

IMPROVED PROFITABILITY DRIVEN BY INCREASED SAAS REVENUES AND SUSTAINED COST CONTROL

July – September 2020

- Net sales decreased by 13.3% to SEK 86.9 (100.2) million
- SaaS revenues increased by 16.4% to SEK 38.4 (33.0) million
- EBITDA amounted to SEK 13.6 (13.2) million
- Operating profit amounted to SEK 5.3 (-14.5) million
- Basic and diluted earnings per share amounted to SEK 0.03 (0.29) and SEK 0.03 (0.29) respectively

January – September 2020

- Net sales decreased by 9.2% to SEK 263.6 (290.2) million
- SaaS revenue increased by 19.8% to SEK 116.3 (97.1) million
- ARR (annual recurring revenue) increased by 15.3% to SEK 156.6 (135.8) million
- EBITDA amounted to SEK 18.4 (31.0) million, adjusted for non-recurring items EBITDA amounted to SEK 34.9 (31.0) million
- Operating profit amounted to SEK -7.6 (-9.4) million
- Basic and diluted earnings per share amounted to SEK -0.58 (0.16) and SEK -0.58 (0.16) respectively

Significant events during the quarter

- ZetaDisplay announces that its software will be part of the Digital Signage installation for more than 750 Burger King quick service restaurants in the Russian Federation and CIS countries.

Significant events after the quarter

- ZetaDisplay announces that its Norwegian subsidiary will start delivery of music management services for 52 7-Eleven convenience stores in the Oslo metropolitan area.

CEO COMMENT

ZetaDisplay continues to grow as software and services company. During the quarter, we saw continued restraint in project and hardware sales because of COVID-19, but also a stable development of SaaS revenues and maintained cost control. EBITDA improved by 2.4% year-on-year, SaaS revenue increased by 16.4% compared to the same period last year. Annual Recurring Revenue amounted to SEK 156.6 million, an increase by 15.3% compared to the same period last year and by 2.8% in relation to the previous quarter.

Net sales for the quarter amounted to SEK 86.9 (100.2) million, a decrease of 13.3% compared to the same quarter last year. Project sales continued to be affected by customer restraint because of COVID-19 and were 27% lower than the corresponding period last year. Gross profit decreased by SEK 4.4 million to SEK 47.0 (51.4) million. The gross margin was 52.8 (50.4) % because of a higher share of SaaS revenues. EBITDA for the period amounted to SEK 13.6 (13.2) million, a margin of 15.6 (13.2) %.

We continue to serve a stable customer base that, despite challenging circumstances, invest in its digitization journey.

Investments in selected priorities

We have acted at an early stage to address the consequences of the COVID-19 pandemic. We closely monitor the development of our customers and have adapted the organization's resources to take advantage of our economies of scale. In addition, we are following the savings program that was launched during the first quarter with the goal of a saving of SEK 20 million up to the first quarter of 2021.

The past quarter has verified our resilience in challenging times. We base our conclusion on an improved organizational capacity after the introduction of a functional organization at the beginning of the year, large customer framework agreements that are developing well and a sufficient financial headroom as effect of the 2019 bond loan of SEK 300 million.

On the organizational side, intensive work is underway to upgrade and consolidate our software platform during next year will. During the quarter, we have been able to see that projects across functional and country borders have accelerated and led to better use of our resources. This means, among other things, that our operating expenses are at the same level as last year, even though in the meantime we have acquired a Dutch company with 25 employees.

At the same time, we are continuously evaluating acquisition opportunities to lead the ongoing consolidation of the industry.

During the quarter, our employees were partly able to return to their workplaces. We care about the health and safety of our employees and follow current recommendations in our countries. Depending on the rules of different countries, we assume that current way of working with a primarily digital approach will last for several months to come. We have ensured internal efficiency through a full-scale and stable IT platform. Current market uncertainties and the lack of physical customer meetings lead to an extended decision-making process at the customer.

Time for digital transformation

Digitalization in society is accelerating, and we are well positioned to support our customers in this process. Through our deliveries and projects, we continuously prove that Digital Signage is a powerful and effective tool that creates business value. Our strategic initiatives continue with full force to develop the relevance of our offering and to broaden the opportunity to strengthen our position in a growing market. We address a comprehensive offering in concepts, projects, software, and aftermarket services on a global basis. We ensure that our services become an integral part of the customer's ecosystem so that economies of scale and impact are optimized. The concrete results that we are creating are and will continue to be an important competitive advantage.

Outlook

Our stable and diversified customer base makes us less sensitive to individual industries and individual customers. The delay and shift in demand for new projects that we have seen over the past two quarters, is increasingly returning to more normal levels. Our assessment is that this year's decrease in sales on projects and hardware will be recovered. The customer base is intact, the importance of digital transformation has increased and the willingness to invest exists. We have seen positive signals in the last quarter of a return to higher project volumes but increasing market uncertainty makes it difficult to forecast when the recovery materializes. Our relative market position and the organization's readiness make us feel well prepared for the coming months. We will grow further, both organically and through acquisitions.

Malmö, 4 November 2020

Per Mandorf

President & CEO

This report has been reviewed by the company's auditors. This interim report and auditors report of review of interim financial information is a translation of the original Swedish interim report that has been formally approved by the Board of Director

This interim report is such information that ZetaDisplay AB is obliged to make public pursuant to the EU Market Abuse Regulation. The information was submitted, on the authority of Per Mandorf for publication on 4 November 2020 at 8:00 a.m.

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Presentation to analysts, investors and media

CEO Per Mandorf and CFO Jacob Stjernfält present the interim report in an audiocast on November 4, 2020 at 10:00 am CET. Registration is done on the [website https://financialhearings.com/event/13066](https://financialhearings.com/event/13066).

About ZetaDisplay

ZetaDisplay acts at the heart of digital transformations in physical environments. We contribute to nudging peoples' behaviour at the point-of-decision in retail environments, public spaces, and workplace environments. Our solutions are known as Digital Signage that we develop and offer as SaaS-solutions. We are a European leader and intend to drive the further consolidation of the market organically and through acquisitions.

ZetaDisplay has its head office in Malmö. The company generates revenues of approx. SEK 400 million and employs 160 staff at nine offices in six European countries. In total, the company handles 50,000 installations on 50 markets. The share is listed on Nasdaq Stockholm [ZETA].

More information at www.ir.zetadisplay.com