Seamless Distribution Systems

Equity Analysis

by Impala Nordic

30 March 2026

IMPALA NORDIC

COMPANY ANALYSIS: SEAMLESS DISTRIBUTION SYSTEMS

IMPALA NORDIC

COMPANY OVERVIEW

Seamless Distribution Systems AB (publ) ("SDS" or the "Company") is a Swedish-based, global provider of mission-critical sales and distribution (S&D) software systems for telecom operators (operators), mainly in emerging markets. The Company's core proposition is to digitize prepaid mobile credit for calls and data ("airtime"), as well as the adjacent telecom retail flows, replacing physically distributed vouchers and manual reseller processes with real-time software systems that improve revenue oversight, channel performance and reduce operational complexity for operators.

The current phase of SDS is centred around a completed operational and financial turnaround, referred to as "SDS 2.0". Following a period of balance sheet pressure, decreasing profitability and integration challenges, management has executed a broad restructuring program. The Company has gone through an organizational renewal, including new executive leadership and a strengthened commercial organization with a clearer focus on profitability and disciplined project execution. Key elements include platform modularization and the introduction of AI-driven product capabilities, as well as a comprehensive cost-efficiency program stated to have already saved SEK 66 million and reached a point where its recurring revenues from customer support covers the full operating cost base and interest payments for outstanding bonds.

Given this turnaround, SDS has communicated ambitious guidance of FY2026 EBT of about SEK 45–55 million and in March confirmed SEK 18-20 million in "secured" EBT for the year, based on orders booked early in 2026. SDS' guidance is based on historical inflow of new product licenses over the last five years, assuming a normalized pace of additional wins beyond the early-year secured base.

NEED TO KNOW

- **A mission-critical platform and scalable upsell model:** SDS operates at the core of operators' revenue systems with its vertical software. Its main Electronic Recording System (ERS) platform handles approximately 80 % of operator revenues on average in its markets and processes over 15 billion transactions annually, which creates high switching barriers resulting in low churn. SDS' model is highly scalable through monetization of its installed base. Beyond project-based implementation revenues, the Company earns recurring support and managed services fees and can add modules at low marginal cost after deployment.

- **Completed turnaround in 2025**: Following its extensive restructuring in 2025, SDS has a more flexible cost base and a clearer commercial strategy. The cost efficiency program, with full effect going into 2026, brings the Company to break even on its existing recurring revenue base alone, implying that all new contract agreements during the year will have a direct positive effect on the Company's earnings and cash flow. Under SDS 2.0, modular AI-driven analytical tools can be sold independently, improving operator revenue control and working capital efficiency while increasing operating leverage.

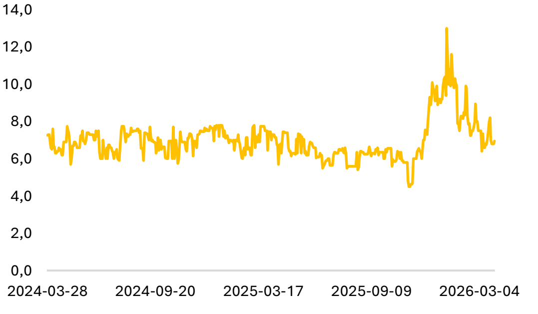
- **Proven global scale with underlying demand:** SDS has proven global scale through relationships with leading operators in emerging markets, processing more than USD 14 billion annually for over 700 million end-customers across more than 50 markets. SDS benefits from structural demand in prepaid airtime-heavy markets. Prepaid penetration remains near-total in several emerging markets, while rising mobile data usage increases transaction volumes and the need for revenue assurance and analytics.

- **Outstanding bond financing:** SDS' operational improvement must be assessed together with the balance sheet. The Company has a senior secured bond maturing in 2027. Covenant compliance has been challenging, with repeated breaches of the SEK 10 million minimum cash requirement during 2025 (reported cash SEK 2.7 million at year-end), managed via standstill arrangements with bondholders. Given the outstanding senior secured bond financing, sustained earnings are directly linked to financial flexibility, reinforcing the importance of execution.

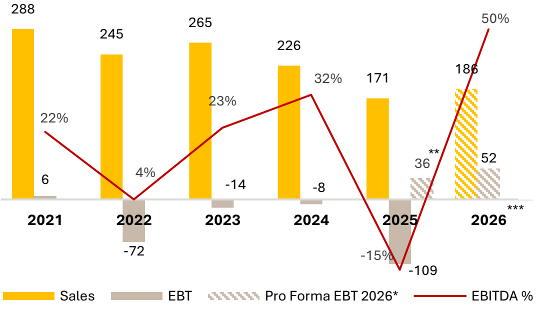
COMPANY OVERVIEW

Ticker	SDS
List	Nordic SME Sweden
Share Price	6,95 SEK
Number of Shares	21 467 695
Market Cap	167 MSEK
CEO	Martin Schedin
Chairman	Martin Roos
HQ	Stockholm, Sweden

SHARE PRICE DEVELOPMENT 24-26' SEK



FINANCIAL DEVELOPMENT 21-26' MSEK



** EBT is shown given that it captures material net financial items from the senior secured bond*

*** Pro forma adjusted EBT is Company-calculated and applies a 2026 run-rate for opex, D&A normalisation, FX adjustment and interest to FY2025 net sales/EBT to illustrate earnings capacity post restructuring*

**** Impala Nordic base scenario for FY2026, read more under section "Forecast Scenarios"*

Ownership structure (source: Modular Finance)

Avanza Pension	12,70 %
Jan Karlander	11,19 %
Swedbank Försäkring	9,18 %
Mats Andersson	6,20 %
Veronica Wallman	5,42 %
Tomas Klevbo	4,83 %
Roland Wallman	4,82 %
Martin Roos	4,08 %
ÖstVäst Capital Management	3,79 %
Eddy Cojulun	3,13 %

INVESTMENT CASE HIGHLIGHTS

A MISSION-CRITICAL, STICKY PLATFORM

SDS operates at the core of operators' revenue systems with its vertical software. Its platform handles approximately 80 % of operator revenues in its markets, which creates high switching barriers resulting in low churn and long customer relationships, typically exceeding 5 years. As a result, SDS software functions as embedded revenue infrastructure rather than a replaceable IT vendor, which in turn materially limits the customer churn risk and underpins contract stability, evident by the long-term customer relationships with leading teir-1 operators.

SCALABLE PLATFORM WITH STICKINESS IN TEIR-1 OPERATORS OPERATIONS

COMPLETED TURNAROUND

Following its extensive restructuring in 2025, SDS has a more flexible cost base, a renewed product offering including AI-driven solutions and a clearer commercial strategy. The implemented SEK 66 million cost-efficiency program, with full effect entering 2026, positions the Company at break-even based solely on its existing recurring revenue base. This implies high incremental profitability on new contracts that de-risks the platform ahead of growth. Communicated confirmed pre-tax earnings of SEK 18-20 million for the year reinforce tangible earnings improvements already in 2026. Given the outstanding senior secured bond financing, sustained earnings are directly linked to financial flexibility, reinforcing the importance of execution.

COMPLETED TURNAROUND ENABLES OPERATING LEVERAGE

SCALABLE UPSELL MODEL

Much of the strategic value of SDS' model lies in monetizing its installed base. Besides project-based installation revenues, SDS collects recurring revenues from support- and managed services and can add additional modules with minimal additional costs once the platform is deployed. Under SDS 2.0, the platform has been modularized, allowing AI-driven analytics, forecasting and channel optimization tools to be deployed independently. These modules directly enhance operator revenue control and working capital efficiency, strengthening the value proposition. The combination of recurring support and add-ons creates operating leverage since after break-even is achieved, incremental sales disproportionately contribute to earnings.

CLEAR OBJECTIVES ON CUSTOMER PENETRATION POST TURNAROUND

PROVEN GLOBAL SCALE

With strong relationships with leading operators in emerging markets, processing over USD 14 billion annually for over 700 million end-customers in more than 50 markets, SDS has demonstrated its ability to deploy and operate at scale. Additionally, SDS has transitioned toward a cloud-native, microservices-based architecture compatible with major cloud environments such as AWS, Azure and GCP. This enhances deployment flexibility, reduces infrastructure dependency and supports a SaaS-oriented delivery model. The combination of proven scale and architectural modernization strengthens competitiveness while enabling more efficient rollout of modular components across geographies.

SCALABLE ARCHITECTURE FOR TELCOS WORLDWIDE

GLOBAL STRUCTURAL UNDERLYING DEMAND

SDS operates in regions where prepaid airtime is high and distribution chains can be complex. Prepaid penetration in several African markets is near-total and emerging markets have strong growth in mobile data usage, which increases transaction volumes and the need for distribution control and revenue assurance. Independently, GSMA expects global unique mobile subscribers to rise toward USD 6.5 billion by 2030 and highlights continued growth in emerging markets, while the Ericsson mobility reporting points to multi-year global data traffic growth through the next decade. These trends support ongoing operator spending on modernization and analytics rather than only on network equipment.

GSMA PREDICTS STRONG GROWTH IN MOBILE SUBSCRIPTIONS IN EMERGING MARKETS

COMPANY INTRODUCTION

Seamless Distribution Systems AB is a Swedish-based software company providing mission-critical sales and distribution systems for telecom operators, primarily in prepaid-heavy emerging markets. The core proposition is to digitise prepaid airtime and adjacent retail flows by replacing physical vouchers and manual reseller processes with real-time transaction processing, distribution control and embedded analytics. The Company's core offering is its Electronic Recording System (ERS) platform, "ERS 360", that acts as the transaction and control layer between operator core systems and the downstream channel, enabling electronic distribution across distributors, retailers, field sales and digital channels.

