

Fingerprint Cards AB announces a partially guaranteed rights issue of up to approximately SEK 160 million and a bridge loan of SEK 40 million

NOT FOR RELEASE, DISTRIBUTION OR PUBLICATION, DIRECTLY OR INDIRECTLY, IN WHOLE OR IN PART, IN OR INTO THE UNITED STATES OF AMERICA, AUSTRALIA, BELARUS, HONG KONG, JAPAN, CANADA, NEW ZEALAND, RUSSIA, SINGAPORE, SOUTH AFRICA OR ANY OTHER JURISDICTION IN WHICH THE RELEASE, DISTRIBUTION OR PUBLICATION WOULD BE UNLAWFUL. PLEASE SEE "IMPORTANT INFORMATION" AT THE END OF THIS PRESS RELEASE.

The Board of Directors of Fingerprint Cards AB ("Fingerprints" or the "Company") has resolved on a partially guaranteed issue of units consisting of new shares of series B ("B-shares") and warrants entitling for subscription of B-shares ("Warrants") (together "Units") of up to approximately SEK 160 million with preferential rights for its existing shareholders, subject to subsequent approval from an extraordinary general meeting in the Company to be held on 17 January 2025 (the "Rights Issue"). The Rights Issue is subject to subscription undertakings and guarantee commitments in a total amount of up to SEK 115 million. To cover the Company's liquidity needs during the period up until the completion of the Rights Issue, a consortium of external investors has provided the Company with a short-term loan of SEK 40 million (the "Bridge Loan"). The net proceeds from the Rights Issue are intended to be used to repay the Bridge Loan (including interest and set-up fee) and general corporate purposes. Such general corporate purposes include, inter alia, funding the transformation plan, including the continued wind down of the Chinese operations, and the group's ongoing operations during the continued implementation of the transformation plan as well as future growth initiatives.

The extraordinary general meeting is to be held on 17 January 2025 and will be proposed to resolve on subsequent approval of the Board of Directors' resolution on the Rights Issue, resolve on certain technical measures to facilitate the Rights Issue and resolve to amend the Company's articles of association to increase the limits for the number of shares and number of shares of each class to enable the Rights Issue. A notice convening the extraordinary general meeting will be announced through a separate press release.

Summary

- The Board of Directors of Fingerprints has today resolved on the Rights Issue of up to approximately SEK 160 million, of which the initial SEK 115 million is subject to subscription undertakings and guarantee commitments. The resolution is subject to subsequent approval by the extraordinary general meeting to be held on 17 January 2025.
- In connection with the Rights Issue, a consortium of external investors has provided the Company with the Bridge Loan in an amount of SEK 40 million in order to provide liquidity to the Company up until the completion of the Rights Issue. The repayment of the Bridge Loan (including interest and set-up fee) will be financed with part of the net proceeds from the Rights Issue.
- The final terms of the Rights Issue, including the maximum amount by which the Company's share capital shall be increased with, the maximum number of Units (and thereby the maximum number of B-shares and Warrants) to be issued, the number of unit rights and the subscription price for each Unit and thereby the price per B-share (the Warrants will be issued free of charge), will be determined by the Board of Directors on or around 15 January 2025 (however not later than on 17 January 2025) and will be announced by way of press release. The subscription price in the Rights Issue will be determined by the Board of Directors at a customary discount, indicatively a discount to the theoretical ex-rights price ("TERP") of approximately 35 percent (however not lower than SEK 0.01).
- Provided that the extraordinary general meeting resolves to approve the Rights Issue, resolves on certain technical measures to facilitate the Rights Issue and to amend the Company's articles of association, the record date in the Rights Issue is expected to be on 24 January 2025.

