

Q4

Irisity AB (publ)

INTERIM REPORT

January – December 2020





IRISITY

The Group's summary of the period

1 October – 31 December 2020

- Net sales amounted to MSEK 10.4 (9.7).
- Work performed for own account amounted to MSEK 3.4 (3.5).
- Gross margin amounted to 56.1 percent (71.8).
- EBITDA amounted to MSEK -1.9 (-0.4).
- Loss after tax amounted to MSEK -5.4 (-3.5).
- Cash liquidity at the end of the period was MSEK 65.2 (39.8).
- SaaS income amounted to MSEK 9.4 (7.5).
- MRR at the end of the quarter amounted to MSEK 1.5 (1.2)
- The directed new issue that was carried out provided the Company with MSEK 47.3 in proceeds after issuance costs and 2.7 MSEK through the exercise of warrants to key individuals within the company.

1 January – 31 December 2020

- Net sales amounted to MSEK 36.8 (35.8)
- Work performed for own account amounted to MSEK 10.0 (15.9).
- Gross margin amounted to 59.8 percent (63.1).
- EBITDA amounted to MSEK -5.9 (-4.9).
- Loss after tax amounted to MSEK -19.6 (-17.7).
- SaaS income amounted to MSEK 32.2 (26.1).
- In connection with the registration of warrants issued to key individuals within the company on 19 October 2020, the number of shares increased by 214,500 to 23,377,851, and the share capital increased to kSEK 2,104.
- In connection with the issue registered on 04 November 2020, the number of shares increased by 2,463,053 to 25,840,904, and the share capital increased to kSEK 2,326.

Sales and results

Sales and results, Group (kSEK)	October - december 2020	October - december 2019	January - december 2020	January - december 2019
Net sales	10,353	9,720	36,767	35,760
Work performed for own account	3,402	3,474	10,004	15,930
Other operating income	236		2,741	
EBITDA	-1,880	-387	-5,944	-4,872
EBIT	-4,936	-2,989	-19,276	-16,682
Operating margin %	neg	neg	neg	neg
Result after financial items	-5,005	-3,120	-19,597	-17,295
Result for the period	-5,364	-3,523	-19,609	-17,671

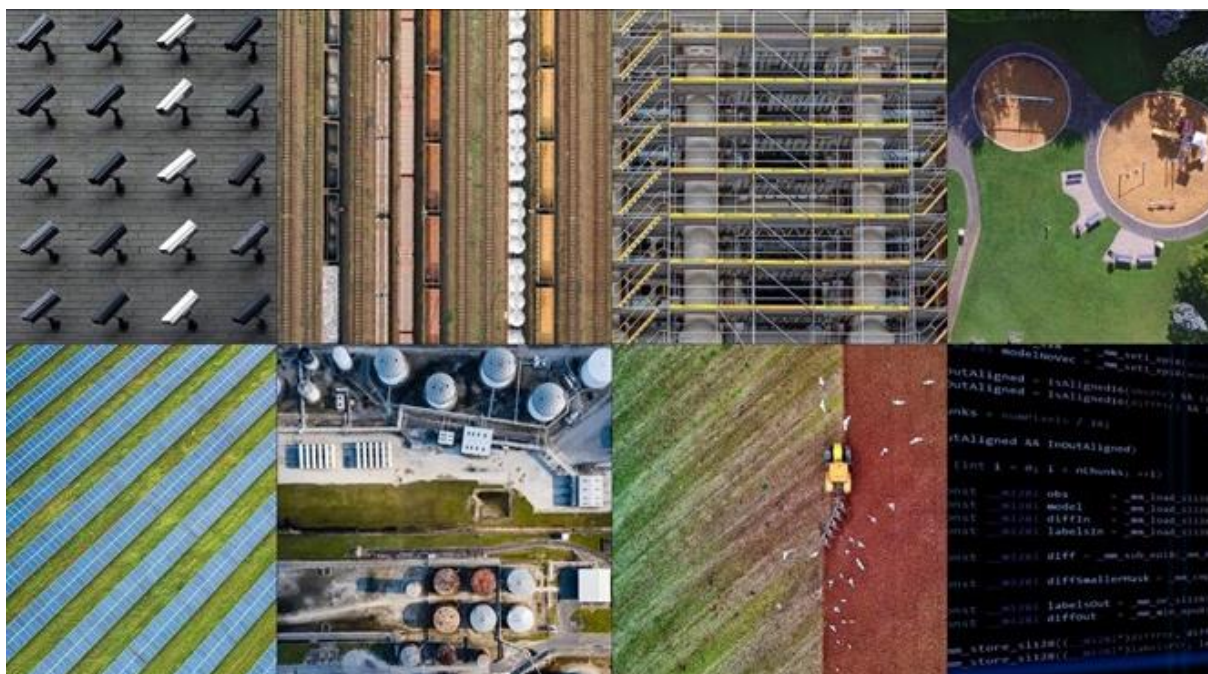
Irisity in brief

Irisity AB (publ) is a leader in intelligent camera surveillance. We are developing algorithms based on deep learning that can upgrade both new and existing surveillance cameras and security systems to proactive, intelligent units. IRIS™, our fully cloud-based SaaS solution, detects undesirable activity and behavior at long distances and with high precision.

