

Interim report for the period January 1 – June 30, 2020

Press release July 23, 2020

April - June

- Net sales amounted to MSEK 70.9 (54.6), an increase of 30.0% compared to the same period the previous year.
- EBITDA result amounted to MSEK 13.9 (3.3).
- EBITDA margin amounted to 19.6% (6.1%).
- Profit after tax amounted to MSEK 5.2 (-1.0).
- Earnings per share amounted to SEK 0.62 (-0.13).
- Total cash flow amounted to MSEK 0.6 (-2.8).

January - June

- Net sales amounted to MSEK 156.2 (105.7), an increase of 47.8% compared to the same period the previous year.
- EBITDA result amounted to MSEK 26.8 (9.5).
- EBITDA margin amounted to 17.2% (9.0%).
- Profit after tax amounted to MSEK 8.5 (1.5).
- Earnings per share amounted to SEK 1.05 (0.19).
- Total cash flow amounted to MSEK -1.5 (-2.3).

CEO comment

"SDS continues to perform well during the second quarter of the year despite the significant changes that have taken place globally. Compared with the corresponding half-year last year, sales increased by 48% to SEK 156.2 million and EBIT increased by 255% to SEK 13.1 million. The order situation remains bright, although it varies between quarters. During the second quarter, the order situation did not reach expectations, however the third quarter started with a strategically important agreement with the leading mobile operator in Nigeria. The agreement includes our microcredit service for resellers which increases both our recurring revenue and our service offering. We have an increasing digital market presence and broader customer processing, which gives confidence going forward. I look forward to a second half year with additional new customer sales as a complement to the existing customer base.

During the continuing COVID-19 pandemic, we continued to work from home in most regions without any negative impact. In fact, we have seen an increase in productivity. SDS is a virtual company, which is one of our strengths, not least in this time. Despite this, we have experienced challenges in working remotely with some of our customers which has led to some delays in integration and production. This has affected cash flow to some extent, but we are continuously working closely with our customers to support and deliver at the planned pace. It is gratifying to have the higher availability of our more senior contacts with new and existing customers, which in many cases has had a very positive effect on dialogue aimed at increased sales.

In our work to realize synergies from the acquisition of eServGlobal, all three of their largest customers have decided to migrate to the SDS ERS 360 platform. The continued post-acquisition restructuring has been affected by the pandemic, causing a delay of approximately two months. Despite this, we have been able to see a continued increase in customer satisfaction in the customer base. At the beginning of April, we launched our new digital marketing platform, where we can track our online interactions with contacts that show an interest in SDS and our offer. In connection with this, we have also significantly increased our communication on social networks. At the beginning of June, we conducted our first webinar where we received fantastic interest with over 90 registered participants. It is good timing to have the marketing digitized and I see lots of potential customers who are automatically processed and qualified before they are taken care of by someone from our sales team.

Our already broad high-tech product portfolio has continued to develop and is now able to handle the indirect channel of mobile operators and distributors in a cloud-based environment. The company's new products for digitization of sales and distribution of physical products have attracted a lot of interest from both existing and new customers. We now have an offer that covers resale and consumers' buying behavior with mobile operators and through our new analytics platform we can deliver insights into buying patterns, which provides increased added value and the opportunity to act on the right information. Currently, we are the only ones in the market to hold this position and it bodes well for our continued organic growth, not only in emerging markets but also in more advanced and mature markets.

It is particularly satisfying that during this first half of the year we have strengthened our equity and reduced our debt and cost of capital. During the first half of the year, we worked on our capitalization and made a set-off issue of SEK 19 million in bridge loans raised in connection with the acquisition of eServGlobal. We have also extended a working capital loan of SEK 9.2 million from July one year onwards to a lower interest rate and raised a loan of just under 5 percent interest from Almi of SEK 7 million backed by a loan of SEK 3 million from private investors, including myself and Board.

It was with great pleasure that I was able to talk about SDS to a wider audience during the quarter, as I was invited to investor presentations at Erik Penser Bank and Pressträff Direkt, which were both broadcast live on the web and became available for viewing afterwards.

SDS has been affected by the coronavirus pandemic but the assessment is that the impact is, and will be, marginal. The company's employees can fully complete their work from home and all installations can take place remotely. The growth strategy established in the autumn of 2019 remains and will continue to be executed in all parts. SDS has a long and stable upswing behind it and a clear growth strategy that should interest more investors in the future."

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. The information was submitted for publication on July 23, 2020 at 08.30 CET.

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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