

SDS announces updated strategy

Following the acquisition of eServGlobal, the SDS Board has decided to present an updated business strategy. SDS is active in the fintech area and is working on digitizing logistic and financial flows in emerging countries. This means developing and selling system solutions for digital distribution of airtime, mobile data and mobile financial services to SDS customers who are mobile operators or distributors in emerging markets. The acquisition of eServGlobal increases SDS' customer base in the Middle East and gives SDS a presence in Southeast Asia. The updated strategy explains the company's short- and long-term goals.

Overall vision

Focusing on operational excellence, SDS enables consumers and small business owners in developing countries to execute digital financial transactions. SDS does this by offering a complete ecosystem to meet the customer and market need for digital distribution and electronic transaction management.

Growth strategy

The positive digitization trend we see in emerging markets will continue to drive growth for SDS. At the end of 2018, the company received a record order of SEK 20 million to deliver its digital platform for distribution as well as precision marketing systems at the retailer level from Africa's largest mobile operator. It is through both large and small businesses that SDS will drive its growth and take new business in more markets with a refined revenue model. The growth strategy will be driven by the following points.

- Organic growth
 - New markets with existing and new customers
- Acquired growth
- Increased share of recurring revenue
- Increased competence base in the area of Business Intelligence

Organic growth

Organic growth is expected to remain strong in all markets. In Africa, GDP growth is about 5 percent. SDS' ambition is to grow at a faster rate than GDP in all African markets and to further establish itself in a number of countries in the coming years, both through geographical expansion within existing customers and entirely new customers. In sub-Saharan Africa, the median age is 20 years and the digital gap is closing fast. SDS has technology that handles the huge dealer networks that are the basis of mobile operators' sales and addresses the need to reduce costs and increase sales per transaction.

Acquired growth

The acquisition of eServGlobal in July 2019 was an important step for increased growth and geographical expansion. The acquisition complements SDS's existing operations geographically and will lead to significant synergies. The initial assessment is that the business' recurring revenue will cover operational costs within one year. SDS sees a need for continued consolidation in the industry and intends to be an active part of this.

Increased proportion of recurring revenue

SDS' operations are expected to depend on individual major transactions in the future, which means that revenues will fluctuate from quarter to quarter. However, the underlying trend will entail long-term stable revenue increases. In order to smooth out the revenue flow and profitability, the strategy is to focus on increasing recurring revenue. Increasingly, this will be achieved through a form of transaction-based revenue sharing with operators. An example of this is the agreement signed last year with Ethiopia's leading operator. SDS receives a portion of the revenue generated by the digital distribution of electronic securities through its ERS platform.

Business Intelligence

During the year, SDS significantly increased our competence base in the area of Business Intelligence. This means developing customer turnover and profitability by analyzing and drawing conclusions from the several billion transactions that are carried out annually in the systems, and additional services and products to control and stimulate sales all the way to the consumer. In this way, SDS becomes increasingly important in the customer's value chain, which further strengthens the customer relationship over time.

Short-term Focus

In the near future, there is an increased focus on recurring revenue. SDS prioritizes utilizing synergies from the acquisition of eServGlobal to increase the proportion of recurring revenue. This will steadily improve stability and predictability in the revenue flow. We have high hopes that in the acquisition of eServGlobal we will be able to exceed their 2018 sales of 7.2 M Euro and significantly improve profitability.

Within our Nordic distribution business, SDD, we have achieved profitability during the year and are seeing growth of over 50% from 2018. This expansion is expected to continue in 2020.

Consolidation is part of our growth strategy. There are a number of smaller players in the niche and SDS is focused on investigating the possibilities for future structural business. However, our priority is to achieve maximum synergy from the newly acquired business to deliver stability and increase profitability. The most important operational goal is to reach the level where our annual recurring revenue exceeds our annual fixed costs, something we look forward to in 2020.

For more information contact:

Martin Schedin
Chief Financial Officer
+46 70 438 14 42
martin.schedin@seamless.se

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 million active points-of-sale. SDS has approximately 230 employees in Sweden, France, Romania, Belgium, Ghana, Nigeria, USA, Pakistan, India, Indonesia, South Africa, Ecuador and the United Arab Emirates. With over 20 years of experience, SDS focuses on high-level customer satisfaction and efficient operations. SDS manages over 12 billion transactions annually, worth more than 11 billion US dollars and enables the growing populations of emerging markets to become part of the mobile revolution.

SDS shares are listed on Nasdaq First North Premier.

The company's Certified Adviser is FNCA Sweden AB, phone number 08-528 00 399, email: info@fnca.se