

The background features several 3D rectangular blocks in shades of blue and green, arranged in a scattered pattern. Some blocks are in sharp focus, while others are blurred in the foreground and background, creating a sense of depth.

Bricknode Group

Interim report January-September

2022



Bricknode

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Q3 2022 in brief

- Net revenue increased by 16% to 4,502 (3,880) TSEK
- Net revenue retention rate 104% (127%)
- Earnings per share amounted to -0,34 (-0,24) SEK
- EBIT result amounted to -3,203 (-1,813) TSEK and the margin amounted to -71% (-47%)
- Savings plan announced 1 August that will reduce costs significantly
- Analyst Group published its first equity research report on Bricknode

2022

Key figures

Group

Selected Key Performance Indicators

	Q3 2022	Q3 2021	Q1-Q3 2022	Q1-Q3 2021	Q1-Q4 2021
Net revenues, TSEK	4,502	3,880	13,646	11,234	15,385
Net revenue growth, %	16%	36%	21%	42%	33%
EBT, TSEK	-3,342	-1,919	-12,408	-5,052	-8,870
EBIT, TSEK	-3,203	-1,813	-12,170	-4,721	-8,459
Operating margin, %	-71%	-47%	-89%	-42%	-55%
EBITDA, TSEK	-4,543	-2,589	-17,302	-6,680	-11,912
EBITDA margin, %	-101%	-67%	-127%	-59%	-77%
Equity, TSEK	15,728	14,687	15,728	14,687	28,222
Equity/assets ratio, %	51%	43%	51%	43%	75%
Number of shares at the end of the period*	9,869,023	8,034,162	9,869,023	8,034,162	9,869,023
Number of shares, average*	9,869,023	8,034,162	9,869,023	8,034,162	8,330,756
Earnings per share basic, SEK	-0.34	-0.24	-1.26	-0.63	-1.39
Earnings per share diluted, SEK	-0.34	-0.24	-1.26	-0.63	-1.39
Cash and bank balances, TSEK	7,671	2,157	7,671	2,157	22,647
Average number of employees	37	22	38	22	27

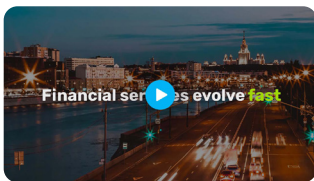
*3:1 share split undertaken in Q3-21 applied to all reporting periods.

Bricknode at a glance

Bricknode empowers financial institutions to design and launch their own digital investment and lending products.

By leveraging cloud software and technology, we remove barriers for start-ups and established firms that want to take new propositions to market, quickly and cost-effectively.

We've spent over a decade developing our financial platform so that all businesses need to do is connect to our powerful APIs. We offer complete flexibility in product design, regulatory umbrella services and outsourcing for back office operations. With Bricknode, It has never been easier to create cutting-edge financial services.



Watch our new brand video

[Powering modern digital financial services](#)



Download Analyst Group's equity research report

[Building the future of financial software](#)



Comments from the CEOs

Re-focusing on product vision and user experience

What do you do as a company with exceptional product vision, awesome people, all the knowledge needed to operate and support any financial business in the world, but you lack the financial resources to persevere until the rest of the world sees what you think is obvious?

Well, you have to cut down on what you are currently doing and re-focus on some key initiatives according to the product vision, working with a smaller team of believers until you can come back stronger!

This is exactly what we have done at Bricknode. We have looked long and hard at what the most important things are for us right here and now, and made sure that we put a laser focus on those key initiatives.

We are experts in operating investment and lending services, and that is where we can deliver the most value. The way we have designed our transaction and account-based system is the gold standard. It can scale indefinitely and support any financial service that one would like to launch on top of it.

We are defining the way administration of financial assets and liabilities will be done in the future and we believe that we have the best product in the world. We want to compete at scale and that is why we have to make sure that our product is the best!