The business traces its roots back to 2001 where Seamless was founded to replace physical recharge vouchers with electronic distribution, while the current corporate structure of SDS was established in 2014 to focus exclusively on digital distribution of prepaid airtime to mobile operators. Over time, the Company has expanded its footprint and product portfolio through acquisitions, including eServGlobal in 2019 and Riaktr in 2021, adding complementary capabilities in digital recharge, analytics and optimisation tools alongside the core S&D stack. SDS has around 160 employees and was listed on First North in 2017, changing marketplace to NGM Nordic SME in 2024. The Company is listed under ticker "SDS".

TURNAROUND SDS 2.0

During 2025, SDS executed a turnaround across its operations, organization and governance, aimed at lowering the cost base, reducing project risk and creating a more scalable operating setup. The program combined cost reduction with changes to the commercial and operating model. On the cost side, the Company consolidated its footprint and organisation, including layoff in and shutdown of operations in Belgium, France and Romania, alongside layoffs and tighter cost control, with stated full effect from 2026 onward.

With the cost-efficiency measures in place, SDS frames the near-term growth strategy as lower-risk steps. The current focus is penetration of existing customers through expanded module sales and upgrades, combined with a selective approach to a limited number of new customers. Longer-term growth paths such as new geographies, new products and new customer segments are positioned as subsequent steps once the post-turnaround setup has stabilised.

SDS: TURNAROUND ACTIONS

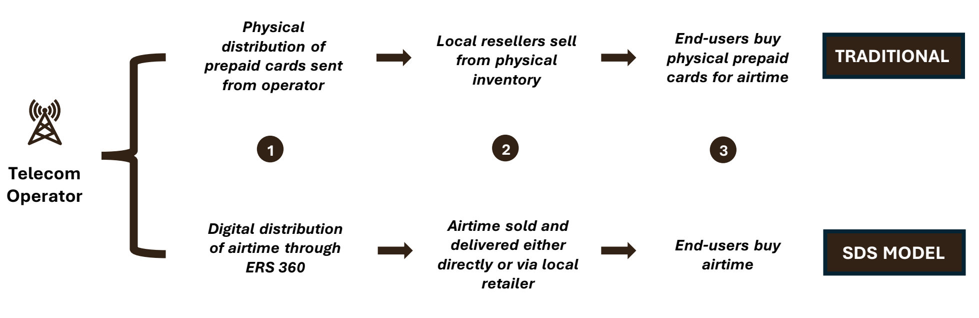
- Cost optimization
- Refining business- & operational model
- Organizational structure adjustments
- Refined leadership and culture
- Systems for governance and performance

CORE OFFERING: MODERNISING PREPAID SALES AND DISTRIBUTION FOR TELCOS

In emerging markets, over 90 % of mobile subscriptions are prepaid, meaning users buy mobile credit for calls and data (airtime) in advance. The traditional model of distribution for prepaid airtime in many markets is dependent on physical distribution of mobile cards from telcos through multi-tier reseller networks. Operators ship cards through logistics chains to local distributors and retailers, who then sell from physical inventory to end-users. This setup requires retailers to hold large inventory and tie up capital, while operators face logistics and security risks and often have limited real-time visibility across the S&D chain. For end-users, the model also adds friction, as refills often require a physical purchase at a nearby retailer and manual top-up via voucher codes when balances run out. Furthermore, limited availability and stockouts at local retailers can translate into lost sales and weaker retention with end-users choosing other operators, which is why operators increasingly prioritise S&D efforts.

SDS replaces the physical model with digital distribution through its main platform ERS 360. Instead of moving physical cards through the channel, airtime is delivered electronically in real-time. The platform connects the operator's core systems with distributors, retailers, field sales and digital channels, which improves oversight and makes the S&D chain easier to monitor and manage. The model reduces the need for physical inventory in the channel and turns distribution activity into data that can be used for control and optimisation. Over time, this has positioned SDS as a reliable software partner to several tier-1 operators across emerging markets, where uptime and scalability requirements are high. The ERS 360 platform is deeply embedded in its customers' revenue-generating systems, handling approximately 80 % of operator revenues on average while processing over 15 billion transactions per year.

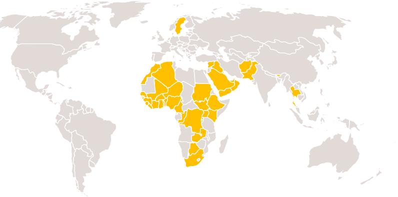
TRADITIONAL VS DIGITAL MODEL



GEOGRAPHY AND CUSTOMER BASE OVERVIEW

SDS is focused on emerging markets where Africa, the Middle East and Asia combined account for about 96 % of all revenue, with additional operations in Europe and the Americas. The Company operates through a limited number of local hubs and offices, supporting deployments across large multi-country operators. This footprint provides access to prepaid-heavy markets, but also implies exposure to FX, regulatory environments and customer concentration typical for enterprise software.

The customer base includes several tier-1 operators and groups, including MTN Group, Vodafone and Safaricom, where SDS' software is embedded in revenue-generating prepaid distribution flows. This footprint provides exposure to prepaid-heavy markets with high uptime requirements, but also implies exposure to FX, regulatory environments and customer concentration typical for enterprise software. More on this under the "Business model" section.



Africa	ME & Asia	Other
30 countries	3 countries	1 country
44 customers	3 customers	1 customer
2 offices	5 offices	

SDS: KEY CUSTOMERS

MTN, zain, du, vodafone, Safaricom, orange, red, telenor, glo

PLATFORM AND PRODUCT OVERVIEW

SDS' core proposition is to sit between an operator's core systems and the downstream retail channel, and to make prepaid distribution and adjacent retail flows run as a controlled, measurable software process rather than a largely manual supply chain. In practice, the platform connects the operator to distributors, retailers, field sales teams and digital channels. Beyond the core transaction and distribution layer, SDS offers analytics-driven products for sales optimisation and network investment planning, mainly through the acquisition of Raiktr in 2021 with its proprietary Business Intelligence and Big Data Analytics software.

The platform is designed to support both day-to-day execution through reliability-as-a-service and commercial steering through data capture, controls and analytics. Importantly, the platform is modular, meaning operators can add modules over time, creating an installed base upsell logic rather than one-off projects. The commercial rationale is hence supported by four recurring platform characteristics. SDS software is deeply integrated into operator systems, which contributes to long customer relationships. A large part of the revenue stream is recurring through support and managed services after launch. The platform is positioned as mission-critical by sitting close to revenue flows. Finally, SDS typically represents a limited share of the large, tier-1 operator's overall cost base, which supports resilience through budget cycles.

SDS - CORE PLATFORM ADVANTAGES

- **Deeply integrated** into telcos' systems, resulting in low churn
- **Recurring revenues** with support and managed services after launch
- **Mission-critical offering** handling 80 % of customers' revenues
- **Limited share of customers' costs** resulting in resilience

A UNIFIED S&D PLATFORM

At the centre of the offering is the Company's ERS platform, a sales and distribution system positioned as the transaction and channel control layer for digital top-up, voucher handling and dealer management. The functional logic is that once prepaid value is distributed digitally and transactions are captured in one system, the operator can apply consistent business rules across the channel, monitor activity in real-time and reduce reliance on physical inventory and delayed visibility. The latest generation of ERS is the ERS 5 platform that has begun to be rolled out as upgrades to existing customers in early 2026.

ERS 5 – the latest generation of the Company's S&D platform

SDS highlights the transition to a cloud-ready and modular microservices architecture, enabling integration into existing operator environments and gradual expansion of scope within an installed base rather than repeated one-off deployments. This technological flexibility increases delivery efficiency and faster rollout of incremental functionality once the core layer is in place. SDS' unified telco S&D platform covers three broad capability areas in Sales Enablement, Sales Growth and Sales Optimization.

SDS UNIFIED TECLO S&D PLATFORM: CREATING A SINGLE FLOW OF AIRTIME, PAYMENTS AND COMMERICAL CONTROLS

SALES ENABLEMENT is the operational backbone where distribution workflows, reseller management, retail execution and workforce tooling sit, together with product and inventory-related functions. In operator settings, the value is standardisation and control across a fragmented retail footprint, with the platform acting as the system of record for what happens in the reseller network.

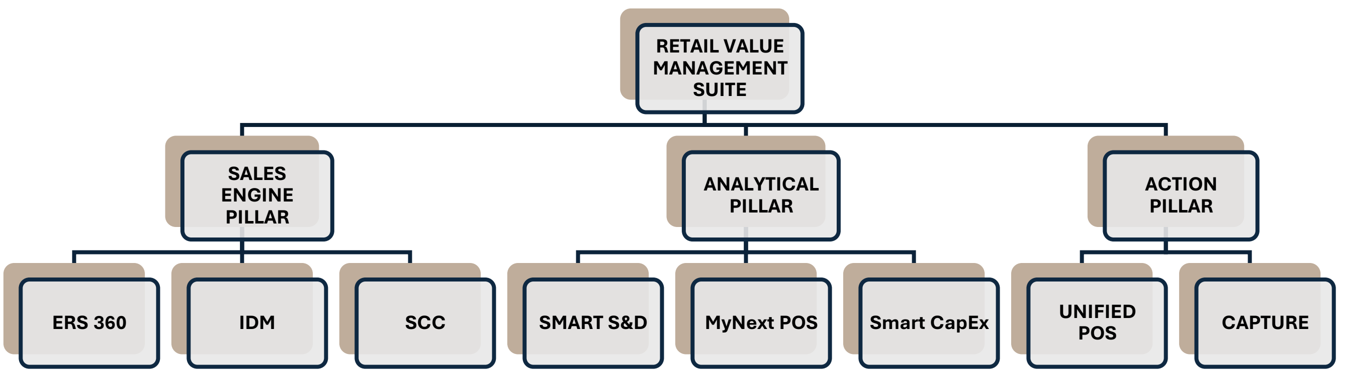
SALES GROWTH is where SDS positions functionality that is intended to raise sell-out and channel productivity. The common theme is that commissions, incentives, loyalty mechanics and campaigns are easier to run, measure and refine when the underlying transactions and reseller behaviour are captured digitally within the same ecosystem.

