). There was an increase of 21% in revenues compared with the same quarter in 2018 (SEK5.9m).
- EBITDA for the quarter to 30 September 2019 has increased to SEK -3.7m, a 54% increase compared with the prior quarter (Q4 18/19 SEK -8.12m). There was a decrease of 117% in EBITDA compared with the same quarter in 2018 (SEK -1.72m).
- Zutec secured a €1m loan credit facility with Athanase Industrial Partners, a current shareholder, which we will present for the approval of all shareholders at our AGM in November.
- Brendan O' Riordan resigned as CEO of the Group, effective from 11 September 2019, to pursue other career opportunities.
- Clíona Farrelly, the Group's CFO, was appointed to serve as interim CEO effective from 11 September 2019.
- Appointment of a Head of Sales to drive performance and improve accountability in our sales team.
- Appointment of a Head of Product Delivery and Customer Satisfaction to ensure the quality of our product as its delivery to our customers is central to our growth and success.

Key Figures, SEK

000 SEK	Q1 19/20 Jul - Sep'19	Q4 18/19 Apr - Jun'19	Q1 18/19 Jul- Sept '18
Revenue	7,200	6,724	5,931
Gross profit	6,172	6,025	5,072
Gross profit margin	86%	90%	86%
EBIDTA	(3,733)	(8,120)	(1,719)
EBIDTA margin	(52%)	(121%)	(29%)
Net (Loss)/income	(5,423)	(9,561)	(2,682)
Net (Loss)/income margin	(75%)	(142%)	(45%)
Cash	10,352	15,075	38,936
Earnings per share	(0.75)	(1.35)	(0.35)

1st Quarter July – September 2019

- Revenue for the quarter to 30 September 2019 has increased to SEK 7.2m, a 7% increase compared with the prior quarter (SEK6.7m). There was an increase of 21% in revenues compared with the same quarter in 2018 (SEK5.9m).
- EBITDA for the quarter to 30 September 2019 has increased to SEK -3.7m, a 54% increase compared with the prior quarter (SEK -8.12m). There was a decrease of 117% in EBITDA compared with the same quarter in 2018 (SEK -1.72m).
- Net loss for the quarter to 30 September 2019 has decreased to SEK -5.4m, a 43% decrease compared with the prior quarter (SEK -9.56m). There was an increase of 102% in Net loss compared with the same quarter in 2018 (SEK2.68m).
- Earnings per share for the quarter to 30 September 2019 has increased to SEK -0.75, a 44% increase compared with the prior quarter (SEK -1.35). There was a decrease of 114% in EPS compared with the same quarter in 2018 (SEK 0.35).



Message from Our CEO

Dear Shareholder

The quarter to September 2019 continues to be a challenging one with modest growth in gross revenue of 7% on the prior quarter and an increase of 21% on the comparative period in 2018.

We are undergoing a significant level of change across the business with the aim of building a robust platform to better service our customers across the entire construction life cycle. Our journey towards a simpler way of serving customers is just the start. As outlined in the annual report, we are changing how we operate internally and will continue in our aim to reduce costs, simplify the group and implement operational efficiencies. The effect of these changes will take time to become evident in our reporting results. Although not material in value, we have recently secured our first contract in Sweden where we have been selected as the digital solution on a data centre in the north of the country.

We have continued to invest significantly in both R&D and product development to ensure that we are meeting and exceeding our customer expectations. Face to face interaction with our customers at the recent Digital Construction Week exhibition in London and internal customer surveys that we have conducted reflect very positively on their satisfaction with the quality of our product. We will continue to ensure that we are best in class by staying close to market and our clients' needs.

The Qatar debt continues to weigh heavily on our cash position. Given that it is commercially sensitive to make any comments on this platform which may impinge on the collection of what is rightfully ours, be assured that we are continuing to pursue Salam Technology through the normal and other channels for the recovery of the full amount of our outstanding debt.

As previously mentioned, in September 2019, we secured a €1m loan backup credit facility with Athanase Industrial Partners, a current shareholder, which we will present for the approval of shareholders at our AGM in November.