By December, our workforce will have transitioned from around 40 people to about 25. In light of these changes, we have already split ourselves into two product groups so we can really focus on making a great product within each area. Within these two product groups, everyone has assumed long-term ownership of the product and by doing that we gain a whole new level of understanding and establish a collective mind without constant context switching.

We call the two groups Wealth Team and Lending Team.



Stefan Willebrand
Co-CEO



Erik Hagelin
Co-CEO

Wealth Team is based around our core system which we call [Bricknode Broker](#).

Bricknode Broker is a SaaS investment management platform that enables financial institutions to deploy modern, digital investment and brokerage solutions.

Once we receive our own [regulatory permission](#) to operate our own financial institution, this team will be in an even better position to support financial institutions and financial advisors that don't have permission to carry accounts in their own name or who want to operate their own back-office operation.

Within the asset management sector, it is very common for various types of investment funds to partner up with a fund company that becomes a “fund hotel” for many fund managers and offer both technology, regulatory umbrella, and joint operations. This is exactly the trend that we think will happen within the area of financial brokerage firms, advisors, and intermediaries, so we are establishing the “securities hotel”, or whatever you would like to call it 😊.

Lending Team is based around our lending platform called [Bricknode Lending](#) which has gained some customers lately. Bricknode Lending is offered as a pure SaaS solution to regulated and unregulated lending operations who lend money to private individuals or companies either direct or through peer-to-peer models.

Finalizing a multi-year project during Q4

For almost two years now, the Bricknode Broker core has been going through an immense upgrade where we have changed both database environment and hosting structure of the platform. This has enabled continuous integration and continuous delivery.

These are fancy words for describing a much quicker delivery mechanism. It basically means that a programmer can build a new feature and simply push a button when it is cleared for release by the team, and it will instantly be available for customers to use.

In our newer offerings like Bricknode Lending and Bricknode Investment Manager these mechanisms are built in from the start. But when it comes to such a large system as Bricknode Broker, that has been created over 13 years, it has been a real challenge to make this upgrade which is now being finalized.

This is an immense feat by everyone in the company and will now free our hands when it comes to delivering new features, fast.

Following the completion of this upgrade we will be in a much better position to report on our usage numbers in the platform and many more metrics that we will introduce on a recurring basis in these reports.

Another positive is that we can close down our old hosting environment, reducing costs significantly as part of our savings plan.

Goals for the coming quarter

In the last report we set goals for Q3 including implementation of the savings plan and working on more deals. We are pleased with the development of our pipeline where we see more large companies than we have had in the past and that is a good sign for the future. We would have liked to finalize deals with more customers during the quarter, but the challenging market is dragging things out a bit. We are delighted to have made meaningful progress in all areas and are working efficiently with partners.

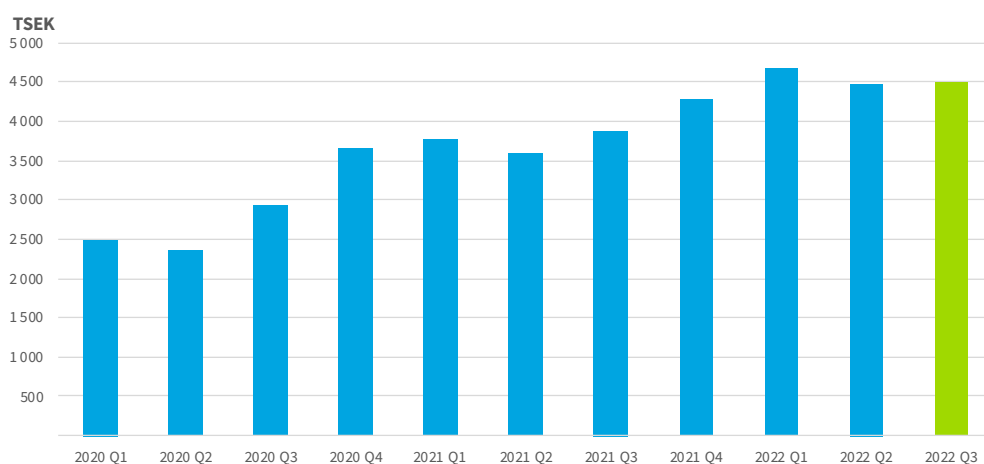
The main goals for Q4 are to continue the rollout of the savings plan that will reduce our burn significantly, finalize more deals and partnerships, advance the brokerage license project, and focus on delivering our core products with the huge Bricknode Broker upgrade finishing before the end of the quarter.