SALES OPTIMIZATION is where analytics and decision support sit. With the data in the channel, tools for forecasting, recommendations and footprint decisions can be layered on. This is also the area where the AI functions become most relevant, as the value proposition relies on translating channel data into decisions. Part of this analytical expansion was added through the Riaktr acquisition.

THE RETAIL VALUE MANAGEMENT SUITE

SDS' product portfolio is presented as a Retail Value Management suite that groups the key modules an operator can deploy across the retail journey from distribution and incentives to optimisation and execution. The suite is positioned as modular and interoperable, meaning operators can deploy a full end-to-end setup or select individual modules depending on their starting point and priority areas. This creates a repeatable expansion motion where incremental sales are increasingly driven by product scope growth within existing accounts rather than only by new customer wins.

The suite spans three functional pillars that match how value is created in a prepaid ecosystem. The sales engine pillar is anchored by ERS and adjacent operational modules such as IDM and SCC, which support distribution control, inventory related workflows, as well as incentive and campaign mechanics. The analytical pillar includes optimisation and decision-support tools such as Smart S&D, MyNextPOS and Smart CapEx, aimed at improving forecasting, retail footprint decisions and investment planning. The action pillar extends SDS closer to the retail front end through Unified POS and Capture, which broadens the addressable scope from backend distribution into omnichannel retail and onboarding flows.



RELIABILITY-AS-A-SERVICE AND MANAGED OPERATIONS

SDS offers Reliability-as-a-Service, positioned around ongoing operational support, monitoring and day-to-day management of customer environments. In a telecom setting, uptime is commercial-critical given the platform's proximity to revenue flows. The managed operations layer therefore matters both as a differentiator in enterprise deliveries and as a contributor to recurring revenues, anchoring the relationship after launch.

A key complement to the product portfolio is Reliability-as-a-Service, which covers ongoing operations, monitoring and support of customer environments. The commercial rationale is straightforward. In telecom, the platform sits close to revenue flows and downtime, or instability becomes commercially critical for the operator. This shifts buyer priorities toward uptime, operational resilience and predictable incident handling, not only feature breadth.

AI STRATEGY

SDS puts much weight on its AI-driven portfolio. SDS positions AI as part of the Sales Optimisation layer in the modular offering. The core logic is that transaction and channel data from the installed base can be used not only to monitor performance, but also to guide daily decisions in the distribution network. This expands the product scope toward forecasting and recommendation-driven optimisation, which supports the installed-base upsell model as these capabilities are sold on top of an existing, data-producing footprint. Importantly, the AI-driven capabilities can also be sold as stand-alone modules.

SDS: AI USE CASES

The AI portfolio is centred around three operational use cases. First, smarter sales targeting where the system recommends targets for distributors and retailers based on demand signals and historical performance. Second, improved retail execution where out-of-availability situations are predicted, underperforming outlets are highlighted and field resources are guided toward higher-impact actions. Third, increased airtime sales where improved availability reduces missed top-ups and lost sales, which SDS links to revenue and profit, ARPU growth, retention and churn prevention, subscriber acquisition and market share development.

A case example illustrates how these tools are intended to work in practice through sales target recommendations for agents and sales forecasting for retailers, supporting decisions on how much stock to carry and purchase. The illustration also indicates a sharp reduction in stockout situations when AI recommendations are applied. For agents, stockouts are below 10 % with AI recommendations versus above 80 % without. For retailers, it is shown below 15 % with AI recommendations versus above 70 % without. The key consideration is adoption. Decision-support modules create value when recommendations are used consistently in daily operations, which makes data quality, integration and operational follow-through central to outcomes.

ANALYTICAL MODULES

The analytical pillar consists primarily of the optimisation and decision-support products. Smart S&D is aimed at commercial teams and uses advanced analytics and AI to recommend where to act and what to do across the sales and distribution footprint. MyNextPOS supports POS site selection, helping operators identify where additional points of sale should be deployed to support growth and profitability. Smart CapEx is aimed at network planning teams and helps operators optimise infrastructure investments across technologies such as 4G, 5G and fibre. Together, these modules move SDS further upstream in operator decision-making, from execution support into prescriptive planning.

It expands the addressable scope from sales and distribution control. If scaled, this can increase wallet share within operator groups and diversify the revenue mix toward higher-value decision support. Investment planning tools are attractive when ROI is clear and deployment is repeatable.

In December 2025, SDS announced an additional order of approximately SEK 11 million linked to Smart CapEx from a top ten global telecom operator, with the use case framed around optimising investment budgets and improving ROI across 5G, fixed wireless access and fibre.

ORDER INTAKE

Below follows a snapshot of recent orders and partnerships related to the ERS platform, AI, and add-on modules.

SDS – RECENT ORDER INTAKE

DESCRIPTION	VALUE
2026-03-10: Order for upgrade to the ERS 5 platform from an existing customer, a leading mobile operator in the Middle East. The product license is worth SEK 4 million. The agreement also includes a five-year support agreement of SEK 14 million, which gives a total contract value of SEK 18 million.	18 MSEK
2026-02-24: Order for upgrade to the ERS 5 platform from an existing telecom customer in Northeast Africa worth a total of SEK 4 million. The order also included a redundancy solution for the highest possible uptime of ERS 5. Revenues are reported on an ongoing basis in line with delivery.	4 MSEK
2026-02-06: SDS has entered into a strategic consultancy and advisory agreement with a prominent new customer in Northern Africa with an initial contract value of SEK 4 million.	4 MSEK
2026-01-16: Order for upgrade to the ERS 5 platform from an existing customer in the Middle East, totalling SEK 8 million. The order is a spillover order from 2025.	8 MSEK
2025-12-30: Multi-year contract renewal of a strategic partnership with one of its key customers in the Middle East. The contract extension has over a five-year term.	N/A
2025-12-23: SDS initiated a strategic AI-focused engagement with TashiCell Bhutan through focused sessions to leverage Seamless' AI expertise, aimed at accelerating TashiCell's revenue growth while enhancing organizational productivity through intelligent automation.	N/A
2025-12-16: Additional order worth approximately SEK 11 million from one of the world's ten largest telecom operators. The order includes additional functionality and services within Smart Capex, enabling the telecom operator to continue to optimize its investment budgets.	11 MSEK
2025-11-10: Order of SEK 4.8 million from an existing customer in Saudi Arabia. The order includes helping the customer migrate to a engagement tool for point-of-sale operations, focusing on modernizing and digitizing their reseller network.	4.8 MSEK
2025-09-01: Order of SEK 5.5 million from an existing customer in the United Arab Emirates for the upgrade of Interactive Voice Response system (IVR).	5.5 MSEK

BUSINESS MODEL

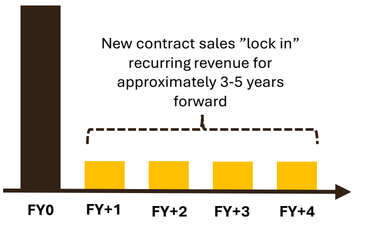
OVERVIEW

SDS operates a platform-based enterprise software model sold primarily to telecom operators in prepaid-heavy markets. The business model combines initial deployment and upgrade projects with recurring revenues from support and managed services. Since the product structure is modular, operators can add functionality over time which creates an installed-base expansion logic rather than a pure one-off project model. The 2025 turnaround reset has sharpened the commercial focus toward installed-base monetisation, where incremental wins are expected to come from selling additional functionality to existing customers before expanding more aggressively into new customer segments.

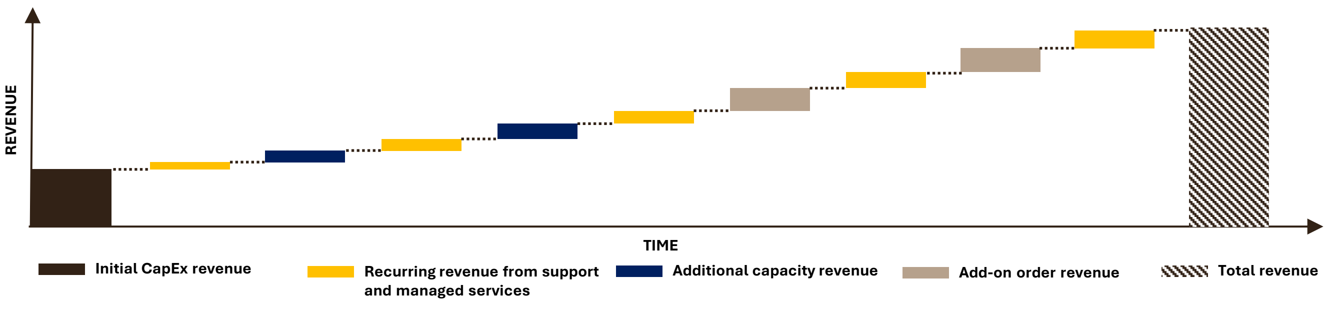
REVENUE MODEL

SDS' revenue model combines upfront project and installation revenue from initial system investments with recurring revenue from support and managed services after the system is live. Contract sales typically lock in multi-year recurring revenues of 3-5 years, where support revenue amount to roughly 10-20 % annually of the initial system investment, with support typically beginning 6–12 months after project delivery, creating a recurring base once the platform is live. Over time, capacity expansions, change requests and add-on modules further expand the revenue scope, increasing revenue per customer without requiring new customer acquisition.