We are committed to moving forward in a way that strengthens our culture, the customer experience and growing our underlying revenue. We are shaping our company to best suit the changing needs of the construction industry. We are in a transformative phase within the business that will take some time to work through but our leadership team and I are confident and excited about what lies ahead for Zutec.

Clíona Farrelly



Management Report

About the Report

This report covers the period from 1 July 2019 to 30 September 2019.

Revenue

Revenue for the three months to 30 September 2019 has increased by 7% to SEK 7.2m (Q4 18/19 SEK 6.7m). Revenue in the UK in the three months to 30 September 2019 experienced strong growth and increased by 60% to SEK 4.6m (Q4 18/19 SEK 2.87m). Revenue in Ireland experienced a modest increase of 5% to SEK531k (Q4 18/19 SEK 503k) in the three months to September 2019 while Australia recorded a drop in sales in the quarter by 39%. As previously reported, the conclusion of phase one of a project in Qatar in Q1 18/19 has had a significant effect on revenue from the Middle East, and it continues to decline in this region. We have refocused our efforts internally to increase sales in Ireland, the UK and Australian markets to counteract the decline in the Middle East.

Revenue by Geographical Region	Q1 19/20	Q4 18/19	YTD 19/20	YTD 18/19	*FY 19/20
	Jul - Sep'19	Apr- Jun'19	Jul - Sep'19	Jul- Sept '18	Jul-Jun '19
UK	4,610	2,872	4,610	3,247	11,379
Ireland	531	503	531	540	1,853
Middle East	817	1,634	817	1,211	3,638
Australia	890	1,469	890	649	4,446
ROW	-	78	-	40	147
	6,848	6,556	6,848	5,687	21,463
Other Income	352	168	352	244	1,052
Total Revenue	7,200	6,724	7,200	5,931	22,515

Cost

Operating Costs for the three months to 30 September 2019 decreased by 26% to SEK 10.9m (Q4 18/19 SEK 14.8m). Personnel costs in this year increased from SEK 5.67m in Q4 18/19 to SEK 7.4m for the 3 months to 30 September 2019. Other external costs have decreased by 61% in the 3 months to 30 September 2019 to SEK 3.5m (Q4 18/19 SEK 9.17m).

These decreases are in line with expectation. The Group has been implementing a policy of tighter cost controls in the three months to 30 September 2019. In addition to the tighter cost controls, a provision was included within Q4 18/19 costs for the previously referred to Qatar debt, which increased costs significantly in that quarter.

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 (Ireland) Limited which in turn owns 100% of Zutec Inc (UK) Limited, 100% of Zutec Asia Limited (Hong Kong) and 56% of Zutec Australia (pty).

About Zutec

Zutec develops and markets data and project management software for the construction and property sector.

The Group's operations are conducted in Ireland with subsidiaries in the UK, Australia and Hong Kong.



The Parent Company is a limited liability company based in Stockholm, Stockholm municipality, and is registered in Sweden with corporate identity number 559136-0317. The address of the head office is Zutech 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.

Financials

Group Income Statement

	Q1 19/20 Jul-Sep'19 SEK 000	Q4 18/19 Apr-Jun'19 SEK 000	YTD 19/20 Jul-Sep'19 SEK 000	YTD 18/19 Jul-Sep '18 SEK 000	*FY 19/20 Jul-Jun '19 SEK 000
Operating Income					
Net sales	6,848	6,557	6,848	5,686	21,463
Other income	352	167	352	245	1,052
Gross income	7,200	6,724	7,200	5,931	22,515
Operating expenses					
Other external costs	3,537	9,172	3,537	3,347	24,886
Personnel costs	7,396	5,671	7,396	4,302	21,646
Operating (loss)/profit before Depreciation and Amortisation EBIDTA	(3,733)	(8,120)	(3,733)	(1,718)	(24,017)
Depreciation and Amortisation of intangible & tangible assets	(1,576)	(1,584)	(1,576)	(965)	(5,057)
Operating Income	(5,309)	(9,704)	(5,309)	(2,683)	(29,074)
Interest income & similar credits	(114)	(74)	(114)	1	(71)
(Loss)/ Income after financial items	(5,423)	(9,778)	(5,423)	(2,682)	(29,145)
Income taxes	-	217	-	-	217
(Loss)/ Income for the period	(5,423)	(9,561)	(5,423)	(2,682)	(29,928)
Attributable to:					
Equity holders of the parent company	(5,324)	(9,565)	(5,324)	(2,488)	(28,628)
Non-controlling interests	(99)	4	(99)	(194)	(300)
Total	(5,423)	(9,561)	(5,423)	(2,682)	(28,928)
Earnings per share (parent company)					
SEK	(0.75)	(1.35)	(0.75)	(0.35)	(4.04)
Number of shares	7,083,333	7,083,333	7,083,333	7,083,333	7,083,333

