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Seamless Distribution Systems – Q2 2026

IMPALA NORDIC

A Record Half-Year, and a Pipeline Still to Convert

Impala Nordic comments on Seamless Distribution Systems AB (publ) ("Seamless" or the "Company") report for the second quarter of 2026. The restructured cost base delivered again, a 49.1% EBITDA margin on 42.0 MSEK of revenue, a second consecutive quarter of profit before tax (PBT), and the strongest first half since the company listed. Recurring revenue rose sequentially for the first time in a year and now covers operating costs comfortably. With 20.1 MSEK delivered against unchanged guidance of 45–55 MSEK, the second half needs 24.9–34.9 MSEK, a step up that rests on the delayed pipeline management expects to sign in the third and fourth quarters.

Second half in focus

In our Q1 comment we identified order conversion timing as the single variable to watch through Q2 and Q3. The quarter gave a mixed answer. Net sales of 42.0 MSEK were 1.4% above Q1, a second consecutive sequential increase, and continued recovery from the 34.8 MSEK trough of Q4 2025. Against Q2 2025 the figure is 6.5% lower, but that comparison spans the restructuring itself.

Order intake was lower than in a strong first quarter. Management attributes this to longer decision processes on several pipeline deals rather than to lost business, and expects the majority to be signed during the second half. That is a credible account for a company selling multi-year platform upgrades to mobile operators, where sales cycles routinely run several quarters, and the restructured sales organisation is described as gradually taking effect. It does place the weight of the full-year target on second-half conversion.

The result, and the cost base behind it

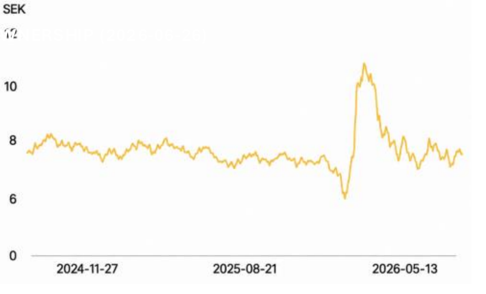
EBITDA of 20.6 MSEK at a 49.1% margin compares with -2.8 MSEK a year earlier and 21.3 MSEK in Q1. EBIT reached 16.0 MSEK and profit before tax 9.9 MSEK, taking the first half to 20.1 MSEK before tax, the strongest half-year since the company listed. Twelve months ago the same quarter produced a pre-tax loss of 48.4 MSEK. That turn is real, and it has now held for two consecutive quarters rather than appearing once and fading.

Operating costs of 26.5 MSEK compare with 25.8 MSEK in Q1 and 87.6 MSEK a year ago, with operative costs down 45% year on year and holding at the new level rather than creeping back. The small sequential increase came alongside a small revenue increase, so incremental margin was not visible this quarter — a point to note rather than to read much into, since 0.6 MSEK of revenue movement tells us little either way. The real test of operating leverage comes when revenue moves materially, which on management's account is a second-half event. Headcount fell further to 148 from 157 at the end of Q1 and 215 a year earlier, with roughly 34 consultants alongside.

OVERVIEW

Ticker	SDS
List	NGM Nordic Growth
Share price	7,4 SEK
Number of shares	24 160 005
Market cap	180 MSEK
CEO	Martin Schedin
Chairman	Tomas Klevbo

SHARE PRICE DEVELOPMENT



OWNERSHIP (2026-06-26)

Avanza Pension	11,6 %
Jan Karlander	9,9 %
Swedbank Försäkring	8,8 %
Veronica Wallman	6,7 %
Mats Andersson	6,2 %
Tomas Klevbo	4,9 %
Roland Wallman	4,3 %
Martin Roos	3,4 %
ÖstVäst Capital Mgmt	3,4 %
Eddy Cojulun	2,8 %

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Revenue quality

Recurring revenues of 28.0 MSEK represented 66.8% of sales, up from 26.3 MSEK and 63.7% in Q1, the first sequential increase in the recurring base after a year of erosion, and the single most constructive number in the report. Geographically, Asia and the Middle East contributed 43.8% and Africa 41.9%; the product mix was 90.3% eServ/SDS and 9.7% Riaktr.

The half-year segmentation supports that reading. Support revenue of 46.0 MSEK is down 15.8% year on year against a 17.7 % fall in total revenue, while project revenue is down 21.5 % to 28.9 MSEK and analytics down 13.8 % to 8.4 MSEK. The mix is therefore close to unchanged, with support at 55.2 % of sales against 53.9 % a year earlier, and the base that underwrites the cost structure has contracted slightly less than the business as a whole. The company defines recurring revenue as support and licence agreements combined, and the 8.3 MSEK gap to reported recurring revenue for the half year is the licence component.