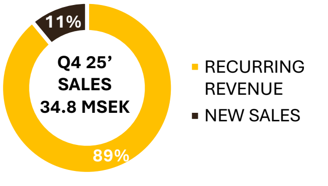
SDS: RECURRING REVENUE SHARE



SDS: EXAMPLE OF REVENUE CREATED BY CONTRACT SALES



In the reported quarterly mix over the past 20 quarters, recurring revenues have represented a high share of total sales, with recurring revenues accounting for about 89 % of sales in Q4 2025, while new sales can fluctuate with project timing and contract milestones. This mix supports revenue visibility, but it also means that quarterly performance is sensitive to timing of upgrades and deliveries.



COMMERCIAL MODEL AND GO-TO-MARKET

SDS' platform structure supports a "land-and-expand" commercial model. A core deployment establishes integration into operator systems and creates the data foundation for additional modules. Over time, the Company can expand scope through add-ons in sales enablement, sales growth and sales optimisation, which increases revenue per customer without requiring new customer acquisition.

Following the turnaround, SDS has communicated a more selective approach to new customer acquisition and a prioritisation of existing customers, shifting reliance from a limited number of large new-sales projects toward a broader mix of smaller, more repeatable deliveries. The intended effect is lower sales volatility and improved delivery predictability, while increasing the share of revenues that can be expanded within existing accounts, which in turn strengthens the Company's operating leverage before scaling new logo acquisition further.

This model requires delivery discipline and account management, since upsell budgets compete internally within operators and value needs to be demonstrated for each incremental module. A strong managed operations setup is therefore crucial. Reliability-as-a-Service and ongoing support reduce operational friction after launch, strengthen retention and create a credible platform for repeatable module expansion over time. AI and optimisation modules can further strengthen the upsell opportunity by expanding wallet share into decision-support use cases such as forecasting and planning. At the same time, these modules typically require stronger customer engagement, which can influence sales cycles and increase delivery effort compared with core transaction and distribution deployments. For the commercial model, repeatability and delivery standardisation are therefore as important as product breadth.

CUSTOMER CONCENTRATION AND RETENTION

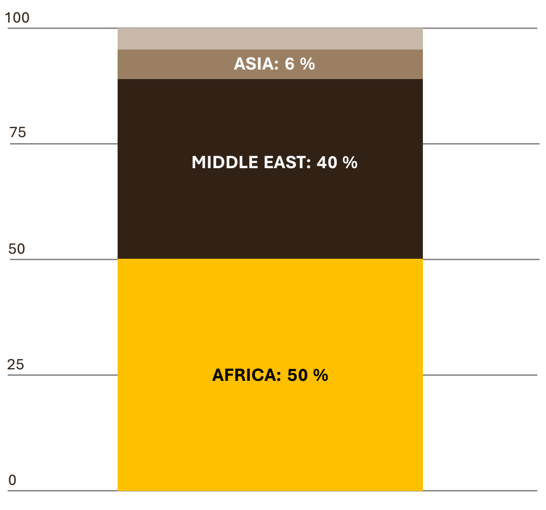
SDS operates in a niche enterprise segment selling mission-critical enterprise software to a limited set of large telecom operator groups, where customer relationships are typically large, long-term and operationally embedded, which structurally creates a degree of concentration. At the same time, the revenue base is more diversified than what individual order announcements may suggest. Based on the Company's customer mix, no single customer represents more than 10 % of total revenue when combining support and project-related sales. The support and managed services base spans roughly 50 customers, which further supports diversification on the recurring side.

Geographically, revenue is concentrated to emerging markets, with Africa representing around 50 % of sales, the Middle East around 40 %, Asia around 6 % and the rest of the world around 4 %. This footprint provides exposure to prepaid-heavy markets, but also implies FX and regional operating risk, as well as concentration to a limited set of large operator groups.

Retention is supported by high switching barriers. SDS' software is deeply integrated into operators' revenue-generating flows and are positioned as mission-critical infrastructure, which typically results in long customer relationships and low churn. The Company has disclosed a very limited number customer losses over recent years, which aligns with the mission-critical positioning. In our view, the key factor is therefore less about churn and more about timing and scope of upgrades and expansions within the installed base.

SDS – CUSTOMERS BY GEOGRAPHY

(%) share per customer



NO CUSTOMER ACCOUNTS FOR 10 % OR MORE OF SALES

COMMERCIAL MODEL AND GO-TO-MARKET

SDS' margin profile varies by revenue stream, reflecting a balance between software, services and delivery-heavy work. Software is the highest-margin revenue stream and is estimated at around 80 % gross margin. This high-margin software component is largely driven by legacy products from the Riaktr product portfolio comprising of platforms for advanced analytics for sales optimization as well as network infrastructure optimization for telecom and network operators.

Support and managed services are estimated at around 50 % gross margin, reflecting a recurring service layer with ongoing delivery costs but typically stable scope and renewals. Change requests are estimated at around 30-40 % gross margin, as they are often delivered within an existing customer setup and require less incremental effort than a full rollout. Implementation work is structurally the lowest-margin stream, estimated at around 15% gross margin, as deployments are resource-intensive and integration-heavy.

For the overall earnings profile, this mix implies that profitability improvements in the near-term are driven by growth through software, support contracts and add-ons within the installed base, rather than large implementation-heavy projects. It also clarifies why the post-2025 focus is on upgrades and module expansion in existing accounts. Once the platform is live, incremental scope should require less delivery effort than greenfield deployments, supporting margin progression if execution remains disciplined.

Note that the Company does not disclose margins by individual module in its reporting, which limits granularity on product-level profitability.

SDS: MARGIN PROFILES

SOFTWARE ≈ 80 %

SUPPORT & MANAGED SERVICES ≈ 50 %

CHANGE REQUESTS ≈ 30-40 %

IMPLEMENTATION WORK ≈ 15 %

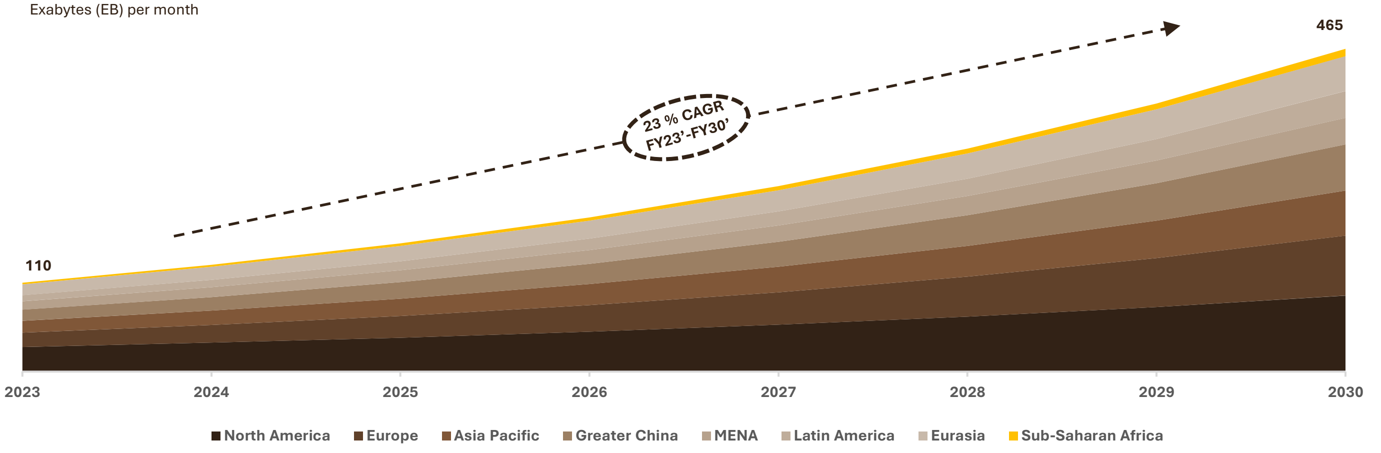
SDS MARKET OUTLOOK

SDS operates in prepaid-heavy emerging markets, primarily across Africa, the Middle East and parts of Asia, where telecom operators continue to modernise sales and distribution as mobile usage grows. By end 2023, approximately 5.6 billion people subscribed to a mobile service globally and the subscriber base is expected to increase to around 6.3 billion by 2030, with most growth coming from low- and middle-income markets. At the same time, mobile usage intensity continues to rise. Global mobile data traffic per connection, meaning the average mobile data consumed by connected user, increased from 10.2 gigabytes (GB) per month to 12.8 GB in 2023 and is expected to keep growing rapidly through 2030.[1] The data gap between high-income regions and low- and middle-income countries remains significant today, but emerging markets are catching up.

MOBILE DATA TRAFFIC TRENDS IN EMERGING MARKETS

Over the last decades, data usage has been exponentially rising in all markets. Emerging markets such as Africa are seeing increased adoption and rapid growth of mobile data penetration due to more affordable smartphones and cheaper data plans in combination with a general rapid population increase and GDP growth. Given these factors, increased mobile data usage is expected to continue in the foreseeable future. The expected surge in global mobile data traffic per connection through 2030 is in large part driven by these emerging regions. Sub-Saharan Africa is expected to rise from about 2 GB per connection in 2023 to approximately 9 GB in 2030, growing by 23 % per year (CAGR). The MENA region is expected to grow by 18 %, and Asia Pacific (excl. China) at 21%.[2]

GLOBAL MOBILE DATA TRAFFIC
Exabytes (EB) per month



Source: GSMA. 2024. The mobile industry in numbers

As previously noted, over 90 % of mobile subscriptions are prepaid in emerging markets, and the traditional model of distribution for prepaid airtime in these markets is dependent on physical distribution of mobile cards through multi-tier reseller networks. The model requires retailers to hold large inventory and tie up capital, while operators face logistics and security risks and often have limited real-time visibility across the S&D chain. The model also requires end-users to do manual top-up via voucher codes when balances run out. Furthermore, limited availability and stockouts at local retailers can translate into lost sales and weaker retention with end-users choosing other operators. This creates demand for digitized distribution, transactional control, and analytics where operators and wholesalers gain visibility into reseller performance, inventory flows, and leakage reduction. Hence, the market is increasingly shifting towards digital distribution.

