

Seamless Distribution Systems – Report Comment

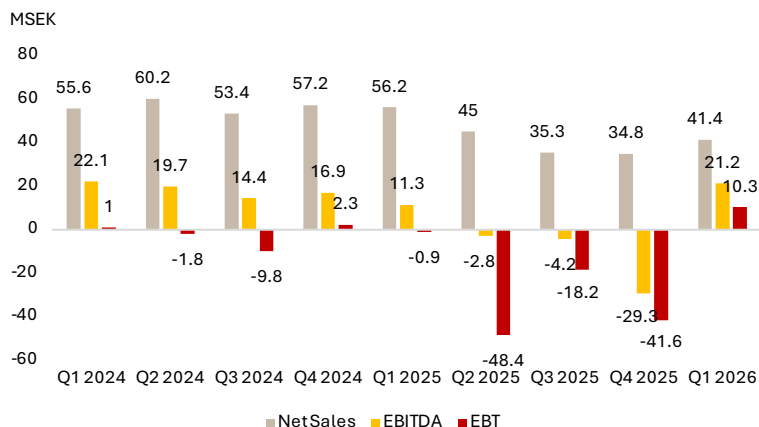
All Time High Earnings

Impala Nordic comments on Seamless Distribution Systems AB (publ) ("SDS" or the "Company") Q1 2026 report. The quarter marks a clear inflection point, with SDS delivering its strongest result since IPO. The restructuring carried out through 2025 has materially reset the cost base, and the operating leverage now in place means added revenue converts directly into profitability. With the full-year guidance of 45–55 MSEK pre-tax profit reiterated and a strong order pipeline, attention turns to revenue recovery and the Company's ability to translate commercial momentum into sustained top-line growth.

A Proof Point For The Turnaround Thesis

Q1 2026 is the quarter that finally shows the result of what SDS management pointed toward when initiating its transformation programme roughly nine months ago. EBITDA came in at 21.2 MSEK, up 87% year-on-year, with an EBITDA margin of 51.2% compared to 20.1% in Q1 2025. EBIT reached 16.6 MSEK against 2.1 MSEK in the comparable period, and the Company posted a positive pre-tax result of 10.3 MSEK. The result was driven almost entirely by cost discipline rather than revenue, which is impressive, but comes with risks. Operating costs were reduced by more than 42% year-on-year to 25.4 MSEK, reflecting the leaner, software-focused organisation that emerged from the 2025 restructuring. Headcount stood at 157 at period-end, down from 229 a year earlier. To ensure healthy long term growth conditions, we believe that it is crucial to regain top line momentum.

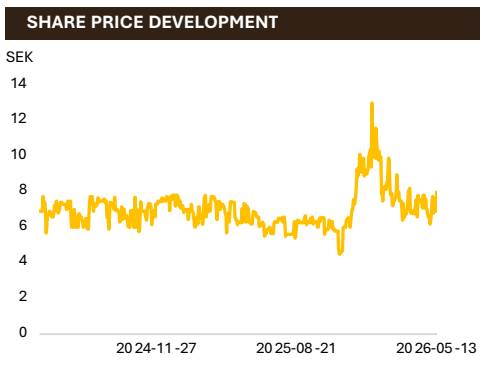
Net Sales of 41.4 MSEK were 26.5% below Q1 2025, despite growing 19% compared to Q4 2025. The Company attributes the y-o-y drop partly to deals with longer-than-expected decision cycles spilling over from Q4 2025, and partly to a reorganised sales function that is still ramping up. Sequentially, revenue grew relative to Q3 and Q4 2025, which is a constructive directional signal even if the year-on-year decline remains pronounced. Recurring revenues accounted for 63.7% of the total at 26.3 MSEK, providing a stable base underpinning the cost structure. Geographically, Asia/Middle East contributed 55.9% of revenue (23.1 MSEK) and Africa 42.5% (17.5 MSEK). The product mix was dominated by the eServ/SDS platform at 89.5%, with the Analytics segment around 10.5%.



Order Flow as The Key Near-term Variable

Order intake in Q1 and into the post-period was notably active. During the quarter, SDS won an 8 MSEK upgrade order from an existing customer in the Middle East, two 4 MSEK orders in Africa, and an upgrade order from an existing customer including a five-year support agreement, with a total contract value of 18 MSEK. Post-period, a further 5 MSEK order was announced from an existing Bahamian operator, alongside confirmation of the full-year profit guidance. CEO Martin Schedin characterises the pipeline as strong and the sales organisation as increasingly effective, though management is careful to note that converting pipeline to signed contracts remains the primary operational focus. Given the revenue trajectory seen in 2025, order conversion timing will be the main factor to monitor in Q2 and Q3.

COMPANY OVERVIEW	
Ticker	SDS
List	NGM Nordic Growth
Share Price	8 SEK
Number of Shares	21 467 695
Market Cap	193 MSEK
CEO	Martin Schedin
Chairman	Martin Roos
HQ	Stockholm, Sweden



OWNERSHIP STRUCTURE (2026-03-27)	
Avanza Pension	11,6 %
Jan Karlander	9,9 %
Swedbank Försäkring	8,2 %
Veronica Wallman	6,7 %
Mats Andersson	6,2 %
Tomas Klevbo	4,9 %
Roland Wallman	4,3 %
Martin Roos	3,4 %
ÖstVäst Capital Management	3,4 %
Eddy Cojulan	2,8 %



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Financials and Balance Sheet

The Company carried out a 17.5 MSEK directed new share issue in February 2026, with the motive of strengthening working capital during the final phase of the restructuring. Cash at end of Q1 stood at 14.3 MSEK, and net cash flow during the quarter amounted to 10.3 MSEK. It should be noted that underlying operating cash flow was positive at 11.4 MSEK, before a negative working capital effect of 13 MSEK reduced operating cash flow to -1.9 MSEK. To conclude, the improvement in net cash during the quarter was driven by the directed share issue proceeds.

The Company has an outstanding bond carrying a fixed rate of 9% following renegotiated terms in Q4 2024, and financial costs of 6.4 MSEK weighed materially on the pre-tax result in Q1. The debt will therefore continue to weigh on pre-tax results until the bond is repaid. A covenant breach was reported in December 2025 relating to a minimum liquidity threshold of 10 MSEK, which the Company has since addressed. The large debt and modest liquidity buffer represent key risks worth monitoring closely.

What Matters Next

SDS now enters the next phase with the operational restructuring largely complete and profitability validated at a quarterly level. The immediate priority from here is revenue recovery. The cost base has been rightsized, and each incremental order now converts to profit at high margin given the operational leverage in place. The coming quarters will be defined by the pace at which the pipeline converts to revenue and any developments around the outstanding bond. It will therefore be important that the Company continues on its path toward its 2026 financial target of 45–55 MSEK in profit before tax.

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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**

Analyst

Vilhelm Ruhr

vilhelm@impalanordic.se