- The subscription period runs from and including 28 January 2025, to and including 11 February 2025. Unit rights not utilized during the subscription period will become invalid and lose their value. Trading in unit rights is planned to take place on Nasdaq Stockholm from and including 28 January 2025, to and including 6 February 2025. Trading in paid subscribed Units (Sw. betalda tecknade units, "BTU") is planned to take place on Nasdaq Stockholm from and including 28 January 2025 to and including 20 February 2025.
- It is expected that the Units will be structured with a ratio of 6:1 between B-shares and Warrants where, for example, for every six (6) new B-shares, one (1) Warrant will be included in a Unit. The Warrants will entitle the holder to subscribe for one (1) new B-share in the Company at a subscription price corresponding to 70 percent of the volume-weighted average price ("VWAP") for the Company's B-share on Nasdaq Stockholm during the 10 trading days that occurs immediately prior to the exercise period for the Warrants, however not higher than the equivalent of 150 percent of the subscription price per B-share in the Rights Issue and not lower than the equivalent of (i) the quota value for the Company's shares from time to time or (ii) SEK 0.01. The exercise period for the Warrants is expected to occur approximately 18 months following the Rights Issue.
- Following deduction of issue related costs, which is expected to amount to approximately SEK 28 million if the Rights Issue is fully subscribed, the net proceeds from the Rights Issue will amount to no more than SEK 132 million. The net proceeds from the Right Issue are intended to be used to repay the Bridge Loan (including interest and set-up fee) and general corporate purposes. Such general corporate purposes include, inter alia, funding the transformation plan, including the continued wind down of the Chinese operations, and the group's ongoing operations during the continued implementation of the transformation plan as well as future growth initiatives.

Background and rationale

In line with Fingerprints' communicated transformation plan and as announced by Fingerprints in its interim report for the period January–March 2024, the Company is exiting commoditized, low-margin markets to prioritize profitable growth segments. As part of this realignment, the Company is winding down its loss-making operations in the Mobile product group to promote its financial health and support future viability. In June 2024, Fingerprints entered into an exclusive partnership agreement with a biometric sensor solution provider, facilitating a more efficient wind down of the Mobile operations and inventory depletion. The PC market has similar dynamics to Mobile, with a China-centric and highly concentrated customer base that values low-cost product above all. With the lifecycle maturity of many models, Fingerprints has seen a rapid shift in orders partially driven by its position as a low-cap player. This has in turn driven customers to diversify their supplier base, further impacting Fingerprints' market share – particularly as a smaller-cap company following the Mobile wind down. Securing new PC projects has proven to be both capital- and time-intensive, further underscoring the unsustainability of the product group. Against this backdrop, Fingerprints is winding down the PC product group to achieve further cost reductions and exit the Chinese market entirely.

Cost reductions are pivotal in Fingerprints' transformation efforts and includes the Company's outsourced manufacturing model and increased operational efficiency. Further, within the first nine months of 2024 the Company lowered its workforce by over 40 percent, primarily driven by the ongoing transition out of Mobile and PC. In addition, and as part of the significant cost optimization programme, the Company successfully restructured its balance sheet during 2024 by redeeming the convertible bonds to ensure operational efficiency. The Company will continue to implement cost reduction measures, such as the wind down of the PC product group, with the aim to reach a recurring annualized OPEX of less than SEK 70 million by the end of the second quarter 2025, underscoring the commitment to operational efficiency and disciplined resource allocation.

In parallel with the above and to further execute the new strategy, Fingerprints is continuing its focus on the core biometric business whilst expanding to digital identity, a core component of human-digital interactions. Fingerprints is committed to, through future partnerships, building a robust digital identity platform to help its customers address the myriad of cyber-risks and poor user experience arising from passwords. As the Company continues the phase-out of the Mobile and PC product groups, Fingerprints is also strategically reallocating capital toward high-margin, high-growth segments in digital identity through the Access and Payment product groups. Additionally, the Company explores new business product group partnerships, including within iris technology, to leverage Fingerprints extensive experience and competence. As the Company carves out its digital identity and secure authentication specialty, it is transitioning from a component supplier to an integrated biometric solutions provider of software-centric offerings which enables higher-margin opportunities. Thus, Fingerprints believe that it is well-positioned for sustainable growth and long-term value creation. Moreover, the Company is continuously having discussions with potential strategic partners in relation to the updated product positioning to further leverage Fingerprints extensive technological expertise and innovation capabilities, including in respect of Access, Payment and Iris, with an aim to unlock additional growth capital and enhance value creation.

