2026-11-12

Seamless Distribution Systems – Q3 2026

A third quarter at the new earnings level, guidance lowered and a strategic review under way

Seamless Distribution Systems AB (publ) ("SDS" or the "Company") reported pre-tax profit of 10.2 MSEK for the third quarter, the third consecutive quarter at around 10 MSEK, on net sales of 38.5 MSEK, up 9.3% year on year and down 8.2% from Q2. Both figures were released in preliminary form on 6 November together with the board's decision to start a strategic review that may include a sale of the Company, with Redeye engaged as financial adviser. The new information in the report is the guidance. Full-year pre-tax profit is now expected at around 40 MSEK, against the 45 to 55 MSEK communicated earlier in the year, as weaker order intake in Q2 and Q3 and further postponed deals move revenue into 2027.

Profitability held through a softer revenue quarter

EBITDA came to 20.8 MSEK at a 54.0% margin, against -4.2 MSEK a year earlier and 20.6 MSEK in Q2. EBIT was 16.3 MSEK and pre-tax profit 10.2 MSEK, which takes the first nine months to 30.3 MSEK before tax against a loss of 67.6 MSEK in the same period of 2025. Revenue was 3.4 MSEK lower than in Q2, and holding the result at the same level through that dip is the main operational achievement of the quarter.

Two things carried it. Total operating costs fell to 24.0 MSEK from 26.5 MSEK in Q2 and 43.8 MSEK a year ago, and headcount declined further to 143 from 148 at mid-year and 204 a year earlier, with around 32 consultants alongside. Other operating income added 1.8 MSEK, which the report does not specify. Excluding it, pre-tax profit would have been 8.4 MSEK, still clearly positive on a quarter with the lowest revenue of the year. Tax of 4.3 MSEK took profit after tax to 5.9 MSEK, or 0.24 SEK per share.

The cost work completed in 2025 is now proving durable. Operating costs have stayed between 24 and 27 MSEK in every quarter of 2026 and the EBITDA margin has held at around 50% or above, which is the operating leverage management has pointed to: once revenue grows, a large share of each additional krona should reach profit.

Revenue mix: projects up, support down

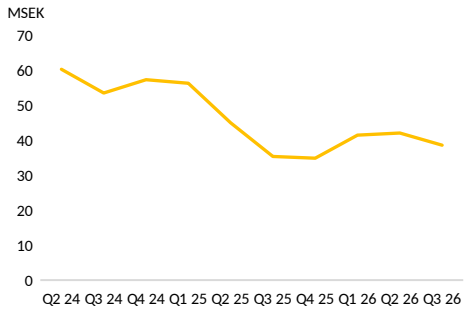
Net sales of 38.5 MSEK compare with 35.3 MSEK in Q3 2025, a quarter shaped by last year's restructuring, and 42.0 MSEK in Q2. Africa contributed 25.7 MSEK (66.7%) and Asia and the Middle East 12.2 MSEK (31.6%), a clear shift from Q2 when the two regions were close to even. eServ/SDS accounted for 87.9% of sales and Riaktr for 12.1%.

Note 2 gives the nine-month split by revenue type, and deducting the first half gives an approximate third quarter: projects about 16.1 MSEK, support about 17.8 MSEK and analytics about 4.7 MSEK. Project revenue was well above the first-half average of 14.5 MSEK per quarter, which fits with delivery work on the upgrade orders signed during the year. Support fell from a first-half average of 23.0 MSEK. Over nine months support is down 20.0% year on year, projects are up 7.5% and analytics is down 11.8%.

OVERVIEW

Ticker	SDS
List	NGM Nordic Growth
Share price	[X,XX] SEK
Number of shares	24 160 005
Market cap	[XXX] MSEK
CEO	Martin Schedin
Chairman	Tomas Klevbo

NET SALES PER QUARTER



OWNERSHIP (2026-09-28)

Avanza Pension	11,90 %
Jan Karlander	9,94 %
Swedbank Försäkring	8,80 %
Veronica Wallman	6,73 %
Tomas Klevbo	4,97 %
Roland Wallman	4,28 %
ÖstVäst Capital Mgmt	3,36 %
Martin Roos	3,10 %
Eddy Cojulun	2,78 %
Gunnar Jardelöw	2,63 %

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Recurring revenue and cost coverage

Recurring revenue, which the Company defines as support and licence agreements, was 25.1 MSEK or 65.3% of sales, down from 28.0 MSEK in Q2 and 26.3 MSEK in Q1. New sales were 13.3 MSEK. The recurring line fell less than our derived support figure, which implies a licence component of around 7 MSEK in the quarter against roughly 4 MSEK per quarter in the first half.

In our Q2 comment we measured coverage against the operative cost figure stated in the Q2 report, which gave 128%. Reconciling the nine-month accounts shows that the 74.7 MSEK of operative costs reported for January to September includes 12.0 MSEK of capitalised development, in line with the Company's own definition, while the 21.9 MSEK stated for Q2 appears to exclude it. With the definition applied consistently, operative costs were about 25.3 MSEK in Q1, 25.9 MSEK in Q2 and 23.5 MSEK in Q3, and recurring revenue covered them by 104%, 108% and 107% respectively. We restate our Q2 figures accordingly.

The coverage claim therefore holds in every quarter of 2026, with a narrower margin than the Q2 report suggested. Including net financial costs of 6.1 MSEK, recurring revenue covered 85% of the cost base in Q3, so the Company needs around 5 MSEK of new sales per quarter to break even before tax. It delivered 13.3 MSEK in Q3, which leaves a comfortable margin.