* Audited



Group Cash Flow

	Q1 19/20 Jul - Sep'19 SEK 000	*FY 19/20 Jul-Jun '19 SEK 000
Operating Activities		
Operating loss for period	(5,309)	(29,074)
Adjustment for items not included in net cash	1,668	5,057
Currency adjustment	-	(211)
Paid taxes	-	882
Capital gains/losses on tangible fixed assets	-	205
Interest paid	(125)	(75)
Interest received	11	4
Cash flow from operating activities		
Movement in current receivables	(1,386)	189
Movement in current liabilities	575	(1,909)
Changes in other working capital	1,960	-
Cash flow from operating activities	(2,606)	(24,932)
Investing activities		
Investments in intangible assets	(1,693)	(6,576)
Investments in tangible assets	(27)	(768)
Cash flow from investing activities	(1,720)	(7,344)
Financing activities		
Repaid finance liabilities	(397)	-
Cash flow from financing activities	(397)	-
Cashflow for the period	(4,723)	(32,276)
Change in cash and cash equivalents		
Cash and cash equivalents, at the beginning of the year	15,075	47,320
Translation differences on cash and cash equivalents	-	31
Cash and cash equivalents, at the end of the year	10,352	15,075

* Audited



Group Balance Sheet

	30/09/2019	30/06/2019*
	SEK 000	SEK 000
ASSETS		
Non-current assets		
Intangible assets	11,474	10,859
Tangible assets	933	1,008
Other long-term receivables	6,747	304
Total non-current assets	19,154	12,171
Current assets		
Trade receivables	16,424	15,037
Other receivables	3,814	3,742
Prepaid costs & other income	1,480	1,401
Cash & cash equivalents	10,352	15,075
Total current assets	32,070	35,255
TOTAL ASSETS	51,225	47,426
EQUITY AND LIABILITIES		
Liabilities		
Trade payables	2,368	1,793
Other liabilities	19,302	10,389
Total current liabilities	21,670	12,182
Equity		
Equity	30,394	36,182
Non- controlling interest	(839)	(938)
Total equity	29,555	35,244
TOTAL EQUITY & LIABILITIES	51,225	47,426

* Audited

Group Statement of Equity

Statement of Changes in Equity						
	Share Capital	Other contributed capital	Translation Reserve	Retained Earnings	Minority Interests	Total Equity
Balance as at 30 June 2019	1,417	42,869	177	(8,281)	(938)	35,244
Movement in the period	-	-	(260)	(5,528)	99	(5,689)
Balance as at 30 September 2019	1,417	42,869	(83)	(13,809)	(839)	29,555



Significant Risks and Uncertainties

Operating in both Ireland and the UK simultaneously up to now has been a seamless operation, however, with Brexit looming and the possibility of Britain falling out of the E.U. without a deal, such a scenario presents obvious uncertainties and risks. Planning around Brexit for Zutec began in earnest with the formation of a separate UK trading entity. As such, we feel we are well prepared for a no-deal scenario.

There is further uncertainty in the international money markets. It has not been the policy of the company to engage in currency hedging, but this policy is reviewed on an ongoing basis.

Retention of key staff always presents exposure to any company and Zutec is no different. It is company policy to pay the going commercial rates and to nurture staff with regular training programmes in technology and management.

This quarterly statement 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.

This quarterly statement to 30 September 2019 has not been reviewed by an external auditor.

For additional information please contact:

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The company 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.)

