

# Year-end report for the period January 1 - December 31, 2020

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Press release 2021-02-18

## **October - December**

- Net sales amounted to SEK 71.1 (76.5) million, a decrease of 7.1% compared to the same period last year.
- EBITDA earnings amounted to SEK 11.3 (1.9) million.
- EBITDA margin amounted to 15.9% (2.5%).
- Profit after tax amounted to SEK 2.2 (2.9) million.
- Earnings per share amounted to SEK 0.25 (0.38).
- Total cash flow amounted to SEK -1.1 (10.2) million.

## **January - December**

- Net sales amounted to SEK 295.6 (245.6) million, an increase of 20.4% compared to the same period last year.
- EBITDA earnings amounted to SEK 50.1 (24.2) million.
- EBITDA margin amounted to 17.0% (9.8%).
- Profit after tax amounted to SEK 12.5 (8.0) million.
- Earnings per share amounted to SEK 1.50 (1.04).
- Total cash flow amounted to SEK -2.4 (12.7) million.

## **CEO's comments**

To say the least, the year 2020 is now behind us. Although the pandemic has been an unprecedented challenge, we have performed fairly well during these times. Despite the unforeseen obstacles, we have been able to continue working according to our established strategy and there has been great progress in the fourth quarter. We are now beginning to see how the economies of scale come from the acquisition of eServGlobal, that was done in July 2019. The favorable results came slowly, but the impact was visible from the numbers.

During the fourth quarter, our EBITDA improved to SEK 11.3 million. This is an increase of 500 percent compared to the same quarter in 2019 when the margin was SEK 1.9 million. This means that the operating margin is now at a healthy 15.9 percent. Concurrent to this, there has been a 20 percent increase in the annual sales to SEK 296 million. Albeit the quarterly result is also burdened by the decline in the USD against SEK, but experience shows that the currency effects level off over time.

I am, of course, very proud that our work has led to great success during these turbulent times. At the same time, I would like to remind you that SDS has a business model with variations over the quarters and would like to highlight the importance of assessing the company's performance over a longer period. With these introductory words, I would also like to welcome all new shareholders who invested in the company in its dissemination issue carried out last fall.

# Seamless

## Distribution Systems

One of the most important business events of the quarter is our agreement in Cameroon, where we are delivering our ERS 360 software. This is a deal that strengthens our existing broad presence with a leading mobile operator group in Africa and it also means that we have now added another country to our over 50 markets mark.

The company is now in the middle of a very exciting development phase where we are working with many factors to help us grow both in size and profitability. Growth in sales is currently affected by acquisitions, but the long-term potential also exists in organic growth. Our focus on onboarding new customers makes that growth factor as exciting as the acquisition growth.

So far, we have been able to close deals with three new customers during the second half of 2020, two of which are leading operator groups. One of the operator groups is a completely new customer to us, which means that the potential to grow with this customer in additional markets is great. When we consider the growth in both population and mobile penetration in these markets, the equation becomes even more promising. My expectations are based on the good experiences from our journey with the MTN group, where we have grown from 1 to 19 mobile operators in many emerging markets in Africa and the Middle East.

The SDS business model that has historically worked for us, is based on selling licenses and integration services in the form of a larger initial one-off transaction, after which customers without exception purchased support and operating services worth around 15 to 20 percent of the initial transaction. As of the fourth quarter, our prioritized business model for new customers is SaaS pricing, which changes the one-time license to a recurring license fee. This means that the initial income for the installation will be slightly lower but at the benefit of our recurring income to be significantly higher. This does not automatically mean that all customers accept this model, but we have concrete evidence that it is gaining ground and more traction.

An example of this is our first deal in Ethiopia, which was made on the basis of this principle. The deal was made a few years ago and even though the recurring transaction-based income was initially lower than expected, we now see a significantly increased growth rate. While we become co-dependent on the customer's success, we also become their growth catalyst and get a larger share of the long-term profitability in the customer's business.

We believed that SDS with its virtual organization and strong processes could handle telework during the pandemic year, which it very well did but the fact that we could sell to new customers at a pace we had never seen before was a pleasant surprise. It was also very gratifying that in the Nordic distribution business SDD, we have, despite lost volume due to Covid-19, still managed to improve our results overall.

In this interim report, we have added a separate section on the outcome of the acquisitions of eProducts 2018 (now SDD) and eServGlobal 2019. I am extremely pleased that we can show in facts and figures how well these acquisitions have turned out. We knew we were buying poorly managed companies, which we were convinced we could turn around. We have now proven that we possess the competence and the capacity required to be able to consolidate our industry and increase profitability and growth. The journey has just begun!

*Tommy Eriksson*  
*CEO, Seamless Distribution Systems AB*

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## Distribution Systems

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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 650 million mobile users through more than 3,000,000 active point-of-sales. SDS has approximately 240 employees in Sweden, France, Romania, Belgium, Ghana, Nigeria, USA, Pakistan, India, Indonesia, South Africa 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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