Order intake

The third quarter brought one announced order, the 8 MSEK ERS 5 licence in Nigeria on 7 August. Three followed after the quarter closed: the first commercial contract for the new generation of the Intelligent Platform with an African operator, value not disclosed, a 3.0 MSEK Voucher Management System order in Sudan, and a little over 2 MSEK from an existing customer in Zambia on 22 October, the sixth ERS 5 upgrade of the year. Management describes the Zambia upgrade as a prerequisite for that operator to move to the Intelligent Platform, which gives the upgrade cycle a second role as the entry point for the next product generation.

Management states that order intake improved at the start of Q4 and that postponed deals mean SDS will enter 2027 with a larger order backlog than planned, with a significant earnings contribution expected in Q1 2027. Revenue is recognised as delivery proceeds, so this matches what we wrote in October: orders signed in the autumn mainly support 2027. The orders listed in the sidebar sum to about 52 MSEK, excluding the Intelligent Platform contract.

Guidance lowered to around 40 MSEK

With 30.3 MSEK delivered over nine months, the new target requires about 9.7 MSEK in Q4, in line with the 10.1 MSEK average of the first three quarters. The revised guidance therefore asks for no step-up in the fourth quarter and looks well underpinned by the run-rate. The reduction is 5 to 15 MSEK against the earlier range and comes entirely from the revenue side, since costs and margins have developed according to plan.

The report describes the previous guidance as 45 to 50 MSEK. The range communicated through the year, and reiterated with the Q2 report, was 45 to 55 MSEK, and the annual chart in the report still shows a 50 MSEK marker for 2026. We measure the change against 45 to 55 MSEK, and a clarification from the Company would be helpful.

COST COVERAGE	
Q1 2026	104 %
Q2 2026	108 %
Q3 2026	107 %
Q3 2026 incl. net financials	85 %

ORDER INTAKE 2026	
Jan–Feb, Africa	4 MSEK
10 Mar, Africa	4 MSEK
Q1, Middle East	8 MSEK
Q1, upgr. + support	18 MSEK
8 Apr, Bahamas	5 MSEK
7 Aug, Nigeria	8 MSEK
14 Oct, Africa	n.d.
15 Oct, Sudan	3 MSEK
22 Oct, Zambia	2 MSEK

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Cash flow and balance sheet

Operating cash flow before working capital was 20.6 MSEK in the quarter, close to EBITDA. Working capital absorbed 7.4 MSEK, leaving operating cash flow of 13.2 MSEK, the strongest quarterly figure this year. Investing activities took 10.3 MSEK against about 4.0 MSEK of capitalised development, and the report does not break down the difference. Cash rose to 14.5 MSEK from 11.5 MSEK at mid-year, with no financing flows in the quarter.

Over nine months, operating cash flow of 12.0 MSEK compares with pre-tax profit of 30.3 MSEK, as working capital absorbed 30.8 MSEK. Trade receivables have risen to 48.9 MSEK from 34.6 MSEK at year end and trade payables have fallen to 26.4 MSEK from 36.9 MSEK. Other receivables and accrued income together amount to 162.3 MSEK, more than the Company's revenue for the first nine months. Under its accounting principles SDS books creditable withholding tax as a receivable, which explains part of the balance. Converting these items into cash is in our view the most important financial task for the coming year.

Equity rose to 50.2 MSEK from 36.1 MSEK at mid-year, helped by an 8.2 MSEK currency translation gain, for an equity ratio of 12.7%. Long-term liabilities, mainly the bond at a fixed 9% coupon, were 253.2 MSEK. Net financial costs were 6.1 MSEK in the quarter and 18.8 MSEK over nine months, equal to 38% of operating profit. Cash of 14.5 MSEK gives headroom of 4.5 MSEK above the 10 MSEK minimum liquidity covenant breached in December 2025. The report again does not comment on the covenant.

The strategic review

On 6 November the board started a process to evaluate strategic alternatives to maximise shareholder value. The options include a sale of the Company, structural transactions or other transactions. No timetable has been set, and SDS will only comment further once a definitive decision is made.

The timing follows three quarters that have established an earnings level of around 20 MSEK of EBITDA and 10 MSEK of pre-tax profit per quarter. Nine-month EBITDA of 62.7 MSEK annualises to about 84 MSEK. Long-term liabilities less cash come to roughly 239 MSEK, and that claim ranks ahead of the equity in any transaction, so the value for shareholders is what remains of enterprise value after the bond. Each 1 SEK per share corresponds to about 24 MSEK of equity value. The review will put a market price on the restructured business, and we expect the bond to be central to how any deal is structured.

What we are watching ahead of the year-end report

Positive: Q4 pre-tax profit of 9.7 MSEK or more. Confirms the revised guidance and a fourth quarter at the established level.

Positive: recurring revenue back above 26 MSEK. The Q3 decline came mainly from support, and a recovery would widen coverage again.

Positive: working capital released in Q4. Year-end invoicing should turn part of the 162 MSEK of receivables and accrued income into cash.

Positive: a value or a second customer for the Intelligent Platform. Would show whether the new product generation can scale.

Negative: further postponements into 2027. The expected Q1 2027 earnings contribution now carries the growth case.

Negative: cash approaching 10 MSEK. The liquidity covenant remains the clearest near-term financial constraint.

KEY FIGURES Q3 2026	
Net sales	38,5 MSEK
EBITDA	20,8 MSEK
EBITDA margin	54,0 %
EBIT	16,3 MSEK
Pre-tax profit	10,2 MSEK
Recurring revenue	25,1 MSEK
Cash	14,5 MSEK
Equity ratio	12,7 %

BRIDGE TO GUIDANCE	
Q1 2026	10,3 MSEK
Q2 2026	9,9 MSEK
Q3 2026	10,2 MSEK
Jan–Sep delivered	30,3 MSEK
New guidance 2026	c. 40 MSEK
Implied Q4	c. 9,7 MSEK
Previous guidance	45–55 MSEK

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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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