Given the high expected growth paired with in many cases outdated market dynamics in emerging markets, the development should keep operators focused on modernising sales and distribution, improving channel control and investing in analytics.

A relevant question is whether prepaid structures fade as emerging markets become wealthier and mobile usage rises. However, data suggests that prepaid can remain the dominant model even in markets with high data consumption. One need only look to India that is an exception to the typical low- and middle-income disparity pattern, with average monthly data usage of about 19 GB ranking among the highest globally. Despite that usage profile, prepaid airtime represents over 90 % mobile subscriptions.[3] This is important because it supports the case that higher data usage does not automatically imply a fast shift to postpaid. Instead, operators remain highly dependent on prepaid distribution and frequent top-up behaviour, which keeps the focus on digitised distribution, channel control and analytics like SDS offerings.

1. *GSMA. 2024. The mobile industry in numbers*
2. *GSMA. 2024. The mobile industry in numbers*
3. *The Indian Express. 2026.*

TELECOM OPERATOR PRIORITIES

Mobile operators are investing heavily in network upgrades while revenue growth remains modest, particularly in low- and middle-income countries. This keeps management attention on cost discipline and on protecting and expanding existing revenue streams. Capex intensity has been elevated during the 5G cycle and GSMA Intelligence projects cumulative operator capex of around USD 1.2 trillion between 2025 and 2030.[4]

In this setting, S&D is not only a commercial function. It is also a cost and control problem. Operators are incentivized to improve sell-out capture, reduce leakage and friction in the channel and automate processes that otherwise drive headcount and operational complexity. This helps explain why software that increases visibility and control in prepaid distribution can remain prioritized even when broader spending is selective.[5]

THE USAGE GAP AND AFFORDABILITY CONSTRAINTS

In many prepaid-heavy markets, the adoption ceiling is not only coverage, It is usage. A large share of people lives in areas with mobile coverage but do not use mobile internet services, which is described as the usage gap. The usage gap is concentrated in low- and middle-income countries, where affordability and digital skills remain persistent barriers.[6]

Looking at affordability, devices remain a large upfront hurdle for many households and an entry-level internet-enabled device represents a meaningful share of monthly income in low- and middle-income countries and an even higher share for the poorest regions. For operators, this shapes how growth is pursued. When markets are price-sensitive, distribution reach, availability, simple refill journeys and retail execution tend to carry weight, since they influence both adoption and retention in the prepaid base.

CLOUD READINESS, SECURITY AND UPTIME EXPECTATIONS

Telecom networks and service platforms continue to shift toward software-defined, cloud-native architectures and higher levels of automation. The market is seeing rising investments in telco cloud infrastructure and software as operators modernize to support cloud-native network functions and AI-driven automation.[7] This increases the value of scalable operations and predictable service performance, since more functions become software-driven and integrated across domains.

The same shift raises the security and resilience bar. Virtualization and cloud-native design expand the attack surface and increase the importance of security controls, access management and software supply chains.[8] The mobile industry has also built dedicated working groups focused on fraud and security across network and infrastructure layers, reflecting the ongoing priority placed on protecting networks and customer identity.[9]

For SDS' customers, this context supports two market dynamics. Operators tend to demand higher uptime and clearer operational accountability from vendors whose systems sit close to revenue flows. At the same time, automation and managed operations become relevant not only for efficiency, but also for keeping complex environments stable and auditable as architectures modernise.

4. *GSMA Intelligence, The Mobile Economy 2024/26*
5. *GSMA Intelligence, Network Transformation 2026*
6. *GSMA. 2025. GSMA calls for renewed focus on closing the Usage Gap as more than 3 billion people remain offline despite available mobile internet services*
7. *Omdia, telco network cloud market forecast and cloud-native investment trend.*
8. *ENISA, security challenges in 5G networks with virtualisation and orchestration considerations.*
9. *GSMA, Fraud and Security Group overview and scope of network security work.*

COMPETETIVE LANDSCAPE

OVERVIEW

The shift from the traditional model towards digitalization, channel control and deeper analytics has created new market dynamics in the prepaid airtime space. Operators can source capabilities from specialist S&D vendors, broader Business Support Systems (BSS) vendors, or Large system integrators (SIs) that build and integrate solutions on top of existing IT cores. Procurement is typically project based, tender driven and integration-heavy, which means vendor selection often reflects an operator’s current IT landscape and preferred delivery partners as much as feature sets.

A way to frame the landscape is to separate specialists that focus directly on S&D workflows from broader BSS vendors that offer end-to-end monetization stacks, as well as from integrators that deliver transformation programs.

SPECIALISTS IN PREPAID DISTRIBUTION AND CHANNEL EXECUTION

A set of vendors are focused specifically on distribution network workflows, dealer and retailer hierarchies, inventory control and commissions. Estel positions its Distribution Management System as a tool for managing the full distribution chain.[10] Telepin offers airtime top-up software that can be combined with agent distribution management and also highlights that the top-up component can be deployed independently depending on operator needs.[11] 6D Technologies markets Ventas as an AI-driven sales and distribution management platform.[12] Comviva overlaps the segment through recharge and voucher solutions. Its PreTUPS platform is positioned around multi-level distribution management, commissions and loyalty mechanics as well as real-time monitoring.[13]

For SDS, this is the closest competitive cluster. These vendors typically compete on depth in distribution workflows, speed of rollout, ability to handle multi-tier channel structures and the practicality of day-to-day tools for field and retail operations.

BROADER BSS VENDORS THAT CAN OVERLAP IN S&D

A second cluster is broader BSS vendors and large telecom software providers. These players typically lead with charging, billing, CRM and end-to-end order-to-cash transformations, but can overlap SDS in areas such as dealer enablement, channel tooling and analytics. Huawei positions a cloud-native BSS and convergent billing portfolio with broad B2C and B2B support, which can be bundled as part of larger transformation programs.[14] Cerillion is another example of a BSS/OSS suite provider and offers dealer portal functionality as part of a broader stack.[15] Tecnotree positions a digital BSS stack deployed at large operator groups across emerging regions and markets inventory and forecasting capabilities.[16] Amdocs develops aOS, an agent-driven BSS, OSS, and Network suite, using AI to drive telco-specific intelligence directly into end-to-end business processes spanning customers, employees, and operations.[17]

These vendors benefit from an operator preferring a consolidated stack and wants S&D related capabilities to sit inside a wider transformation scope. For SDS, this is typically less a feature-by-feature fight and more a question of what sits in the centre of an operator’s transformation agenda.

SYSTEM INTEGRATORS AS COMPETITORS AND CHANNEL PARTNERS

SIs like Wipro represent a different type of competition. Rather than selling a standalone product, they often advocate for building custom S&D functionality directly onto an operator's existing IT core. Wipro positions itself explicitly around engineering, integration and customisation of BSS and OSS functions including sales, marketing, billing and inventory.[18] For SDS, the threat is that an operator might choose to pay an SI for custom integration work instead of purchasing a specialized third-party platform. In these cases, the buying decision is driven more by who manages the overall IT transformation project than by which specific software has the best features. However, SIs can also act as partners, where they handle the implementation of SDS’s platform as part of a larger network upgrade.

COMPETETIVE LANDSCAPE IMPLICATIONS FOR SDS

The competitive landscape suggests that specialists can compete closely on distribution depth, local delivery capacity and the day-to-day usability of channel tools. It also suggests that broader BSS vendors and integrators can compete by expanding scope into end-to-end transformation. SDS’s ability to defend its position by being faster, more specialized and less capital-intensive than a custom build is a key differentiator. Recent order flow centred around ERS upgrades points to significant stickiness in existing accounts, an important advantage in a market where switching costs are high and operational stability is a primary buyer concern.

