

# Information brochure to the shareholders of ACQ Bure AB

prior to resolution at the extraordinary general  
meeting in ACQ Bure AB on 20 June 2023  
regarding the merger with Yubico AB



This information brochure contains general and non-exhaustive information and is not a prospectus. The information brochure is intended solely to be used as a basis for the shareholders of ACQ Bure AB when resolving on the proposal by the board of directors (excluding conflicted board members) to approve the merger between ACQ Bure AB and Yubico AB. Provided that the extraordinary general meeting in ACQ Bure AB to be held on 20 June 2023 resolves to approve the merger in accordance with the proposal by the board of directors and that the other conditions for completion of the transaction are fulfilled, a company description will be published prior to the listing of the combined company's shares on Nasdaq First North Growth Market.

## IMPORTANT INFORMATION

The board of directors<sup>1)</sup> of ACQ Bure AB (“ACQ”) has proposed that the shareholders of ACQ resolve to approve the combination of ACQ and Yubico AB (“Yubico” or the “Company”) by way of a statutory merger whereby ACQ absorbs Yubico (the “Transaction”) at an extraordinary general meeting in ACQ to be held on 20 June 2023. In connection with completion of the proposed Transaction, ACQ intends to change listing venue from Nasdaq Stockholm (Main Market) to Nasdaq First North Growth Market and change its name to Yubico AB (the “Combined Company”). This information brochure contains general and non-exhaustive information and is not a prospectus. The information brochure is intended solely to be used as a basis for the shareholders of ACQ when resolving the proposal by the board of directors to approve the Transaction. This information brochure is available in Swedish and English on ACQ’s website, [www.acq.se](http://www.acq.se). In the event of discrepancies between the versions, the Swedish version shall prevail. For definitions of specific terms used in the information brochure, refer to the section “Definitions and abbreviations”.

Provided that the extraordinary general meeting of ACQ on 20 June 2023 approves the Transaction in accordance with the proposal by the board of directors, and that the other conditions for completion of the Transaction are fulfilled, a company description will be published prior to the listing of the Combined Company’s shares on Nasdaq First North Growth Market. The company description will contain additional information about the Combined Company.

The information brochure is governed by Swedish law. Disputes arising in connection with the information brochure or any subsequent legal matters are to be settled exclusively by the courts of Sweden.

This information brochure is not, and is not to be viewed as, an invitation to purchase or sell securities in ACQ, Yubico or the Combined Company. This information brochure does not constitute or form a part of any offer or solicitation to purchase or subscribe for securities in the United States, Australia, Canada, Hong Kong, South Africa or any other jurisdiction in which such offers or sales are unlawful (the “Excluded Territories”). The securities referred to in this information brochure have not been, and will not be, registered under the U.S. Securities Act of 1933, as amended (the “U.S. Securities Act”), or under the securities laws of any state of the United States, and may not be offered, sold, resold or delivered, directly or indirectly, in or into the United States absent registration except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act. Subject to certain limited exceptions, the securities referred to in this information brochure are being offered and sold only outside the United States. There is no intention to register any securities referred to herein in the United States or to make a public offering of the securities in the United States. In addition, the securities have not been and will not be registered under any applicable securities laws of any state, province, territory, county or jurisdiction of the other Excluded Territories. Accordingly, such securities may not be offered, sold, resold, taken up, exercised, renounced, transferred, delivered or distributed, directly or indirectly, in or into the Excluded Territories or any other jurisdiction if to do so would constitute a violation of the relevant laws of, or require registration of such securities in, the relevant jurisdiction. Further details of which U.S. and other holders of Yubico shares are eligible to receive ACQ shares in the merger, and the procedural steps required to be taken by such persons in order to receive such shares, as well as the procedures for those U.S. and other holders of Yubico shares who do not so qualify to receive ACQ shares, have been delivered to the relevant holders. In the United Kingdom, this information brochure and any other materials in relation to the securities described herein is being distributed only to, and is directed only at, and any invest-

ment or investment activity to which this document relates is available only to, and will be engaged in only with, “qualified investors” (within the meaning of the United Kingdom version of the Prospectus Regulation which is part of United Kingdom law by virtue of the European Union (Withdrawal) Act 2018) and who are (i) persons having professional experience in matters relating to investments who fall within the definition of “investment professionals” in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the “Order”); or (ii) high net worth entities falling within Article 49(2)(a) to (d) of the Order (all such persons together being referred to as “relevant persons”). In the United Kingdom, any investment or investment activity to which this material relates is available only to, and will be engaged in only with, relevant persons. Persons who are not relevant persons should not take any action on the basis of this information brochure and should not act or rely on it.

### Forward-looking statements and risk factors

The information brochure contains certain forward-looking statements that reflect ACQ’s current views on future events as well as financial and operational development. Such words as “intends”, “assesses”, “expects”, “can”, “plans”, “estimates” and other expressions that relate to indications or predictions concerning future development or trends and that do not refer to historical facts constitute forward-looking statements. Forward-looking statements are, by nature, associated with known, as well as unknown, risks and uncertainties, given their dependence on future events and circumstances. Forward-looking statements are no guarantee of future results or trends, and the actual results could differ materially from those contained in the forward-looking statements. All forward-looking statements provided by ACQ or on ACQ’s behalf apply only from the date on which they were provided and are based on the knowledge and information available to the board of directors of ACQ on the date of this information brochure.

ACQ does not make any undertaking that it will disclose updates or revisions of forward-looking statements due to new information, future events or other such matters above beyond what is required according to applicable laws.

A description of risk factors related to the Combined Company and the Transaction is included in the section “Risk factors” in this information brochure.

### Industry and market information

This information brochure contains industry and market information compiled from information obtained from third parties. ACQ does not assume any responsibility for the accuracy of any industry and market information that is included in this information brochure. Concerning such information from third parties, as far as ACQ is aware and can ascertain by comparisons with other information published by a relevant third party, no information has been omitted that could render the reproduced information inaccurate or misleading.

### Presentation of financial information

Certain financial and other information that is presented in this information brochure has been rounded to make the information easily comprehensible to the reader. Accordingly, the figures contained in certain columns do not tally exactly with the total amount specified. Except as specifically stated herein, no information in the information brochure has been audited or reviewed by ACQ’s or Yubico’s auditors.

1) Excluding certain board members who are conflicted, see further in section “Information regarding the proposed Transaction – Recommendation by the board of directors of ACQ” in this information brochure. References to the board of directors refer to the board of directors excluding conflicted board members.

# Table of contents

<b>Background and reasons</b>	<b>2</b>
<b>Information regarding the proposed transaction</b>	<b>3</b>
<b>Fairness opinion</b>	<b>8</b>
<b>Terms and conditions for voluntary share redemption</b>	<b>10</b>
<b>Market overview</b>	<b>15</b>
<b>Brief description of Yubico</b>	<b>23</b>
<b>Summary of historical financial information for Yubico</b>	<b>34</b>
<b>Board of directors, senior executives and auditor</b>	<b>41</b>
<b>Shares and ownership structure</b>	<b>43</b>
<b>Risk factors</b>	<b>45</b>
<b>Definitions</b>	<b>55</b>

## Definitions and abbreviations

“**ACQ**” refers to ACQ Bure AB, reg. no. 559278-6668;

“**Bure**” refers to Bure Equity AB, reg. no. 556454-8781;

The “**Combined Company**” refers to the company group in which ACQ will be the parent company following completion of the Transaction;

The “**Transaction**” refers to the combination of ACQ and Yubico by way of a statutory merger whereby ACQ absorbs Yubico;

“**Yubico**” or the “**Company**” refers to Yubico AB, reg. no. 556720-8755.

## Important dates

<b>12 June 2023</b>	Record date for attendance at the extraordinary general meeting in ACQ that is to resolve upon the approval of the Transaction
<b>14 June 2023</b>	Final date to provide notification of attendance at the extraordinary general meeting in ACQ
<b>20 June 2023</b>	Extraordinary general meetings in ACQ and Yubico
<b>20 June – 4 July 2023</b>	Application period for share redemption
<b>On or around 17 July 2023</b>	Expected date for settlement of redeemed shares
<b>September 2023</b>	The company description is published
<b>September 2023</b>	Last day of trading in ACQ on Nasdaq Stockholm
<b>September 2023</b>	Closing of the Transaction and first day of trading in the Combined Company's shares on Nasdaq First North Growth Market

## Participation in ACQ's extraordinary general meeting on 20 June 2023

Information regarding the right to attend and how to register for attendance at ACQ's extraordinary general meeting to be held on 20 June 2023 to resolve on the approval of the Transaction can be found in the notice published on 17 May 2023 convening the extraordinary general meeting, which is available on ACQ's website, [www.acq.se](http://www.acq.se).

# Background and reasons

ACQ was listed on Nasdaq Stockholm in March 2021 and established on the initiative of Bure. In connection with the listing of ACQ on Nasdaq Stockholm in March 2021, SEK 3.5 billion was raised for the purpose of acquiring an unlisted company. ACQ has focused on finding a target company within sectors and markets where Bure is already active and has experience, and where the target company has potential to pursue long-term growth within its core business. Yubico meets all the investment criteria that were set in connection with the establishment of ACQ and ACQ believes it has strong potential to create value for the Combined Company's shareholders over time.

For Yubico, the business combination with ACQ represents an important step in Yubico's continued development and is expected to promote future growth as a global authentication leader by increasing general awareness of Yubico, e.g. by increasing the ability to attract and retain key employees, customers and partners, as well as giving access to the Swedish and international capital markets. ACQ intends to change its listing venue to Nasdaq First North Growth Market in connection with the completion of the Transaction. ACQ considers that Nasdaq First North Growth Market provides better conditions, compared to Nasdaq Stockholm (Main Market), to complete the Transaction in view of the contemplated timetable for the Transaction, and that it is also a suitable listing venue for the Combined Company at this current stage. The Combined Company intends to seek a re-listing on Nasdaq Stockholm (Main Market) within 12–18 months after completion of the Transaction.

# Information regarding the proposed transaction

## Description of the transaction

On 19 April 2023, ACQ and Yubico signed a merger agreement and adopted a joint merger plan to combine ACQ and Yubico by way of a statutory merger under the Swedish Companies Act, whereby ACQ will absorb Yubico. The Transaction is expected to be completed in September 2023, subject to the conditions for completion of the Transaction being fulfilled.

Yubico is a leading provider of hardware multi-factor authentication solutions. Through its core invention, the YubiKey, Yubico solves the number one cybersecurity issue – phishing of stolen credentials. Its unique, highly differentiated value offering combines a high level of security with ease of use. Yubico has had a strong organic growth journey since its inception; net sales have grown by a compounded annual growth rate (“CAGR”) of 50% since 2016. In 2022, Yubico reached all-time high net sales of SEK 1,561 million with an operating profit of SEK 215 million. For more information, see “*Brief Description of Yubico*” and “*Summary of Historical Financial Information for Yubico*” below.

The Transaction values Yubico’s shares at USD 800 million, corresponding to SEK 8,293 million<sup>1)</sup>. The merger consideration consists of newly issued shares in ACQ and cash, whereby 58% of the consideration will be paid in shares and 42% in cash to holders of shares of Yubico outstanding at the time of registration of the merger (other than certain shareholders resident in certain foreign jurisdictions (including the United States) (the “**Ineligible Foreign Holders**”)) which is expected to occur in September 2023. An eligible holder of shares in Yubico will receive 2.9 ACQ shares and SEK 208.0 in cash for each Yubico share held by such shareholder.<sup>2)</sup>

In aggregate, up to a total of 51,759,560<sup>3)</sup> ACQ shares will be issued as merger consideration, assuming that all outstanding and, at the time of completion of the Transaction, vested warrants as relevant in Yubico are exercised prior to the completion of the Transaction. Under the same assumption, up to a total of SEK 3,716,254,256 in cash will

be paid as merger consideration.<sup>4)</sup> The aggregate amount and proportion of cash may be increased (and the aggregate amount and proportion of ACQ shares correspondingly decreased) to accommodate restrictions under applicable securities laws on the delivery by ACQ of share consideration to Ineligible Foreign Holders resident in certain foreign jurisdictions (including the United States). Ineligible Foreign Holders will not receive ACQ shares but will instead receive the fair market value in cash (as determined by an independent expert) of those ACQ shares to which such Ineligible Foreign Holder would otherwise have been entitled pursuant to the merger plan.

The Transaction meets the requirements of a de-SPAC transaction, such that, following completion of the Transaction, ACQ will cease to be a special purpose acquisition company (SPAC) and instead be the parent company of the Yubico group, which will, in addition to the parent company, consist of the current subsidiaries of Yubico.

Following completion of the Transaction, the Combined Company is expected to have a strong financial position which exceeds the current net cash position in Yubico. ACQ’s current shareholders will hold approximately 40.3%<sup>5)</sup> of the shares and votes in the Combined Company.

## Warrants and U.S. stock options in Yubico

As of 19 April 2023, there were a total of 2,404,129 outstanding warrants (Sw. *teckningsoptioner*) in Yubico, as well as U.S. stock options reflecting in all material respects the terms of the warrants, that have been issued in different series to members of Yubico’s executive management and other employees under equity incentive plans implemented by Yubico. Holders of warrants and options that will have vested prior to the completion of the Transaction are entitled to exercise their warrants and options to become shareholders in Yubico and have been notified accordingly in accordance with the terms and conditions of the respective series of warrants and options. Following completion of the Transaction, no warrants or U.S. stock options in Yubico will remain outstanding.

1) Based on the average spot exchange rate in SEK/USD (approximately 10.37) during the period 11–14 April 2023, retrieved from the Swedish Central Bank (Sw. *Riksbanken*) published at <https://www.riksbank.se/en-gb/statistics/search-interest--exchange-rates/>.

2) The numbers have been rounded, the complete numbers are as follows. 2,897 ACQ shares will be received for each 0.57866 Yubico share in respect of 57.866% of the total number of Yubico shares held by each shareholder, and SEK 208,000 will be received for each 0.42134 Yubico share, in respect of 42.134% of the total number of Yubico shares held by each shareholder.

3) The aggregate amount and proportion of ACQ shares to be issued as merger consideration may be decreased to accommodate restrictions under applicable securities laws on the delivery by ACQ of share consideration to Ineligible Foreign Holders resident in certain foreign jurisdictions (including the United States).

4) In addition to ACQ’s current cash position, cash from subscription of warrants will be used to pay the cash merger consideration.

5) Information about shareholdings in the Combined Company throughout this information brochure is based on the assumption of full subscription of warrants in Yubico.

In order to facilitate for holders of warrants and options to exercise their warrants and options, Yubico has offered the holders the ability to exercise their warrants and options with delayed payment entailing that Yubico allows for the exercise price to become payable only upon or shortly after registration of the merger by the Swedish Companies Registration Office, such that the claim for payment for the exercise price will have passed to ACQ at such time. Holders of warrants and options, who are eligible to receive merger consideration in the form of shares, may choose to have their shares in the Combined Company sold, in proportion to the total merger consideration that would otherwise have been payable to the shareholder, to finance exercise of warrants and options. Any such placing of shares in the Combined Company is expected to occur as part of or in connection with the directed issue of new shares in the Combined Company (see below under "*Potential directed share issue in the Combined Company*").

### Completion conditions

Completion of the Transaction is conditional upon:

- i. approval of the merger plan by the shareholders of each of ACQ and Yubico at their respective general meetings that are intended to be held on 20 June 2023, including approval by the shareholders of ACQ of the issuance of ACQ shares that will form part of the merger consideration (see further below under "*Extraordinary general meeting in ACQ*" and "*Extraordinary general meeting in Yubico*");
- ii. Nasdaq Stockholm having (i) resolved to de-list the shares in ACQ from Nasdaq Stockholm and (ii) admitted the shares in the Combined Company to be listed on Nasdaq First North Growth Market (see further below under "*Listing on Nasdaq First North Growth Market*");
- iii. any permits and approvals of regulatory authorities that are necessary for the Transaction having been obtained on terms containing no remedies, conditions or undertakings which in the opinion of ACQ's and Yubico's respective board of directors, acting in good faith, would have a material adverse effect on the business, competitive or financial position of the Combined Company following completion of the Transaction;
- iv. the merger not having been made in whole or in part impossible or materially impeded as a result of legislation, court rulings, decisions by public authorities or anything similar;
- v. the pre-merger undertakings made by ACQ and Yubico as set out below in the section "*Pre-merger undertakings*" not having been breached prior to the day of the registration of the merger with the Swedish Companies Registration Office in any manner which would result in a material adverse effect on the merger or the Combined Company; and
- vi. no change, matter or event or series of changes, matters or events having occurred that has had or could reasonably be expected to have a material adverse effect on the financial position or operation, including sales, results, liquidity, equity ratio, equity or assets of Yubico or ACQ or the Combined Company, and as a result of which the other party cannot reasonably be expected to complete the merger.

If the conditions set out above have not been satisfied or waived and completion of the Transaction has not taken place on or before 31 October 2023, the merger will not be implemented and the merger plan shall cease to have any further effect, provided, however that the merger will only be discontinued and the merger plan shall only cease to have any further effect, to the extent permitted by applicable law, if the non-satisfaction is of material importance to the merger or the Combined Company. Each of ACQ and Yubico, respectively, reserve the right to jointly waive, in whole or in part, one, several or all of the conditions above, and shall, subject to applicable law, be entitled to jointly decide to postpone the last date for fulfillment of the conditions from 31 October 2023 to a later date.

### Pre-merger undertakings

Each of ACQ and Yubico have undertaken, for the period from the date of the merger plan until the day of the registration of the merger with the Swedish Companies Registration Office, to carry on their respective businesses in the ordinary course of business consistent with past practices and not to, without the prior written consent of the other party, not to be unreasonably withheld or delayed, take any of the following actions:

- a) declare or pay any dividend or other distribution to shareholders or make any other transfer of value (Sw. *värdeöverföring*) as defined in Chapter 17, Section 1 of the Swedish Companies Act, except that ACQ may take actions to settle requests for redemption of shares from shareholders of ACQ who vote against the Transaction at the extraordinary general meeting in ACQ, in accordance with the Nasdaq Stockholm Main Market Rulebook for Issuers of Shares (the "**Rulebook**") and ACQ's articles of association;
- b) issue or create shares or other securities, except (i) for issuances of shares or other securities in Yubico under or relating to its incentive plans in order to enable the participants in such incentive plans to exercise their rights, (ii) for the issuance of shares in ACQ to be paid as share consideration in the Transaction, and (iii) that ACQ shall be allowed to resolve on directed issues of shares following the share redemption procedure in order to achieve a suitable cash position in ACQ, depending on the outcome of the share redemption procedure, and for purposes of securing its obligation to effect cash payments to Ineligible Foreign Holders in Yubico;

- c) acquire, sell or agree to acquire or sell, material shareholdings, businesses or assets;
- d) enter into or amend any material contracts or arrangements, or incur any material additional indebtedness other than in the ordinary course of operating its business; or
- e) amend the articles of association or any other constitutional documents, except that ACQ may amend its articles of association so to ensure that they are adapted to the Combined Company following completion of the Transaction.

### Financing of the merger consideration

The cash portion of the merger consideration will be paid by ACQ's existing funds, which are currently held in a blocked bank account, and by use of cash from exercise of warrants in Yubico. ACQ intends to initiate the process to have ACQ's existing funds released and available at closing for payment of the cash portion of the merger consideration.

The remaining existing funds which are not used to satisfy payment of the cash portion of the merger consideration will be retained in the Combined Company for working capital purposes to support the transition to subscription model, see further in section "*Yubico in Brief – Revenue model*" and "*Potential directed share issue in the Combined Company*". The Combined Company is expected to have a strong financial position which exceeds the current net cash position following completion of the Transaction.

The board of ACQ has proposed that the extraordinary general meeting resolves to issue up to 51,759,560<sup>1)</sup> shares in ACQ to satisfy payment of the share portion of the merger consideration.

The aggregate amount and proportion of cash may be increased (and the aggregate amount and proportion of ACQ shares correspondingly decreased) to accommodate restrictions under applicable securities laws on the delivery by ACQ of share consideration to Ineligible Foreign Holders resident in certain foreign jurisdictions (including the United States).

### Voluntary share redemption

Shareholders in ACQ voting against the Transaction will be able, subject to certain limitations, to request that their shares in ACQ be redeemed. The redemption consideration for each redeemed share is expected to be approximately SEK 98.05. See further under section "*Terms and conditions for voluntary share redemption*".

## Recommendation by the board of directors of ACQ

### The board of directors' process for evaluating the Transaction

Patrik Tigerschiöld and Sarah McPhee, board members of ACQ, have assessed that they have a conflict of interest in relation to the Transaction since they are board members in Bure, which is one of the largest shareholders in Yubico. ACQ's current CEO, Henrik Blomquist, has assessed that he has a conflict of interest in relation to the Transaction due to his position as CEO of Bure. Neither Patrik Tigerschiöld, Sarah McPhee nor Henrik Blomquist have participated in the board of directors' resolutions to approve of the Transaction or enter into the merger plan and the merger agreement, nor have they participated in the board of directors' deliberations regarding such resolutions.