Although the transformation plan as a whole is designed to ensure sustained profitable growth and ongoing cost optimization will keep Fingerprints lean and agile, the ongoing process of executing the transformation plan has led to short-term revenue fluctuations. Against this background and given the group's overall operational performance, the Board of Directors has carefully evaluated the possibilities for the Company to ensure a necessary capital injection in order not to jeopardize the completion of the transformation plan and in turn the survival of Fingerprints, as well as to support future growth initiatives. In this evaluation, the Board of Directors took into account scale and need of a necessary capital injection, and believed that the Rights Issue together with the Bridge Loan (as defined above) is the only way for Fingerprints to confidently enable the completion of the transformation plan and in turn achieve stability and stronger prospects for the future for the group.

Following deduction of issue related costs, which is expected to amount to approximately SEK 28 million if the Rights Issue is fully subscribed, the net proceeds of the Rights Issue will amount to no more than SEK 132 million and is intended to be used for the following purposes: (i) fully repay the Bridge Loan (including interest and set-up fee) (SEK 43 million) and (ii) general corporate purposes (SEK 89 million). Such general corporate purposes include, inter alia, funding the transformation plan, including the continued wind down of the Chinese operations, and the group's ongoing operations during the continued implementation of the transformation plan and future growth initiatives.

Assuming that the Company achieves its expected sales volumes and continues to successfully implement its previously outlined transformation plan, the anticipated net proceeds from the Rights Issue is expected to fund the Company for twelve months subsequent to the execution of the Rights Issue and until the Company reaches cash-flow positive. However, it may be necessary for the Company to seek additional funding in the next twelve months, for example, if the Company falls short of its expected sales volumes or encounters difficulties in executing its communicated transformation plan.

The Rights Issue

Shareholders who are entered in the Company's share register on the record date, expected to be 24 January 2025, will have the right to subscribe for Units with preferential rights in the Rights Issue. Subscription of Units may also take place without preferential rights. Each Unit will consist of a specified number of B-shares and Warrants. The Warrants will be issued free of charge.

It is expected that the Units will be structured with a ratio of 6:1 between B-shares and Warrants where, for example, for every six (6) new B-shares, one (1) Warrant will be included in a Unit. The Warrants will entitle the holder to subscribe for one (1) new B-share in the Company at a subscription price corresponding to 70 percent of the VWAP for the Company's B-share on Nasdaq Stockholm during the 10 trading days that occurs immediately prior to the exercise period for the Warrants, however not higher than the equivalent of 150 percent of the subscription price per B-share in the Rights Issue and not lower than the equivalent of (i) the quota value for the Company's shares from time to time or (ii) SEK 0.01. The exercise period for the Warrants is expected to occur approximately 18 months following the Rights Issue.

The final terms for the Rights Issue, including the maximum amount by which the Company's share capital shall be increased with, the maximum number of Units (and thereby the maximum number of B-shares and Warrants) to be issued, the number of unit rights and the subscription price for each Unit and thereby the price per B-share (the Warrants will be issued free of charge), are expected to be announced on or around 15 January 2025 (however not later than on 17 January 2025). The subscription price in the Rights Issue will be determined by the Board of Directors at a customary discount, indicatively a discount to the TERP of approximately 35 percent (however not lower than SEK 0.01).

The subscription period is expected to run from 28 January 2025 up to and including 11 February 2025. Trading in unit rights that entitles to subscription of Units is expected to take place on Nasdaq Stockholm from 28 January 2025 up to and including 6 February 2025, and trading in BTU's is expected to take place from 28 January 2025 up to and including 20 February 2025. Both unit rights and BTU's will be subject to time-limited trading on Nasdaq Stockholm. The new B-shares and Warrants to be issued through the issue of Units are expected to be admitted to trading on Nasdaq Stockholm, upon application, in connection with the conversion of BTU to B-shares and Warrants.

Subscription undertakings and guarantee commitments

The Rights Issue is covered by subscription undertakings and guarantee commitments in an aggregate amount of up to SEK 115 million.

The subscription undertakings have been made by existing shareholders, board members and management team, including Juan Vallejo, Christian Lagerling, Adam Philpott and Fredrik Hedlund, amounting to SEK 0.7 million. Moreover, certain external investors, such as Wilhelm Risberg and Fredrik Lundgren, have entered into guarantee commitments in an aggregate amount of up to SEK 114.3 million. No guarantee commitment covers the subscription of and payment for Units in the Rights Issue in excess of SEK 115 million. A guarantee commission will be paid for the guarantee commitments, whereby commission is paid with ten (10) percent of the guaranteed amount in cash. No fee will be paid in respect of the subscription undertakings.