10. *Estel. 2026. Estel DMS: Empowering Your Telecom Distribution Network, Expanding Your Horizons*
11. *Telepin. 2026. Mobile Airtime Top up solutions*
12. *6D Technologies. 2024. Smart Collaborates with 6D Technologies to Enhance Sales and Distribution Capabilities*
13. *Comviva. 2026. Recharge & Voucher Solutions*
14. *Huawei. 2026. BSS SaaS solution*
15. *Cerillion. 2026. Dealer Portal*
16. *Tecnotree. 2026. Digital Resource management*
17. *Amdocs Management Limited. 2026. Amdocs Introduces aOS: An Agentic Operating System for Telecommunications*
18. *Wipro. 2026. BSS/OSS Engineering*

COMPETETIVE LANDSCAPE

LISTED PEERS FOR MARKET OUTLOOK

Direct listed peers that are pure-play prepaid S&D specialists are limited. We have considered a broader peer set with telecom software exposure consisting of, amongst others: Digital BSS vendor **Tecnotree** with deployments across the Middle East and Africa and references to large operator groups; BSS and OSS suite provider **Cerillion** with telecom dealer and channel related modules, though broader than SDS' core niche; Global SaaS-based Digital BSS and revenue management provider **CSG Systems international**, specializing in monetization and customer engagement for large-scale telecom operators and partner ecosystems. Also included are Swedish software companies as a reference group for multiples indication:

	MCAP (MSEK)	EV/Sales		EV/EBITDA		P/E	
Broad reference group	**Current**	**25A**	**26E**	**25A**	**26E**	**25A**	**26E**
CSG Systems international	21143	2.1x	2.3x	*8.6x*	*9.4x*	*39.5x*	*15.4x*
Cerillion	4274	7.0x	5.88x	13.1x	13.0x	21.1x	19.5x
Tecnotree	1355	1.1x	1.8x	2.5x	4.1x	9.3x	8.6x
Enea	1180	1.5x	1.5x	4.9x	4.9x	22.7x	14.2x
Infracom	833	1.2x	1.1x	8.6x	7.6x	5.2x	11.6x
Net insight	773	1.4x	1.3x	8.0x	4.7x	N/A	16.1x
Generic Sweden	435	2.0x	1.8x	9.4x	8.1x	13.9x	11.9x
Upsales Technology	355	2.1x	1.7x	8.2x	7.1x	15,7x	13.5x
Average		*2.3x*	*2.2x*	*7.9x*	*7.4x*	*18.2x*	*13.9x*
Median		*1.8x*	*1.8x*	*8.4x*	*7.4x*	*15.7x*	*13.9x*
Seamless Distribution Systems	167	2.4x		-16.1x		-1.5x	

Sources: S&P, Börsdata

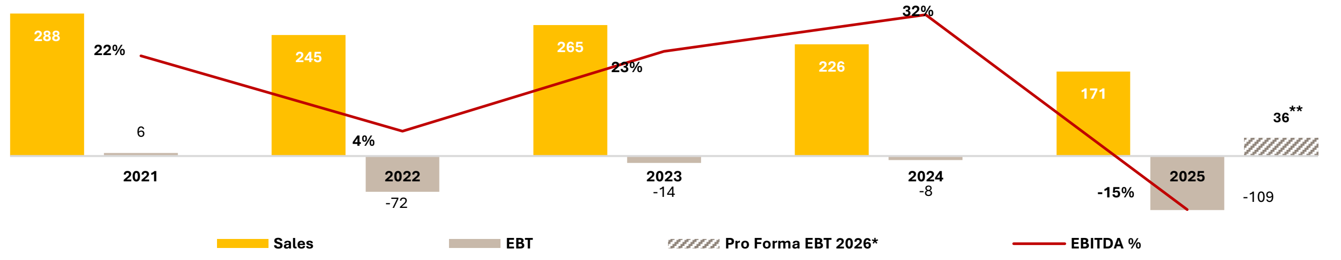
OVERVIEW OF FINANCIAL PERFORMANCE

HISTORICAL DEVELOPMENT

Over the last few years, SDS has seen a decline in both sales and a profitability, culminating in FY2025 becoming a reset year characterised by extensive restructuring measures and material one-off costs. The reported result before tax (EBT) for FY2025 was SEK -109 million, reflecting both weaker underlying performance and the financial impact of the turnaround.

The declining trend has been linked to a combination of weaker order intake, delayed projects and, in some cases, projects that were paused or terminated. Given SDS' enterprise software profile, single contracts can be large relative to quarterly revenue, which means timing in deliveries, upgrades and renewals can materially affect reported sales and profitability from period to period. The operational outcome was a pressured earnings profile into 2024-2025, alongside a need to structurally reduce the cost base and refocus commercial execution.

SDS: FINANCIAL DEVELOPMENT 21'-25' (NET SALES, EBITDA, EBT) (MSEK)

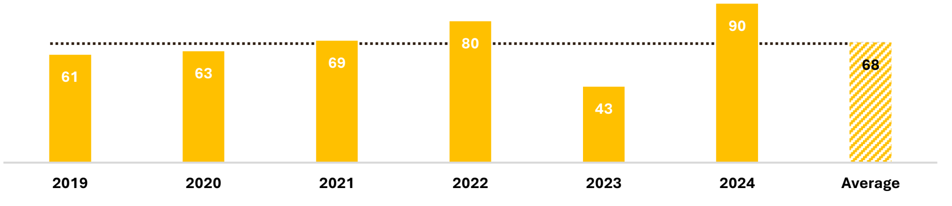


** EBT is shown given that it captures material net financial items from the senior secured bond*

*** Pro forma adjusted EBT is Company-calculated and applies a 2026 run-rate for opex, D&A normalisation, FX adjustment and interest to FY2025 net sales/EBT to illustrate earnings capacity post restructuring*

The Company's historical order intake in new software product business over 2019-2024 has been around SEK 68 million on average per annum. This metric excludes recurring revenues from Customer Support and Managed Services and therefore captures the more volatile part of the revenue engine. SDS long-term guidance is built on a normalised pace of contract wins around this level.

SDS: ORDER INTAKE 19'-24' (MSEK)

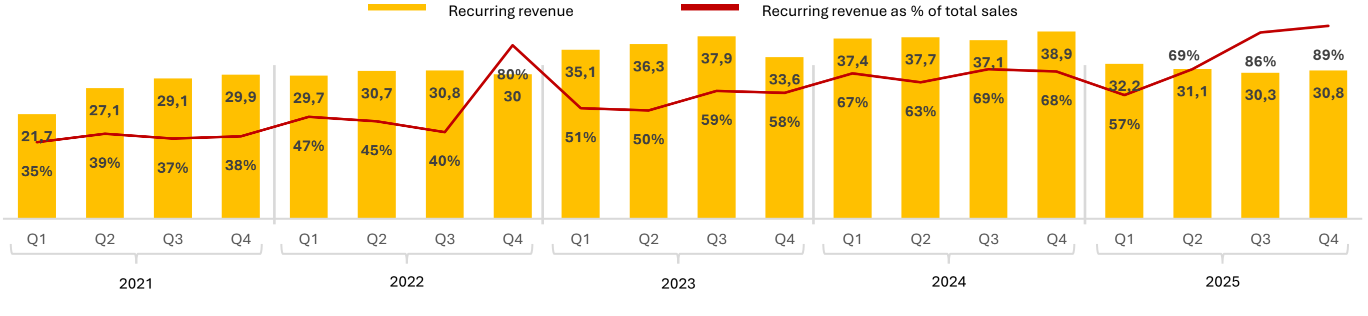


**Does not include orders for recurring business. It only includes new SW product business.*

RECURRING REVENUE BASE

While new licence and project revenues can fluctuate with contract timing, SDS' revenue base has increasingly been anchored by recurring revenues from support and managed services. This recurring layer supports visibility, particularly after the 2025 reset, as the Company enters 2026 with a materially lower cost base. In Q4 2025, recurring revenues represented about 89% of sales, illustrating how the quarterly mix can tilt heavily toward repeatable revenues when new sales are lower in a given quarter.

SDS: RECURRING REVENUE DEVELOPMENT 21-25' (MSEK)



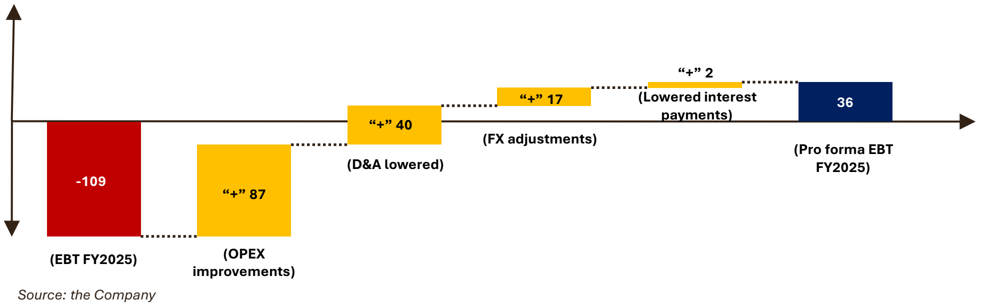
THE TURNAROUND AND COST BASE RESET

FY2025 was the execution year for the turnaround. The restructuring included cost reductions and organisational changes with full effect going into 2026. OPEX reduction include a stated reduction from approximately SEK 176 million SEK in Q1 2025 to around SEK 110 million in Q1 2026. The run-rate savings of SEK 66 million are mainly driven by the exits from the European operations in Belgium, Romania and France, together with two extensive layoff phases. Headcount has been reduced to around 160 employees from approximately 268 employees prior to the cost programme, which is relevant given that personnel is by far the largest cost item.

Operationally, the reset has been framed around a lower run-rate cost base, a more standardised delivery setup and a clearer commercial focus on repeatable deliveries and installed-base expansion. A key point in SDS' positioning entering 2026 is that recurring support revenues are targeted to cover the operating cost base. If sustained, this means incremental licence orders, upgrades and add-ons should have a more direct earnings impact than in the pre-turnaround setup, when a higher fixed cost base required larger project volumes to reach profitability.

To illustrate the earnings potential post turnaround, SDS has communicated a pro forma bridge where the 2025 sales level is applied with the 2026 adjusted run-rate for the cost base consisting of the operating cost cuts, with normalised depreciation and FX adjustments. On that basis, the illustration implies pro forma EBT of about SEK 36 million for the full year.

SDS: ADJUSTED EBT BRIDGE AFTER TURNAROUND



Source: the Company

In the bridge, the largest component is the operational cost reset. A meaningful part of the uplift also comes from depreciation normalisation, while the FX component is a key judgement point. Currency effects can swing materially and are hard to treat as a stable earnings improvement. The bridge is therefore best viewed as an illustrative run-rate snapshot rather than a forecast, with realised 2026 performance depending on actual order intake, delivery pace, FX and cash conversion.