The board members Caroline af Ugglas, Katarina Bonde and Eola Änggård Runsten are not conflicted in relation to the Transaction. References below to the board of directors refer to the board of directors, *excluding* conflicted board members. All non-conflicted board members are unanimous in their support of the Transaction.

### The board's recommendation

The board of directors of ACQ is of the opinion that the Transaction is beneficial to ACQ and its shareholders, and considers the merger consideration to be fair, from a financial point of view, for the shareholders of ACQ.

Further, the board of directors has obtained a fairness opinion from Svenska Handelsbanken AB, pursuant to which, subject to the assumptions and limitations therein, the merger consideration corresponding to USD 800 million is fair from a financial point of view for ACQ and its shareholders (see section 3 – "*Fairness opinion*" in this information brochure).

The board of directors has been presented with the results of legal, financial, tax and pension due diligence of Yubico, as well as a market study, before deciding to propose that the shareholders of ACQ approve the Transaction.

Due to the conflict of interest referred to above, and in accordance with the Swedish Companies Act and ACQ's internal policies, none of Patrik Tigerschiöld, Sarah McPhee and Henrik Blomquist have participated in the board of directors' resolutions to approve of the Transaction or enter into the merger plan and the merger agreement, nor have they participated in the board of directors' deliberations regarding such resolutions. ACQ's efforts of finding a suitable target company have primarily comprised sectors and markets where Bure is already active and has experience.

1) Assuming that all outstanding and, at the time of completion of the Transaction, vested warrants as relevant in Yubico are exercised prior to the completion of the Transaction. The aggregate amount and proportion of ACQ shares to be issued as merger consideration may be decreased to accommodate restrictions under applicable securities laws on the delivery by ACQ of share consideration to Ineligible Foreign Holders resident in certain foreign jurisdictions (including the United States).

Patrik Tigerschiöld, Sarah McPhee and Henrik Blomquist have therefore participated in certain preparations for the Transaction and have also presented Yubico as a potential target company to the board members who are not conflicted.

### Extraordinary general meeting in ACQ

ACQ has convened an extraordinary general meeting to be held on 20 June 2023 for the purpose of resolving the approval of the Transaction, including the joint merger plan. The notice is available on ACQ's website ([www.acq.se](http://www.acq.se)) together with other documentation related to the extraordinary general meeting. Please refer to the notice for further information and instructions on how to participate in the extraordinary general meeting.

The board of directors of ACQ has proposed to the extraordinary general meeting that the shareholders of ACQ resolve to approve the Transaction, including the joint merger plan, and resolve upon the issuance of up to 51,759,560<sup>1)</sup> shares to the shareholders in Yubico to satisfy payment of the share portion of the merger consideration. In addition, the extraordinary general meeting will resolve upon, subject to certain conditions, *inter alia*:

- adoption of new articles of association to, *inter alia*, change ACQ's company name to Yubico AB, change the business objectives of the Combined Company, and change the limits for shares and share capital in order to allow for the issue of the consideration shares; and
- authorization for the board of ACQ to issue a number of new shares corresponding to a maximum of 10% of the total number of outstanding shares in ACQ including the maximum number of shares which may be issued as share consideration, for use in potential directed issues in ACQ in order to achieve a suitable cash position in the Combined Company, depending on the outcome of the share redemption procedure, and to secure its obligation to effect cash payments to Ineligible Foreign Holders in connection with the Transaction (see further below under "*Potential directed share issue in the Combined Company*" and in section "*Terms and conditions for voluntary share redemption*").

### Extraordinary general meeting in Yubico

Yubico has convened an extraordinary general meeting to be held on 20 June 2023 for the purpose of resolving the approval of the Transaction, including the joint merger plan.

### Voting commitments

Certain large shareholders of ACQ, i.e. Bure, AMF Tjänstepension and AMF Fonder, the Fourth Swedish National Pension Fund, SEB-Stiftelsen and Stefan Persson & family that together hold approximately 58% of the shares and votes in ACQ have undertaken to vote in favor of the Transaction at the extraordinary general meeting of ACQ. Further, SEB Funds and Lannebo Funds, that together held approximately 9% of the shares and votes in ACQ at the time of the notice to the extraordinary general meeting, have expressed their intention to vote in favor of the Transaction at the extraordinary general meeting of ACQ. Approval of the Transaction, including the joint merger plan, requires support by at least two-thirds of the votes cast and the shares represented at the general meeting.

Shareholders of Yubico representing more than 80% of the total outstanding shares of Yubico are either parties to the merger agreement entered into by ACQ and Yubico or have by other means approved and committed to support the Transaction. Pursuant to a customary drag-along provision under the existing shareholders' agreement amongst each of the shareholders of Yubico, the remaining shareholders of Yubico will be deemed to have consented to the Transaction and have generally appointed a proxy, to vote on their behalf at the extraordinary general meeting of Yubico, without any further action on their part.

### Listing on Nasdaq First North Growth Market

ACQ has initiated a process to change listing venue from Nasdaq Stockholm (Main Market) to Nasdaq First North Growth Market, subject to the shareholders' approval of the Transaction at ACQ's and Yubico's general meetings, respectively. The first day of trading in the Combined Company's shares on Nasdaq First North Growth Market is expected to occur in September 2023.

In connection with the listing process, ACQ will prepare a company description with information about the Combined Company, in accordance with the requirements set out in Nasdaq First North Growth Market's Rulebook. The company description is expected to be published on ACQ's website in September 2023.

1) Assuming that all outstanding and, at the time of completion of the Transaction, vested warrants as relevant in Yubico are exercised prior to the completion of the Transaction. The aggregate amount and proportion of ACQ shares to be issued as merger consideration may be decreased to accommodate restrictions under applicable securities laws on the delivery by ACQ of share consideration to Ineligible Foreign Holders resident in certain foreign jurisdictions (including the United States).



### Potential directed share issue in the Combined Company

In connection with the Transaction, newly issued shares are intended to be placed on behalf of the Combined Company. The placing will occur in order to achieve a suitable cash position in the Combined Company, depending on the outcome of the share redemption procedure, following completion of the Transaction, and to secure the obligation of the Combined Company to effect cash payments to Ineligible Foreign Holders in connection with the Transaction. The board of directors of ACQ intends to use its proposed authorization from the extraordinary general meeting to resolve upon issuance of new shares to be placed in connection with the Transaction. Several factors will have an impact on the number of shares in ACQ to be placed, including:

- The amount of funds that has been paid to shareholders in ACQ that request redemption of their shares in connection with the Transaction. Not more than 10% of the total number of shares issued by ACQ at the time of the extraordinary general meeting in ACQ that is to resolve upon the approval of the Transaction may be redeemed.<sup>1)</sup>
- The amount of funds that shall be paid to Ineligible Foreign Holders (i.e. holders of shares in Yubico that are not eligible to receive shares in ACQ as merger consideration) in connection with the Transaction. If the amount of funds to be paid to Ineligible Foreign Holders increases because Ineligible Foreign Holders may not receive share consideration, the number of ACQ shares that will be issued as merger consideration will decrease. Whilst the number of Ineligible Foreign Holders has not yet been determined, ACQ expects that the number of ACQ shares to be placed to secure the obligation to effect cash payments to Ineligible Foreign Holders will not exceed 5% of the total number of outstanding shares in ACQ, including the maximum number of shares which may be issued as share consideration.

- The cash position of the Combined Company at the completion of the Transaction, which will to some extent depend on the amount of cash that Yubico has received upon exercise of warrants and options in Yubico prior to completion of the Transaction. ACQ expects to use some of these funds received from exercise of warrants and options in Yubico to satisfy payment of the cash consideration in the merger, provided however that a suitable level of cash will be retained in the Combined Company for working capital purposes to support the transition to subscription model. Following completion, and as a consequence of the Transaction, the Combined Company is expected to have a strong financial position and an increased net cash position compared to the current cash position of Yubico. Depending on the aforementioned factors, including assumed exercise of warrants and options, the net cash position is expected to increase by approximately SEK 200 million.

A placing of newly issued shares in the Combined Company as discussed above is expected to occur as part of or in connection with any placing of shares in the Combined Company that holders of warrants and options, who are eligible to receive merger consideration in the form of shares, have chosen to sell to finance exercise of warrants and options (see above under "*Warrants and U.S. stock options in Yubico*").

1) There are currently 35,000,000 shares in ACQ, meaning that no more than 3,500,000 shares may be redeemed.

# Fairness opinion

Handelsbanken Capital Markets

1(2)

Stockholm, 18 April 2023

To the independent members of the Board of ACQ Bure AB

ACQ Bure AB ("ACQ Bure") is contemplating acquiring all shares in Yubico AB ("Yubico") (the "Transaction"). The Transaction is intended to be consummated by means of a statutory merger where ACQ Bure will be the surviving entity.

We understand that ACQ Bure, Yubico and certain shareholders of Yubico have, subject to contract, agreed on a transaction consideration corresponding to USD 800 million for all shares in Yubico on a fully diluted basis (the "Transaction Consideration"). The Transaction Consideration at completion of the Transaction will consist of cash and newly issued shares in ACQ Bure. We note that cash and cash equivalents and short-term investments accounted for SEK 3,448.4 million out of ACQ Bure's total assets of SEK 3,450.7 million as at 31 March, 2023. For further information about the Transaction and the Transaction Consideration, please refer to ACQ Bure's press release.

The independent members of the Board of ACQ Bure has assigned Handelsbanken Capital Markets to render an opinion as to the fairness, from a financial point of view, of the Transaction Consideration.

In accordance with customary investment banking practice, Handelsbanken has employed generally accepted valuation methodology in rendering its fairness opinion from a financial point of view, including:

- compared the financial performance of Yubico with that of certain other publicly traded companies comparable with Yubico, and their securities;
- reviewed the financial terms, to the extent publicly available, of certain comparable acquisition transactions;
- conducted a discounted cash flow analysis based on estimated future free cash flows of Yubico;
- performed such other analyses, reviewed such other information and considered such other factors as Handelsbanken deemed appropriate.

In connection with rendering the fairness opinion, Handelsbanken, among other things:

- reviewed publicly available annual reports and certain publicly available financial statements and other business and financial information of Yubico;
- reviewed certain internal financial statements, including financial statements for the fiscal year 2022, and other financial and operating data concerning Yubico;
- reviewed certain financial projections prepared by the management of Yubico as well as Yubico's short to medium term financial targets;
- discussed the past and current operations and financial condition and the prospects of Yubico with senior executives of Yubico;

SE-106 70 Stockholm, Sweden

Tel. +46 8 701 10 00

[www.handelsbanken.com/capitalmarkets](http://www.handelsbanken.com/capitalmarkets)

Handelsbanken Capital Markets is a division of Svenska Handelsbanken AB (publ), registered in Stockholm Sweden, No 502007-7862.

**Handelsbanken Capital Markets**

2(2)

- reviewed certain due diligence materials prepared by advisors to ACQ Bure regarding Yubico.

We have received a draft of the statutory merger agreement, but do not opine on the said agreement other than our opinion on the fairness of the Transaction Consideration (set forth in the statutory merger agreement), from a financial point of view.

We have not conducted any due diligence in order to verify the accuracy of the information received from ACQ Bure, Yubico or elsewhere and we have not made any independent evaluation or assessment of the assets and liabilities of Yubico. Without independent verification by us, we have relied upon that all of the financial and other information reviewed by us as a basis for this opinion in all material aspects are correct and accurate and that no information of material importance for the evaluation of Yubico's future earnings capacity or for our overall assessment has been omitted or not presented to us.

Our opinion is based on the Swedish regulatory system and upon current market, economic, financial and other conditions as well as information made available to us as of the date hereof. Any change in such conditions may require a re-evaluation of this opinion.

Based upon and subject to the foregoing, we are of the opinion that the Transaction Consideration as of the date hereof, from a financial point of view, is fair to the shareholders of ACQ Bure.

Handelsbanken Capital Markets is a business area within Svenska Handelsbanken AB with operations within securities trading and brokerage, equity research and corporate finance. Within the framework of its normal operations within securities trading and brokerage, Handelsbanken Capital Markets may, at any point in time, hold long or short positions in, and may for own or clients' accounts trade in, shares and other securities related to ACQ Bure. In addition, Svenska Handelsbanken AB may have granted credits to ACQ Bure and may hold equity related securities in ACQ Bure as security.

We will receive a fixed fee for this opinion irrespective if the Transaction is announced or completed.

It is understood that this letter is for the information of the independent members of the Board of ACQ Bure only in connection with their evaluation of the Transaction and should thereof not be interpreted as a recommendation to the shareholders of ACQ Bure. The letter may not be used, quoted, reproduced or be used for any other purpose without prior written consent from us, except that a copy of this opinion may be included in its entirety in any press release, regulatory and/or information materials that the independent members of the Board or the Board of Directors of ACQ Bure is required to make in connection with the Transaction. This opinion is subject to Swedish substantive law and any dispute in respect of this opinion shall be resolved exclusively by Swedish court of law.

This is a translation of the fairness opinion written in Swedish. It is for information purposes only and does not constitute a part of the opinion. For the avoidance of doubt, in the case of any inconsistency or ambiguity between the Swedish language version and the English translation, the Swedish language version shall prevail.

**Handelsbanken Capital Markets**  
*Corporate Finance*

# Terms and conditions for voluntary share redemption

## Background

In accordance with the Rulebook and ACQ's articles of association, shareholders in ACQ may request redemption of their shares in ACQ in connection with the Transaction, subject to certain conditions and limitations outlined below. Not more than 10% of the total number of shares issued by ACQ at the time of the extraordinary general meeting in ACQ that is to resolve upon the approval of the Transaction may be redeemed.

## Conditions for redemption

Requests for redemption of shares in ACQ may be made by shareholders who (i) voted against the proposal to approve the Transaction at the extraordinary general meeting in ACQ, and (ii) are not included in the group of persons who are prevented from requesting redemption of shares according to the Rulebook, i.e. the following:

- a) Members of the board of directors of ACQ;
- b) Management of ACQ;
- c) Founding shareholders of ACQ;
- d) A spouse or co-habitee of any person referred to in subsections a-c above;
- e) A person who is under custody of any person referred to in subsections a-c above; or
- f) A legal person over which any person referred to in subsections a-e above, alone or together with any other person referred to therein, exercises a controlling influence.

Shareholders are only entitled to request redemption in respect of **all** their shares in ACQ. If more shares are requested for redemption than can be redeemed pursuant to the provisions of the articles of association, or if the number of shares requested to be redeemed by shareholders exceeds 10% of the total number of shares issued by ACQ at the date of the extraordinary general meeting in ACQ<sup>1)</sup>, distribution of the number of shares to be redeemed will be made in proportion to the number of shares that each shareholder has requested for redemption. To the extent such distribution does not go out evenly, further distribution will take place by drawing of lots.

## Redemption price

The redemption consideration for each redeemed share shall correspond to the introduction price for ACQ's share when the share was first admitted to trading on Nasdaq Stockholm, i.e. SEK 100, less each share's proportion of any taxes and ACQ's operating costs for the period from the formation of ACQ up to and including the extraordinary general meeting in ACQ that is to resolve upon the Transaction. As of the date of this information brochure, the redemption consideration for each redeemed share is expected to be approximately SEK 98.05.

## Redemption application period

During the period from (and including) 20 June 2023 up to (and including) 4 July 2023, eligible shareholders are entitled to request to have their shares redeemed.

## Redemption application process

A redemption application form will be available at ACQ's webpage ([www.acq.se](http://www.acq.se)) and will be held available at the extraordinary general meeting.

Eligible shareholders of ACQ who wish to apply for redemption of their shares shall sign and submit a correctly completed redemption application form to SEB Emissioner at the address stated on the form. The redemption application form must be physically submitted or sent by post, and must be received by SEB Emissioner no later than 17.00 CEST on 4 July 2023.

Please note that a redemption application form that is missing mandatory information or is faulty may be left without consideration.

## Nominee registered holdings

Shareholders of ACQ whose shares are registered in the name of a nominee and who wish to apply for redemption of their shares shall follow the instructions from their respective nominees.

## Pledged shares

If shares in ACQ are pledged in Euroclear's system, both the shareholder and the pledgee must duly complete and sign the redemption application form and confirm that the pledge will be terminated upon redemption of the shares.

1) There are currently 35,000,000 shares in ACQ, meaning that no more than 3,500,000 shares may be redeemed.

### No right to withdraw application for redemption

The application for redemption is binding and shareholders who have applied for redemption may not withdraw their application.

### Acknowledgement of applications and transfer of ACQ shares to blocked securities accounts

After SEB Emissioner has received and registered a duly completed and signed redemption application form, the shares in ACQ will be transferred to a new blocked securities account (Sw. *apportkonto*) in each respective shareholder's name. In connection with this, Euroclear will send a statement (Sw. *VP-avi*) showing the number of ACQ shares that have been withdrawn from the original securities account and a statement showing the number of ACQ shares that have been entered into the newly opened blocked securities account.

### Settlement

Settlement is expected to commence on or around 17 July 2023. In connection with settlement, the shares in ACQ will be withdrawn from the blocked securities account, which is then closed. No statement will be sent in connection with the withdrawal.

Payment will be made into the yield account linked to directly registered shareholders' securities accounts.

If the shares are nominee registered, settlement will be effected through the respective nominee.

### Return of non-redeemed shares

In the event of a pro-rata reduction of redeemed shares, the non-redeemed shares will be returned to the shareholder's securities account as soon as possible following settlement. Shareholders having applied for redemption will not be able to trade in their ACQ shares, including the non-redeemed shares, from the date such shares have been transferred to the blocked securities account up until the date the non-redeemed shares are returned to the shareholder's securities account.

If the shares are nominee registered, pro-rata reduction and return of non-redeemed shares will be effected through the respective nominee.

### Timetable

Event	Date
Extraordinary general meeting in ACQ with resolution on approval of the Transaction	20 June 2023
Redemption application period	20 June – 4 July 2023
The board of directors resolves on the reduction of share capital as a result of the redemption procedure, and the outcome of the redemption procedure is published	7 July 2023
Expected date for settlement of redeemed shares (on or around)	17 July 2023

### Information about handling of personal information

Personal data that is submitted to SEB, for example, contact information and personal identification number, or which is otherwise registered in connection with the preparation or administration of the redemption applications, will be processed by SEB (in its capacity as the controller of the personal data) for the administration and execution of the assignment. Personal data is also processed in order to enable SEB to fulfill its legal obligations.

Personal data may, for the stated purposes and in observance of applicable banking secrecy rules, be disclosed to other companies within the SEB group or to companies which SEB cooperates with, within as well as outside the EU/EEA, in accordance with the European Union's approved and appropriate protective measures. In certain cases, SEB has a legal obligation to provide information, for example to the Swedish Financial Supervisory Authority (Sw. *Finansinspektionen*) and the Swedish Tax Agency (Sw. *Skatteverket*).

The Swedish Securities Market Act (Sw. *lagen (2007:528) om värdepappersmarknaden*) as well as the Swedish Banking and Financing Business Act (Sw. *lagen (2004:297) om bank- och finansieringsrörelse*) contain confidentiality provisions according to which all of SEB's employees are bound by a duty of confidentiality with regards to clients of SEB and other parties to whom services are provided. The duty of confidentiality also applies between and within the various companies in the SEB group.

Information regarding what personal data is processed by SEB, deletion of personal data, limitation on the processing of personal data, data portability or the rectification of personal data may be requested from SEB's data protection officer. It is also possible to contact the data protection officer to obtain further information about how SEB processes personal data. In case a person whose personal data is processed, wishes to make a complaint regarding the processing of personal data, such person may turn to the Swedish Data Protection Authority (Sw. *Datainspektionen*) in its capacity as supervisory authority.

Personal data shall be deleted if it is no longer needed for the purposes for which it was originally collected or otherwise processed, provided that SEB has no legal obligation to preserve the personal data. The normal storage time for personal data is ten years.

### Address to SEB's data protection officer

SEB  
Dataskyddssombud  
SE-106 40 Stockholm, Sweden

### Other information

SEB is acting as settlement agent in connection with the Transaction, meaning that SEB performs certain administrative services in conjunction with the Transaction. This does not, in itself, mean that a person applying for redemption of ACQ shares (the "Participant") will be regarded as a customer of SEB. Upon application of redemption of ACQ shares, the Participant will be regarded as a customer of SEB only if SEB has provided advice to the Participant, or has otherwise contacted the Participant individually, regarding the Transaction. If a Participant is not regarded as a customer, the investor protection rules set forth in the Swedish Securities Market Act will not apply to such Participant's application. This means, *inter alia*, that neither a so-called customer categorization nor a suitability assessment will be carried out in conjunction with the application process. Accordingly, the Participant is personally responsible for ensuring that he or she possesses sufficient experience and knowledge to understand the risks associated with the application process or the Transaction.