Best regards,
Stefan & Erik

Financial reports

Revenue

Net revenues for the group during the period amounted to 4,502 (3,880) TSEK, rendering a growth of 16% (36%). This has been driven by new customers and growth among our existing customers.



Expenses

Other external costs for the group during the period totaled -2,485 (-2,207) TSEK and consisted mainly of hosting, IT and office costs. The expenses also include one-off items.

Staffing cost for the group totaled -6,533 (-4,242) TSEK. The increase compared to Q3 2021 was a result of an increased number of employees. The number of employees at the end of the period was 35 (22) and the average number of employees went up from 21 in the same period last year to 37. As a result of the savings plan announced 1 August the staffing cost during Q3 2022 was 1,939 TSEK lower than during Q2 2022 and we expect the cost to decrease further during Q4.

The financial costs increased to -139 (-106) TSEK. The increase is attributed to the interest expense of the new loan for SEK 5 million that the company secured 22 August 2022.

Operating income

EBITDA in Q3 2022 totaled -4,543 (-2,589) TSEK, which equals an EBITDA margin of -101% (-67%).

The operating result, EBIT, for the third quarter was -3,203 (-1,813) TSEK, corresponding to an operating margin of -71% (-47%).

Profit/loss after tax was -3,342 (-1,919) TSEK.

Earnings per share in Q3 2022 totaled -0,34 (-0,24) SEK.

Capitalized Development Costs

As of 30 September 2022, capitalized expenses amounted to 18,646 TSEK compared to 12,611 as of the end of 2021. It refers to capitalization of payroll that is related to the development of the group's software products.

Financial position as of 30 September 2022 (compared to 31 December 2021)

At the end of Q3 2022 the group had 7,671 (22,647) TSEK in cash and equivalents. The equity-to-asset ratio at the end of the period was 51% (75%).

The number of shares was 9,869,023. Equity amounted to 15,728 (28,222) TSEK.

Cash flow and investments

During the third quarter 2022 cash flow from operating activities before changes in working capital amounted to -5,567 (-2,698) TSEK. The adjustments for non-cash items are attributed to capitalization of development costs 3,901 offset by amortization -1,676.

Change in working capital was -492 (-2,255) TSEK. Cash flow from investing activities was -20 (0) TSEK.

Cash flow from financing activities amounted to -486 (-857) TSEK and consisted of amortization of a previously taken loan.

The total cash flow for the quarter amounted to -1,098 (-3,111) TSEK, and available funds at the end of the period was 7,671 (2,157) TSEK.

Significant events during the reporting period

On 1 August 2022 Bricknode announced that the company is undertaking a series of measures to accelerate its path to profitability. Amidst the global slowdown in investment, the company has decided to implement a plan to reduce costs, drive efficiency and sustainable growth. The company is conducting the following actions:

- Reducing fixed and variable costs by approximately 40%
- Exploration of financing related to acting on the previously announced opportunity to register a regulated securities firm.