BALANCE SHEET AND BOND FINANCING

SDS' financial profile was highly stretched at the end of 2025, in large driven by the reset year. Cash amounted to just SEK 2.1 million, while net debt amounted to approximately SEK 231 million as of year end 2025. The solidity has on average been about 25 % in the years prior and amounted to just 1.2 % in 2025. The weak ratio picture is a direct effect of the loss-making reset year in 2025, with a total negative result of about SEK -126 million and hence a near-eroded equity base, but the direction is nevertheless clear: SDS entered 2026 with very limited balance sheet headroom.

The balance sheet is shaped by SDS senior secured bond. The bond was originally issued in April 2021 with an initial volume of SEK 200 million within a total framework of SEK 300 million and the proceeds were earmarked to finance the Riaktr acquisition, refinance existing debt and support other general purposes. The bond was placed as a floating-rate instrument and SDS has since negotiated amendments, including an extension of maturity to 31 December 2027.

Given the senior secured bond financing, liquidity and earnings stability are central to the risk profile. The interest framework allows reduced cash interest at certain dates (5 % paid vs 9 %), with the remainder capitalised into principal, supporting short-term liquidity but increasing debt over time. Covenant compliance has been challenging, with repeated breaches of the SEK 10 million minimum cash requirement during 2025 (reported cash SEK 2.7 million at year-end), managed via standstill arrangements with bondholders. Going into 2026, sustained cash generation and covenant headroom are key to reducing refinancing risk and operational distractions as the Company looks to execute after its turnaround.

FORECAST SCENARIOS

IMPALA NORDIC

GUIDANCE

Post-turnaround, SDS guides FY2026 EBT of SEK 45–55 million and has, through early 2026 order announcements, communicated SEK 18-20 million of “secured” EBT for the year. The early 2026 orders have mainly been linked to upgrades of the ERS platform to the latest generation, ERS 5, within existing customer accounts. This aligns with the near-term focus on monetising the installed base through repeatable upgrades and support agreements.

The pace of early-year secured earnings build-up strengthens the starting point for the 2026 outcome as almost 40 % has been achieved in less than three months. But a large share of the full-year delivery still depends on continued order intake, project execution and cash conversion through the remaining quarters.

FORECAST OVERVIEW

The forecast scenarios take basis in the Company’s historical performance, turnaround and guidance. Our base scenario broadly tracks with management’s 2026 profitability outlook, given that upgrade order intake has continued from late 2025 into early 2026 and that SDS now communicates that almost 40 % of the full-year milestone EBT target is already reached in early March.

SDS enters 2026 from a lower run-rate cost base, where recurring support revenues are intended to cover the operating cost base and bond interest. This gives a clearer earnings logic than before, as additional license orders, upgrades and add-on modules should have a stronger effect on reported earnings.

We see SDS achieving a level of new orders while broadly realizing its cost-base reduction. Upside comes from higher-normalized than expected upsell of high-margin modules and a continued high-paced upgrade cycle, while downside assumes continued order slippage, weaker collections in emerging markets and slower cash conversion. Across scenarios, recurring support revenue provides a stable baseline, but project timing still drives swings. Sensitivities include order intake conversion, module attach rates, delivery timing and covenant headroom.

MAIN ASSUMPTIONS:

- **Historical order intake reference**: SDS’ average annual new product order intake of SEK 70 million is used as a baseline for new sales.
- **Recurring revenue growth**: Support and managed service contracts remain a key driver, supported by low churn and multi-year contracts. We assume recurring revenue, currently 80-90 % of quarterly sales, grows modestly at about 5-10 % as base expands.
- **Cost base**: The assume the OPEX reduction is in broad realised and fully in effect through 2026 with limited re-expansion in the near term. We assume no further headcount cuts, as annual personal costs remain mostly flat, aligning with recurring revenues now covering new fixed costs.
- **Incremental earnings logic**: Following the 2025 reset, we assume that incremental licence revenue, upgrades and add-on modules carry higher drop-through to earnings than before, as recurring support revenues are assumed to broadly cover the fixed operating cost base.
- **New initiatives**: We include conservative revenue contributions from new initiatives as we see continued development of offerings in the AI-driven portfolio and optimisation pillar. In base and optimistic scenarios these contribute from 2027 onward, while remaining limited in the pessimistic case.
- **Other factors**: We assume normalised/ net neutral FX, as even though actual FX volatility may cause noise it is hard to forecast and is not treated as a “structural” earnings driver. We also assume the bond remains outstanding unless major financing events occur.
- **Capitalisation and cash conversion:** Part of the earnings improvement in 2026 is supported by continued capitalisation of development expenditure and lower cash interest under the bond terms. Our forecasts assume continued capitalisation at levels broadly in line with recent practice. This supports reported EBT but not operating cash flow to the same extent.

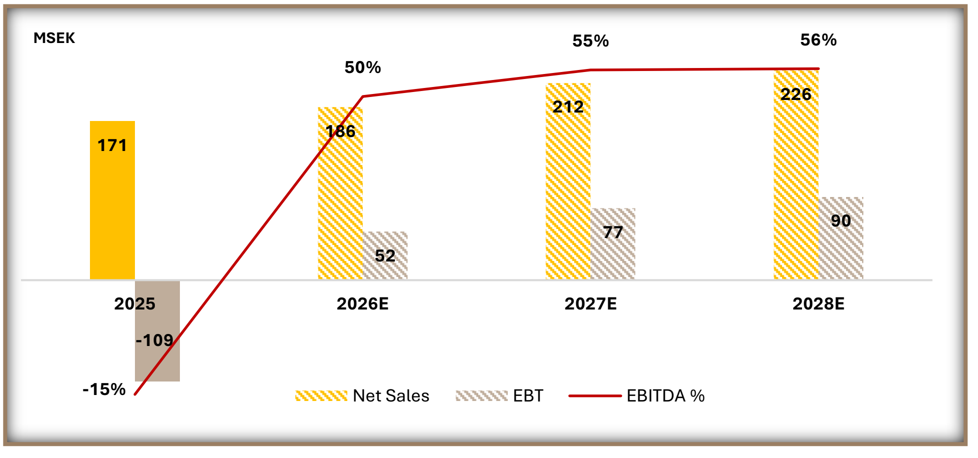
FORECAST SCEARIOS (CONT.)

SCENARIOS

BASE SCENARIO

In the base scenario, SDS is expected to convert a normalized level of new business closer to the historical average during the past years and delivers on its cost-reduced run-rate, broadly consistent with the Company's public guidance range for 2026. High-margin add-on modules are expected to contribute incremental upsell, mainly within the installed base. Hence, the base scenario assumes that the post-turnaround model starts to show through in reported earnings. Recurring support revenues provide the earnings floor, while incremental upgrade and add-on sales contribute with better margin than under the pre-reset setup. At the same time, this still requires that deliveries convert on time.

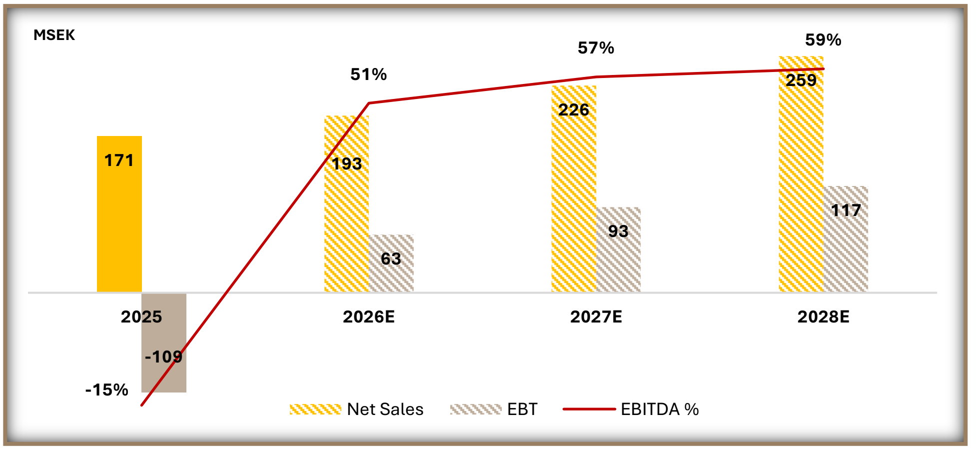
Net sales are expected to exceed SEK 185 million in 2026, rising to approximately SEK 226 million by 2028. On the profitability side, the EBITDA margin is expected to reach 50 % in 2026 following the adjusted OPEX run rate, and EBT of over SEK 50 million given normalized D&A and lowered interest payments, reaching over SEK 90 million by 2028.



OPTIMISTIC SCENARIO

The optimistic scenario is primarily defined by higher add-on module penetration within the installed base, particularly AI-driven and planning-related modules SDS has communicated that it is focused on maximizing value in the existing tier-1 base through upgrades and additional modules, which is the clearest path to stronger upside in the short term. In this scenario, the lower cost base gives a stronger earnings effect from each additional order, as software-heavy modules and recurring service revenues are the main growth drivers while the cost base remains controlled. Hence, cash generation improves, reducing covenant pressure and gives the Company greater room to execute.

Net sales could reach levels of nearly SEK 195 million in 2026, rising to approximately SEK 260 million by 2028. On the profitability side, EBT could reach over SEK 60 million given continued strong momentum, reaching over SEK 115 million by 2028.