### Tax effects

The presentation below is a summary of certain Swedish tax regulations that will apply to shareholders in ACQ as a result of the redemption procedure. The summary is primarily intended as general information for shareholders that have an unlimited tax liability in Sweden. However, a description of certain Swedish tax implications for shareholders who are not tax resident in Sweden is included under "*shareholders with limited tax liability in Sweden*".

Further, this description does not deal comprehensively with all tax consequences that may occur in this context. For example, the summary does not address the specific rules on tax-exempt capital gains (including non-deductibility for capital losses) in the corporate sector that may be applicable when shares are considered to be held for business purposes (Sw. *näringsbetingade andelar*) by the shareholder. Each shareholder is recommended to consult a tax advisor for information with respect to the special tax consequences that may arise from the redemption, including the applicability and effect of foreign tax legislation, provisions contained in tax treaties for the avoidance of double taxation or other rules which may be applicable.

### Redemption of shares

Redemption of shares is seen as a disposal of shares which might give rise to capital gains taxation. A capital gain or capital loss is calculated as the difference between the received payment, after deduction of any sales costs, and the acquisition cost. The received payment for shares redeemed is the redemption amount.

For **individuals tax resident in Sweden**, any capital gain on listed shares is taxed in the capital income category with a tax rate of 30%. A capital loss on listed shares is fully deductible against taxable capital gains in the same year on shares and other listed securities that are taxed as shares, except for units in Swedish investment funds that only contain Swedish receivables (Sw. *räntefonder*). Any excess losses are 70% deductible against other income from capital. If an overall capital deficit occurs, a reduction from tax on income from employment and business operations as well as real estate tax and municipal property charges is granted. A tax reduction of 30% is provided for deficits that do not exceed SEK 100,000 and 21% of any remaining deficit. However, if the redemption shares are owned via an investment savings account (Sw. *investeringssparkonto*) the rules above do not apply (instead, special rules on standardized taxation apply). Deficits may not be carried forward to a subsequent fiscal year.

For **limited liability companies tax resident in Sweden** not holding shares for business purposes, any capital gain is taxed as business income at a flat tax rate of 20.6%. Deductible capital losses on shares and other equity-related securities may only be deducted against taxable capital gains on other securities that are taxed in the same manner as shares. Such capital losses may however, under certain circumstances, also be deducted against capital gains within the same group of companies on shares and securities taxed in the same manner as shares, provided the requirements for group contributions (tax consolidation) are met and that both companies request such deduction for the same assessment year. Capital losses on shares and securities taxed in the same manner as shares which are not deducted within a certain year, may be carried forward and offset against capital gains on such assets in future years without any limitation in time.

For **shareholders with limited tax liability in Sweden** and not conducting business from a permanent establishment in Sweden, the redemption of shares is deemed to be a dividend, which means that Swedish withholding tax is levied on the payment received. The withholding tax rate is 30% but is generally reduced under tax treaties that Sweden has concluded with other countries. The withholding tax is normally deducted by Euroclear or, in the case of nominee-registered shares, by the nominee. A shareholder may reclaim the amount of withholding tax that is attributable to an amount equal to the acquisition cost of the redemption share. Alternatively, the amount of tax attributable to 20% of the redemption amount may be reclaimed.

### **Allocation of unrestricted equity to statutory fund**

In connection with the board of directors' resolution on the share redemption, including the resulting reduction of share capital, which is expected to be made on 17 July 2023, the board of directors will, in accordance with ACQ's articles of association, also resolve to reallocate an amount, equal to the amount with which the share capital is reduced, from ACQ's unrestricted equity to the statutory fund, which is required in order for the reduction of the share capital to be carried out directly without the prior approval of the Swedish Companies Registration Office. If the maximum possible number of shares are redeemed, i.e. 3,500,000 shares, the board of directors will reallocate SEK 8,750,000 from ACQ's unrestricted equity to its statutory fund.



# Market overview



# Market overview

## Yubico's market

Yubico operates in the market for advanced authentication, which is a submarket of the larger identity and access management (IAM) market. The IAM market is estimated to have a global market size of approximately USD 19.3 billion<sup>1)</sup> in 2023, primarily driven by the growth in digital identities and the need to secure access to devices, software services and data hosted online through cloud services. The advanced authentication market is estimated at almost a quarter of the total IAM market in 2023, with many organizations yet to implement advanced authentication<sup>2)</sup>.

With the continued rise in cyberattacks, modern security and authentication is a crucial capability needed in today's digital society to protect sensitive information and data. Most organizations and individuals rely on digital services for their everyday activities, and the need for strong security measures to safeguard against cyber threats have become increasingly important. The annual cost of cyberattacks is estimated at over USD 100 billion<sup>3)</sup> and keeps increasing driven by the rise of the digital economy, geopolitical tensions and sophisticated cybercrimes.

Traditional cybersecurity tools are not always effective in protecting against modern cyberattacks and advanced identity security is becoming an increasingly important factor for trust between users and their digital ecosystems. Statistics say that 9 out of 10 cybersecurity breaches are caused by employee mistakes, such as use of stolen credentials, phishing or misuse<sup>4)</sup>. In phishing attacks, an attacker baits users through email, phone calls, or text messages to disclose their login and identity information. Phishing emails, phone calls and text message attacks are evolving to become more convincing and realistic, allowing them to easily bypass basic and legacy security technologies. Attackers also steal login credentials through other techniques such as social engineering, in which attackers guess passwords based on personal identity data, such as name, date of birth, name of children, which might be available on social network platforms or alike.

IAM is an important series of cybersecurity controls for companies, authorities, and other organizations to protect their customers and employees from phishing attacks and stolen credentials. IAM tools manage the security of login methods, user accounts and permissions to ensure that only authorized individuals have access to sensitive information and data. The U.S. government has shed light on the importance of modern, phishing-resistant cybersecurity. In 2023, the U.S. government announced the National Cybersecurity Strategy which focuses on strategic investments and prioritizes cybersecurity research and development (R&D) for the next-generation technologies, which includes digital identity among the top five strategic pillars<sup>5)</sup>.

Single-factor authentication consists of sign-in options such as username and password. Basic MFA technologies include receiving a personal identification number (PIN) or passcode via text message or using mobile authenticator app. This type of MFA technologies are, per definition, more secure than single-factor authentication but they are still highly susceptible to phishing attacks, man-in-the-middle (MITM) attacks and account takeovers. A MITM attack is a type of eavesdropping attack where an attacker interrupts an existing digital conversation and puts themselves in the middle of the communication to obtain the other user's password, PIN or passcode.

Phishing-resistant MFA is defined by the National Institute of Standards and Technology (NIST) as "the ability of the authentication protocol to detect and prevent disclosure of authentication secrets and valid authenticator outputs to an imposter relying party without reliance on the vigilance of the subscriber" ... "for example, regardless of whether the subscriber was directed there via search engine optimization or prompted by email it is considered to be a phishing attack"<sup>6)</sup>. In conclusion, a phishing-resistant MFA minimizes the risk of hacking due to individual employee mistakes.

1) IDC, *Market Insights on Advanced Authentication*, 2023.

2) Research shows 42% of European organizations rate poor password hygiene as the number-one identity and access challenge. IDC, *Market Insights on Advanced Authentication*, 2023.

3) Estimate based on the number of incidents and average cost, sourced from IBM Security, *X-Force Threat Intelligence Index, 2022*; Ponemon Institute and IBM Security, *Cost of a Data Breach Report, 2022*; Verizon, *Data Breach Investigations Report, 2022*.

4) Tessian, *Psychology of Human Error*, 2020; CISO-MAG, "Psychology of Human Error" Could Help Businesses Prevent Security Breaches, 2020.

5) The White House, The Biden-Harris Administration announces national cybersecurity strategy, 3 March 2023.

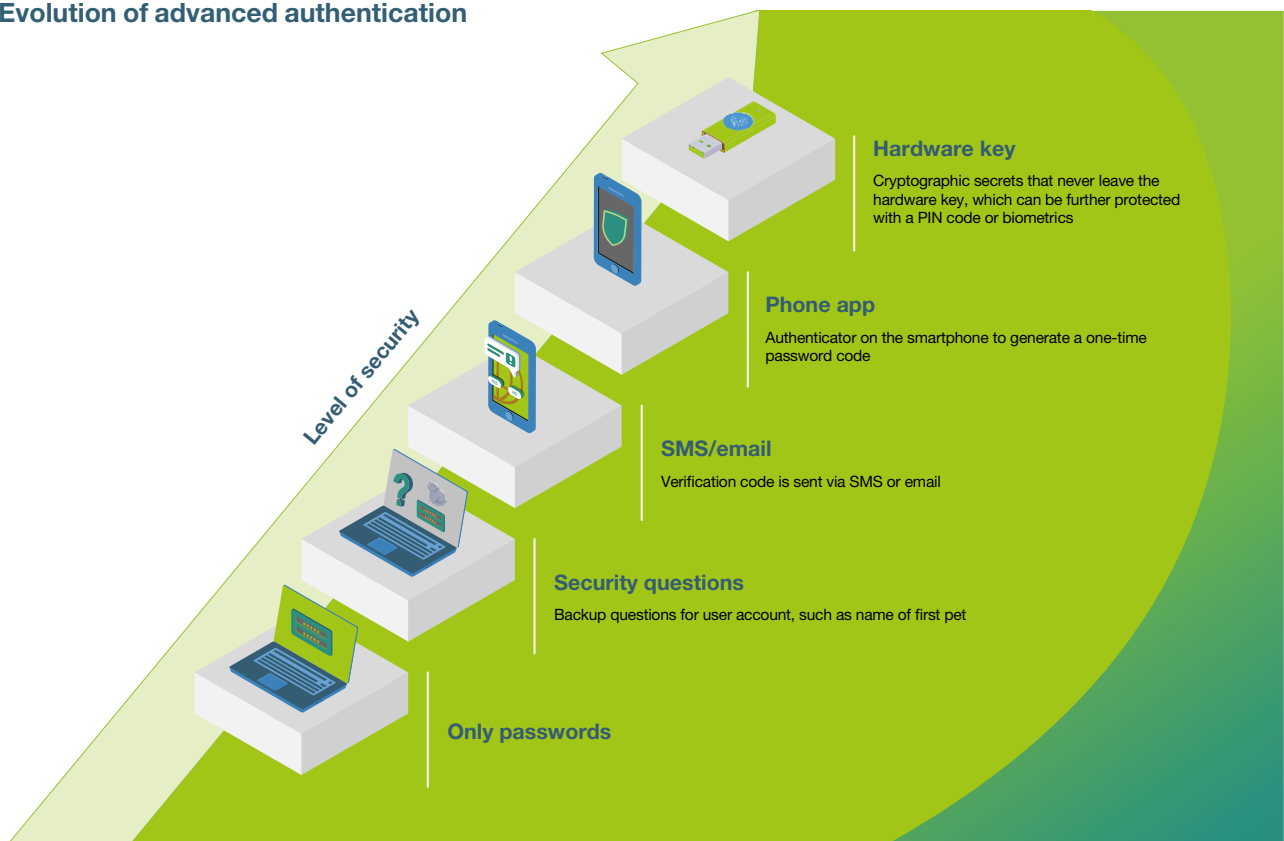
6) NIST, *Digital Identity Guidelines, Authentication and Lifecycle Management*, December 2022.

Advanced authentication solutions can address this security gap by using a physical security key that supports modern authentication standards and technologies, such as the YubiKey, which requires the user to combine a security key with a PIN or biometric input such as a fingerprint. An attacker cannot capture these inputs and therefore the system and the user are protected.

Yubico pioneered modern authentication and provides one of the most secure and advanced, phishing-resistant authentication solutions, where a physical key in combination with a PIN code or biometrics solution can completely replace passwords. This makes changing passwords and password reset obsolete, enabling significant cost savings in information technology (IT) support.

The YubiKey supports multiple authentication protocols allowing it to be used across many applications and services, such as personal identity verification (PIV)/Smart Card, and one-time password (OTP). YubiKeys also support the industry-leading Fast Identity Online (FIDO) WebAuthn authentication standards set by FIDO Alliance, which develops open standards and promotes more secure and convenient MFA. WebAuthn is a standard that allows servers, applications, websites, and other systems to manage and verify registered users with phishing-resistant and passwordless authentication, such as a biometric or possession-based device authenticator. As one of the members of FIDO Alliance, Yubico works closely with partners such as Apple, Google and Microsoft as well as many others to further develop and promote the benefits of phishing-resistant MFA. Another factor that makes the YubiKey stand out amongst competition is that it is compliant with global and regional standards such as Federal Information Processing Standard (FIPS) 140-2, Certification de Sécurité de Premier Niveau (CSPN) and FIDO level 2.

**Evolution of advanced authentication**



## Size and growth of Yubico's market

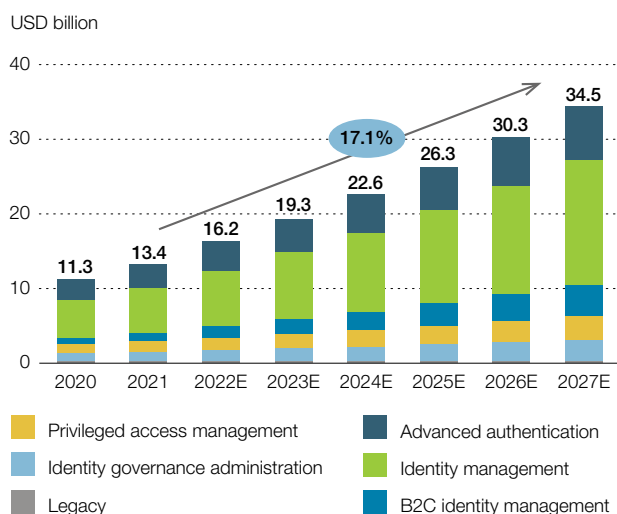
### Market size

The estimated value of the global IAM market was USD 13.4 billion in 2021 and is expected to grow by approximately 17.1% per annum between 2021 and 2027.

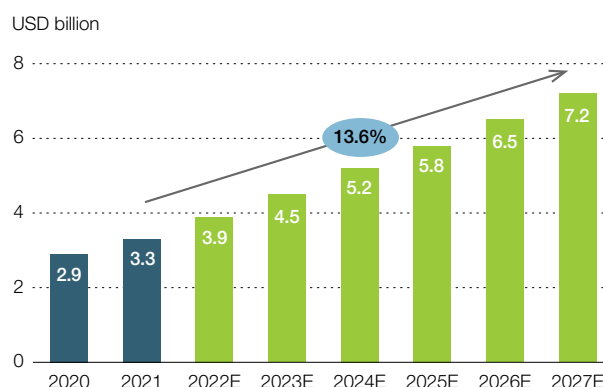
The market for identity and access management can be split into six subsegments (where Yubico is operating within the advanced authentication segment), comprising<sup>1)</sup>:

- (a) **Advanced authentication:** The advanced authentication submarket includes sophisticated methods of authenticating a user and comprises solutions such as hardware tokens supporting any sort of plug or proximity networking protocols, software tokens stored in a computer security chip or a smart device enclave, and PIV and common access cards systems developed for financial and government use based on Smart Card readers. This submarket also includes authentication solutions based on biometric reading technology, which also can leverage open and advanced standards, such as WebAuthn, to enable direct authentication in web browsers.
- (b) **Identity management:** The identity management submarket includes most of the activities associated with what is referred to as the “joiner/mover/leaver processes”, which include identity domain controllers or directories, basic authentication technologies, resource access authorization capabilities, automated policy provisioning features, limited user behavioral tracking systems and single sign-on (SSO) for workforce identities in an organization.
- (c) **Business to customer (B2C) identity management:** The B2C identity management submarket, also known as customer identity and access management (CIAM), includes basic authentication and access capabilities and is intended to serve consumers or customers rather than employees or partners. B2C identity management differs from business to employee (B2E) and primarily includes authentication capabilities separate from those users would experience within a similar workforce solution. The solutions in this segment focus on helping consumers buy a company's goods or services whereas business to business identity management focuses mainly on providing consumers best in class login experience with a high level of security.
- (d) **Privileged access management (PAM):** The PAM submarket comprises identity technologies that track, monitor, and report what users with extended access rights, such as administrators or superusers, are doing with their privileged accesses, which is primarily a B2E identity solution. The market also includes technologies for providing restricted password vaults and ephemeral or just-in-time credentials.
- (e) **Identity governance administration:** The identity governance administration submarket includes software technology for the management of the whole identity lifecycle, generally after user onboarding through identity management. Many governance solutions are used to grant access approvals after employee roles have changed. This submarket primarily comprises B2E identity solutions but may grow and extend the product logic to consumer solutions.

Global identity and access management market, from 2020 to 2027<sup>2)</sup>



Global advanced authentication market, from 2020 to 2027<sup>3)</sup>



1) Descriptions based on IDC, *Market Insights on Advanced Authentication*, 2023.  
 2) IDC, *Market Insights on Advanced Authentication*, 2023.  
 3) IDC, *Market Insights on Advanced Authentication*, 2023.

(f) **Legacy:** The legacy submarket includes older identity management solutions stemming from the system, rather than the network, access which can typically be found on timesharing, also referred to as mainframe, platforms, or as an extension to databases. There are few new license sales in this space and most solutions are simply generating maintenance revenues and are expected to do so for several years.

Within the IAM market, the submarket advanced authentication, where Yubico operates, was estimated to be approximately USD 3.3 billion in 2021 and is expected to grow with approximately 13.6% per annum from 2021 to 2027. Yubico is one of the key players in the advanced authentication market and Yubico's innovative solutions are generally being adopted faster than the overall market, driven by the increasing need for effective security measures to protect against sophisticated cyberattacks that can bypass the traditional identity security controls.

**Yubico's market split by geography and authentication spending by industry**

Authentication solutions are bought across all industries and geographies and are also purchased by consumers. Geographically, the U.S. market for advanced authentication was the largest market in 2021 with an estimated market size of USD 1.8 billion, corresponding to approximately 54.1% of the global advanced authentication market. The European market was estimated as the second largest

market in 2021 at approximately USD 0.8 billion, corresponding to approximately 25.0% of the total market. Geographical markets with strong growth include Latin America and the US, with expected annual growth rates of approximately 19.7% and 16.3% respectively from 2021 to 2026.<sup>1)</sup>

The industry verticals financial services, public administration, IT, and healthcare are among the leading buyers of authentication solutions. The financial services and the public sector are verticals driving adoption as these sectors are highly regulated and subject to high security requirements, such as the U.S. Homeland Security Presidential Directive 12 (HSPD-12) which requires all U.S. government agencies to utilize PIV compatible Smart Cards to authenticate employees in official information systems<sup>2)</sup>. The U.S. executive order (EO 14028 and subsequent M-22-09 memo) mandate government agencies to implement phishing-resistant MFA as part of deploying Zero Trust Architecture. By 2026, the industry verticals expected to spend most on authentication are the financial services sector with approximately USD 0.9 billion, professional services<sup>3)</sup> with approximately USD 0.8 billion, and the public sector with approximately USD 0.6 billion. The largest growth rates for authentication spending are expected in the sectors financial services, professional services, retail, and investment services with annual growth rates between 2021 and 2026 ranging between approximately 15.6% to 18.6%<sup>4)</sup>.



1) IDC, *Market Insights on Advanced Authentication*, 2023.  
 2) National Security Agency, *Selecting Secure Multi-factor Authentication Solutions*, October 2020.  
 3) Professional services defined as companies providing services or expertise rather than a manufactured concrete product, including service providers within areas such as IT, accounting, audit, consulting, tax and legal advisory to name a few.  
 4) IDC, *Market Insights on Advanced Authentication*, 2023.

## Market trends

There are several market trends driving growth in the advanced authentication market, including:

### Increasing sophisticated cyberthreats and limited effectiveness of traditional cybersecurity tools

Given that hackers can bypass traditional network fire-wall-based security controls, regular email and mobile phone text spam and phishing filters, or compromise text messages and phone push based authentication, organizations are increasing their spend on strong identity security controls and further accelerating the shift to more advanced authentication models. Moreover, geopolitical instability is exacerbating the risk of significant cyberattacks according to World Economic Forum that states in its Global Cybersecurity Outlook report for 2023 that over 93% of cybersecurity experts and 86% of business leaders believe that geopolitical instability will lead to a far-reaching, catastrophic cyber event likely in the next two years<sup>1)</sup>.

### Regulatory and compliance requirements

Regulatory and compliance requirements drive the adoption of identity security tools. Further, increased press coverage on hacker attacks and non-compliance creates increased reputational risk and drives adoption of identity security solutions. In 2021, the U.S. Federal Financial Institutions Examination Council (FFIEC) issued guidance driving compliance requirements for effective authentication and access risk management principles and practices for customers, employees, and third parties accessing digital banking services and information systems. The FFIEC guidance has recommended banks and financial institutions to consider strong authentication, such as MFA solutions using hardware and cryptographic factors, that can mitigate risks associated with unauthorized access to information systems for high-risk users. Yubico provides advanced authentication solutions that directly address the FFIEC compliance requirements.