Group

Income statement

TSEK	Q3 2022	Q3 2021	Q1-Q3 2022	Q1-Q3 2021	Q1-Q4 2021
Net revenues	4,502	3,880	13,646	11,234	15,385
Other operating income	2	2,928	18	178	302
Total group revenue	4,504	3,883	13,664	11,413	15,687
Subcontractors	-29	-22	-135	-121	-133
Other external costs	-2,485	-2,207	-7,721	-5,594	-8,095
Staffing costs	-6,533	-4,242	-23,111	-12,378	-19,370
EBITDA	-4,543	-2,589	-17,302	-6,680	-11,912
Capitalized work for own account	3,021	1,942	9,644	5,241	7,937
Depreciation / Amortization	-1,677	-1,163	-4,488	-3,264	-4,459
Exchange gain and losses	-4	-3	-23	-18	-26
Profit/loss before financial items (EBIT)	-3,203	-1,813	-12,170	-4,721	-8,459
Net financial items	-139	-106	-237	-330	-411
Profit/loss before tax (EBT)	-3,342	-1,919	-12,408	-5,052	-8,870

Group

Balance sheet

TSEK	30-Sep-22	30-Sep-21	31-Dec-21
Intangible assets	18,646	11,078	12,611
Tangible assets	179	58	140
Non-current financial assets	494	19,359	531
Current receivables	3,611	1,183	1,788
Cash and cash equivalents	7,671	2,157	22,647
Total assets	30,602	33,835	37,717
Share capital	639	500	614
Other equity, including profit/loss for the year	15,089	14,187	27,607
Provisions	395	410	433
Non-current liabilities	2,780	9,002	4,270
Current liabilities	11,699	9,735	4,793
Total equity and liabilities	30,602	33,835	37,717

Group

Changes in equity

TSEK	Q1-Q3 2022	Q1-Q4 2021
Opening equity	28,222	5,789
Share issue	0	36,207
Translation difference	-79	-47
Profit/loss for the current period	-12,415	-13,727
Closing equity	15,728	28,222

Group

Cash flow statement

TSEK	Q3 2022	Q3 2021	Q1-Q3 2022	Q1-Q3 2021	Q1-Q4 2021
Net profit/loss after financial items	-3,342	-1,919	-12,415	-5,052	-8,870
Adjustments for non-cash items	-2,225	-779	-6,035	-1,977	-3,479
Cash flow from operations before changes in working capital	-5,567	-2,698	-18,450	-7,028	-12,349
Changes in working capital					
Changes in current receivables	-256	-738	-503	608	21
Changes in current liabilities	5,331	1,181	5,480	7,137	2,222
Cash flow from operation activities	-492	-2,255	-13,473	717	-10,106
Changes in tangible assets					
Changes in tangible assets	-20	0	-47	0	-125
Cash flow from investing activities	-20	0	-47	0	-125
Amortization	-486	-811	-1,457	-2,840	-6,443
Loan conversion to shares	0	0	0	0	-1,162
Cost in connection to share issue	0	-46	0	-46	0
Share issue	0	0	0	0	36,207
Cash flow from financing activities	-486	-857	-1,457	-2,886	28,601
Cash flow for the period	-998	-3,111	-14,977	-2,169	18,370
Available funds at beginning of the period	8,706	5,262	22,647	4,323	4,323
Translation differences in available funds	-37	6	2	3	-47
Available funds at the end of the period	7,671	2,157	7,671	2,157	22,647

Parent company

Income statement

TSEK	Q3 2022	Q3 2021	Q1-Q3 2022	Q1-Q3 2021	Q1-Q4 2021
Other operating income	0	0	0	0	0
Total group revenue	0	0	0	0	0
Other external costs	-190	-437	-499	-946	-1,258
EBITDA	-190	-437	-499	-946	-1,258
Net financial items	-110	-74	-143	-199	-250
Profit/loss before tax (EBT)	-300	-511	-642	-1,145	-1,509
Taxes on profit for the year including deferred taxes	0	0	0	0	-232
Profit/loss for the period	-300	-511	-642	-1,145	-1,741

Parent company

Balance sheet

TSEK	30-Sep-22	30-Sep-21	31-Dec-21
Non-current financial assets	25,368	14,225	18,643
Current receivables	19,959	5,224	9,192
Cash and cash equivalents	6,272	1,622	21,460
Total assets	51,600	21,072	49,295
Share capital	614	500	614
Other equity, including profit/loss for the year	42,790	7,890	43,432
Non-current liabilities	738	6,217	1,638
Current liabilities	7,458	6,465	3,611
Total equity and liabilities	51,600	21,072	49,295