IRIS™ is part of a wide range of security applications that protect assets for customers in the Nordic countries and internationally.

Products and services

IRIS™ is a complete cloud-based analysis platform with several state-of-the-art algorithms trained with deep learning to handle specific tasks.



A word from the CEO

The year ended strongly with increased net sales despite the pandemic, the monthly recurring income (MRR) increased 25% on a quarterly basis. Both EBITDA and net income as well as cash liquidity follow plan. During the period, the gross margin continued to be impacted by extensive piloting.

Irisity's international cooperation and partnership with the security group G4S is developing according to plan, where an increased roll-out pace is expected during spring. Pilot projects are being carried out with several other international security companies, including Prosegur (Spain) and GardaWorld (Canada). Our new cutting-edge algorithms also meet positive attention internationally where several major projects are quoted.

As previously communicated, we have entered into a partnership with Axis developing an embedded version of IRIS on Axis new powerful TPU (Tensor Processing Unit) based cameras. We are also collaborating with German Mobotix for embedded IRIS on their latest camera series with AI chip. Overall, we consider the market for fully autonomous cameras with built-in AI to be significant.

As regards the procurement by Stockholms Lokaltrafik (SL), which was won by Irisity but subsequently appealed, the Administrative Court's ruling is expected shortly.

The development of our new state-of-the-art algorithm for detection of falling and lying persons based on pose estimation is moving forward. We expect to launch it during the first quarter.

One of our base patents, "Issue handling system", has been granted in China.

During the period, a directed share issue of MSEK 50 before issuance costs was conducted to the tech funds TIN, Lannebo and Handelsbanken.



Gothenburg, 2021-02-12

A handwritten signature in blue ink, which appears to read 'M. Bäcklund'. The signature is stylized and fluid.

Marcus Bäcklund

Share and ownership

The ten major owners, 2020-12-31:

Shareholders	Number of shares	Ownership interest
Aktiebolaget Westergyllen	2,610,000	10,10%
Chalmers Innovation Seed Fund AB	2,454,634	9,50%
Försäkringsaktiebolaget Avanza Pension	2,352,965	9,10%
Tin ny teknik	1,477,832	5,70%
Runmarker, Ulf Lennart	930,000	3,60%
Stiftelsen Chalmers tekniska	762,062	3,00%
Handelsbanken Microcap Sverige	700,000	2,70%
Pixelwise Holding AB	696,895	2,70%
Stena Metall finans	672,272	2,60%
Nordnet pensionsförsäkring AB	518,642	2,00%
The ten major shareholders in total	13,175,291	51,00%
Others	12,665,613	49,00%
Totalt	25,840,904	100,00%

Number of shares

Irisity AB (publ) has 25,840,904 shares outstanding as of December 31, 2020. During the quarter, the share capital has increased by 2,677,553 through the exercise of warrants and directed share issue.

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, 2020, when 5,333 shareholders were registered.

Risk factors

The Company's key risks 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). 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

There are no active incentive schemes in the company as of December 31, 2020.

Disclosure of significant events after the end of the period

Irisity have entered into a partnership with Axis Communications where IRIS shall be integrated into Axis TPU cameras resulting in a unique deep learning capable AI camera.

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.

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 2019 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.



Financial overview

Net sales and result

The Group's net sales during the quarter amounted to MSEK 10.4 (9.7), and the work performed for own account amounted to MSEK 3.4 (3.5). Other operating income is attributable to support from The Swedish Agency for Economic and Regional Growth.

EBITDA amounted to MSEK -1.9 (-0.4) and the result after tax amounted to MSEK -5.4 (-3.5). Depreciation charges of MSEK -3.1 are for the most part related to goodwill arising on the acquisition of Visionists AB and to amortizations attributable to capitalized development work.

During the quarter, the Group has continued to make investments of MSEK 3.4 in software development. Meanwhile, geographical expansion and supportive sales efforts still impose significant costs for the Group. The development effort has focused on developing the next version of the system, new dedicated algorithms, development associated with specific pilot projects, and a rollout of licenses on the international market.

Investments and financial position

The Group's cash flow from operating activities before changes in working capital amounted to MSEK -1.8 (-0.6) during the quarter. The cash flow from operating activities was MSEK -3.9 (0.9).