### The increasing shift to advanced authentication in the workforce

Companies are increasingly expanding advanced authentication solutions to their customers. According to Yubico, some companies such as banks are issuing YubiKeys to their customers such as high-net-worth individuals to protect such customers from fraud related to password compromises. Additionally, cloud providers such as

Amazon Web Services offer the YubiKeys to their customers<sup>2)</sup>. Historically, advanced authentication was typically reserved for privileged internal users, such as administrators and company leaders, but is now being rolled out to the full workforce, often including partners, contractors, and customers' customers according to Yubico.

### Shifting login models toward user experience and passwordless

Companies are independently exploring new login models, such as Zero Trust (security framework requiring all users to be authenticated and authorized before being granted access to applications and information) based on context and risk, which requires IAM platforms that support integration, logins, and export to other platforms, such as user behavior analytics. Additionally, users are expecting seamless and secure login experiences for a convenient user experience.

### Cloud and remote work

There is an ongoing shift to hybrid and multi-cloud solutions, which complicates pure perimeter-based security models and increases the need for identity-based security mechanisms, and boosts the attractiveness of cloud-delivered IAM, creating an urgency to upgrade legacy IAM tools. The shift to public cloud services, which increased by 21% in spending in 2023<sup>3)</sup>, from traditional systems isolated on-premise, makes systems accessible from remote locations, which increases the risk of unauthorized access. Additionally, remote work has led to increased use of mobile devices for work, which can put companies' information at risk of being lost or stolen. The risk of unauthorized access through lost devices can be prevented by MFA, even if a mobile device falls into the wrong hands.

### Trend towards environmental, social, and governance (ESG)

A cybersecurity company, such as Yubico, addresses one of the global challenges defined by the United Nations Sustainable Development Goals (SDG) by contributing to the process of building a more resilient cyber infrastructure, which is in line with SDG no. 9. Moreover, advanced authentication supports institutions and companies to be able to access information in a manner that is effective, accountable, and transparent, which is consistent with the United Nations SDG no. 16.

1) World Economic Forum, *Global Cybersecurity Outlook 2023*, January 2023.

2) Amazon, *Protect Yourself online with a Free Multi-Factor Authentication Key*, 2023.

3) Gartner, *Gartner Forecasts Worldwide Public Cloud End-User spending to reach Nearly \$600 Billion in 2023*, 31 October 2022.

## Competitive landscape

Overall key competitors (coopetition) in the advanced authentication market include Duo, Fortinet, Microsoft, and Okta. According to the Company, the competitors in the market can be split into three key archetypes:

- 1. Pure play advanced authentication providers**, such as Yubico, with a focus on advanced authentication and a passwordless user experience. Such companies offer a type of MFA security solution that involves the use of hardware security keys to provide an additional security layer when accessing accounts and services. Leading products of these providers offer biometric and near field communication-based (NFC) solutions for an, even more, user-friendly and secure passwordless experience. Few players of this type offer products beyond the hardware. Examples of additional offerings include advanced hardware key manufacturing, distribution to individuals and companies, and integration with other identity security solutions via partnering and interoperability. Customers value the highest degree of security from best-of-breed solutions. With an extensive integration portfolio, full control over firmware, a secure supply chain, and advanced services, Yubico is a strong player in this segment.
- 2. Broader identity solution providers** offer mobile phone message or mobile phone push-based MFA solutions. These providers have larger and more bundled portfolios of broader cybersecurity and identity security solutions. The majority is focused on SSO, which is a single set of credentials or single login across applications, with a mobile phone, email, and text message-based MFA. Providers in this category are focused on providing SSO across a wider range of applications and devices. Companies in this category include Duo, Fortinet, Microsoft and Okta.
- 3. Traditional authentication providers** offer early-generation login security solutions such as physical dongle tokens authentication solutions with a small display that shows the generated codes for the login. This category also includes PIV and common access cards systems developed for financial and government use based on Smart Card readers. Highly secure solution but with more complex infrastructure requirements.



### Overview of the competitive landscape

Categories of competition	Pure play advanced authentication providers	Broader identity solution providers	Traditional authentication providers
<b>Description</b>	MFA solutions typically involving hardware-based products with focus on passwordless experience. Leading products generally offer biometric or NFC solutions for an even more user-friendly experience	Bundled portfolios with broader cybersecurity and identity security solutions, with the majority focused on SSO	Early-generation login security solutions, including PIV and common access cards systems
<b>Hardware/software focus</b>	Hardware	Software	Hardware
<b>Product example</b>	Hardware security keys (such as the YubiKey)	SSO with a mobile phone, email, and text message-based MFA	Physical dongle tokens with small displays showing generated login codes

Note that Yubico belongs to the category of pure play advanced authentication providers but also covers the category of traditional authentication providers due to the multi-protocol functionality of YubiKeys. This enables customers to cover their legacy needs while they transition to more modern authentication solutions. Yubico expects the competitive landscape to develop in line with the rest of the cybersecurity market, with both best-of-breed products and bundled solutions co-existing, and with a limited number of new entrants in the established markets. Best-of-breed products and less secured bundled solutions can co-exist as customers have varying degrees of security demands, often dependent on type of industry and operations. With the broader IAM market being approximately four times larger than the advanced authentication market, there are several adjacent and large segments to grow into. Additionally, there are still many companies not using advanced authentication<sup>1)</sup>, providing ample room for growth within the segment. Modern authentication solutions are expected to disrupt the market in favor of players such as Yubico.

The advanced authentication market is characterized by three pronounced entry barriers:

- **Long-term trust and reputation:** Chief information security officers look for established and proven solutions for critical authentication control. Yubico has been active in the market for over 15 years and is regarded as one of the most advanced and secure authentication solution providers, having established itself among leading technology companies with high-security needs. Yubico's hardware keys are phishing-resistant and have a proven track record. For a new player, it would likely take years to develop a similar market trust and reputation.

- **Highly secure advanced technology:** Requires deep expertise in multiple areas, such as secure hardware chips, biometrics, identity management, advanced authentication, and industry-leading security protocols such as FIDO2/WebAuthn, U2F, and PIV.
- **Integration with the broader identity ecosystem:** Yubico has worked with technology partners and industry associations since the Company was established and is one of the members of the FIDO Alliance, which is developing industry standards and promoting phishing-resistant MFA, which creates a clear advantage that takes time to replicate. Moreover, Yubico has been working closely with partners such as Apple, Google, and Microsoft, and identity security providers on integration capabilities to cater to customer needs together.

Additionally, Yubico has created strong company-specific moats including its reputation for providing a highly secure solution with good user experience, its own dedicated manufacturing sites in Sweden and the US, and the industry-leading certifications such as meeting cryptographic module standard FIPS 140-2 and digital identity guideline NIST 800-63B.



1) Research shows 42% of European organizations rate poor password hygiene as the number-one identity and access challenge. IDC, *Market Insights on Advanced Authentication*, 2023.



# Brief description of Yubico



# Brief description of Yubico

## Overview of Yubico

Yubico is a global cybersecurity company headquartered in Stockholm, Sweden and Santa Clara, CA, USA, providing advanced authentication solutions that prevent account takeovers. Yubico's overarching mission is to make the internet more secure for everyone by removing the root cause of most cybersecurity intrusions; stolen credentials, which cause 9 out of 10 cybersecurity intrusions, often through phishing attacks<sup>1)</sup> Yubico's core product, the YubiKey, is a multi-factor authentication (MFA) hardware token ensuring that only authorized users have access to sensitive accounts and systems. The authentication solution encompasses an extensive portfolio of proprietary technologies, with production lines in Sweden and the United States. To date, YubiKeys have been sold and deployed in around 160 countries worldwide.

MFA solutions have existed for decades; however, not all MFA is created equal. Traditional or basic solutions have often been hard to use, expensive, and companies have had to compromise between security requirements and convenience for their employees. What makes Yubico unique is its value proposition of both high security and ease of use.

Yubico has been pioneering innovation in the advanced MFA space for over a decade. By creating and evolving the best and most innovative open standards for authentication solutions, software development kits (SDKs) and implementation of secure authentication, Yubico has become one of the most highly regarded companies in the sector.

The YubiKeys have been adapted to relevant government regulations, including the American Federal Information Processing Standard (FIPS) and the French/European Certification de Sécurité de Premier Niveau (CSPN). These certifications are also part of Yubico's work to lead open authentication standards. Thanks to the open standard strategy, YubiKeys are flexible and easy to use with virtually all computer and mobile operating systems and the product has more than 800 verified partner integrations.

Yubico has established a unique track record where no accounts protected by YubiKeys are known to have been hacked to date. The YubiKey supports both modern and legacy systems, being compatible with multiple authentication protocols, including FIDO2/WebAuthn, Universal 2nd Factor (U2F), PIV/Smart Card, and One Time Password (OTP). This enables and makes it easier for enterprises with complex backends to implement the solution. The combi-



1) Tessian, *Psychology of Human Error*, 2020; CISO-MAG, "*Psychology of Human Error*" Could Help Businesses Prevent Security Breaches, 2020.

nation of open standards, an extensive integration database (achieved through more than 800 verified partner integrations), support for multiple authentication protocols and a wide partner network allows for an almost universal fit for the YubiKey with enterprise system environments.

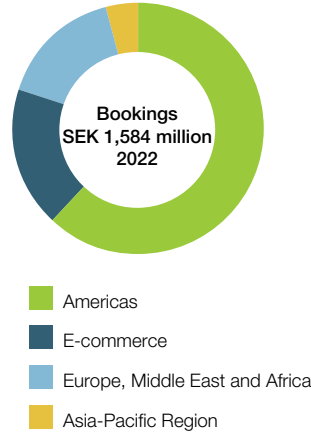
Yubico has achieved a distinctive position in the U.S. technology sector with several of the major technology companies in the world, including Amazon, Google, and Microsoft, using YubiKeys to protect staff and sensitive information from cyberattacks. In the last few years, Yubico has not only continued to grow its footprint across technology companies, but it has also been able to grow and diversify its customer base to broad industry verticals, such as financial services, manufacturing, retail, governments and the wider public sector. As of the end of 2022, more than a quarter of all G2000<sup>1)</sup> companies had deployed YubiKeys, to a varying degree, in their organizations.

Yubico's products and services are primarily sold to enterprises, but the YubiKey is an attractive proposition also for small to medium-sized businesses (SMBs) and security-conscious consumers. While large account enterprise sales are managed by the Yubico internal sales force, the consumer and SMB market is predominantly served at scale through e-commerce and a worldwide distributor and reseller network.



The below chart shows Yubico's bookings in 2022 split by geography.

**Share of bookings 2022 by geography**



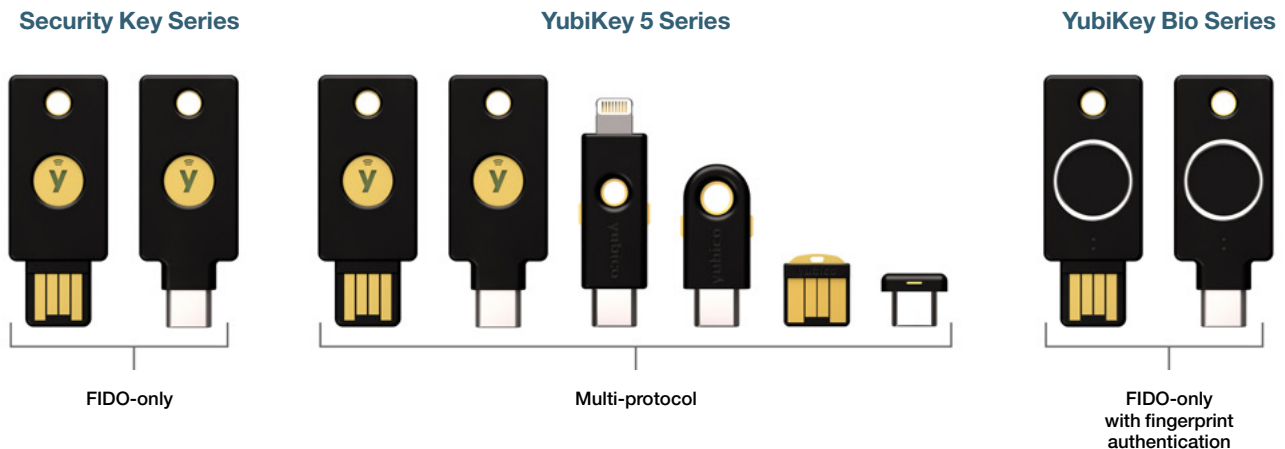
YubiKeys have historically only been sold with a one-time payment offering, also known as the perpetual model, which gives the customer ownership of the hardware. Since 2020, Yubico has also offered a subscription-based model, in which it assumes a larger overall responsibility and retains ownership of the hardware. Since launch, the YubiKey subscription offering has grown to account for 15% of bookings in 2022. The enterprise proposition includes an enterprise portal, YubiKey international delivery which offers, support, extended warranty and professional services. Yubico aims to increase sales of the subscription-based model going forward, while still keeping the perpetual alternative.

Yubico's marketing and sales team works continuously to attract new clients in both existing and new markets, as well as expanding within current accounts. Yubico has historically shown strong growth with existing customers. For example, annual bookings in USD for the cohort of top 25 customers in 2017 grew by a CAGR of 32% between 2017 and 2022. As previous customer experience shows, many customers expand their use of YubiKeys from internal use to a larger part of the value chain, for example to vendors, consultants and to their own customers. This extension of enterprise use cases beyond the internal organization is a big opportunity for future growth and has the potential to become a major source of revenue.

1) 26% of the G2000 companies. Forbes Global 2000 list ranks the largest companies in the world using metrics including sales, profit, assets and market value.

## Yubico's offering

### Overview of the main hardware product families



Yubico's core product portfolio encompasses several hardware product families; the YubiKey 5 series, the YubiKey Bio series and the Security Key series, supported by an extensive service package. Moreover, Yubico has a comprehensive enterprise offering, consisting of YubiEnterprise Subscription and YubiEnterprise Delivery, that simplifies international deployment and handling of YubiKeys.

#### The YubiKey 5 Series

The YubiKey 5 Series is a hardware-based authentication solution that provides unique protection against account takeovers and supports multiple protocols, including existing Smart Card, FIDO U2F, and WebAuthn. The YubiKey is easy to use, fast and reliable, and is proven at scale to significantly reduce IT costs and eliminate account takeovers. The YubiKey multi-protocol support streamlines authentication for companies with multiple systems that use different authentication standards.

#### The YubiKey Bio Series

The YubiKey Bio Series, built primarily for desktops, combines Yubico's hallmark hardware security with fingerprint on device authentication. It offers a secure passwordless experience and second factor login together with strong biometric authentication.

#### The Security Key Series

The Security Key Series combines hardware-based authentication, public key cryptography, and the FIDO2/WebAuthn and FIDO U2F protocols to eliminate account takeovers. There are four security keys within this series, meeting the needs for consumers as well as for enterprises. The Security Key series works out of the box with hundreds of services already supporting FIDO2 and U2F authentication protocols including personal Microsoft accounts (for passwordless login), Dropbox, Facebook, Google, Twitter, a growing list of password managers, and many more FIDO2 and U2F compatible services and applications.

#### YubiHSM

YubiHSM ensures secure hardware cryptographic key storage and operations for applications, servers and computing devices while eliminating the cost and complexity of traditional Hardware Security Modules (HSM). Traditional rack-mounted and card-based HSMs are not practical for many organizations as they relate to issues with accommodating the HSM's size, deployment complexity and cost. Moreover, cryptographic keys stored in software are susceptible to hackers and malware attacks. With Yubico's HSM solutions, organizations get enterprise-grade, high cryptographic security and operations without the traditional HSM price tag. Organizations can easily secure servers, applications, databases, assembly lines, Internet of Things and Industrial Internet of Things devices, cryptocurrency exchanges and more with the YubiHSM. Additionally, the YubiHSM is small and fits easily into a USB slot on computers and servers, which allows fast and flexible deployment across diverse environments.

#### Supporting YubiKey Services

The YubiKeys are supported by several services including the Yubico Authenticator app and Software Development Kits (SDK). The Yubico Authenticator is a software-based solution for authenticating users of software applications on desktop and mobile phones. In most other authenticators, the OTPs that are used to authenticate the user's accounts are stored on the user's mobile phone or computer, which can be compromised or stolen, whereas the Yubico Authenticator stores the credentials in the secure element of the YubiKey and cannot be extracted from the YubiKey. The SDKs facilitate a smooth integration with customer applications, offer seamless in-app experiences, reduce app development time through enterprise-grade SDK integrations and consistent security posture through cross-platform support.

### YubiEnterprise Services

Yubico offers two services to its enterprise customers, YubiEnterprise Subscription and YubiEnterprise Delivery, which enable flexible purchasing and efficient delivery of YubiKeys, globally and at scale. They are independent but complement each other depending on the customer situation and business needs.

### YubiEnterprise Subscription

YubiEnterprise Subscription service offers customers to license keys on a per-user based subscription. This simplifies acquisition and roll-out of phishing-resistant authentication through the YubiKeys for organizations with 500 users or more, with future-proof flexibility and with additional cost savings. Subscription customers are automatically entitled to a web-based interface that helps organizations easily view orders, shipments, inventory status and a wide range of other information that helps with enterprise deployment and planning. Subscription customers are also eligible to purchase additional services and product offerings.

### YubiEnterprise Delivery

The YubiEnterprise Delivery is a cloud-based service that streamlines the distribution of YubiKeys to end-users, serving both domestic and international locations including residential addresses. Yubico ships keys to close to 50 countries and the Company also uses partners to ensure shipment of YubiKeys to most countries worldwide.

### Business model

#### Go to market model

Yubico's sales and go to market strategy has been to build accounts from a smaller group of influential privileged users, expanding from the initial footprint to other user groups and use cases. Part of this success comes from early adopters of IT security solutions buying YubiKeys online for testing, and then influencing the company internally to increase cybersecurity protection. By then, the IT department has already tested the keys and are able to guide the organization and decision makers into a larger deployment of YubiKeys. The easy access of buying keys simplifies the decision process and is part of Yubico's go to market motion. In recent years, the time between the first deployment and the expanding use cases has become gradually shorter. The current go to market approach focuses on addressing larger deployments from start, a strategy that has been successfully enabled by the subscription model that offers enterprises purchasing flexibility to buy and deploy and ramp-up aligned with internal requirements and changing needs.

#### Sales channels

Yubico uses a combination of direct and indirect sales channels, and the sales approach is adjusted depending on account size, Yubico's market presence and target industry. For the largest enterprises and strategic accounts, Yubico uses a direct sales channel approach with a high-touch sales model and direct fulfillment. For medium-sized enterprises, Yubico uses a combination of direct-touch sales and



partner fulfillment. Small businesses and consumers are handled through Yubico's e-commerce and local resellers. In the US, the direct sales channel has been the primary approach, except for the public sector that traditionally relies on an approved reseller structure. In the rest of the world, an indirect sales model is applied supported by Yubico's sales representatives and channel team. Since 2022, Yubico has been developing the U.S. channel set-up to better serve small and mid-sized companies at scale.

Yubico's sales team consists of approximately 100 employees, including sales representatives, channel partner managers, customer success managers and professional services personnel. This team is tailored to engage with customers across all industries and all countries through a regional setup. Yubico's indirect sales network consists of approximately 40 selected distributors with a total network of several thousands of resellers globally. Yubico views channel partners as a critical extension of its own salesforce and has a well-developed channel program that enables partners to easily learn, sell, and deliver Yubico's solutions to customers.

### Revenue model

The YubiKeys have historically been sold on a perpetual basis, but over the last two years Yubico has been expanding its business through a subscription-based model. There are several reasons for launching the subscription offering, including new ways for Yubico to deepen customer relationships and extend revenue over time, but also to offer an alternative that can reduce the customer's buying barriers and create incentives to choose to secure a larger share of employees already in the initial deal.

The perpetual revenue model is based on that the customer makes a one-time purchase of a YubiKey with an upfront payment, which gives the customer sole ownership of the hardware. The main hardware product families vary in price between USD 25 and USD 90 depending on security classification and features. Key benefits for the customer related to the perpetual model include that it is a one-time capex investment and low commitment which makes it an attractive alternative, especially for customers who want to try the YubiKeys at a smaller scale first. This is a purchase model commonly used and preferred by larger technology companies. For Yubico, this implies a fast transaction while receiving an upfront payment, no long-term customer commitments, and an important initial sales step allowing testing before larger deployments.