Testing the coverage claim

SDS states in every order release that recurring support revenue now covers total operating costs, and therefore that new contracts flow directly to profit and cash flow. The claim is the load-bearing wall of the 2026 guidance, so we test it rather than repeat it.

Through 2025 the claim was forward-looking: recurring revenue covered roughly three-quarters of operating costs. Both quarters of 2026 clear the threshold, and Q2 clears it by more than Q1. On the company's own definition the claim holds, and it holds on the stricter test too — against total operating expenses of 26.5 MSEK, coverage is 106%.

One qualification applies either way. Interest sits outside this comparison, and financial costs of 6.1 MSEK in the quarter mean operating-cost coverage and pre-tax break-even are not the same threshold.

Bridge to guidance

Full-year guidance of 45–55 MSEK in profit before tax was reiterated with the report. Against 20.1 MSEK delivered in the first half, the second half must produce 24.9–34.9 MSEK, or 12.4–17.4 MSEK per quarter against 10.1 MSEK per quarter achieved so far.

Three things are meant to close that gap: the delayed deals management expects to sign in Q3 and Q4, the 8 MSEK Nigeria order announced on 7 August and expected to be delivered in full during 2026, and further cost savings flagged for the second half. Revenue is recognised progressively as delivery proceeds, so implementation timing rather than order signature determines which half the profit lands in. That management reiterated the range explicitly, and flagged further savings on top, suggests reasonable confidence in the pipeline behind it. Signature timing remains the variable to watch.

Order intake, 2026 year to date

Every order won this year comes from the existing installed base — upgrade revenue, not new-logo revenue, and the Nigeria order was the fifth ERS 5 upgrade of the year. The second-quarter column is thin: the Bahamas order in April is the only entry between the first quarter and August.

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Balance sheet, bond and covenant

The balance sheet is materially stronger than a year ago. Cash stood at 11.5 MSEK against 3.8 MSEK at the same point in 2025 and 2.1 MSEK at the year end, and equity has been rebuilt from 4.3 MSEK to 36.1 MSEK. Within the quarter, cash fell from 14.3 MSEK and operating cash flow was 0.7 MSEK; across the first half it was negative 1.2 MSEK against 20.1 MSEK of pre-tax profit, with a working capital movement of -23.5 MSEK absorbing the difference. Working capital in project-driven businesses swings with delivery and invoicing cycles, but conversion of profit into cash is the metric we will follow most closely from here.

Financial costs of 6.1 MSEK in the quarter and 12.6 MSEK in the half year consumed 39% of first-half operating profit. The bond carries a fixed 9% coupon following the terms renegotiated in Q4 2024 and will keep absorbing a substantial share of operating profit until repaid or refinanced. Equity stood at 36.1 MSEK for an equity ratio of 9.4%, against long-term liabilities of 252.9 MSEK.

The report does not comment on the minimum liquidity covenant of 10 MSEK breached in December 2025. Against cash of 11.5 MSEK the headroom would be 1.5 MSEK: the direction of travel is right, but the buffer remains thin. An update on covenant compliance and on the bond would be welcome with the third quarter.

What matters next

The operational restructuring is complete, profitability has now held across two consecutive quarters, and the first half is the strongest the company has reported since listing. Measured against where SDS stood twelve months ago, the recovery is substantial and the cost work behind it looks durable rather than cosmetic.

What remains unproven is the revenue side. The upgrade motion is repeatable, the recurring base turned upward this quarter, and the pipeline is described as delayed rather than lost. If those deals sign during the second half, the guidance is reachable and the leverage the cost base implies finally gets tested on rising revenue. Q3, reported on 12 November, is where the profitability story and the growth story have to converge.