During the same period, the cash flow from investing activities amounted to MSEK -3.4 (-3.5). For the year, this can mostly be attributed to investments in newly developed software. The previous year's investments were attributable to the acquisition of Visionists AB. From financing activities, the cash flow was MSEK 46.7 (31.3). The positive amount is attributable to proceeds of warrant exercise.

The cash flow for the period amounted to MSEK 39.3 (28.6).

The balance sheet total amounted to MSEK 137.9 (112.4) on December 31, 2020, with an 85.4 percent (77.7) solidity. The Group's net debt amounted to MSEK -62.1 (-33.6), thus a positive net debt. The Parent Company has an overdraft facility up to MSEK 10 in total, which on the balance sheet date remained unused.

Staff and organization

At the end of the period, the company had 42 (32) full-time equivalent employees, 6 (5) of whom were women.

THE GROUP'S INCOME STATEMENT (kSEK)	October - december 2020	October - december 2019	January - december 2020	January - december 2019
Net sales	10,353	9,666	36,767	35,402
Work performed for own account	3,402	3,474	10,004	15,930
Other operating income	236	54	2,741	358
Cost of sales	-4,543	-2,721	-14,768	-13,067
Gross result	9,447	10,473	34,745	38,623
Other external charges	-2,399	-2,521	-9,072	-14,997
Personnel costs	-8,928	-8,339	-31,616	-28,498
Depreciation of tangible and intangible assets	-3,056	-2,602	-13,332	-11,810
Operating results	-4,936	-2,989	-19,276	-16,682
Interest income	0	1	15	4
Interest costs	-69	-132	-335	-617
Result after financial items	-5,005	-3,120	-19,597	-17,295
Income taxes	-359	-403	-11	-376
Net profit or loss for the period	-5,364	-3,523	-19,609	-17,671



THE GROUP'S BALANCE SHEET (kSEK)	December 2020	December 2019
Assets		
Intangible fixed assets	42,692	38,254
Goodwill	15,925	21,090
Tangible fixed assets	2,243	4,809
Financial fixed assets	0	0
Deferred tax assets	83	141
Total fixed assets	60,943	64,294
Accounts receivable	8,250	6,333
Other current assets	3,520	1,990
Cash and bank balances	65,153	39,804
Total current assets	76,923	48,127
Total assets	137,866	112,421
Equity and liabilities		
Share capital	2,326	2,085
Other contributed capital	220,058	170,293
Other equity including result for the period	-104,623	-85,014
Total equity	117,761	87,364
Long-term liabilities	1,182	2,761
Deferred tax liabilities	74	476
Short-term financial liabilities	1,163	3,447
Accounts payable	3,503	4,385
Other short-term liabilities	14,183	13,988
Total short-term liabilities	18,849	21,820
Total equity and liabilities	137,866	112,421
Pledged assets		
Business mortgages	13 000	13 000
Pledged account	1 500	1 500
Total	14 500	14 500

THE GROUP'S CHANGES IN EQUITY (kSEK)

	Share capital	Other contributed capital	Other equity including result for the period	Total
Opening balance equity 2019-01-01	1,582	112,631	-67,343	46,870
<i>Transactions with owners</i>				0
Non-cash issue	134	25,637		25,771
New share issue	369	32,025		32,394
New issue costs				0
Result for the period			-17,671	-17,671
Closing balance equity 2019-12-31	2,085	170,293	-85,014	87,364
Opening balance equity 2020-01-01	2,085	170,293	-85,014	87,364
<i>Transactions with owners</i>				0
New share issue	222	47,120		47,342
Subscription warrants	19	2,645		2,664
Result for the period			-19,609	-19,609
Closing balance equity 2020-12-31	2,326	220,058	-104,623	117,761

THE GROUP'S CASH FLOW STATEMENT (kSEK)	October - december 2020	October - december 2019	January - december 2020	January - december 2019
Cash flow from operating activities before change in working capital	-1,784	-597	-6,959	-4,917
Cash flow from operating activities	-3,917	-889	-11,143	-2,219
Cash flow from investing activities	-3,402	-3,531	-10,040	-17,726
Cash flow from financing activities	46,654	31,271	46,532	27,464
Cash flow for the period	39,336	28,629	25,348	7,519
Cash and cash equivalents at the beginning of the period	25,817	11,175	39,804	32,285
Cash and cash equivalents at the end of the period	65,153	39,804	65,153	39,804