The subscription offering is available on multiyear terms, 3, 4 or 5 years, is either paid for annually or through an upfront payment and entails that the hardware is provided as a service with Yubico retaining ownership of the hardware. Benefits for the customer include a lower cost of entry, high degree of customization, faster rollouts, flexibility both in terms of YubiKey form-factor choice over time and possibility to adjust the number of users as the employee base evolves, and extended warranty throughout the contract period. The subscription offering, with its high degree of

flexibility, is popular with government agencies and it has grown significantly within this segment. The subscription-based model allows for continuous customer touchpoints throughout the customer journey, increasing customer retention and loyalty. It results in predictable revenues phased over the contract length and allows Yubico to grow revenue in the immediate customer organization as well as to the customer's third-party partners and, ultimately, their customer base if applicable. This expands Yubico's addressable market in existing accounts, offering a faster path to growth compared to signing new customers. Thus, Yubico aims to increase sales of the subscription-based model going forward, while still keeping the perpetual alternative. The subscription model is offered through all sales channels, except e-commerce, and is currently available for deals larger than 500 users. The direct sales team as well as the indirect sales channel of selected distributors work actively on optimizing customer engagement and sales based on account size, geography, and industry.

## Customer base and case studies

### Customer business drivers

Data breaches are one of the biggest threats to businesses today and the leading cause is stolen credentials. The underlying business drivers and the need for Yubico's solutions can be summarized in three categories, (i) maximize security, (ii) modernize MFA and (iii) achieve compliance, as new rules and regulations apply. Maximize security includes drivers to prevent account takeovers, secure supply chain and replace less secure MFA solutions. The modernized MFA category includes drivers to improve user experience, increase productivity, reduce cost, and enable digital transformation. Achieve compliance comprises being compliant with various standards and certifications such as FIPS, Sarbanes-Oxley Act (SOX) and General Data Protection Regulation (GDPR).

Yubico's customers use YubiKeys for different situations. Typical use cases are securing privileged account users such as IT, human resources and management, securing call centers, protecting shared workstation users, and enabling remote workforce. Other typical use cases are improving user experience and security for office workers, protecting corporate system access by third parties and safeguarding Yubico's customers' end customers.

### Customer base

Yubico's products secure access to computers, networks and online services for thousands of businesses and millions of users in over 160 countries globally. Yubico's customer base includes 19 of the 20 largest technology platforms in the U.S. and approximately 26% of the G2000 companies are protected with YubiKeys (to varying degrees). Historically, Yubico's largest customer industry has primarily been global technology companies, including companies such as Amazon, Atlassian, eBay, Google, Microsoft, Okta, Salesforce and Twitter. Over time, Yubico has attracted more customers from other industry verticals

such as financial services, manufacturing, retail, and governments agencies, including CERN, Coinbase, Dyson, Hyatt, Novartis, Schneider Electric, and the State of Washington to name a few. In 2018, clients in the technology sector accounted for 57% of bookings (excluding bookings related to e-commerce), while in 2022 the technology sector was 40% of bookings (excluding bookings related to e-commerce). Moreover, the U.S. has been the largest region historically but the share of customers from other parts of the world is growing and the largest markets outside the U.S. are the DACH region (Germany, Austria, and Switzerland) and the UK.

### Google case study

One of Yubico's early influential customers is Google, who contacted Yubico in 2009 to help them remedy the situation where Google was the target of sophisticated cyberattacks capable of circumventing traditional security controls and lacked viable authentication options. At the time, Google was using an authentication app, which proved to be vulnerable to phishing and targeted hacker attacks. To solve the problem, Google decided, after thorough testing, to make YubiKeys the single and mandatory authentication method for all employees. Since this deployment of YubiKeys at Google, no accounts protected by YubiKeys are known to have been hacked. In addition, according to Google's own calculations, the implementation of YubiKeys made their staff login process four times faster than before and created significant savings in IT support thanks to a 92% reduction in password-related support tickets.

### Forrester Total Economic Impact™ study

In 2022, Yubico commissioned Forrester Consulting to conduct a Total Economic Impact™ study and examine the potential return on investment (ROI) enterprises may realize by deploying YubiKeys. Forrester Consulting interviewed security leaders from organizations using YubiKeys across their user bases who reported that YubiKeys eliminated risk of phishing and credential theft, drove business growth through improved security levels and reputation, and improved productivity and user experience across the organizations. Forrester Consulting's study concluded that an investment in YubiKeys gave a ROI of c. 200% and that the investment was paid back in 11 months.

### Technology and product differentiation

High security often comes with the trade-off of high complexity. The vision and motivation behind the invention of the YubiKey was to combine high security with ease of use. With increased threat levels and increasing complexity of services, there is an even higher demand for secure and future-proof technologies with simplicity in implementation and user experience.

Yubico's products are built on state-of-the-art secure elements, used for the majority of Smart Cards, payment cards and passports, providing best in class protection against unauthorized access. The design of the YubiKey

minimizes the attack surface, by moving storage of cryptographic keys and secure processing away from the computer and into an external dedicated hardware authentication device. In today's highly complex systems, this is becoming increasingly important. Additionally, the products are designed with respect for its customers and the environment. This is taken into consideration with how YubiKeys are produced, making them crush and water resistant, and do not need batteries. The YubiKeys are also characterized by long lifespan and can be used for several years before replacements are needed.

There are four areas of differentiation that underpin Yubico's unique value proposition of high security and ease of use, and its position as thought leader within authentication technology.

### World class innovator

Yubico has been a leading actor of innovation in the authentication space for one and a half decades. The work with creating and evolving open standards has put the Company in a prime thought leader position providing one of the best solutions, from authenticators to SDKs, and best practices around implementing secure authentication. Yubico believes that open standards are the heart of successfully securing the internet and making it accessible to all. Even though Yubico has worked with open standards since the start, the Company has an extensive portfolio of proprietary technologies and a patent portfolio in technology. Yubico is the core inventor behind FIDO U2F and FIDO2 and the thought leader with a strong position ahead of competition.

In order to keep growing and stay in the forefront, Yubico needs to continue investing in R&D. The Company has a highly skilled engineering team with more than 170 people within engineering, product and solutions committed to developing new technologies to pioneer the next generation of authentication standards that are paving the way for a password-free future.

### Superior hardware and firmware

Yubico has more than 15 years of experience in building high-quality hardware and firmware, resulting in one of the most feature-rich, easy-to-use, durable, and secure authentication devices on the market. The quality and dependability of the YubiKey is deemed unique.

- Highly secure specialized hardware to minimize the attack surface
- Durable and sleek hardware that can last for years – invented an efficient way to manufacture the YubiKeys, in one solid and robust piece of plastic using a unique high pressure injection molding technique
- Proprietary firmware developed by industry experts and that is being refined continuously
- Multi-protocol support that can be integrated within existing systems, and provides compatibility across many different devices

### Enterprise enablement

One of the core features of the YubiKey is the wide array of cryptographic protocols that is supported, which enables Yubico to integrate with over 800 applications and provide an authentication solution for both legacy and modern infrastructures. In addition to being able to scale production to meet the demand, Yubico provides services to help keep customers' employees secured. Coupled with the vast ecosystem of partner integrations, this makes Yubico the right choice for enterprises of all sizes. Yubico's open-source SDKs further enable YubiKey integration into custom services.

- Ecosystem with 800+ partner integrations
- Subscription service with fast rollouts, replacements for lost keys and flexible tiers
- Global reseller and network providing local sales and solution support in most markets
- Custom programming for pre-configuration of devices
- SDKs to enable custom development and provisioning

### Fully controlled and secure supply chain at scale

Yubico's hardware-backed authenticators rely on a global secure supply chain. Sensitive operations, such as programming, take place at the facilities in Sweden and the US. Yubico has also built a robust chain of trust that starts with its vendor assurance program and ends with programmatic validation of components. To ensure vicinity to all aspects of manufacturing, Yubico manufactures and

finishes the parts close to its two main offices in Sweden and the US, where the Company can make continuous improvements while keeping a tight control over what is produced.

With manufacturing, testing, provisioning, and order shipment all handled by Yubico, the Company has full control over the supply chain in relevant aspects. This ensures quality in the device, integrity, and security as well as the ability to build the product to Yubico's exact specification.

- Custom-built tools and software for maximum control and security
- Sensitive data only handled securely, in Yubico facilities
- Ability to scale production to meet demand

### Certifications, regulatory compliance and patents

To ensure local regulatory compliance Yubico has an active presence in regulatory forums such as FIDO Alliance and a team dedicated to working with local and regional certifications, such as FIPS, FIDO certification level 2 and CSPN. In addition, several government agencies have approved the YubiKey without awarding a specific certification. Certifications are often recognized regionally so the current certification status provides competitive advantage in the U.S. and EU.

Yubico's history of innovation has resulted in an extensive portfolio of approximately 50 awarded patents in areas such as usability, programming, production, automation and protocol evolution.



## Sustainability

Yubico's overall vision is to make secure login easy and available for everyone. From a societal perspective, IT security is essential to ensure safe communication and to protect customers, citizens and, by extension, democracies. Yubico responds to the United Nations Sustainable Development Goals (SDG) no. 9 by supporting a resilient infrastructure, and SDG no.16 by supporting effective, accountable, and transparent institutions and public access to information.

Yubico's sustainability focus is based on the Company's value chain and materiality analysis carried out in 2021 which identified the most material sustainability aspects, for Yubico, based on 1) relevance for Yubico's stakeholders and 2) impact on the environment, the society, and the economy. The most material aspects have been grouped into five overarching focus areas:

- **Minimizing environmental impact:** Yubico is committed to reducing its environmental footprint through for example offering high-quality and long-lasting products, reviewing manufacturing processes, collaborating with environmentally responsible suppliers, and complying with waste management directives such as WEEE (Waste from Electrical and Electronic Equipment).
- **Securing free speech, democracy, and human rights:** As part of the Company's security mission, Yubico is committed to securing free speech, democracy, and human rights. Through its "Secure it forward" program, Yubico donates YubiKeys to journalists, dissidents, and non-profit organizations every month. For every 20 keys sold on the Yubico e-commerce store, Yubico donates one key to an organization or person in need. In 2022, 20,000 keys were for example donated to support Ukraine.
- **Supporting diversity:** Yubico's company culture is highly value-driven and centered on values such as diversity, inclusion, and a healthy work environment. The Company has a global team with more than 30 nationalities and a diverse ethnic representation. About 29% of the employees are women, and Yubico works actively to increase this ratio, especially in technical areas such as development and sales where women are particularly underrepresented. For example, the Company is supporting the organization Women in Cybersecurity (WiCyS), an organization working to attract more women in the field.
- **Protecting critical IT infrastructure:** Yubico is continuously working with new innovations and applications across various customer groups to ensure sustained resilient IT infrastructure and further strengthening the Company's global IT security education efforts with educational programs.
- **Ensuring high ethical standards:** Yubico has zero tolerance of human rights violations, bribery and corruption and follows the laws, rules and policies that apply in the countries where it operates. The Company's Code of Conduct includes guidelines for anti-corruption, labor law issues, human rights and environmental issues. All new employees go through the Code of Conduct during their introductory training. During 2022 Yubico also implemented a Supplier Code of conduct which is being implemented for all new suppliers. For the coming years, the aim is to extend the implementation of the Supplier Code of Conduct with existing suppliers.





## Key events in Yubico's history

Year	Events
2007	Yubico was founded in Stockholm, Sweden, by Stina and Jakob Ehrensward to develop the YubiKey 1.0 which was the world's first one touch, one-time password authenticator, requiring no client or driver.
2012	Yubico signs partnership with Google to co-create the open authentication standard U2F.
2013	Yubico and Google contribute to the U2F technical specifications and to FIDO Alliance, and then join as board members.
2018	Yubico launches YubiKey 5 Series and the first password-less YubiKey.
2020	Yubico's enterprise subscription offering is launched.
2021	Yubico introduces the next generation of FIPS certified security keys with the YubiKey 5 FIPS Series and also introduces a new FIPS-validated hardware security module, the YubiKey HSM2 FIPS.
2022	Apple supports YubiKey and Yubico has sold more than 22 million YubiKeys since inception.

## Strategic priorities

Yubico's strategy focuses on a set of strategic growth initiatives leveraging the Company's unique capabilities including its global blue-chip customer base, extensive partner network, scalable sales model and strong R&D capabilities.

- **Expand current customer base:** Increase the engagement with current customers through adding new users and use cases.
- **Expand to customers' customers and third-party suppliers:** For Yubico's customers to protect their end-users, and for their suppliers to secure their value chain to prevent breaches coming from third parties.
- **Land new customers in all verticals:** Attract new customers within existing industry verticals and grow into new verticals.
- **Enter new adjacencies:** Enter new authentication solutions adjacencies through R&D and selective acquisitions, and by leveraging the partner ecosystem to sell through partnerships.

In addition to the growth initiatives, the Company is focusing on expanding its subscription offering to both new and existing customers to build customer loyalty and retention.

## Investment case

Several opportunities, strengths and competitive advantages have contributed to Yubico's growth and performance, and they provide a strong foundation for Yubico to continue executing on its strategy. These opportunities, strengths and competitive advantages include:

### Attractive market trends support long-term growth opportunity

Yubico operates in the IAM submarket advanced authentication, whose global market size in 2021 was estimated to USD 3.3 billion and is expected to show strong growth development and increase by approximately 13.6% per annum between 2021 and 2027<sup>1)</sup>. The market growth is underpinned by strong global trends such as an increasing number of cyberattacks, regulation, shift to advanced authentication in the workforce, shift toward passwordless, cloud migration and trends toward ESG which drive the demand for Yubico's solutions.

### Compelling value proposition and clear competitive advantages

Yubico's world-leading authentication solutions provide high security through phishing-resistant MFA and have been tried at scale. The Company has a strong track record of zero successful known hacking attempts, to date. Additionally, Yubico's high-quality hardware and firmware rely on a global secure supply chain, which the Company fully controls in relevant aspects, to ensure the highest level of security throughout the production. Yubico's products are backed by an extensive service package including flexible support, personalization services and partners for ease of deployment, which makes Yubico's offering hard to replicate. Moreover, the YubiKeys are easy-to-use with all computers and mobile devices and provide flexibility as they are based on open standards. The combination of a high level of security with user-friendliness makes Yubico's offering highly differentiated compared to competitive technologies and gives strong competitive advantages.

1) IDC, *Market Insights on Advanced Authentication*, 2023

### **Unique customer base from being trusted by global market leaders – creating a deep defensible moat**

Yubico has a remarkable customer base spanning across several sectors and clients include some of the largest global technology companies. Yubico continuously works with attracting new clients as well as expanding the current accounts to further build on its unique and diversified customer base.

### **Strong financial characteristics with exceptional track-record of organic growth**

Yubico has shown rapid organic growth with a growth rate of approximately 50% per annum between 2016 and 2022, while maintaining a stable gross margin of around 80%. 2022 was an outstanding year with Yubico demonstrating a year-over-year growth of 80% and returning to profitability, which increased the EBIT margin by 22 p.p. to 14%. After investing in the organization over the last few years, Yubico is ready to further scale up the business, capitalize on the strong operational leverage and focus on profitable growth.

### **Proven strategy supported by strong underlying pillars as well as multiple growth vectors**

Yubico has a proven strategy which is supported by multiple growth initiatives ahead, including expanding the current customer base, expanding to customers' customers and third-party suppliers, landing new customers across all industry verticals, and entering new authentication adjacencies.

### **Strong management team and solid organizational setup to continue successful scale-up**

Yubico has an experienced management team with deep industry knowledge, and several members of management have been with the Company since its founding. The Company's employees come from global leading technology companies, with extensive experience in technology-focused business development. Yubico's CEO Mattias Danielsson has been with the Company for more than a decade and has vast experience from the sector including co-founding and leading the e-commerce platform Tradera which was later acquired by eBay. Yubico's technology-focused organization combined with the management team's knowledge and competence work seamlessly together with the founders Stina and Jakob Ehrensvård who will continue being operational, makes the Company well-positioned to further scale up the business and execute the growth strategy.

## **Financial targets and guidance**

### **Financial targets**

ACQ's board of directors has, together with Yubico's board of directors, considered appropriate financial targets for the Combined Company and have agreed on the following targets in the long-term (within 5 years):

- Growth: Target of annual growth in bookings (order intake) of 25% on average.
- Profitability: Target of 20% EBIT margin.
- Dividend policy: For the foreseeable future, the board of directors of the Combined Company will primarily use generated cash flow for investing in continued growth.

### **Guidance for 2023**

- Bookings growth for the full year 2023 may come somewhat short of the long-term financial target.
- EBIT-margin for 2023 is expected to be 5–15%, depending on the development of subscription sales.

Yubico strives to increase the share of subscriptions, which normally have a contract period of three years. Net sales in such contracts are evenly booked over the three-year period, while direct costs are booked after they are incurred, which means approximately 70% year one and 15% per year the following two years. This means that EBIT is lower year one and higher the following two years compared to the perpetual revenue model, where 100% of net sales and cost are booked when delivered.

*The financial targets and guidance above constitute forward-looking information. The financial targets and the guidance are based on a number of estimates and assumptions related to, among other things, the development of Yubico's industry and markets, operations, results and financial position and are subject to risks and uncertainties, see further under "Important information – Forward-looking statements and risk factors" above and "Risk factors" below.*



# Summary of historical financial information for Yubico

# Summary of historical financial information for Yubico

This section contains selected consolidated historical information regarding Yubico for the financial years ending 31 December 2022, 2021 and 2020, and for the three-month period ending 31 March 2023, with comparative figures for the corresponding period in 2022. The information has been sourced from Yubico's audited consolidated financial statements for 2022, as well as Yubico's unaudited consolidated interim financial information for the three-month period ending 31 March 2023, which have been prepared in accordance with the Swedish Accounting Standards Board's general advice on consolidated accounting (BFNAR 2012:1) (Sw. *BFNAR 2012:1 Årsredovisning och koncernredovisning*) ("K3"). Hence, the information has not been prepared in accordance with the International Financial Reporting Standards ("IFRS"), as adopted by the EU, and is thus not necessarily comparable with other companies.