KEY FIGURES Q2 2026	
Net sales	42,0 MSEK
EBITDA	20,6 MSEK
EBITDA margin	49,1 %
EBIT	16,0 MSEK
Profit before tax	9,9 MSEK
Recurring revenue	28,0 MSEK
Cash	11,5 MSEK
Equity ratio	9,4 %

BRIDGE TO GUIDANCE	
Q1 2026	10,3 MSEK
Q2 2026	9,9 MSEK
H1 delivered	20,1 MSEK
H2 required	24,9–34,9 MSEK
Per quarter	12,4–17,4 MSEK

Key triggers to watch	Signal	Why it matters
Q3 order intake returns to Q1 pace	Positive	Supports the conversion assumptions behind guidance
Third consecutive sequential increase in revenue and recurring revenue	Positive	Would strengthen the growth narrative
Operating cash flow positive over nine months	Positive	Improves earnings quality
Progress on the bond or covenant update	Positive	Reduces the key financial risk
Guidance maintained despite another quarter below required run-rate	Negative	Increases execution risk against the full-year target
Operating costs above 27 MSEK or coverage below 100%	Negative	Weakens operating leverage and profit conversion

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Interview with the CEO, Martin Schedin

How would you sum up the quarter, and what is the most important change compared with Q1?
- Naturally it is pleasing that we are delivering another strong quarter in terms of profit before tax. It shows that our organisation has become more efficient and that we can continue to deliver profitability going forward.

The first half gives 20.1 MSEK before tax, the strongest since listing. What is a normalised earnings level for SDS with today's cost base, and how far are you from it?
- We should be able to continue delivering sound profit margins going forward. We are already at very competitive margins and we expect to be able to stay at those levels.

Pre-tax profit came in at 9.9 MSEK against 10.3 MSEK in Q1, even though revenue rose slightly. What made the result marginally lower sequentially?
-There are some minor cost increases, travel costs for instance, because of a higher level of activity.

Operating costs are down more than 45 % in a year. Can that cost base carry revenue growth without rebuilding the organisation?
-Yes, we definitely have. We will continue to optimise our operations and we believe more in building a more flexible development and delivery organisation. Our sales force is sufficient to grow sales.

You expect further savings in the second half. Can you quantify them, and say where they come from without hitting sales, product development or delivery?
-We have the ambition to find further savings, more than 10 %, since we have changed our operating model and can see that we are able to use AI considerably more than we have managed to before.

Revenue is down 6.5 % year on year but up for the second quarter running. How much of the decline is currency and how much is underlying? Is the sequential recovery established?
-Put simply, most of it is currency, since our contracts are in USD or EUR. We will always run into aggressive purchasing departments and hungry competitors, so we always have to work hard to win business — but to answer the question, I am convinced the Q4 trough will not be repeated.

Recurring revenue is 28.0 MSEK in Q2. How much of that is contracted and recurs with high probability over the coming twelve months?
-Most of it is contracted. I would say at least 90% isp secured for next year.

You reiterate guidance of 45–55 MSEK. After 20.1 MSEK in the first half, H2 needs 24.9–34.9 MSEK. How confident are you that this will be achieved?
-It will take a great deal of hard work and skill, and some luck, for us to reach the upper end of the range. It remains our ambition to reach our target.

Cash is 11.5 MSEK, but first-half cash flow was helped by 17.5 MSEK from financing. When does the operating business become clearly cash-flow positive without new capital?
-We are today cash-flow positive if we look at cash flow before interest payments and restructuring costs. It will take a couple more good quarters of profitability, plus growth on the order side.

Long-term liabilities are 252.9 MSEK and the equity ratio 9.4 %. What is the plan for reducing financing risk, and where should indebtedness be in twelve months?
-The primary thing for us is to make sure we deliver two more good quarters, and with that proven we believe there are good opportunities to find sound solutions around financing.

Smart Capex, AI as a Service and Reliability as a Service are highlighted as strategic initiatives. Are there paying customers today, and how much sits in the 2026 guidance?
-A small part so far. They are all new solutions that take time to sell in, but we believe we can succeed well with them over time.

The existing base is central to future growth. How many customers are actively revenue-generating today, and when do new customers need to start contributing?
-We have more than 45 active customers today. There is a great deal left to do with existing customers, and we have good opportunities to enter other verticals within telecom with our current portfolio.

Africa fell to 35.1 MSEK in the first half from 53.7 MSEK. What lies behind the decline, and how concentrated is revenue among the largest customers?
-We have some of the larger customers in Africa and the Middle East, and sometimes they choose competitors or other solutions that we do not have. Africa will continue to be a very important market, and our new sales director is based in South Africa close to our most important customer, so we believe Africa will come back strongly.

When Q3 arrives on 12 November, which metrics should shareholders judge you on above all?
Profit before tax, operating costs and growth in order intake.

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Analyst owns shares in the Company: **No**
Impala Nordic or people behind Impala Nordic own shares in the Company: **No**

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