Neither the subscription undertakings nor the guarantee commitments are secured through bank guarantees, restricted funds, pledged assets or similar arrangements. Further information regarding the parties that have entered into the subscription undertakings and guarantee commitments will be included in the prospectus which is intended to be published on or around 23 January 2025.

The Company considers that it carries out protection-worthy activities under the Foreign Direct Investment Screening Act (Sw. lagen (2023:560) om granskning av utländska direktinvesteringar) (the “Swedish FDI Act”). Consequently, an investment in Units (and thereby B-shares) in the Rights Issue (other than by exercising preferential rights) which result in an investor acquiring a shareholding corresponding to or exceeding a threshold of ten (10) percent or more of the total number of votes in the Company following the completion of the Rights Issue, must prior to the investment be filed with the Inspectorate of Strategic Products and, if applicable, any other equivalent body pursuant to legislation in any other jurisdiction, and cannot be carried out before the Inspectorate of Strategic Products and, if applicable, another equivalent body in another jurisdiction has decided to take no action or authorize the investment (“FDI Decision”). As a result, the guarantee commitments are, in respect of any Units that would require a prior FDI Decision (“FDI Units”), conditional upon that relevant guarantors obtains such prior FDI Decision. In the event that any guarantee commitment will require the subscription and payment of FDI Units, there will be a separate and longer subscription and payment period in respect of such FDI Units which may last up until 13 June 2025. If required FDI Decisions has not been obtained at the end of such separate subscription period for FDI Units, the relevant guarantor’s guarantee commitment will lapse and relevant FDI Units will in such case not be covered by any guarantee commitment.

The Bridge Loan

In order to provide the Company with liquidity up until the completion of the Rights Issue, a consortium of external investors have provided the Company with the Bridge Loan of SEK 40 million. Disbursed amounts under the Bridge Loan carries interest of 1.50 percent for each commenced thirty-day period and a set-up fee of 4.00 percent. The first part of the Bridge Loan amounts to SEK 15 million (“Tranche 1”) and will be provided the Company following the announcement of the Rights Issue, the second part of the Bridge Loan amounts to SEK 25 million (“Tranche 2”) and will be provided to the Company following the extraordinary general meeting resolving on the Rights Issue and certain technical measures to facilitate the Rights Issue and to amend the Company’s articles of association. The Bridge Loan will fall due in connection with the Company’s receipt of the proceeds from the Rights Issue, however not later than 31 March 2025. The Bridge Loan is subject to certain event of default grounds, including that the extraordinary general meeting in the Company does not approve the Board of Directors’ resolution on the Rights Issue, as well as other customary event of default grounds.

Extraordinary general meeting and voting undertaking

The extraordinary general meeting will be held on 17 January 2025 and it will be proposed to resolve on subsequent approval of the Board of Directors’ resolution on the Rights Issue as well as be proposed to amend the articles of association of the Company to increase the maximum limits for the number of shares and number of shares of each class. In addition, the extraordinary general meeting will, for the purpose of reducing the quota value of the shares to facilitate the Rights Issue, be proposed to resolve on a reduction of the Company’s share capital, and simultaneously resolve that the Company’s share capital shall be increased by the reduction amount by way of a bonus issue.

A notice convening the extraordinary general meeting will be published today through a separate press release. One of the Company’s largest shareholder together with board members and management who have entered into subscription commitments have made irrevocable undertakings to vote in favor of the proposals at the extraordinary general meeting.

Preliminary timetable

- 15 January 2025: Expected date for announcing the final terms in the Rights Issue
- 17 January 2025: Extraordinary general meeting
- 22 January 2025: Last day of trading in shares including right to receive unit rights
- 23 January 2025: Estimated date for publication of the prospectus
- 23 January 2025: First day of trading in shares excluding right to receive unit rights
- 24 January 2025: Record date for participation in the Rights Issue

- 28 January – 11 February 2025: Trading in unit rights
- 28 January – 6 February 2025: Subscription period
- 28 January – 20 February 2025: Trading in paid subscribed Units (BTU)
- 12 February 2025: Estimated date for announcement of the outcome in the Rights Issue

Prospectus

A prospectus regarding the Rights Issue is intended to be published on or around 23 January 2025 on Fingerprints' website, www.fingerprints.com and on Carnegie Investment Bank AB's (publ) website, www.carnegie.se.