## Selected financial statements

### Income statement – Group

SEK thousands	Financial year ending 31 December		
	2022	2021	2020
Net sales	1,560,977	867,226	606,111
Other operating income	71,154	29,677	5,782
	<b>1,632,131</b>	<b>896,903</b>	<b>611,893</b>
<b>Operating expenses</b>			
Goods for resale	-244,714	-157,603	-83,515
Other external expenses	-275,500	-194,639	-143,605
Personnel expenses	-834,818	-583,123	-585,146
Depreciation, amortization and impairments	-11,161	-9,917	-6,962
Other operating expenses	-50,654	-18,595	-23,030
<b>Operating profit/loss</b>	<b>215,284</b>	<b>-66,974</b>	<b>-230,365</b>
<b>Net result from financial items</b>			
Interest income and similar items	7,208	12,316	69
Interest expense and similar items	-2,117	-1,803	-2,382
<b>Profit/loss after financial items</b>	<b>220,375</b>	<b>-56,461</b>	<b>-232,678</b>
<b>Profit/loss before tax</b>	<b>220,375</b>	<b>-56,461</b>	<b>-232,678</b>
Income taxes	35,083	-3,796	-4,572
<b>Profit/loss for the period</b>	<b>255,458</b>	<b>-60,257</b>	<b>-237,250</b>

**Balance sheet – Group**

SEK thousands	2022-12-31	2021-12-31	2020-12-31
<b>ASSETS</b>			
<b>Non-current assets</b>			
<i>Intangible assets</i>			
Patents and licenses	10,169	13,175	14,899
	<b>10,169</b>	<b>13,175</b>	<b>14,899</b>
<i>Tangible fixed assets</i>			
Equipment, tools and installations	32,280	20,865	18,824
	<b>32,280</b>	<b>20,865</b>	<b>18,824</b>
<i>Financial non-current assets</i>			
Deferred tax assets	52,874	6,061	–
Other long-term receivables	6,460	1,654	2,502
	<b>59,334</b>	<b>7,715</b>	<b>2,502</b>
<b>Total non-current assets</b>	<b>101,783</b>	<b>41,755</b>	<b>36,225</b>
<b>Current assets</b>			
<i>Inventories etc.</i>			
Raw materials and supplies	50,283	48,655	43,370
Work in progress	114,991	140,724	146,616
Finished products and goods purchased for resale	3,049	19,025	8,601
	<b>168,323</b>	<b>208,404</b>	<b>198,587</b>
<i>Short-term receivables</i>			
Trade receivables	418,385	133,014	177,040
Current tax assets	5,200	4,462	4,502
Other receivables	101,541	54,732	5,423
Pre-paid expenses and accrued income	43,183	28,987	15,945
	<b>568,309</b>	<b>221,195</b>	<b>202,910</b>
<i>Cash and cash equivalents</i>			
Cash and cash equivalents	283,492	264,499	317,813
	<b>283,492</b>	<b>264,499</b>	<b>317,813</b>
<b>Total current assets</b>	<b>1,020,124</b>	<b>694,098</b>	<b>719,310</b>
<b>Total assets</b>	<b>1,121,907</b>	<b>735,853</b>	<b>755,535</b>

**Balance sheet – Group**

SEK thousands	2022-12-31	2021-12-31	2020-12-31
<b>Equity and Liabilities</b>			
<b>Equity</b>			
Share capital	394	394	391
Other contributed capital	799,153	792,872	782,950
Retained earnings incl. profit/loss for the period	-66,905	-357,545	-317,130
<b>Total equity</b>	<b>732,642</b>	<b>435,721</b>	<b>466,211</b>
<b>Provisions</b>			
Deferred tax liability	3,837	2,895	-
	<b>3,837</b>	<b>2,895</b>	<b>-</b>
<b>Non-current liabilities</b>			
Other liabilities to credit institutions	39,000	52,000	-
	<b>39,000</b>	<b>52,000</b>	<b>-</b>
<b>Current liabilities</b>			
Liabilities to credit institutions	13,000	13,000	65,000
Prepayments from customers	19,054	25,561	36,422
Trade payables	85,743	40,075	27,273
Current tax liabilities	1,153	-	-
Other liabilities	30,665	34,426	19,056
Accrued expenses and deferred income	196,813	132,175	141,573
	<b>346,428</b>	<b>245,237</b>	<b>289,324</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>1,121,907</b>	<b>735,853</b>	<b>755,535</b>

## Statement of cash flows – Group

SEK thousands	Financial year ending 31 December		
	2022	2021	2020
<b>Operating activities</b>			
Profit/loss after financial items	220,375	-56,461	-232,678
Adjustment for non-cash items	11,923	22,035	66,090
	232,298	-34,426	-166,588
Taxes paid	-10,965	-3,756	-4,722
<b>Cash flow from operating activities before changes in working capital</b>	<b>221,333</b>	<b>-38,182</b>	<b>-171,310</b>
<i>Cash flow from changes in working capital</i>			
Increase (-)/Decrease (+) of inventories	61,849	-9,817	-65,656
Increase (-)/Decrease (+) of operating receivables	-327,179	-16,142	-92,034
Increase (+)/Decrease (-) of operating liabilities	76,817	10,808	68,885
<b>Cash flow from operating activities</b>	<b>32,820</b>	<b>-53,333</b>	<b>-260,115</b>
<b>Investing activities</b>			
Acquisition of tangible fixed assets	-18,325	-8,048	123
Disposal of tangible fixed assets	416	-	-
Acquisition of intangible assets	-425	-1,146	-9,104
Investment and divestment of financial assets	-440	1,000	2,573
<b>Cash flow from investing activities</b>	<b>-18,774</b>	<b>-8,194</b>	<b>-6,408</b>
<b>Financing activities</b>			
Share issue	6,281	9,925	311,573
Repayment of debt	-13,000	-	-
<b>Cash flow from financing activities</b>	<b>-6,719</b>	<b>9,925</b>	<b>311,573</b>
<b>Cashflow for the year</b>	<b>7,327</b>	<b>-51,602</b>	<b>45,050</b>
<b>Cash and cash equivalents beginning of the year</b>	<b>264,499</b>	<b>317,813</b>	<b>277,640</b>
<b>Exchange rate differences in cash and cash equivalents</b>	<b>11,666</b>	<b>-1,712</b>	<b>-4,878</b>
<b>Cash and cash equivalents end of the year</b>	<b>283,492</b>	<b>264,499</b>	<b>317,812</b>

## Alternative performance measures

This section also includes certain alternative performance measures (APM) which are not defined under K3. These are used by Yubico as Yubico believes that these APM provides valuable information for investors and other stakeholders to evaluate the financial performance of Yubico. As not all companies calculate financials measures in the same way, they are not always comparable with similar measures used by other companies. These measures should therefore not be regarded as a substitute for measures defined under K3. The APM have been extracted both from the financial statements and Yubico's internal accounting system and have not been audited. For definitions of these APM, see "Definitions of alternative performance measures used in the information brochure" below.

### Alternative performance measures not defined in accordance with K3

SEK millions (unless otherwise stated)	Financial year ending 31 December		
	2022	2021	2020
Bookings	1,584.2	1,041.1	831.0
Subscription bookings	241.7	176.3	182.2
Subscription share of bookings (%)	15.3%	16.9%	21.9%
Subscription sales	141.1	58.0	6.5
Subscription share of net sales (%)	9.0%	6.7%	1.1%
Net sales growth (%)	80.0%	43.1%	N/A
Net sales growth (adjusted for change in foreign currency) (%)	60.9%	49.2%	N/A
Gross profit	1,316.3	709.6	522.6
Gross margin (%)	84.3%	81.8%	86.2%
EBITDA	226.4	-57.1	-223.4
EBITDA margin (%)	14.5%	-6.6%	-36.9%
EBIT	215.3	-67.0	-230.4
EBIT margin (%)	13.8%	-7.7%	-38.0%
Net cash	231.5	199.5	252.8
ARR	204.7	108.9	61.0

SEK millions (unless otherwise stated)	Three-month period ending 31 March		
	Jan-Mar 2023	Jan-Mar 2022	%
Bookings	350.0	304.6	14.9
Subscription bookings	27.0	14.0	93.0
Subscription share of bookings (%)	7.7%	4.6%	
Net sales	419.0	330.2	26.9
Subscription sales	52.3	19.1	173.7
Subscription share of net sales (%)	12.5%	5.8%	
Net sales growth (%)	26.9%		
Net sales growth (adjusted for change in foreign currency) (%)	17.3%		
Gross profit	361.8	278.1	30.1
Gross margin (%)	86.3%	84.2%	
EBITDA	76.4	15.2	401.5
EBITDA margin (%)	18.2%	4.6%	
EBIT	73.4	12.6	483.0
EBIT margin (%)	17.5%	3.8%	
Net cash	392.7	150.8	
ARR	219.3	131.0	67.4



## Definitions of alternative performance measures used in the information brochure

The use of APMs is useful to investors for the following reasons:

To provide investors with insight into management's decision-making because management uses these measures to run the business and make financial, strategic, and operating decisions. APMs provide investors with additional information that enables a comparison of year-over-year and in many cases, inclusion of APMs may also facilitate comparison with other companies' corresponding APMs.

APM not defined in accordance with K3	Definition	Purpose
<b>Bookings</b>	Total value of bookings received during the period.	Measure used to analyze the magnitude of increase in bookings.
<b>Subscription bookings</b>	Total value of subscription bookings received during the period.	Measure used to analyze the expected volume of future revenue related to subscription.
<b>Subscription share of bookings</b>	Subscription bookings in relation to total bookings.	Measure to understand the relation of subscription bookings in relation to total bookings.
<b>Subscription sales</b>	Net sales related to subscription.	Measure to understand the magnitude of subscription revenue.
<b>Subscription share of net sales</b>	Subscription sales in relation to net sales.	Measure to analyze the magnitude of the subscriptions in relation to net sales.
<b>Net sales growth</b>	Annual growth in net sales.	Used to measure the net sales growth in the Company.
<b>Net sales growth (adjusted for change in foreign currency)</b>	Net sales growth adjusted for changes in foreign currency rates.	Used to measure comparable net sales growth excluding translation effects into foreign currency.
<b>Gross profit</b>	Net sales less cost of goods for resale.	Show the Company's profitability from operations.
<b>Gross margin</b>	Gross profit as a percentage of net sales.	The measure is a complement to the gross profit, which only states the change in absolute figures (when different periods are compared). Gross margin is an indication of the Company's gross earnings capacity, over time.
<b>EBITDA</b>	Operating profit/loss (EBIT) before depreciation, amortization, and impairments.	The measure is used since it shows the profitability before financial items, taxes, depreciation, amortization, and impairments and is used to analyze the group's operating activities.
<b>EBITDA margin</b>	Operating profit/loss (EBIT) before depreciation, amortization, and impairments in relation to net sales.	The measure is a complement to the EBITDA, which only states the change in absolute figures (when different periods are compared). EBITDA margin is an indication of the profitability of operations in relation to net sales, over time.
<b>EBIT margin</b>	Operating profit/loss (EBIT) in relation to net sales.	The measure is a complement to the EBIT (Operating profit/loss), which only states the change in absolute figures (when different periods are compared). EBIT margin is used to provide understanding of the group's financial performance both short and long term.
<b>Net cash</b>	Cash and cash equivalents less interest-bearing liabilities (liabilities to credit institutions).	Used to assess the Company's ability to meet its financial obligations and level of debt.
<b>Annual Recurring Revenue (ARR)</b>	Total contract value related to subscription contracts as of the end of the reporting period, excluding one-time fees, divided by the term of the contract translated based on the average foreign exchange rate on a rolling 12-month basis.	Management follows this measure as it is important to understand annualized revenue expected from subscribers.



**Board of directors, senior executives and auditor**

# Board of directors, senior executives and auditor

## Board of directors

The board of directors of ACQ intends to convene an extraordinary general meeting in ACQ, to be held in connection with the completion of the Transaction, for the purpose of, *inter alia*, electing a new board of directors for the Combined Company. The board of directors of the Combined Company is expected to comprise members of both Yubico's and ACQ's current board of directors, with Patrik Tigerschiöld intended to become the chairman of the board of directors.

ACQ's nomination committee, that will prepare the proposal for the board of directors for the Combined Company, is comprised of the following members:

- Carsten Browall, appointed by Bure Equity AB.
- Anders Oscarsson, appointed by AMF.
- Thomas Ehlin, appointed by the Fourth Swedish National Pension Fund.
- Patrik Tigerschiöld, Chairman of the board of ACQ.

In addition, Stina Ehrensvärd is a co-opted member of ACQ's nomination committee.

## Senior executives

The Combined Company's senior executives are presented below.



**Mattias Danielsson**

Born 1971

Chief Executive Officer

**Employed since:** 2010



**Camilla Öberg**

Born 1964

Chief Financial Officer

**Employed since:** 2020



**Jerrod Chong**

Born 1974

Chief Operating Officer

**Employed since:** 2013



**Stina Ehrensvärd**

Born 1967

Chief Evangelist & Co-Founder

**Employed since:** 2007



**Jakob Ehrensvärd**

Born 1966

Chief Innovation Officer & Co-Founder

**Employed since:** 2007



**Christopher Harrell**

Born 1976

Chief Technology Officer

**Employed since:** 2016



**Ronnie Manning**

Born 1975

Chief Marketing Officer

***Employed since:*** 2015



**Hung Truong**

Born 1957

Chief Engineering Officer

***Employed since:*** 2021

**Auditor**

The Combined Company's auditor will be Öhrlings Pricewaterhouse Coopers AB.

The auditor-in-charge will be Magnus Svensson Henrysson, born 1969, authorized public accountant and member of FAR (the institute for the accountancy profession in Sweden).



**Emanuela Todaro**

Born 1971

Chief People Officer

***Employed since:*** 2017



**Henrik Lejdeborn**

Born 1976

General Counsel

***Employed since:*** 2018

# Shares and ownership structure

## Share information

There are currently 35,000,000 outstanding shares in ACQ. Up to 51,759,560<sup>1)</sup> new shares will be issued as merger consideration in the Transaction. The number of shares in the Combined Company will therefore be a maximum of 86,759,560<sup>2)</sup> following completion of the Transaction, less any shares redeemed in the voluntary share redemption procedure (see further in section “*Terms and conditions for voluntary share redemption*”), and subject to any additional shares being issued under the authorization proposed to be granted for the board of directors by the extraordinary general meeting in ACQ to be held on 20 June 2023 (see further in “*Extraordinary general meeting in ACQ*”). The shares in ACQ are currently traded on Nasdaq Stockholm’s SPAC segment, and were given observation status by Nasdaq Stockholm upon the announcement of the proposed Transaction, which according to the Rulebook is to occur immediately upon the announcement of a de-SPAC transaction.

## Voting rights

Each share in the Combined Company will carry one vote at general meetings.

## Preferential right to new shares

If the Combined Company issues new shares, warrants or convertibles in a cash or set-off issuance, the shareholders have preferential rights to subscribe for such securities in proportion to the number of shares held prior to the issuance. The articles of association will not restrict the Combined Company’s ability to issue new shares, warrants or convertibles with deviation from the shareholders’ preferential rights under the Swedish Companies Act (Sw. *Aktiebolagslagen (2005:551)*).

## Rights to dividends and surplus in the event of liquidation

All of the shares in the Combined Company will carry equal rights to dividends and to the Combined Company’s assets and any surpluses in the event of liquidation. Resolutions regarding any dividends are to be made by the general meeting. Shareholders who are registered in the share register, maintained by Euroclear, on the record date determined by the general meeting are entitled to receive dividend. The payment of any dividends will be administered by Euroclear or, should the shares be nominee-registered, in accordance with the procedures of the individual nominee. Dividend is normally paid to shareholders through Euroclear as a cash amount per share, but may also comprise forms other than cash dividends (distribution in kind).

## Central securities depository

The Combined Company’s shares will be registered in a central securities depository register in accordance with the Swedish Financial Instruments Accounts Act (Sw. *lag (1998:1479) om värdepapperscentraler och kontoföring av finansiella instrument*). This register is maintained by Euroclear. The ISIN code for the Combined Company will remain the same as the current code for ACQ, i.e. SE0015657788.

## Convertibles, warrants and other share-based instruments

ACQ has issued 4,200,000 warrants to Bure (the “**Sponsor Warrants**”). Each Sponsor Warrant entitles Bure to subscription of one (1) share in the Combined Company at a subscription price of SEK 130. The Sponsor Warrants can be exercised for subscription of shares no earlier than 1 April 2026 and no later than 1 April 2031, subject to the terms and conditions of the Sponsor Warrants. The Combined Company has the right to demand that subscription of shares by exercise of the Sponsor Warrants be made at the quotient value of the share instead of at the subscription price of SEK 130, in which case the number of shares that

- 1) Assuming that all outstanding and, at the time of completion of the Transaction, vested warrants as relevant in Yubico are exercised prior to the completion of the Transaction. The aggregate amount and proportion of ACQ shares to be issued as merger consideration may be decreased to accommodate restrictions under applicable securities laws on the delivery by ACQ of share consideration to Ineligible Foreign Holders resident in certain foreign jurisdictions (including the United States).
- 2) Assuming that all outstanding and, at the time of completion of the Transaction, vested warrants as relevant in Yubico are exercised prior to the completion of the Transaction. The aggregate amount and proportion of ACQ shares to be issued as merger consideration may be decreased to accommodate restrictions under applicable securities laws on the delivery by ACQ of share consideration to Ineligible Foreign Holders resident in certain foreign jurisdictions (including the United States).

each Sponsor Warrant entitles to is recalculated pursuant to a formula stipulated in the terms and conditions for the Sponsor Warrants. Should the Combined Company choose this alternative exercise model, this would entail that less capital is contributed to the Combined Company and the number of shares subscribed for when exercising the warrants will, as a starting point, be significantly fewer, which will lead to less dilution for the shareholders. For more information on the Sponsor Warrants, please see the prospectus published by ACQ in connection with its listing on Nasdaq Stockholm and the complete terms and conditions for the Sponsor Warrants, both available at ACQ's website, [www.acq.se](http://www.acq.se).

As of 19 April 2023, there were a total of 2,404,129 outstanding warrants (Sw. *teckningsoptioner*) in Yubico, as well as stock options reflecting in all material respects the terms of the warrants, that have been issued in different series under equity incentive plans implemented by Yubico to members of Yubico's executive management and other employees. Holders of warrants and stock options that will have vested no later than 30 September 2023 are entitled to exercise their warrants and stock options to become shareholders and have been notified accordingly in accordance with the terms and conditions of the respective series of warrants and stock options.

### Ownership structure

Yubico is owned, as per the date of this information brochure, among others by its co-founder Stina Ehrensward, and principal investors Bure (through Bure Growth), Andreessen Horowitz, Ram Shriram, AMF Tjänstepension and AMF Fonder.

Upon completion of the Transaction, ACQ's current shareholders will hold approximately 40.3% of the shares and votes in the Combined Company. Bure, currently holding approximately 15.3% (on a fully diluted basis) of the shares and votes in Yubico and 20.0% of the shares and votes in ACQ, will be the largest shareholder in the Combined Company with a shareholding of approximately 17.4%. Bure will also hold 4,200,000 warrants in the Combined Company, which Bure received as a sponsor when ACQ was established. The sponsor warrants can be exercised for subscription of shares no earlier than 1 April 2026 and no later than 1 April 2031.

The table below sets out the anticipated holdings of the five largest shareholders of the Combined Company, based on the latest available shareholder data, and assuming all current shareholders of ACQ will have the same holdings at the time of completion of the Transaction:

Shareholder	Number of shares and votes (%)
Bure	17.4
AMF Tjänstepension and AMF Fonder	10.9
Stina Ehrensward	10.1
Andreessen Horowitz	6.1
Fourth Swedish National Pension Fund	4.0
<b>Top five shareholders</b>	<b>48.4</b>
Other shareholders	51.6
<b>Total</b>	<b>100%</b>

Source: ACQ

Bure Growth, Stina Ehrensward and Mattias Danielsson will undertake, with customary exceptions, to the Combined Company and Skandinaviska Enskilda Banken AB ("SEB") not to sell, or otherwise transfer or divest, their respective shareholdings in the Combined Company during a period of 365 days following the date of completion of the Transaction. The other shareholders of Yubico, including AMF Tjänstepension and AMF Fonder, Andreessen Horowitz, Meritech and Ram Shriram, that are either parties to the merger agreement entered into by ACQ and Yubico or which have by other means approved and committed to support the Transaction, will undertake, on certain conditions relating to the remaining shareholders entering into corresponding undertakings, and with customary exceptions, to the Combined Company and SEB, not to sell, or otherwise transfer or divest, their respective shareholdings in the Combined Company (excluding any shares in ACQ held before announcement of the Transaction) during a period of 180 days following the date of completion of the Transaction. In addition, the remaining shareholders of Yubico (other than Ineligible Foreign Holders) will, in accordance with the drag-along provision under the existing shareholders' agreement amongst each of the shareholders of Yubico, be required to enter into corresponding undertakings to the Combined Company and SEB not to sell, or otherwise transfer or divest, their respective shareholdings in Combined Company during a period of 180 days following the date of completion of the Transaction.

# Risk factors

*An investment in the shares in the Combined Company is associated with different risks. Prior to making an investment decision, prospective investors should carefully analyze the risks described below. Set out below is a description of material risks related to Yubico, its shares and the proposed Transaction, including the intended change of listing venue from Nasdaq Stockholm (Main Market) to Nasdaq First North Growth Market. Prospective investors should make an independent evaluation, with or without help from their own independent advisors, of the risks associated with an investment in the Combined Company. The risk factors mentioned below are limited to risks which are specific to the Combined Company and/or to the Transaction and which are assessed to be material for making an informed investment decision. The descriptions below are based on information available as of the date of this information brochure. Although the most material risk factors have been presented first within each category, the order in which the remaining risks are presented is not necessarily an indication of the significance of the risks, the likelihood of the risks actually materializing or the scope of any potential negative impact to the Combined Company's business, financial condition, prospects and results of operations.*

## Risks related to Yubico's business and industry

### As a global cybersecurity company, Yubico relies on the functionality and credibility of its products

Yubico is a leading provider of multi-factor cybersecurity solutions. Yubico's overarching mission is to make the internet more secure for everyone by removing the root cause of most cybersecurity intrusions; stolen credentials. Yubico's core product, the YubiKey, is a multi-factor authentication (MFA) hardware token ensuring that only authorized users have access to sensitive accounts and systems.

There is a risk that Yubico's products will not provide protection against all security vulnerabilities, exploits, or cyber-attacks, especially in light of the rapidly changing cybersecurity landscape (see further below in "*The cybersecurity market is rapidly evolving to address the increasingly challenging cyber threat landscape, and the future development may not be in favour of Yubico's products*"). Both internal and external factors, including defects or misconfigurations of Yubico's products or defects in the components supplied by third parties that are used in Yubico's products, could cause Yubico's products to become vulnerable to security incidents that cause them to fail to protect against cyberattacks. Whilst it has not led to any damage for its customers, Yubico has historically experienced that components supplied by third parties have demonstrated vulnerabilities when being used for certain protocols. If such weaknesses are not discovered and addressed properly, they may erode the protective features of Yubico's products, which could have negative effects for the credibility of the products, particularly as Yubico's business is heavily dependent on the reputation of its core product and brand, "YubiKey".

The YubiKeys are either sold to the customer, on a perpetual basis, or delivered under Yubico's subscription-based sales model with the intention of being used during the entirety of the subscription period without being replaced. As the products are hardware-based, Yubico is unable to provide comprehensive remote updates of the products to its customers. Yubico continuously works to develop and adapt its products to the changing cybersecurity landscape, but even if Yubico successfully develops its products to provide protection against, for example, a new form of cyberattack, there is a risk that Yubico's less updated products that have already been sold in the market will fail to offer the same level of protection as its most recent products.

