

Interim report for the period January 1 – June 30, 2021

Press release 2021-07-22

April – June

- Net sales amounted to SEK 69.2 (70.9) million, a decrease of 2.5% compared to the same period last year.
- EBITDA earnings amounted to SEK 11.0 (13.9) million.
- EBITDA margin amounted to 16.0% (19.6%).
- Adjusted EBITDA earnings amounted to SEK 16.3 (13.9) million, adjusted for acquisition costs.
- Adjusted EBITDA margin amounted to 23.6% (19.6%), adjusted for acquisition costs.
- Profit after tax amounted to SEK -4.8 (5.2) million.
- Adjusted profit after tax amounted to SEK 0.5 (5.2) million, adjusted for acquisition costs.
- Earnings per share amounted to SEK -0.51 (0.62).
- Total cash flow amounted to SEK 31.3 (0.6) million.

January – June

- Net sales amounted to SEK 130.7 (156.2) million, a decrease of 16.3% compared to the same period last year.
- EBITDA earnings amounted to SEK 25.0 (26.8) million.
- EBITDA margin amounted to 19.1% (17.2%).
- Adjusted EBITDA earnings amounted to SEK 30.3 (26.8) million, adjusted for acquisition costs.
- Adjusted EBITDA margin amounted to 23.2% (17.2%), adjusted for acquisition costs.
- Profit after tax amounted to SEK -1.2 (8.5) million.
- Adjusted profit after tax amounted to SEK 4.0 (8.5) million, adjusted for acquisition costs.
- Earnings per share amounted to SEK -0.13 (1.05).
- Total cash flow amounted to SEK 32.2 (-1.5) million.

CEO's comments

"Strong sales quarter and exciting acquisitions with many future opportunities

A careful long-term investment leads to substantial rewards. A sales campaign started a year ago towards Telenor in Pakistan, ended in June with an agreement to replace Telenor's current distribution product from a world-leading supplier in the Telecom sector with our ERS 360 platform. During the work in Pakistan, we also got in touch with several markets within the Telenor group and the result was that on the same day we were also able to inform about our agreement with Grameenphone in Bangladesh where we similarly replace an existing product with ERS 360. Together, these two giant operators have over 130 million consumers who will be serviced through our platform. My conclusion is that Seamless Distribution Systems AB ("SDS") has one of the market's most comprehensive offerings and that we are very competitive.

Our most recent acquisition, Real Impact Analytics S.A. ("Riaktr"), contributes to our product portfolio with an advanced and complementary technology and also a greatly expanded customer portfolio both in Africa and new markets where more than 50 percent of recurring revenues are through SaaS. We are now in the middle of an intensive integration work concentrated on coordinating sales activities and maximizing business opportunities in both our common customer base and in our new customer sales. It is also about innovatively combining and developing our products and services to meet our customers with an even broader and sharper offer.

The second quarter was also marked by the financing of our acquisition of Riaktr. The bond brokered by Pareto gave us the opportunity to restructure our loans and create a comprehensive financing solution, at the same time as several of SDS'S 'previous lenders set off their loans against shares in the company. The net result was a strengthened equity and a strengthened cash position supporting continued growth.

The key financial number in the group, including two months of contributions from the acquisition of Riaktr during the second quarter, is the revenue of close to SEK 70 million, that is 2.5% down from the strong second quarter of 2020, but a slight improvement from the first quarter of the year. This is despite the fact that we continue to see weak sales in our Nordic distribution business, Seamless Digital Distribution AB ("SDD"), which continues to be affected due to the pandemic's impact on subscriber buying patterns in the market with fewer prepaid card refills. We can now state that the order intake during Q4 and Q1 in our technology business was also characterized by a certain caution with investments in connection with uncertainty regarding impact of the pandemic on the economies developing countries. With Q2 behind us, we can now state that this hesitation has been replaced with confidence. Not least, it is proven by the fact that many investment decisions have gone our way. I expect that this changed sentiment will be able to shape the coming year in a positive way. We continue to work actively with the costs in the Group, which can be seen in the increasing margins. Our EBITDA has increased to SEK 16 million compared with the same quarter last year, which means that the margin has increased to 23.6%.

Another important event during the quarter was that Riaktr received a breakthrough agreement for a pilot project regarding optimization of the 5G network from a leading operator in Portugal, which is a good reference in connection with the expansion of the new generation of mobile networks. Even though we are at an early stage of integration, I see fantastic opportunities with Riaktr's expertise and ability in Big Data and AI combined with SDS customer base and grounded trust in the market. A good proof of trust is that we are once again given very high accolades by our customers in our ongoing customer surveys, which I am very proud of.

An exciting development is that we are gradually seeing more business in mobile financial services (MFS). Our customers the mobile operators have an unbeatable reach to consumers in their markets and a continued interest in increasing the business in fintech. An example of this comes from the eServGlobal acquisition, where our customer in Djibouti during the quarter continued to invest in MFS from SDS. We also see a strong drive from Yemen, where our two customers are working to digitize means of payment to simplify everyday life for the citizens of the difficult war-torn country.

After the end of the quarter, Riaktr sold its AI analysis product to a mobile operator in Togo, which is both a new operator group for us and a new market in West Africa. We have thus taken in no less than three new customers in the period around the turn of the quarter. These deals are continued evidence of the SDS Group's ability to reach and attract an ever-growing customer base.

To give a look ahead, I am pleased to note that new customer sales are at a significantly higher level than earlier and that we have acquired several agreements with new operator groups. The change in SDS is now progressing at a rapid pace, from a one-product company with the majority of business from a single operator group, to a company with a broad product and service portfolio focused on software for large-scale distribution and sales serving some of the largest operator groups in the world. We follow our strategy with both acquired and organic growth, where the acquisitions have had an early effect and also created good opportunities for faster organic growth and synergies in the business.

An agreement with a first mobile operator within an operator group provides good opportunities for growth with additional sales within the entire group. Together with Riaktr, we have sold systems to two new operator groups that together exist in 34 markets that we have not yet penetrated. SDS's potential for future organic growth has therefore increased dramatically."

*Tommy Eriksson
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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 via mobile operators in emerging countries. The company offers its corporate customers a complete solution for digital accounts and transactions.

Following the acquisition of Riaktr, SDS has approximately 310 employees in Sweden, France, Belgium, Romania, South Africa, Ghana, Nigeria, Côte d'Ivoire, the United Arab Emirates, Pakistan, India, and Indonesia.

With the acquisition of Riaktr, SDS will handle more than 15 billion transactions worth more than 14 billion US dollars annually. 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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