Parent company

Cash flow statement

TSEK	Q3 2022	Q3 2021	Q1-Q3 2022	Q1-Q3 2021	Q1-Q4 2021
Net profit/loss after financial items	-300	-511	-642	-1,145	-1,509
Cash flow from operations before changes in working capital	-300	-511	-642	-1,145	-1,509
Changes in working capital					
Changes in current receivables	-1,321	-2,003	-10,767	-4,869	-8,836
Changes in current liabilities	3,912	285	3,847	6,432	3,578
Cash flow from operation activities	2,291	-2,229	-7,562	419	-6,767
Changes in tangible assets	-3,075	0	-6,725	-600	-5,250
Cash flow from investing activities	-3,075	0	-6,725	-600	-5,250
Amortization	-300	-625	-900	-2,283	-5,700
Loan conversion to shares	0	0	0	0	-1,162
Cost in connection to share issue	0	-46	0	-46	0
Share issue	0	0	0	0	36,207
Cash flow from financing activities	-300	-671	-900	-2,329	29,344
Cash flow for the period	-1,084	-2,900	-15,187	-2,511	17,327
Available funds at beginning of the period	7,357	4,522	21,460	4,133	4,133
Available funds at the end of the period	6,272	1,622	6,272	1,622	21,460

Accounting and valuation principles

The interim report has been prepared in accordance with the Swedish Annual Accounts Act. The accounting and valuation policies applied are consistent with the Swedish Accounting Standards Board's BFNAR 2012:1 (K3).

Amounts are reported in Swedish krona and rounded to the nearest thousand unless otherwise stated. Rounding to the nearest thousand may mean that amounts are not consistent when added. Amounts and figures stated in brackets are comparatives for the corresponding period of the previous year, unless otherwise stated.

Auditor's review

This interim report has not been reviewed by the auditors of the company.

Number of shares as of 30 September 2022

There were 9,869,023 registered shares in issuance at the end of the period, all Class B Shares.

Information about Nasdaq First North Growth Market

Nasdaq First North Growth Market (First North) is an alternative marketplace operated by the constituent exchanges of Nasdaq Stockholm. It does not have the same legal status as a regulated marketplace. Companies quoted on First North are subject to First North's rules rather than the legal requirements set for trading on a regulated marketplace. An investment in a company trading on First North implies higher risk than an investment in a listed company. Companies must apply to the exchange and gain approval before trading on First North may commence. A certified Adviser guides the company through the listing process and ensures that the company continuously satisfies First North's standards.

Forthcoming reports

Year-end Report 2022	23 February 2023
Annual Report 2022	23 March 2023
Interim Report Q1 2023	17 May 2023
Interim Report Q2 2023	17 August 2023
Interim Report Q3 2023	16 November 2023

Definitions

Net revenues	Revenues from services which are a part of the company's normal operations.
Net revenue growth	Development of net revenues compared to the same period the year before.
EBT	Earnings before taxes.
EBIT	Earnings before interest and tax.
Operating margin	EBIT as a percentage of total group net revenue.
EBITDA	Earnings before interest, taxes, depreciation, and amortization.
EBITDA margin	EBITDA as a percentage of total group net revenue.
Equity	Equity at the close of the period.
Equity/asset ratio	Total equity / total assets.
Earnings per share	Profit/loss divided by outstanding shares for the period.
Average number of employees	Number of staff converted to full-time positions during the period.
Net revenue retention (NRR)	Rate is the percentage of recurring revenue retained from existing customers in a defined period, including revenue, downgrades, and cancellations.

Signatures and assurance

The Board of Directors and the Chief Executive Officer offer their assurance that this interim report provides a true and fair view of the group's and the parent company's operations, financial position, and the operational performance.

Skövde, 17 November 2022

Robert Lempka
Chairman of the Board

Stefan Willebrand
Board member and CEO

Fanny Wallér
Board member

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