Any real or perceived shortcomings, defects or vulnerabilities in Yubico's products could cause significant harm to Yubico and the reputation of the YubiKey brand, which would have a negative effect on Yubico's business and results of operations.

### The cybersecurity market is rapidly evolving to address the increasingly challenging cyber threat landscape, and the future development may not be in favour of Yubico's products

Yubico's product and service offering is based on hardware-based security keys providing a multi-factor authentication. As such, Yubico's product portfolio comprises of several hardware product families. The cybersecurity market is characterized by rapid technological change, evolving industry standards, and continuously changing customer requirements and preferences. In the future, hardware tokens could be considered less user-friendly and unmodern compared to other alternatives, including text

message or email codes or app-based authentication methods. Yubico's products may become less effective due to the development of new technologies or inventions, which could have implications for the currently existing data encryption solutions, making these obsolete. There may evolve other methods, technologies, products or services that offer similar or better authentication solutions than the products that Yubico offers.

Changes in the nature of advanced cyber threats could also result in a shift in IT budgets away from solutions such as Yubico's hardware-based products towards other forms of solutions. Organizations that use such security products may also believe that their existing security solutions sufficiently protect access to their sensitive business data, and may continue allocating their cybersecurity budgets to such solutions instead of adopting Yubico's advanced authentication solutions.

Advanced cyber attackers are skilled at adapting to new technologies and developing new methods of gaining access to organizations' sensitive business data. Yubico expects cyber threats to continuously evolve and increase in complexity, and Yubico will need to continually modify and improve its offerings to adapt to any such developments in order to retain and grow its customer base.

There is a risk that industry developments, including the development of competing solutions as well as changes in the nature of cyber threats, result in a decrease in the demand for Yubico's products. If Yubico fails to adapt to such changes, this could have a negative effect on Yubico's results of operations and future prospects.

**Yubico is exposed to general economic and market conditions, in particular in relation to the U.S. technology sector**

Yubico's products are sold on several geographical markets, with the United States being Yubico's largest market, accounting for approximately 62% of Yubico's bookings for the financial year ended 31 December 2022. EMEA is also a large market for Yubico, accounting for 16% of Yubico's bookings for the same period.

Downturns in general economic conditions on the markets where Yubico operates, for example due to geopolitical instability, weaker consumer confidence or other macro-economic factors, may affect the demand for Yubico's products. Historically, Yubico's customers have primarily been global technology companies. Although Yubico has grown and diversified its customer base to other industry verticals in the past few years, a significant share of Yubico's largest customers are still technology companies. Approximately 40% of Yubico's bookings (excluding bookings related to e-commerce) for the financial year ended 31 December 2022 were attributable to customers in the technology sector (including several of the major technology companies in the world). It is likely that a slowdown in the tech industry with layoffs, decreased budgets to spend on IT-security and general constraints on investments, such as

has been the case in the recent past and, to some extent, continues to be case in the U.S., will also impact Yubico. These conditions could have a negative effect on Yubico's results of operations and financial condition.

**Yubico's transition toward a subscription-based sales offering could affect its net sales and profitability in the short- and medium term and may not be as successful as expected**

Yubico's products are sold both directly to end-customers and via distributors and resellers, either against a one-time payment on a perpetual basis, also known as the perpetual model, or through a subscription-based model, launched in 2020, in which the hardware is provided as a service with Yubico retaining ownership of the hardware. Historically, the greater part of Yubico's net sales has come from sales through the perpetual model, and perpetual sales accounted for 85% of Yubico's bookings and 91% of Yubico's net sales for the financial year ended 31 December 2022 while net sales from its subscription-based model accounted for 15% of Yubico's bookings and 9% of Yubico's net sales during the same period. Yubico has recently updated its sales strategy to increasingly focus on sales through the subscription-based model, in particular with regards to sales to larger enterprises. While Yubico's customers are increasingly adopting the subscription-based model, there is a risk that this offering will not be fully embraced by Yubico's customers and that the transition toward a subscription-based sales model will be challenging.

Net sales from the subscription-based sales are evenly booked over the contract length, typically three years, while direct costs are booked after they are incurred, which typically means that approximately 70% of the costs are booked year one and 15% of the costs per year the following two years. The perpetual model entails upfront cash payments and that the hardware ownership is moved to the customer, meaning that 100% of net sales and costs are booked when the product is delivered. Therefore, Yubico's net sales and profitability are expected to be impacted negatively in the short- and medium term by the transition to the subscription-based model. There is also a risk that customers purchasing Yubico's subscription will not maintain or extend their subscriptions or purchase additional subscriptions. As the subscription-based model was launched in 2020, with the majority of subscription contracts being on three-year terms, there is a risk that certain of the agreements that were entered into in 2020 are not renewed, which may have an impact on Yubico's results of operations in the near-term.

**Yubico relies on third-party suppliers and could be negatively affected by interruptions in its supply chains or defects in third-party components**

Yubico's business is dependent on third-party suppliers, in particular with regards to manufacturing services as well as the supply of key components and, although to a lesser extent, licensing of third-party software used in certain of Yubico's products.



Certain of Yubico's manufacturers in Sweden account for a significant part of Yubico's total purchases of manufacturing services and components, and these manufacturers are therefore material to Yubico's production capabilities. There are key components of Yubico's products that are sourced from one single supplier, and, as a result, failure by such supplier to deliver according to Yubico's requests from time to time at terms that are acceptable to Yubico could adversely affect Yubico's operations. The manufacturing process of Yubico's products involves several steps, where different suppliers are involved, including production, assembly, and plastic molding. Disturbances or interruptions in any of these steps could result in difficulties for or failure by Yubico to deliver sufficient quantities of products to its customers and distributors in accordance with agreed timelines. Further, Yubico licenses third-party software for use in its products that include biometric authentication. Biometric products accounted for approximately 2% of Yubico's net sales in the financial year ended 31 December 2022.

From time to time, Yubico competes with procurement teams from other industries for the same key components. For instance, there has recently been a semiconductor shortage in the automotive industry, which has adversely affected the availability of such components for other industries, including for Yubico. Any supply interruptions may have a negative effect on Yubico's customer relationships and results of operations, both temporarily and potentially in the longer term.

Further, Yubico's future growth and potential geographical expansion may impose increased demands on Yubico's suppliers to meet increased volumes, and there is a risk that Yubico's existing suppliers will be unable to continue provide its services on terms beneficial to Yubico, and/or that Yubico is unable to find alternative suppliers that can provide similar terms as Yubico's existing suppliers, which could have a negative effect on Yubico's result of operations and financial condition.

#### **Yubico faces significant competition from other cybersecurity companies**

The cybersecurity market in general, and the advanced authentication market specifically, is highly competitive. Yubico's current main competitors include several key archetypes;

- Pure play advanced authentication providers, offering an MFA security solution that involves the use of hardware security keys, such as the YubiKey. Leading products of these providers offer biometric and near-field communication-based solutions.
- Broader identity solution providers, offering mobile phone message or mobile phone push-based MFA solutions. These providers have larger and more bundled portfolios of broader cybersecurity and identity security solutions.
- Traditional authentication providers, providing early-generation login security solutions such as physical dongle tokens authentication solutions.

Conditions in the advanced authentication market could change rapidly and significantly as a result of technological advancements, and there is a risk that the development of new competing authentication solutions by existing or new competitors affect Yubico's competitiveness negatively (see further in "*– As a global cybersecurity company, Yubico relies on the functionality and credibility of its products*"). Certain of Yubico's key competitors have competitive advantages such as broader product offerings, greater brand-recognition and significantly greater financial resources. Although YubiKey is an established brand with a strong track-record, customers may prefer to purchase solutions from such larger, more well-known companies, which may affect Yubico's growth and results of operations negatively.

#### **Yubico's future prospects are dependent on its ability to retain and recruit key personnel**

Yubico's future prospects depend on its ability to continue to identify, attract, train, retain and motivate a sufficient number of highly skilled personnel, in particular hardware and software engineers, key developers and personnel with security experience. The cybersecurity market is continuously evolving, and in order to be able to adapt its products to changing circumstances, Yubico is dependent on the ability of its employees to continue to develop and improve its products. There is a high degree of competition for such personnel, and failure to successfully attract or retain sufficiently qualified personnel could harm Yubico's business, growth and profitability, and/or require Yubico to increase its salary costs. Departure of key personnel may also result in the departure of other employees. In addition, considerable time and expense is often required for Yubico in its selling activities to its major customers (see further in "*– Yubico's sales cycle can be long and unpredictable, and its sales efforts require considerable time and expense*"). Yubico's ability to successfully compete for potential customers is dependent on Yubico's sales personnel being sufficiently trained and informed about Yubico's solutions. Yubico may be unable to find qualified sales personnel or to provide sufficient training for its existing employees. If Yubico is unable to retain or attract skilled and experienced sales personnel, it could affect Yubico's ability to implement its growth strategy and have a negative effect on Yubico's business and results of operations.

**Yubico's ability to develop existing products and introduce new products and features is dependent on adequate R&D resources**

A significant aspect of Yubico's growth strategy, and a fundamental requirement for its ability to stay competitive and enter new markets, is that Yubico continues to develop its products to adapt to market developments and new or changed cyberthreats. Yubico is therefore dependent on having sufficient resources and personnel for research and development (see further in "*– Yubico's future prospects are dependent on its ability to retain and recruit key personnel*"). If Yubico is unable to effectively develop its products due to a lack of financial resources or sufficient employees, Yubico's future prospects could be negatively affected.

**Yubico's sales cycle can be long and unpredictable, and its sales efforts require considerable time and expense**

Since Yubico's net sales are predominately deriving from sales to enterprises, the timing of Yubico's sales and related revenue recognition is unpredictable. Yubico is often required to spend significant time and resources to better educate and familiarize potential customers with the value proposition of Yubico's solutions. Customers often view the purchase of IT security solutions as a strategic decision and therefore carefully evaluate Yubico's solutions before completing a purchase. During the sales cycle, Yubico expends significant time and money on sales and marketing and contract negotiation activities, which may not result in a sale. Additional factors that may influence the length and variability of Yubico's sales cycle is budget cycles and decisions, lengthy purchasing approval processes, the industries in which Yubico's customers operate, the evaluation of competing solutions during the purchase process and evolving functionality demands. If Yubico's efforts in pursuing sales and customers are unsuccessful, or if its sales cycles lengthen, this could have a negative effect on Yubico's results of operations.

**Risks related to customer concentration and dependence on existing relationships with large technology companies in the U.S. that are material to Yubico**

Yubico's ten largest customers in 2022 accounted for 43% of Yubico's bookings (excluding bookings related to e-commerce) for the financial year ended 31 December 2022, while the same customers accounted for 18% of Yubico's bookings for the financial year ended 31 December 2021. Some of these customers are large technology companies based in the United States. Yubico has maintained and developed its relationships with these customers for several years, and it is important for Yubico to continue to maintain and build upon these relationships. Various factors may affect Yubico's relationship with these customers, such as changes in the cybersecurity market or cyberthreats that cause such customers to select other cybersecurity solutions instead of Yubico's or real or perceived shortcomings

in Yubico's products. If Yubico fails to provide sufficient support to its customers and ensure that its products remain competitive long term, there is a risk that Yubico's larger customers will decrease or cease its purchases from Yubico, which would have a negative effect on Yubico's results of operations. Further, single orders from large customers may have noticeable impact on net sales and results in specific quarters, which may make it more difficult to compare different quarters with each other, and entails an unpredictability in Yubico's sales cycle and could lead to increased volatility in the share price of Yubico's shares following completion of the Transaction.

**If Yubico fails to adapt or develop its products to ensure that they interoperate with a variety of operating systems and software applications developed by other parties, Yubico's offering may become less competitive**

Yubico's products communicate with third party applications to provide secure access to computers, devices, networks and online services. Yubico is therefore dependent on the interoperability of its products with third-party services, including operating systems, software and technology, which is outside of Yubico's control. There is a risk that changes in such technology, or errors in the implementation of protocols used to allow communication between third party offerings and Yubico's products, degrade the functionality of Yubico's products. Yubico may not be successful in developing or maintaining relationships with key stakeholders developing the most widely adopted operating systems for computers, portable devices and software applications. Yubico relies on open standards for many integrations between its solutions and third-party applications that Yubico's customers utilize. If such application providers were to move away from open standards, or if a widely-utilized application provider were to adopt proprietary integration standards and not make them available for the purpose of facilitating interoperability with Yubico's products, the utility of Yubico's products would be decreased. Any decrease in the interoperability of Yubico's products with leading operating systems and software applications may lead to decreased demand for Yubico's products, which could have a negative effect on Yubico's results of operations.

**Risks associated with product certification standards such as FIPS and FIDO**

To ensure local regulatory compliance, Yubico has an active presence in regulatory forums such as FIDO Alliance and holds local and regional certifications such as Federal Information Processing Standard (FIPS) 140-2, Certification de Sécurité de Premier Niveau (CSPN) and FIDO level 2. Certain customers, particularly in the public sector, require that the cybersecurity products they purchase hold relevant certifications, and would in all likelihood not maintain their purchases from Yubico if Yubico were to lose such certifications. The validation processes for product certification

standards such as FIPS includes the ability to re-validate the product upon incremental changes, a process which is more expedient than the original validation process, while major changes to products typically require a new validation process in order to maintain the certification. Should Yubico replace or update its firmware or any of the components used in its products with new, externally produced components, there is a risk that the updated product would have to be subject to a new certification process. A process to obtain a new certification could be time-consuming. Whilst Yubico would still be able to offer its products that are already certified to customers during such certification process in respect of an updated product, the previous product may be less effective and there is a risk that such previous certifications expire prior to receipt of the certification of the new product. If Yubico is unable to continuously maintain all relevant product certifications, Yubico may lose customers, in particular customers within the public sector with specific compliance requirements, temporarily or permanently, which would have a negative impact on Yubico's results of operations.

Changes in government regulations and standards for authentication solutions could require Yubico to make potentially costly modifications to its products and services in order to remain compliant and maintain or obtain existing or new certifications, which could have a negative impact on Yubico's results of operations.

#### **Risks associated with Yubico's international operations**

Yubico authentication solutions are sold in more than 160 countries across the globe. Its international operations and the use of Yubico's products and services in various countries subject Yubico to risks that may be greater than those faced if it had been operating in either a single market or a few homogeneous markets (such as within the European Union). Whilst, currently, Yubico's products are generally considered as mass-market products and, as such, not subject to country-specific statutory certification requirements, Yubico faces several risks due its international presence which include, but are not limited to:

- differing fiscal, statutory filing and mandatory corporate law requirements;
- potentially adverse tax consequences, including the complexities of foreign value added tax, or other tax, systems and restrictions on the repatriation of earnings (see further in “– *Yubico is subject to the risk of its tax rate increasing, audits, tax disputes and changes in existing regulations or adoptions of new regulations*”);
- data protection and privacy laws which subject Yubico to stringent obligations and may, for example, require customer data to be stored and processed in a designated territory;
- certain activities that may be legal or unregulated in one country may be illegal or regulated in another country, or

subject to different and potentially conflicting legal or regulatory requirements in different jurisdictions; and

- reduced or uncertain protection for intellectual property rights in some countries.

These factors may cause Yubico's international costs of doing business to exceed its comparable domestic costs. They may also require significant management attention and financial resources, either of which could have a negative effect on Yubico's business and results of operations.

#### **Legal and regulatory risks**

##### **Yubico may be unable to adequately protect or enforce its intellectual property rights, and third parties have alleged and may in the future allege that Yubico is infringing their intellectual property rights.**

The protection of Yubico's intellectual property, including its trademarks, copyrights, patents, domain names and trade secrets, is important to Yubico's business. Yubico seeks to protect its intellectual property rights by registering and maintaining trademarks and patents (in particular the trademarks YUBICO and YUBIKEY) as well as keeping trade secrets confidential. Yubico obtains services from an external advisor for assistance with the maintenance of its trademark portfolio. Yubico also relies on contractual measures to protect its proprietary rights when offering or procuring products and services, including confidentiality undertakings, and provisions assigning the intellectual property in relevant agreements, such as invention assignment agreements entered into with its employees and consultants.

In addition to its key trademarks, YUBICO and YUBIKEY, Yubico possesses intellectual property rights in the form of patents, even though these patents are not considered to be among the most important intellectual property assets for Yubico's business. Yubico's existing and future intellectual property rights may not provide Yubico with competitive advantages or distinguish its products and services from those of its competitors. Yubico's intellectual property rights may be contested, circumvented or found unenforceable or invalid, and it may not be able to prevent third parties from infringing, diluting or otherwise violating them and Yubico may be required to expend significant time and expense in order to prevent infringement or to enforce its rights.

Third parties have historically asserted and may in the future assert that Yubico's products, technology, methods or practices infringe, misappropriate or otherwise violate their intellectual property or other proprietary rights. As the number of products and offerings from Yubico increase, and additional competitors to Yubico develop new technology, the risks of claims may increase. In addition, to the extent that Yubico gains higher visibility and market exposure, for instance due to the listing on Nasdaq First North Growth Market, Yubico faces an increased risk of being the subject of intellectual property infringement claims.

Specifically, Yubico has, similar to other companies in the industry, from time to time been contacted by third parties claiming that Yubico's products incorporate features and functionality covered by such third parties' patented technology. Yubico has been offered to license such patented technology, but Yubico has so far not engaged in any discussions or entered into any licensing agreements. Thus, there is a risk that such third parties may at some point initiate legal proceedings against Yubico for patent infringement.

However, regardless of their merit, claims that result in litigation could result in substantial costs by diverting the attention of management, causing significant delays in introducing new or enhanced services or technology, materially disrupting the conduct of Yubico's business and damaging its reputation and brand. As a consequence of any successful patent or other intellectual property claims, Yubico could be required to pay substantial damages and compensation for its prior use of the third party patented technology, seek licenses for alternative technologies from third parties or obtain a license from the third party claiming infringement, develop non-infringing technology or, in a worst case scenario, be required to stop selling or marketing the infringing products. Yubico may also be obligated to indemnify its customers or refund payments from customers. Any of the above risks could have a negative effect on Yubico's business, results of operations and financial condition.

**Yubico uses open-source software in its service offerings, which is provided with limited or no warranties and could impose an obligation to share proprietary source code if certain open-source software is used**

Yubico uses open-source software in its software solutions and may use more open-source software in the future. From time to time, there have been claims challenging the ownership of open-source software against companies that incorporate open-source software into their service offerings. There is a risk that these licenses could be construed in a way that could impose unanticipated conditions or restrictions on Yubico's ability to commercialize its service offerings. In addition, if Yubico was to combine its proprietary software with open-source software in a certain manner, it could, under certain of the open-source licenses, be required to disclose the source code of its proprietary software to the public, free of charge. This would allow Yubico's competitors to create similar services with less development effort and time. Yubico has implemented internal business controls and systems to control and surveillance its use of open-source software so that only appropriate open-source software is used by Yubico, to mitigate the above-mentioned risks. However, if Yubico uses open-source software in an inappropriate way, e.g. by incorrectly using or by a wrongful assessment permitting use of certain open-source software, Yubico may be required to redesign its service offerings, pay damages for copyright infringement,

be required to release the source code to proprietary software to the public free of charge, discontinue the use of certain open-source software due to a breach of the licensing terms or discontinue the offering of some or all of its service offerings or take other remedial actions.

In addition to risks related to license requirements, usage of open-source software can lead to greater risks than use of third-party commercial software, as open-source licensors generally do not provide warranties or assurance of title or controls on origin of the software. In addition, many of the risks associated with usage of open-source software, such as the lack of warranties or assurances of title, cannot be eliminated, and could, if not properly addressed, negatively affect Yubico's business. Any of the above risks could have a negative effect on Yubico's business and financial condition.

**A portion of Yubico's revenues is generated by indirect sales to U.S. federal agencies, which are subject to a number of challenges and risks**

A portion of Yubico's revenues is generated by sales, through Yubico's distributor network, to U.S. federal agencies, and the Company may in the future increase sales to U.S. federal agencies. Sales to U.S. federal agencies are subject to a number of risks. Selling to federal agencies can be highly competitive, expensive and time consuming, often requiring significant administration, upfront time and expense without any assurance that Yubico will complete a sale. Government demand and payment for Yubico's products and services may be impacted by public sector budgetary cycles and funding authorizations, with funding reductions or delays adversely affecting public sector demand for Yubico's products. For purchases by the U.S. government, the government may require certain products to be manufactured in the United States and other high-cost manufacturing locations, and Yubico may not manufacture all products in locations that meet the requirements of the U.S. government.

The Transaction could have consequences for Yubico's relationships with U.S. government customers, including the risk that such U.S. government customers will decide to terminate their relationship with Yubico (pursuant to contractual rights included as standard form provisions in the U.S. government's contracts with its suppliers and sub-contractors). There is also a risk that U.S. federal agencies or committees could claim to have jurisdiction in connection with the Transaction, review the Transaction, and among other, require that filings or approvals is made.

