

# Interim report for the period January 1 – March 31, 2021

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Press release 2021-04-22

## January – March

- Net sales amounted to SEK 61.5 (85.2) million, a decrease of 27.8% compared to the same period last year.
- EBITDA earnings amounted to SEK 13.9 (12.9) million.
- EBITDA margin amounted to 22.6% (15.1%).
- Profit after tax amounted to SEK 3.6 (3.3) million.
- Earnings per share amounted to SEK 0.40 (0.43).
- Total cash flow amounted to SEK 0.9 (-2.2) million.

## CEO's comments

The first quarter has been intense for SDS, one of the reasons for this is the acquisition of Riaktr that we announced at the end of the quarter. The acquisition is our third in a row and it complements SDS's product offering and enhances our customer base. Riaktr specializes in business analysis on massive amounts of data for the telecom sector with a focus on increasing Mobile Network Operator (MNO) sales, and they also have products for optimizing investments in MNO infrastructure that help customers reduce costs when the networks expansions are planned. With Riaktr, we thus get two new and very concrete value drivers in our portfolio and at the same time the customer base is complemented in ten markets. The acquisition also means that we can add the French operator giant Orange to our customer base and in addition, our European operations expand with Belgian operator Proximus.

During the first quarter, the market continued to be affected by the pandemic. MNO's have shown a cautious and deliberate approach to investments with tighter budget controls. In the short term this has also affected our business but in the long run, our assessment is that it will have no impact on our business due to the business-critical nature of our solutions in the customers daily operations. We do not anticipate any major changes over the year other than the impact of a restrained decision-making process from our customers that reinforces the challenges that we face in predicting and influencing the timing of order placement from the customer especially when it comes to new systems.

In the first quarter, we have total revenues of SEK 65 million, which is a decrease from the fourth quarter last year. The decrease is explained, among other things, by the fact that our Nordic distribution operations within SDD, just like other store sales, were affected by the pandemic. Because we within the Group have great flexibility in our outsourced workforce, we have been able to adjust the cost picture and land with an EBITDA of SEK 14 million, which is better than the fourth quarter and it takes us to an EBITDA margin of 23 percent, a level we have never before achieved.

On the positive side, a slightly changed work situation has meant that our developers have now been able to accelerate our R&D efforts. During the quarter, we further developed our cloud native offering that is now starting to roll out more widely to our customer base. The advantages of the so-called micro-services architecture are several, but emphasis is on shorter lead times for rollout and updates as well as greater flexibility in terms of scalability. All these benefits have a direct and measurable positive effect on the MNO's management costs and give us advantages towards our competition with our technological innovation.

Our acquisition department have had a very intensive period associated with the negotiations with Riaktr's owners but from the time the acquisition process is completed at the beginning of May, we expect a relatively short and simple integration process with the well-functioning Riaktr organization, in comparison with our previous acquisition. Initially the focus will be on identifying synergies and growth opportunities in both the company's customer bases, as well as identifying opportunities for dedicated and intense focus on innovation in AI driven Business Intelligence. The feedback from both Riaktr's and SDS's customers to this has been extremely positive and welcoming.

The migration of eServGlobal's platforms has been continuing and during the quarter we were able to achieve another successful order. I estimate that we will see more of these additional orders in the future. On the whole, the acquisition has developed in line with our plan, but we believe that there are additional synergies that can be capitalized as the migration of platforms continue.

We are now looking ahead with great confidence. We have a significantly lower cost base that we believe will continue and despite somewhat lower sales we have been able to deliver the best EBITDA margin in the company's history. However, it is worth repeating that it is difficult for us to get an estimate of exactly when our customers will place their orders implying that the order volumes will vary with time.

We have continued to build our pipeline in line with our ambitions and that effort will lead to significant growth. We are very well aware that we are at the leading edge with our product portfolio offerings in a dynamic but stable market where change is always constant.

Developments in SDD are expected to normalize as soon as there is a positive change in the pandemic situation and the market recovers from its current limitations.

The acquisition of Riaktr has led us to new operator groups and enhanced the SDS offerings, while at the same time giving a major boost to our ambitions regarding technological innovations in Big Data business analysis. We will now gradually introduce a stronger portfolio towards our customers and that also will contribute towards strengthening our ability to become a partner of choice for more customers.

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*CEO, Seamless Distribution Systems AB*

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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. Following the acquisition of Riaktr, SDS has approximately 300 employees in Sweden, France, Belgium, Romania, South Africa, Ghana, Nigeria, Ivory Coast, the United Arab Emirates, Pakistan, India and Indonesia. Following the acquisition of Riaktr, SDS will annually handle more than 15 billion transactions worth over 14 billion US Dollars. Via over 3 million monthly active resellers of digital products, more than 700 million consumers are served globally.*

*SDS shares are listed on Nasdaq First North Premier.*

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