Advisors

Fingerprints has engaged Penser by Carnegie, Carnegie Investment Bank AB (publ), as financial advisor and Gerandt & Danielsson Advokatbyrå KB as legal advisor in connection with the Rights Issue.

For information, please contact:

Adam Philpott, CEO

Investor Relations:
+46(0)10-172 00 10
investrel@fingerprints.com

Press:
+46(0)10-172 00 20
press@fingerprints.com

This is the type of information that Fingerprint Cards AB (publ) is obligated to disclose pursuant to the EU's Market Abuse Regulation. The information was submitted for publication, through the agency of the contact person set out above, on 17 December 2024 at 7:45 pm CET.

Important information

This press release does not contain and does not constitute an offer to acquire, subscribe or otherwise trade in units, warrants, shares, unit rights, subscription rights, BTU, BTA, convertibles or other securities in Fingerprints. The offer to relevant persons regarding the subscription of shares and warrants in Fingerprints (through units) will only be made through the prospectus that Fingerprints will publish on its website after approval and registration with the Swedish Financial Supervisory Authority (Sw. Finansinspektionen).

The information in this press release may not be disclosed, published or distributed, directly or indirectly, in or into the United States (including its territories and possessions), Australia, Japan, Canada, Hong Kong, New Zealand, Singapore or South Africa or any other jurisdiction where distribution or publication would be illegal or require registration or other measures than those that follow from Swedish law. Actions that violate these restrictions may constitute a violation of applicable securities laws.

No units, warrants, shares, unit rights, subscription rights, BTU, BTA, convertibles or other securities have been registered, and no units, warrants, shares, unit rights, subscription rights, BTU, BTA, convertibles or other securities will be registered under the United States Securities Act of 1933 as currently amended ("Securities Act") or the securities legislation of any state or other jurisdiction of the United States and no units, warrants, shares, unit rights, subscription rights, BTU, BTA, convertibles or other securities may be offered, sold, or otherwise transferred, directly or indirectly, within or into the United States, except under an available exemption from, or in a transaction not subject to, the registration requirements under the Securities Act and in compliance with the securities legislation in the relevant state or any other jurisdiction of the United States.

In all EEA Member States (“EEA”), other than Sweden, Denmark, Finland and Norway, this press release is intended for and is directed only to qualified investors in the relevant Member State as defined in the Regulation (EU) 2017/1129 (together with associated delegated regulations and implementing regulations, the “Prospectus Regulation”), i.e. only to those investors who can receive the offer without an approved prospectus in such EEA Member State.

In the United Kingdom, this press release is directed and communicated only to persons who are qualified investors as defined in Article 2(e) of the Prospectus Regulation (as incorporated into domestic law in the United Kingdom) who are (i) persons who fall within the definition of “professional investors” in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended) (“the Regulation”), or (ii) persons covered by Article 49(2)(a) - (d) in the Regulation, or (iii) persons to whom the information may otherwise lawfully be communicated (all such persons referred to in (i), (ii) and (iii) above are collectively referred to as “Relevant Persons”). Securities in the Company are only available to, and any invitation, offer or agreement to subscribe, purchase or otherwise acquire such securities will only be processed in respect of Relevant Persons. Persons who are not Relevant Persons should not act based on or rely on the information contained in this press release.

