

# Interim report for the period January 1 - June 30, 2019

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Press release July 18, 2019

## April - June

- Net sales amounted to MSEK 54.6 (18.9), an increase of 188.7 % compared to the same period the previous year.
- EBITDA result amounted to MSEK 3.3 (2.4).
- EBITDA margin amounted to 6.1% (12.6%).
- The EBITDA result without acquisition costs amounted to SEK 4.7 million
- EBITDA margin excluding acquisition costs amounted to 8.5%.
- Profit after tax amounted to MSEK -1.0 (2.1).
- Profit after tax amounted to SEK 0.3 million without acquisition costs.
- Earnings per share amounted to MSEK -0.13 (0.30).
- Total cash flow amounted to MSEK -2.8 (2.9).

## January - June

- Net sales amounted to MSEK 105.7 (31.1), an increase of 239.8 % compared to the same period the previous year.
- EBITDA result amounted to MSEK 9.5 (-0.6).
- EBITDA margin amounted to 9.0% (-2.1%).
- The EBITDA result without acquisition costs amounted to SEK 11.3 million
- EBITDA margin excluding acquisition costs amounted to 10.7%.
- Profit after tax amounted to MSEK 1.5 (-4.2).
- Profit after tax amounted to SEK 3.2 million without acquisition costs.
- Earnings per share amounted to MSEK 0.19 (-0.61).
- Total cash flow amounted to MSEK -2.3 (1.4).

## CEO comment

“It is with pleasure that I can say that SDS's long-term growth journey continued during the second quarter of the year. Revenues increased to just over SEK 54 million, where the contribution from the distribution operations we acquired last autumn is SEK 29 million. But even without distribution revenue, quarter revenues are higher compared to the same quarter in 2018. We have benefited from good sales of short projects and some major hardware deals. Operating profit, on a comparable basis, amounted to 0.2 million, which is a slight improvement to the corresponding period last year. The result is held back by a changed product mix with more hardware than usual. We also have a significantly higher product development rate today compared to 2018, which we expect to be reflected in future organic growth and development opportunities. In addition, the acquisition costs of eServGlobal amount to 1.3 million. Thus, we will show an operating profit for the quarter of SEK 1.5 million.

Our Swedish distribution business is growing steadily and we are constantly recruiting new retailers, both individual stores and chains. This is proof that the market reacts positively to us as a stable and competent player. We are now planning to introduce in the Nordics new technology and products from our African markets. Products we originally created for the more advanced cash card markets in the developing countries.

### **Acquisition of eServGlobal**

Biggest news of the quarter is our acquisition of French eServGlobal, which is a global supplier of distribution systems for prepaid cards and mobile financial services. The acquisition is an important part of our long-term growth strategy and at the same time strengthens operational efficiency. Through the acquisition, we strengthen our presence in North Africa and the Middle East. In addition, we reach new geographic markets in Southeast Asia which complements our geographical presence optimally. In addition, the acquisition doubles SDS's sales of systems for digitization of value transactions. The acquisition is expected to be fully completed July 25 this year after the seller's extraordinary general meeting formally approves the deal.

### **Contract with leading mobile operator in South Africa**

We are also proud and pleased that during the quarter we received an order for seven million SEK from the leading operator in Eswatini (formerly Swaziland). This is the result of our long-term investment with the aim of maximizing the customers' business benefits. The delivery of our system that handles digital distribution helps us strengthen our presence in the southern regions of Africa and is an acknowledgment that an investment in our basic system ERS 360 gives customers a direct additional return.

### **Success with add on products**

In addition to the customer contract in Eswatini and the acquisition of eServGlobal, we have also had great success with our add on products for the ERS 360 platform, products that are now starting to be sold and used in a larger scale. The operators' need to strengthen and further integrate the platform improves our organic growth and increases our revenue already within this quarter. In parallel, it establishes ERS 360 as a business-critical market channel for mobile operators' sales of airtime and the exponentially growing sales of mobile data. In this way, we will continue to develop long-term relationships with customers, which will contribute to increased future profitability.

### **Increasing shares of recurrent revenue**

In order to smoothen out the revenue, work continues in order to increase the share of recurring revenue. An example of this is the agreement we signed last year with a distributor with close relations with Ethiopia's only mobile operator. With 66 million mobile customers, the operator has previously distributed talk time with physical "scratch cards". Now this will increasingly be digitized. The agreement with Smart Digital Technologies differs in terms of the business model from previous transactions. The explanation is that we will receive a share of the revenues generated by the transactions via the ERS platform. The deal is thus the first major deal to generate recurring revenue.

Through the acquisition of eServGlobal, SDS can further accelerate its expansion in the fintech area. SDS journey of change during past years gives us a unique opportunity to create a successful merger with strategic values, economies of scale and significant synergies. We see a continued need for consolidation in the industry and intend to play an active role in that process.

Tommy Eriksson,  
CEO, Seamless Distribution Systems AB”

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This information is the information that Seamless Distribution Systems AB (publ) is required to disclose under the EU Market Abuse Regulation.

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***About Seamless Distribution Systems AB (SDS)***

*SDS is a Swedish software company with solutions for electronic distribution of services to private consumers through mobile operators in emerging countries. The company offers its corporate customers a comprehensive solution for digital transactions. The company has customers in all parts of the world that reach over 300 million mobile users through more than 1,000,000 active point-of-sales. SDS has approximately 140 employees in Sweden, Belgium, Ghana, Nigeria, USA, Pakistan, India, South Africa, Ecuador and the United Arab Emirates. With over 18 years of experience, SDS focuses on high level of customer satisfaction and effective development. SDS manages over 5.3 billion transactions annually and enables the growing population of emerging countries to become part of the mobile revolution.*

*SDS share is listed on NASDAQ First North Premier.*

*The company's Certified Adviser is FNCA Sweden AB, telephone number +46 8-528 00 399.*

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