**Yubico is subject to the risk of its tax rate increasing, audits, tax disputes and changes in existing regulations or adoptions of new regulations**

Yubico is subject to taxation in Sweden and several other jurisdictions, including federal, state and local tax jurisdictions (see also "*Risks associated with Yubico's international operations*"). During the financial years ended on 31 December 2022 and 2021, Yubico's income tax for

the year (as included in the income statement for the period) was SEK 35,083,000 and SEK –3,796,000, respectively. There is a risk that Yubico's understanding and interpretation of tax laws, tax treaties and other provisions, including with respect to income, sales and use, value added, deferred tax assets or liabilities and other taxes, are not correct in all respects. Yubico's tax expenses, deferred tax assets or liabilities and effective tax rate could also be adversely affected by changes in applicable tax laws and regulations, or their interpretation and application, including the possibility of retroactive effect. Tax authorities in the relevant jurisdictions could make assessments and decisions that differ from Yubico's understanding and interpretation of the aforementioned laws, tax treaties and other provisions, which may require Yubico to pay substantial additional tax, including penalties and interest, and could have a negative effect on Yubico's results of operations and financial condition. Also, ownership changes or other potential restrictions on carrying forward operating losses for tax purposes, could present a risk for Yubico's ability to utilize such losses or other tax attributes (as applicable). In recent years, tax authorities have also increased the focus on transfer pricing, which is also an area of high complexity. Transfer pricing related disputes often concern significant amounts and may sometimes take several years to conclude. Negative outcomes in transfer pricing related reviews and disputes may have a negative effect on Yubico's tax position. Yubico may also become involved in other tax disputes, tax audits and litigations of varying significance and scope. Such processes can lead to lengthy proceedings over several years and may require Yubico to pay substantial additional tax, which could have a negative effect on Yubico's results of operations and financial condition.

#### **Yubico is exposed to the risk of legal actions and liability claims against it by customers or otherwise**

In the ordinary course of business, Yubico may be involved in various litigation matters, including but not limited to commercial disputes and employee claims, and may from time to time be involved in governmental or regulatory investigations or similar matters arising out of Yubico's current or future business. Any claims asserted against Yubico, regardless of merit or eventual outcome, could harm Yubico's reputation and have an adverse impact on its relationship with customers and other third parties and could lead to additional related claims. Certain claims may seek injunctive relief, which could disrupt the ordinary conduct of Yubico's business and operations or increase Yubico's cost of doing business. Yubico's insurance or indemnities may not cover all claims that may be asserted against it. Should the ultimate judgments or settlements in any future litigation or investigation significantly exceed Yubico's insurance coverage, they could have a negative effect on Yubico's results of operations and financial condition.

Yubico's customers use Yubico's authentication solutions for purposes that are critical to their businesses, and as

such, any errors, defects, security vulnerabilities and incidents could result in losses to Yubico's customers. Although Yubico seeks to limit recourse against it under its contractual terms, customers may either opt to seek compensation for losses they suffer or cease conducting business with Yubico altogether. Provisions typically included in Yubico's agreements with customers that attempt to limit Yubico's exposure to claims may not be enforceable or adequate or may otherwise not protect Yubico from liability or damages with respect to any particular claim. Even if ultimately unsuccessful, a claim brought against Yubico by any of its customers, such a claim could be time consuming, costly to defend and seriously damaging to Yubico's reputation and brand. This could make it harder for Yubico to sell its products and services and the loss of business or impact on brand reputation could have a negative effect on Yubico's business, results of operations and financial condition.

#### **Risks related to Yubico's financial situation**

##### **Yubico is exposed to the risk of exchange rate fluctuations**

Yubico is exposed to the risk of exchange rate fluctuations. Exchange rate fluctuations may have an adverse impact on Yubico's consolidated income statement, statement of financial position and/or cash flows. These fluctuations are a result of reporting Yubico's financial statements in Swedish kronor, which is different from the functional currency of some of Yubico's subsidiaries, its assets and liabilities being stated in different currencies and certain revenue and costs arising in different currencies. The recorded operating costs are mainly incurred in U.S. dollars, whereas certain costs, including salaries to employees in Sweden, are incurred in Swedish kronor. The sales are predominately denominated mainly in U.S. dollars, although to some extent also in EUR. The results of, and the financial positions of, Yubico's subsidiaries are reported in the relevant local currencies and then translated into Swedish kronor at the applicable exchange rates for inclusion in Yubico's consolidated financial statements. Consequently, Yubico's results of operations and financial position are impacted by the value of Swedish kronor relative to other currencies. The value of the Swedish kronor relative to other currencies has varied significantly in the past and any significant fluctuations in the value of the Swedish kronor relative to other currencies could have a negative effect on Yubico's business, results of operations and financial condition.

##### **Yubico may not be able to obtain loans at favourable terms, or at all**

Yubico's operations have historically been financed primarily through its equity and/or operating cash flow. In addition, Yubico has entered into a credit facility agreement with AB Svensk Exportkredit under which Yubico, as of 31 March 2023, had an outstanding debt of approximately SEK 48,750,000 plus interest. Yubico's capacity to service its debts and otherwise comply with its obligations under its loan agreement, including any financial covenants, and to,

upon maturity, refinance its outstanding debt depends on, among other things, Yubico's future cash flows and financial condition. Additional financing needs may evolve for Yubico for several reasons, including due to research and development initiatives, mergers and acquisitions, geographic expansion, or because its operations were to be loss-making. There is a risk that financing will not be available for Yubico in the future on favourable terms or at all, which entails a risk that Yubico cannot implement its business plan in full or at all, or finance its ongoing operations, including if they were to be loss-making. If Yubico is not successful in obtaining loans at favourable terms or at all, it could have a negative effect on Yubico's business and financial condition.

### Risks related to the Transaction

#### **The due diligence carried out by ACQ may not reveal all relevant considerations or liabilities in Yubico**

ACQ has conducted a due diligence review of Yubico to confirm the value of Yubico and identify matters that could affect ACQ's non-conflicted board members' decision to propose that the shareholders in ACQ approves the Transaction. In this review, ACQ has relied on information provided by Yubico, as well as on investigations performed by third parties and by ACQ's own advisors. There is a risk that the due diligence undertaken has failed to reveal all relevant information for the evaluation of the Transaction, including with respect to the valuation of Yubico, or that the information received was incomplete, insufficient or inaccurate. If the due diligence review has failed to identify matters that are material in relation to Yubico's business, financial position or future prospects, or if the Combined Company's business is negatively affected by other factors outside of the Combined Company's control, for example related to the markets that the Combined Company operates in, or general economic conditions, ACQ may have overpaid for the merger. It may not be possible for the Company to be indemnified for undiscovered liabilities under the merger agreement, and, if pursued, any such claims may have to be directed towards some of its largest shareholders which could severely harm its relationships with its owners and be counterproductive.

#### **There is a risk that the Transaction will not be completed, resulting in the incurrence of significant expenses and use of resources by ACQ as well as missed business opportunities**

Completion of the Transaction is subject to approval by ACQ's and Yubico's respective extraordinary general meetings, which are to be held on 20 June 2023, Nasdaq Stockholm's approval of the listing of the Combined Company's shares on Nasdaq First North Growth Market, and certain additional conditions as described under "*Information regarding the proposed Transaction*". There is a risk that any of these conditions will not be fulfilled, and, as a result, that the Transaction will not be completed. ACQ's costs related to the proposed Transaction are expected to amount to approximately SEK 50 million. A significant portion of these costs has already been, and will continue to

be, incurred even if the Transaction is not completed. ACQ's investment team has spent, and will continue to spend, considerable time on preparing, negotiating and otherwise facilitating the Transaction. If the Transaction is not completed, the expenses incurred and resources spent by ACQ may end up being unnecessary, business opportunities that could otherwise have been pursued may be lost, and the reputation of ACQ may be damaged.

#### **Shareholders who vote against the Transaction may not be able to redeem all of their shares**

Shareholders who vote against the proposed Transaction are entitled to request that their shares be redeemed (see further in the section "*Terms and conditions for voluntary share redemption*"). However, not more than 10% of the total number of shares issued by ACQ at the time of the extraordinary general meeting in ACQ that is to resolve upon the approval of the Transaction may be redeemed. If shareholders holding more than 10% of the total number of shares in ACQ wish to redeem their shares, distribution of the number of shares to be redeemed will be made in proportion to the number of shares that each shareholder has requested for redemption at the end of the application period for redemption. To the extent that the distribution discussed above does not go out evenly, further distribution will take place by drawing of lots. There is a risk that not all shareholders who apply for redemption of their shares will be able to redeem all of their shares in ACQ, and, as an effect, that shareholders who oppose the Transaction may have to sell their shares in Yubico at the prevailing market price if they do not wish to continue to be shareholders in the Combined Company.

#### **There is a risk that a directed issue of shares in ACQ and other share placings will not be successful and/or will be made at a substantial discount**

The board of directors of ACQ intends to use its contemplated authorization from the extraordinary general meeting to resolve upon a directed share issue in connection with completion of the Transaction. There are also other shares in the Combined Company that are expected to be placed in connection with completion of the Transaction. There is currently no subscription or guarantee undertakings in relation to such directed issue or other share placings to the benefit of ACQ, and such directed issue and other share placings may be unsuccessful or only possible to carry out at a discount, which may be significant, to the closing price of the shares in ACQ on Nasdaq Stockholm. Any such share placings could cause a decrease of the market price of the shares in ACQ and the directed share issue would dilute the economic and voting rights of the existing shares in ACQ. The then-present market conditions are uncertain and ACQ is not able to predict the level of demand for shares in ACQ or the level of any discount. Thus, the shareholders of ACQ and Yubico will bear the risk of such future directed issue and share placing reducing the market price of the shares in ACQ and/or diluting their shareholdings.

### **Risks related to the contemplated change of listing venue to Nasdaq First North Growth Market**

ACQ has initiated a process to change listing venue from Nasdaq Stockholm (Main Market) to Nasdaq First North Growth Market. Nasdaq First North Growth Market is a multilateral trading facility (MTF) registered as a growth market for small and medium sized companies, in accordance with Directive 2014/65/EU of the European Parliament and of the Council on Markets in Financial Instruments, as implemented in the national legislation of Denmark, Finland and Sweden, operated by Nasdaq Stockholm Aktiebolag. Issuers on Nasdaq First North Growth Market are not subject to the same rules as issuers on a regulated market. Instead, they are subject to a set of less comprehensive rules adapted to smaller growth companies. The risk of investing in issuers that are listed on Nasdaq First North Growth Market is generally higher compared to an investment in an issuer that is listed on Nasdaq Stockholm (Main Market).

### **Change of financial reporting standards from RFR 2 to K3**

ACQ's financial statements for the financial years 2021 and 2022 have been prepared in accordance with RFR 2 Accounting for Legal entities (RFR 2). Following completion of the Transaction, the group will prepare its consolidated financial statements in accordance with the Annual Accounts Act and BFAR 2012:1 Annual Report and Consolidated Financial Statements (K3), which is the financial reporting standard currently applied by Yubico.

Financial information prepared in accordance with K3 is not necessarily comparable with information presented by other companies reporting in accordance with other reporting standards, such as IFRS and RFR 2. The fact that the group will not apply IFRS may make it more difficult for investors to evaluate the Combined Company as a potential investment and international investors may decline to invest in the Combined Company as they are not familiar with the accounting standards applied by the Combined Company and therefore view the Combined Company as a high-risk investment. These circumstances which may have an adverse effect on the Combined Company's ability to attract international investors and the share price.

### **Risks related to the shares in the Combined Company**

#### **The shares may decline and be volatile and investors may lose all or part of their investments**

Prior to the Transaction, there was no public market for Yubico's shares, since Yubico was a private company, and there is no assurance that the shares in Yubico will actively be traded or that trading can be maintained. Investors may not be in a position to sell their shares quickly or at the market price if there is no active trading in the shares. After the Transaction, the price of the shares may be subject to considerable fluctuation. In particular, the price of the shares

may be affected by supply and demand for the shares, fluctuations in actual or projected results, failure to meet analysts' earnings expectations, changes in general economic conditions, changes in regulatory conditions and other factors. Moreover, the general volatility of share prices may create pressure on the price of the shares even if there is no reason for this in Yubico's operations or earnings potential. Yubico cannot assure that the market price of the shares will not decline and the shares may trade at prices significantly decrease, regardless of Yubico's actual operating performance. As a result, investors may not be able to resell their shares at or above the price at which they acquired shares in Yubico, or at all.

#### **Future sales of shares in the Combined Company may affect the market price of the shares**

Future sales of shares after completion of the Transaction, including shares after the expiration of lock-up periods, may affect the market price of the shares. Bure Growth, Stina Ehrensward and Mattias Danielsson will undertake, with customary exceptions, to the Combined Company and SEB not to sell, or otherwise transfer or divest, their respective shareholdings in the Combined Company during a period of 365 days following the date of completion of the Transaction. Further, a large share of the current shareholders of Yubico have undertaken, or are expected to undertake as far as possible, on certain conditions and with customary exceptions, to the Combined Company and SEB, not to sell, or otherwise transfer or divest, their respective shareholdings in the Combined Company during a period of 180 days following the date of completion of the Transaction. Shares in the Combined Company that are not subject to any lock-up arrangements, as well as shares that are currently subject to lock-up arrangements, but which will expire at some time in the future, or which may be waived or terminated, will be available for sale. In addition, the lock-up arrangements provide for certain exceptions. Sales of substantial amounts of shares following completion of the Transaction, or the perception that such sales could occur, could adversely affect the market price of the shares and may make it more difficult for shareholders to sell their shares at a time and price that they deem appropriate.

#### **Yubico's ability to pay dividends in the future may be constrained and depends on several factors**

If declared by a shareholders' meeting, shareholders in Yubico will be entitled to receive future dividends. Yubico's board of directors has adopted a dividend policy pursuant to which Yubico intends to primarily use generated cash flows for Yubico's continued expansion. Further, Swedish law limits Yubico's ability to propose and declare dividends to certain funds legally available for that purpose. As the amount of future dividend payments Yubico may make, if any, will depend upon its dividend policy as well as its future earnings, financial condition, cash flows, working capital requirements and other factors, there is a risk that in any given year a dividend will not be proposed or declared.

**Yubico's future offerings of debt or equity securities may adversely affect the market price of the shares in Yubico and lead to substantial dilution of existing shareholders**

In the future, Yubico may seek to raise capital through offerings of debt securities or additional equity securities. Shares in Yubico may also be issued upon the exercise of warrants and employee stock option programs that may be implemented in Yubico. An issuance of additional equity securities or securities with rights to convert into equity could reduce the market price of the shares in Yubico and would dilute the economic and voting rights of existing shareholders if made without granting subscription rights to existing shareholders. Because the timing and nature of any future offering will depend on then-present market conditions, Yubico cannot predict or estimate the amount, timing or nature of any future offerings. Thus, shareholders in Yubico bear the risk of any future offerings reducing the market price of the shares and/or diluting their shareholdings.

**Investors with a reference currency other than Swedish kronor will become subject to certain foreign exchange risks when investing in shares in Yubico**

Investors with a reference currency other than Swedish kronor will become subject to certain foreign exchange risks when investing in shares in Yubico. Yubico's equity capital is denominated in Swedish kronor and all dividends on the shares in Yubico will be paid by it in Swedish kronor. Investors whose reference currency is a currency other than Swedish kronor may be adversely affected by any reduction in the value of the Swedish kronor relative to the respective investor's reference currency. In addition, such investors could incur additional transaction costs in converting Swedish kronor into another currency. Investors whose reference currency is a currency other than Swedish kronor are therefore urged to consult their financial advisors.

**U.S. and other non-Swedish holders of shares may not be able to exercise pre-emptive rights to participate in rights offers**

Under Swedish law, holders of shares will have certain pre-emptive rights in respect of certain issues of shares, unless those rights are disappplied by a resolution of the shareholders at a general meeting or the shares are issued on the basis of an authorization to the board of directors under which the board may disapply the pre-emption rights. Securities laws of certain jurisdictions may restrict Yubico's ability to allow participation by shareholders in such jurisdictions in any future issue of shares carried out on a pre-emptive basis in a rights offer. For example, shareholders in the United States may be unable to exercise any such rights to subscribe for new shares unless a registration statement under the Securities Act is effective in respect of such subscription rights and shares or unless an exemption from the registration requirements under the Securities Act is available. Shareholders in other jurisdictions outside Sweden may similarly be affected if the rights and the new shares being offered have not been registered with, or approved by, the relevant authorities in such jurisdiction. Yubico is under no obligation to, and no assurances are given that it will, file a registration statement under the Securities Act or seek similar approvals or relevant exemptions for the sale of securities under the laws of any other jurisdiction outside Sweden in respect of any subscription rights and shares, and doing so in the future may be impractical and costly. To the extent that Yubico's shareholders in jurisdictions outside Sweden are not able to exercise their rights to subscribe for new shares in any future rights issues, shareholders who hold residency in non-Swedish jurisdictions may experience a dilution of their holding of Yubico's shares. It is possible that such dilution is not offset by any compensation received in exchange for subscription rights.



# Definitions

<b>B2C</b>	<b>Business to Customer</b> A transaction that takes place between a business and an individual as the end customer
<b>B2E</b>	<b>Business to Employee</b> Electronic <u>commerce</u> that uses an intra-business <u>network</u> which allows companies to provide products and/or services to their employees
<b>CSPN</b>	<b>Certification de Sécurité de Premier Niveau</b> A certification issued by the French National Agency for Information Systems Security, for information technology products
<b>FFEIC</b>	<b>Federal Financial Institutions Examination Council</b> A formal U.S. government interagency body composed of five banking regulators that is empowered to prescribe uniform principles, standards, and report forms to promote uniformity in the supervision of financial institutions
<b>FIDO Alliance</b>	<b>Fast Identity Online Alliance</b> FIDO Alliance is an open industry association launched 2013 whose mission is to develop and promote authentication standards that help reduce the world's reliance on passwords
<b>FIDO</b>	<b>Fast Identity Online</b> FIDO is a set of technology-agnostic security specifications for strong authentication. FIDO is developed by the FIDO Alliance
<b>FIPS</b>	<b>Federal Information Processing Standard</b> The Federal Information Processing Standard Publication 140-2 is a U.S. government computer security standard used to approve cryptographic modules. It is published by the U.S. National Institute of Standards and Technologies and is a security standard recognized by the U.S. and Canadian governments, as well as the European Union
<b>HSM</b>	<b>Hardware Security Module</b> An HSM is a hardware security module that delivers enhanced protection for cryptographic keys, securing modern infrastructures. It can securely generate, store and manage digital keys
<b>IAM</b>	<b>Identity and Access Management</b> A framework of policies and technologies for ensuring that the proper people in an enterprise have the appropriate access to the right technology resources, based on their roles and privileges in the organization
<b>IT</b>	<b>Information Technology</b> The use of computers to create, process, store, retrieve and exchange data and information
<b>MFA</b>	<b>Multi-Factor Authentication</b> An authentication method in which a computer user is granted access only after successfully presenting two or more pieces of evidence, or factors, to an authentication mechanism
<b>MITM</b>	<b>Man-In-The-Middle</b> An attack where the attacker secretly relays and possibly alters the communications between two parties who believe that they are directly communicating with each other
<b>NIST</b>	<b>National Institute of Standards and Technology</b> An agency of the United States Department of Commerce whose mission is to promote American innovation and industrial competitiveness

<b>OTP</b>	<b>One-Time Password</b> A code that is valid for only one login session or transaction. An OTP is typically sent via a text message to a mobile phone, and they are frequently used as part of two-factor authentication
<b>PAM</b>	<b>Privileged Access Management</b> A submarket of IAM comprising identity technologies that track, monitor, and report what users with extended access rights
<b>PIN</b>	<b>Personal Identification Number</b> Personal identification number is an individualized code that provides a layer of security to the electronic authentication
<b>PIV</b>	<b>Personal Identity Verification</b> A personal identity verification credential is a U.S. Federal government-wide credential used to access Federally controlled facilities and information systems at the appropriate security level
<b>SDK</b>	<b>Software Development Kit</b> SDK brings together a group of tools that enable the programming of mobile applications
<b>SDG</b>	<b>Sustainable Development Goals</b> The United Nations Sustainable Development Goals are the blueprint to achieve a better and more sustainable future for all. The goals address the global challenges, including poverty, inequality, climate change, environmental degradation, peace and justice
<b>SSO</b>	<b>Single Sign-On</b> An authentication method that enables users to securely authenticate with multiple applications and websites by using just one set of credentials
<b>WebAuthn</b>	<b>WebAuthn</b> WebAuthn is a global standard for secure authentication on the Web supported by all leading browsers and platforms

---

**ACQ Bure AB**

c/o Bure Equity AB (publ)

Nybrogatan 6

SE-114 34 Stockholm

Sweden

+46 8 614 00 20

[www.acq.se](http://www.acq.se)