The Company considers that it carries out protection-worthy activities under the Foreign Direct Investment Screening Act (the “Swedish FDI Act”) (Sw. lag (2023:560) om granskning av utländska direktinvesteringar). According to the Swedish FDI Act, the Company must inform presumptive investors that the Company’s activities may fall under the regulation and that the investment may be subject to mandatory filing. If an investment is subject to mandatory filing, it must prior to its completion, be filed with the Inspectorate of Strategic Products (the “ISP”). An investment may be subject to mandatory filing if i) the investor, a member of the investor’s ownership structure or a person on whose behalf the investor is acting would, after the completion of the investment, hold votes in the Company equal to, or exceeding any of the thresholds of 10, 20, 30, 50, 65 or 90 percent of the total number of votes in the Company, ii) the investor would, as a result of the investment, acquire the Company, and the investor, a member of the investor’s ownership structure or a person on whose behalf the investor is acting, would, directly or indirectly, hold 10 percent or more of the total number of votes in the Company, or iii) the investor, a member of the investor’s ownership structure or a person on whose behalf the investor is acting, would acquire, as a result of the investment, direct or indirect influence on the management of the Company. The investor may be imposed an administrative sanction charge if a mandatory filing investment is carried out before the ISP either i) decided to leave the notification without action or ii) authorised the investment. Each shareholder should consult an independent legal adviser on the possible application of the Swedish FDI Act in relation to the Rights Issue for the individual shareholder.

This announcement does not constitute an investment recommendation. The price and value of securities and any income from them can go down as well as up and you could lose your entire investment. Past performance is not a guide to future performance. Information in this announcement cannot be relied upon as a guide to future performance.

Forward-looking statements

Matters discussed in this press release may contain forward-looking statements. Such statements are all statements that are not historical facts and contain expressions such as “believes”, “expects”, “anticipates”, “intends”, “estimates”, “will”, “may”, “continues”, “should” and other similar expressions. The forward-looking statements in this press release are based on various assumptions, which in several cases are based on additional assumptions. Although Fingerprints believes these assumptions were reasonable when made, such forward-looking statements are subject to known and unknown risks, uncertainties, contingencies and other material factors that are difficult or impossible to predict and beyond its control. Such risks, uncertainties, contingencies and material factors could cause actual results to differ materially from those expressed or implied in this communication through the forward-looking statements. The information, perceptions and forward-looking statements contained in press release speak only as at its date, and are subject to change without notice.

Fingerprints undertakes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or other circumstances, except for when it is required by law or other regulations. Accordingly, investors are cautioned not to place undue reliance on any of these forward-looking statements.

Information to distributors

Solely for the purposes of the product governance requirements contained within: (a) EU Directive 2014/65/EU on markets in financial instruments, as amended (“MiFID II”); (b) Articles 9 and 10 of Commission Delegated Directive (EU) 2017/593 supplementing MiFID II; and (c) local implementing measures (together, the “MiFID II Product Governance Requirements”), and disclaiming all and any liability, whether arising in tort, contract or otherwise, which any “manufacturer” (for the purposes of the MiFID II Product Governance Requirements) may otherwise have with respect thereto, the shares in Fingerprints have been subject to a product approval process, which has determined that such shares are: (i) compatible with an end target market of retail investors and investors who meet the criteria of professional clients and eligible counterparties, each as defined in MiFID II; and (ii) eligible for distribution through all distribution channels as are permitted by MiFID II (the “Target Market Assessment”). Notwithstanding the Target Market Assessment, Distributors should note that: the price of the shares in Fingerprints may decline and investors could lose all or part of their investment; the shares in Fingerprints offer no guaranteed income and no capital protection; and an investment in the shares in Fingerprints is compatible only with investors who do not need a guaranteed income or capital protection, who (either alone or in conjunction with an appropriate financial or other adviser) are capable of evaluating the merits and risks of such an investment and who have sufficient resources to be able to bear any losses that may result therefrom. The Target Market Assessment is without prejudice to the requirements of any contractual, legal or regulatory selling restrictions in relation to the Rights Issue.

For the avoidance of doubt, the Target Market Assessment does not constitute: (a) an assessment of suitability or appropriateness for the purposes of MiFID II; or (b) a recommendation to any investor or group of investors to invest in, or purchase, or take any other action whatsoever with respect to the shares in Fingerprints.

Each distributor is responsible for undertaking its own target market assessment in respect of the shares in Fingerprints and determining appropriate distribution channels.

About Fingerprints

Fingerprint Cards AB (Fingerprints) – the world’s leading biometrics company, with its roots in Sweden. We believe in a secure and seamless universe, where you are the key to everything. Our solutions are found in hundreds of millions of devices and applications, and are used billions of times every day, providing safe and convenient identification and authentication with a human touch. For more information visit our [website](#), read our [blog](#), and follow us on [X](#). Fingerprints is listed on Nasdaq Stockholm (FING B).