

Interim report for the period January 1 - September 30, 2019

Press release 2019-10-17

July - September

- Net sales amounted to SEK 63.4 M (17.6), an increase of 260.2% compared to the same period last year.
- EBITDA earnings amounted to SEK 12.8 M (2.4).
- The EBITDA margin was 20.1% (13.5%).
- EBITDA result without acquisition-related events & restructuring costs amounted to SEK 9.0 million.
- EBITDA margin without acquisition-related events & restructuring costs amounted to 14.2%.
- Profit after tax amounted to SEK 3.6 (-0.9) million.
- Profit after tax without acquisition-related events & restructuring costs amounted to SEK -0.1 million.
- Earnings per share amounted to SEK 0.47 (-0.12).
- Total cash flow amounted to SEK 4.7 million (-2.0).

January - September

- Net sales amounted to SEK 169.0 (48.7) million, an increase of 247.1% compared to the same period last year.
- EBITDA earnings amounted to SEK 22.3 (1.7) million.
- The EBITDA margin was 13.2% (3.5%).
- EBITDA result without acquisition-related events & restructuring costs amounted to SEK 20.3 million.
- EBITDA margin without acquisition-related events & restructuring cost amounted to 12.0%.
- Profit after tax amounted to SEK 5.1 M (-5.1).
- Profit after tax without acquisition-related events & restructuring costs amounted to SEK 3.1 million.
- Earnings per share amounted to SEK 0.66 (-0.71).
- Total cash flow amounted to SEK 2.5 M (-0.6).

CEO's comments

“The third quarter of the year has been very important for our long-term growth ambitions. Revenue increased by 260 percent to SEK 63.4 million. Of this, almost SEK 13 million is attributable to our acquisition of eServGlobal, which was completed at the end of July. Underlying growth in the Group remains strong, despite uneven order flows throughout the quarters.

In terms of profit, we achieved a positive operating profit of SEK 2.2 million. The quarter was affected by one-off restructuring, goodwill and acquisition costs.

During the quarter SDS has worked hard to meet customers and employees regarding our acquisition of eServGlobal, which instantly doubles sales in the system sales segment. Efforts to realize the synergies from the acquisition have begun, which I expect will have a positive impact on the results. Furthermore, there is an expectation that these synergies will contribute to a positive cash flow sometime in the next year. At the same time, steady growth in sales and profitability in the distribution segment continues, where more and more retailers and chains are actively seeking our Nordic distribution business, SDD. We also aim for our recurring support and revenue share revenues to pass fixed costs in a little over a year.

The acquisition of eServGlobal

The acquisition of eServGlobal has now reached the integration phase where we carry out a review of finances, organization, products and expertise. We have also met several customers and prospects who have confirmed that they will continue their ongoing support service with us and also look very positively at SDS's ability to help them increase their revenues and results. For many years, SDS has been investing in increased productivity in low-cost countries where resources have now been released for innovation which we can now also apply to eServGlobal's customer base. The first published example of confidence in SDS as a new owner came in the form of a large order from an existing eServGlobal customer in the largest market in the Middle East. In addition, we are seeing a continuous flow of smaller supplementary orders from eServGlobal customers.

The Nordic distribution operations

Our distribution business within the subsidiary SDD is growing steadily and has been delivering a positive net result to the Group for a number of months. We are constantly recruiting new retailers, both individual and chains, which is largely because, unlike some competitors, SDD products are always in stock and available for sale. This is made possible by good systems and processes. The growth is evidence that the market is responding positively to us as a competent player.

Developments in the African market

After a sluggish start to the quarter when our customers were focusing on budgeting for the coming years, we have had some recovery during the last month. Much of this was expected, and therefore we have been able to prepare and have thus recognized large parts of the revenue this quarter. We continue to work on a number of promising and large prospects where the challenge is the customers' slow decision-making processes. We are now actively working to grow our pipeline and adjusting sales methods in order to increase the likelihood of a more even flow of business and revenue in the future.

An important key figure we follow with the operators is their growth in the number of transactions handled by our systems. Here we can see an increase in the annual rate from just over 5 billion to 10 billion transactions, not counting the contribution from eServGlobal. The explanation lies in the fact that we started a number of new, large customers during the year and that several of our existing customers experienced great success with their digitization.

Innovation and growth strategy

Our growth strategy consists of two main components. On one hand, the traditional new customer sales of our base platforms where we added an accelerator in the form of an acquisition strategy. On the other hand, we are selling new functions to existing customers. The new features have historically been mainly software solutions that have addressed some existing operational needs of the operator. During the year, we

significantly increased our base of expertise in the area of Business Intelligence. Based on the billions of data points that the systems provide we can generate information and draw conclusions that give the customer insight into how their business works. From the insights we create the basis for suggesting what measures should be taken to further increase the customer's revenue and profitability. This business increases our service content and takes us closer to the customer's strategic analysis and decisions. Obviously, the purpose is to sell more, but we also take a greater part in the customer's strategic process and reach new decision groups with the customers that take us to the top management of the organization. The result is greater relevance and value of both our software and our ability to create insight with the customer from the CEO to the business owner.”

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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. 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 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 10 billion transactions annually, worth more than 11 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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