

Interim report for the period January 1 - September 30, 2020

Press release 2020-10-22

July - September

- Net sales amounted to SEK 68.4 (63.4) million, an increase of 7.9% compared to the same period last year.
- Adjusted EBITDA earnings amounted to SEK 12.0 (9.0) million, adjusted for acquisition-related events & restructuring costs during 2019.
- EBITDA earnings amounted to SEK 12.0 (12.8) million.
- Adjusted EBITDA margin amounted to 17.6% (14.2%), adjusted for acquisition-related events & restructuring costs during 2019.
- EBITDA margin amounted to 17.6% (20.1%).
- Adjusted profit after tax amounted to SEK 1.8 (-0.1) million, adjusted for acquisition-related events & restructuring costs during 2019.
- Profit after tax amounted to SEK 1.8 (3.6) million.
- Earnings per share amounted to SEK 0.22 (0.47).
- Total cash flow amounted to SEK 0.2 (4.7) million.

January - September

- Net sales amounted to SEK 224.5 (169.0) million, an increase of 32.8% compared to the same period last year.
- Adjusted EBITDA earnings amounted to SEK 38.8 (20.3) million, adjusted for acquisition-related events & restructuring costs during 2019.
- EBITDA earnings amounted to SEK 38.8 (22.3) million.
- Adjusted EBITDA margin amounted to 17.3% (12.0%), adjusted for acquisition-related events & restructuring costs during 2019.
- EBITDA margin amounted to 17.3% (13.2%).
- Adjusted profit after tax amounted to SEK 10.3 (3.1) million. adjusted for acquisition-related events & restructuring costs during 2019.
- Profit after tax amounted to SEK 10.3 (5.1) million.
- Earnings per share amounted to SEK 1.26 (0.66).
- Total cash flow amounted to SEK -1.3 (2.5) million.

CEO's comments

SDS' third quarter has been eventful. We have continued to win business from both existing and new customers. It is rewarding to see that we sold two new systems to completely new customers towards the end of the quarter. Although we have felt some impacts of the pandemic, we have continued to maintain a good business pace and performed very well. We have also carried out a very successful spread issue that was oversubscribed three times by 4,500 investors. This means that a few weeks after the issue, the net number of shareholders has increased by more than 3,000 at the same time as the company will receive SEK 26.5 million in capital.

The capital raising means that we can continue to work with the growth strategy we have previously presented. It also enables us to continue to be part of the consolidation in the market that we are convinced will continue. The acquisition of eServGlobal was a large and important step in our growth journey and we are now ready to take the next step.

The work with eServGlobal's customers follows a continued positive trend and we are now nearing the end of the adaptation of the organization. Customers continue and deepen their discussions with us, which points to more possible new deals when the migrations are completed. During this quarter, another customer in Botswana decided on migration. The previous assessment from 2019 was that it will take three years to migrate all customers to SDS products. This still looks realistic. Compared with the corresponding quarter last year, sales increased by 8% to SEK 68 million, while EBIT was SEK 4.7 million. This is despite the weakening dollar exchange rate having a negative impact on earnings of SEK 1.6 million. Our currency exposure to the dollar is limited by the fact that we also have most of our expenses in dollars. The beginning of the third quarter is often a quiet time in terms of sales, after which we usually see an acceleration towards the end. This was also the case this year and when we sum up the third quarter, we established a satisfactory order intake. In addition, our pipeline, which consists of recurring orders from existing customers as well as from new potential customers, has continued to grow.

It is particularly exciting that during the quarter we received an agreement with a customer in Kenya, where there is great potential for a future opportunity for additional sales based on our new product for distribution and sales of both electronic and physical products. The customer is one of Africa's most influential mobile operators and we won the project in direct competition with our biggest competitors. Another interesting development in the context of the coronavirus pandemic is the three new customers for our microcredit service for the mobile operators' resellers. Here, we have built up knowledge over the last few years from the business in four relatively small markets and now have services about to be launched in three larger markets. Although this is not immediately apparent in the figures, it is a major step forward in both our fintech investment and our increase in recurring revenues.

As previously stated, as an already virtual company have been minimally affected by the coronavirus pandemic. The current work from home setup works well for our teams, and we have no plans to return to the office this year. However, our Nordic distribution business has seen a weakening through the pandemic, which persists even though we are still making a profit and turning over more than when we bought the business in 2018.

The capital from the rights issue gives us the opportunity to invest more in building a pipeline of potential acquisition objects. We have dedicated capacity to analyze the market in a structured way to find objects and to carry out analysis faster and better to qualify and carry out due diligence before any bids.

Furthermore, the capital from the recent rights issue enables a broadening of our product offering regarding cloud-based services, while we further increase the pace of our development work. With that said, we are continuing to develop a world-leading portfolio of products which, through digitization of today's manual business flows, increases revenue and reduces costs for sales and distribution within the telecom vertical. We are now focusing primarily on the endpoints of the value chain with more AI-assisted analysis to utilize the data from the 15 billion transactions our systems produce each year.

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About Seamless Distribution Systems AB (SDS)

SDS is a Swedish software company group that provides solutions and services for digital sales and distribution to private consumers through mobile operators in emerging countries. The company offers its corporate customers a comprehensive solution for digital distribution and electronic transactions processing. SDS acquired eServGlobal in July 2019. The SDS Group now has customers in all parts of the world, with a footprint in more than 50 countries, reaching over 500 million mobile users through more than 2,000,000 active point-of-sales. SDS has approximately 220 employees in Sweden, France, Romania, Belgium, Ghana, Nigeria, USA, Pakistan, India, Indonesia, South Africa, Ecuador and the United Arab Emirates. With over 30 years of experience, SDS focuses on high-level customer satisfaction and efficient operations. SDS manages over 15 billion transactions annually, worth more than 14 billion US Dollars and enables the growing population of emerging countries to become part of the mobile revolution.

SDS shares are listed on Nasdaq First North Premier.

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