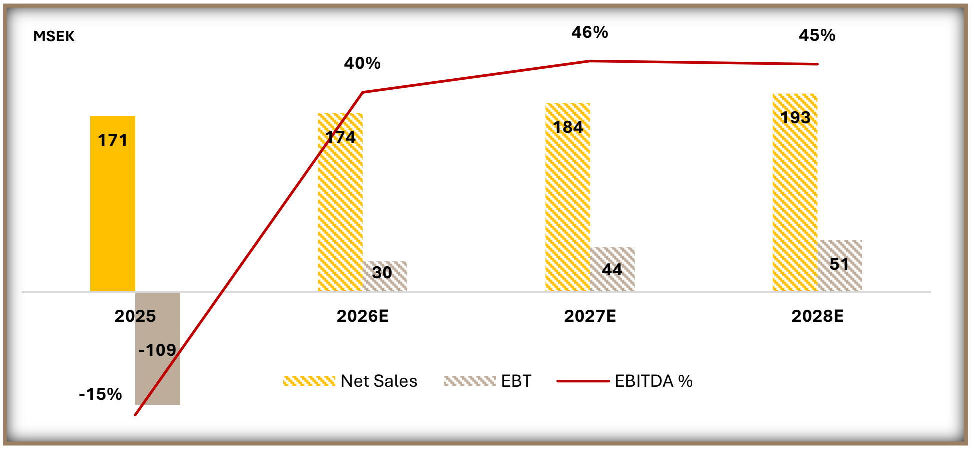


FORECAST SCEARIOS (CONT.)

PESSIMISTIC SCENARIO

The decisive assumptions in the pessimistic scenario are that procurement cycles remain slow, project revenues shift into later periods and incremental profitability comes through more slowly than management indicates. Secured EBT still provides a floor, but not necessarily adequate to remove balance sheet risk unless cash improves materially. In this scenario, the lower cost base still helps relative to the pre-turnaround structure, but the benefit is partly offset. This could result in renewed covenant pressure, which would reduce the operational benefit of the turnaround.

Net sales reach similar total levels of 2025, rising to just under SEK 195 million by 2028. On the profitability side, EBT is still expected to increase, amounting to about SEK 30 million in 2026 given the turnaround, reaching over SEK 50 million by 2028.



RISKS

EXECUTION RISK IN THE POST TURNAROUND PHASE

The 2025 reset has lowered the cost base and sharpened commercial focus, but the investment case still depends on delivery in 2026. SDS needs to convert early order momentum into earnings and cash flow through 2026. Project delivery in operator environments remains integration-heavy and sensitive to scope changes, customer readiness and internal resource allocation. If implementation timelines slip, profitability can lag even with solid order intake. This risk is increased if the product mix shifts toward more complex rollouts and not more module-heavy implementations with strong margins, or if cost discipline weakens as the organisation scales again.

RISKS LINKED TO THE COMPANY'S BOND FINANCING

SDS' risk profile is tightly linked to its senior secured bond and liquidity headroom, which makes earnings stability and cash generation central. The Company has faced liquidity covenant pressure and used standstill arrangements with bondholders. The bond structure, with reduced near-term cash interest while capitalising part of the coupon into principal, has protected liquidity in the short term but increases debt over time. The cost reset and confirmation of positive earnings materially reduce refinancing risk and strengthen negotiating leverage toward creditors. However, if execution falters, the risk increases disproportionately. The turnaround therefore directly underpins capital structure sustainability.

EMERGING MARKET FOCUS GIVES GEOPOLITCAL RISK AND FX SENSITIVTY

SDS' revenue base is concentrated to emerging markets, which brings structural growth but also higher macro and operating risk. SDS may face currency volatility, shifting regulatory requirements and operators may face constraints on CapEx and OPEX budgets during periods of economic stress. For SDS, this can translate into delayed project decisions, slower collections, or contract renegotiations. FX movements affect earnings, with the 2025 results weighed down by SEK 16.6 million in currency effects. Furthermore, geopolitical and local market risks can complicate delivery and support. These factors tend to be episodic, but they can materially influence short-term financial performance.

CUSTOMER CONCENTRATION AND CONTRACT TIMING

SDS sells to a limited number of large telecom operator groups, which structurally implies customer concentration. This is partly mitigated by mission-critical positioning and multi-year support relationships, but it does not eliminate sensitivity to account-level decisions. A delayed upgrade, a postponed renewal, or reduced investment appetite in a single tier-1 account can materially affect quarterly outcomes. Since procurement cycles are often long and tender-driven, the timing of major project wins is often unpredictable. As SDS increasingly leans on installed-base upgrades and add-on sales, the timing and pace of module adoption in a small set of key accounts becomes an important factor.

RISKS LINKED TO TECHNOLOGY

SDS' platforms sit close to operators' revenue-generating flows, which raises the cost of operational issues. Service interruptions, performance problems or security incidents can lead to penalties, reputational damage and weaker renewal prospects. As SDS expands with optimisation and AI-driven modules, the adoption risk also increases. Decision-support tools create value only if users trust outputs and integrate them into daily operations. If modules require heavy tailoring or do not deliver clear outcomes, sales cycles can lengthen and delivery effort can rise, which can pressure margins and weaken the scalability case.

MANAGEMENT AND GOVERNANCE

OVERVIEW

The management team consists of experienced executives with backgrounds in telecom, software delivery, operator-side commercial experience and capital markets knowledge, relevant for SDS's footprint in emerging market tier-1 operators. The board adds experience from telecom operators, Ericsson, engineering-led product development and financial markets.

We also note continued insider share purchases during early 2026 from board members and management, expanding the insider ownership and providing growing alignment, particularly important in the turnaround setting. Throughout February 2026, CEO Martin Schedin, CFO Jens Ålander and board members Tomas Klevbo and Håkan Holm all increased their ownership in SDS through share purchases, options or subscriptions.

An additional point is that financially important parties around SDS appear to have supported the Company on both the equity and bond side during the turnaround. Bondholder and stakeholder Robus Capital Management participated in the February 2026 directed unit issue, and SDS has also secured repeated agreements with major bondholders during the restructuring period. We view this as supportive since it reduces the risk of a more adversarial creditor situation during the turnaround. Still, the balance sheet remains pressured, which means that creditor support must ultimately be backed by better earnings, cash flow and liquidity.

MANAGEMENT

- **Martin Schedin, CEO**: Martin Schedin became Chief Executive Officer in 2025 and previously served as CFO of SDS between 2018-2025. He has more than two decades of experience from finance roles and has also worked with SDS earlier when the business was part of Seamless Invuo Group. Martin Schedin owns 198 160 shares in SDS.
- **Jens Ålander, CFO**: Jens Ålander became Chief Financial Officer in 2025 and has held several senior finance roles in technology and telecommunications, including international positions in Italy, Turkey and the UAE. Jens Ålander owns 42 500 shares in SDS.
- **Sandipan Mukherjee, CBO**: Sandipan Mukherjee became Chief Business Officer in 2025 after having worked for SDS in global support, operations and broader delivery roles. He has a background in software development and service delivery at IBM and Roamware and has previously been the Head of Product Operations at Qliro. Sandipan Mukherjee owns 19 127 shares in SDS.
- **Denver Alwar, CSO**: Denver Alwar became Chief Strategy Officer in 2025, adding operator-side commercial experience with more than 20 years across telecommunications, retail and municipal management. He has held senior S&D roles at Cell C and MTN, including responsibility for strategy and operations across 20 countries. Denver Alwar does not own shares in SDS.

BOARD

- **Martin Roos, Chairman**: Martin Roos has held the Chairman position since 2022, bringing strong board-level telecom and operator experience. He has held management roles within Ericsson and later served as CEO of Cable & Wireless Caribbean and Altice in the Dominican Republic. Martin Roos owns 876 105 shares in SDS.
- **Tomas Klevbo, Board Member**: Tomas Klevbo has been a board member since 2023 and has a background in leadership roles in finance, with a focus on financial analysis, corporate finance and asset management. Tomas Klevbo owns 1 178 868 shares in SDS.
- **Håkan Holm, Board Member**: Håkan Holm was appointed board member of SDS in 2025, adding technology and business competence. He has more than 35 years of experience in digitalisation, business strategy and B2B software development. Håkan Holm owns 74 262 shares in SDS.

IMPALA NORDIC'S CONCLUDING VIEW

SDS enters 2026 following a transformative year, with a lower cost base, an operational reset and a more focused commercial strategy centred on monetising the installed-base upgrades and execution. The renewed management team also supports the turnaround with added experience in strategy, software delivery, operator-side commercial delivery and finance, which strengthens the conditions for execution and follow-through in the next phase.

What strengthens the setup further is that SDS now enters 2026 from a lower run-rate cost base where the recurring support business is intended to cover the operating cost base and bond interest. This gives a clearer earnings logic to the turnaround, as further upgrades, add-ons and new orders should contribute with a stronger incremental effect than before.

Beyond the turnaround, the core proposition is strong. SDS' mission-critical platform sits deep in operators' revenue flows in prepaid-heavy markets, with long customer relationships, recurring support revenues and high switching barriers. That gives the business a solid base to continue to expand within existing teir-1 accounts.

We also view the public 2026 outlook and the secured earnings update as helpful, since they give investors clear checkpoints for how the turnaround is translating into reported earnings, especially as early orders have been tied to ERS 5 upgrades within the installed base. At the same time, the secured earnings base is only a starting point and the full-year outcome still depends on continued order intake, delivery and cash conversion through the year.

That said, the balance sheet remains central to monitor. Into 2026, the key points are delivery, lasting margin progression under the lower cost base, and whether covenant pressure eases through stronger cash buffers or revised terms. We are positive on the reset and the platform, with the clear reservation that execution and balance sheet de-risking still need to be proven through 2026.

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Conflict of interest

Analyst owns shares in the Company: **No**

Impala Nordic or people behind Impala Nordic owns shares in the Company: **Yes**

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