THE PARENT COMPANY'S INCOME STATEMENT (kSEK)	October - december 2020	October - december 2019	January - december 2020	January - december 2019
Net sales	10,685	10,033	38,111	35,891
Work performed for own account	4,162	4,059	12,302	16,515
Other operating income	236	54	2,342	358
Cost of sales	-5,231	-3,964	-18,537	-17,831
Gross profit	9,852	10,182	34,217	34,933
Other external charges	-3,828	-4,034	-13,602	-19,826
Personnel costs	-7,701	-6,795	-26,448	-22,239
Depreciation of intangible assets	-1,735	-1,594	-8,050	-6,931
Operating result	-3,411	-2,241	-13,882	-14,063
Interest income	0	1	15	2
Interest costs	-69	-124	-331	-615
Profit after financial items	-3,480	-2,364	-14,199	-14,676
Income taxes	-59	46	-59	46
Net profit or loss for the period	-3,539	-2,318	-14,528	-14,630

Basic earnings per share (SEK)	-0,14	-0,10	-0,55	-0,63
Diluted earnings per share (SEK)	-0,14	-0,10	-0,55	-0,63
Number of shares at the end of the period	25,840,904	23,163,351	25,840,904	23,163,351
Fully diluted shares outstanding	25,840,904	23,438,351	25,840,904	23,438,451
Weighted average number of shares	23,591,735	19,286,017	23,591,735	19,286,017



THE PARENT COMPANY'S BALANCE SHEET (kSEK)	December 2020	December 2019
Assets		
Intangible fixed assets	44,340	37,485
Tangible fixed assets	2,243	4,809
Financial fixed assets	29,494	29,495
Deferred tax assets	83	141
Total fixed assets	76,159	71,930
Accounts receivable	8,232	6,313
Receivables from Group companies	415	
Other current assets	3,479	1,951
Cash and bank balances	64,408	39,248
Total current assets	76,534	47,512
Total assets	152,693	119,442
Equity and liabilities		
Restricted equity	46,029	38,639
Non-restricted equity	80,123	51,766
Total equity	126,153	90,405
Long-term liabilities	1,182	2,760
Short-term financial liabilities	1,163	3,447
Accounts payable	3,430	4,302
Liabilities to group companies	7,994	6,407
Other short-term liabilities	12,771	12,121
Total current liabilities	25,395	26,277
Total equity and liabilities	152,693	119,442
Pledged assets		
Business mortgages	13 000	13 000
Pledged account	1 500	1 500
Total	14 500	14 500
Contingent liabilities	None	None

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

	Share capital	Fund for developme nt costs	Share premium reserve	Retained earnings	Result for the period	Total
Opening balance equity 2019-01-01	1,582	23,125	112,631	-76,223	-14,245	46,870
Change in fund for development costs		13,428		-13,428		0
New share issue	503		60,272			60,775
New issue costs			-2,610			-2,610
Transfer of previous year's result				-14,245	14,245	0
Result for the period					-14,630	-14,630
Closing balance equity 2019-12-31	2,085	36,553	170,293	-103,896	-14,630	90,405
Opening balance equity 2020-01-01	2,085	36,553	170,293	-103,896	-14,630	90,405
Change in fund for development costs		7,151		-7,151		0
New share issue	222		49,778			50,000
New issue costs			-2,658			-2,658
Subscription warrants	19		2,645			2,664
Transfer of previous years's result				-14,630	14,630	0
Result for the period					-14,258	-14,258
Closing balance equity 2020-12-31	2,326	43,704	220,058	-125,677	-14,258	126,153

The share capital consists of 25,840,904 shares, each with a quota value of SEK 0.09.

THE PARENT COMPANY'S CASH FLOW STATEMENT (kSEK)	October - december 2020	October - december 2019	January - december 2020	January - december 2019
Cash flow from operating activities before change in working capital	-1,637	-516	-6,007	-7,727
Cash flow from operating activities	-3,171	1,429	-9,034	-69
Cash flow from investing activities	-4,162	-4,116	-12,338	-20,432
Cash flow from financing activities	46,654	31,271	46,532	27,464
Cash flow for the period	39,321	28,584	25,160	6,963
Cash and cash equivalents at the beginning of the period	25,087	10,664	39,248	32,285
Cash and cash equivalents at the end of the period	64,408	39,248	64,408	39,248

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.

SAAS INCOME

Revenue connected to IRIS.

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:

- Subscription – the customer pays a continuous subscription fee for the IRIS service and for alarm management.
- Purchase – the customer purchases the equipment, the alarm management and the licenses from Irisity.
- Lease – the customer leases the equipment and licences from Irisity for an indefinite period.
- Payment by instalments – the customer pays the licence by instalments and leases the equipment from Irisity.

Financial calendar

Publication dates for interim reports

2021-03-16 Annual report

2021-04-22 Annual General Meeting

2021-05-07 Interim report 1

2021-08-06 Interim report 2

2021-11-10 Interim report 3



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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 November 4, 2020.





IRISITY

SECURITY BEYOND HUMAN
INTELLIGENCE

