

18Q3 INTERIM REPORT

Stockholm, November 6, 2018

Oscar Werner

President and CEO

Odd Bolin

Chief Financial Officer

Thomas Heath

Chief Strategy Officer and Head of Investor Relations



c o m m u n i c a t i o n s

HIGHLIGHTS 18Q3

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Oscar Werner, CEO

18Q3 SUMMARY



- Group organic revenue growth of **13 percent** in local currency
- Gross profit up **26 percent** due to organic growth & successful M&A
- Adjusted EBITDA up **33 percent**

- We see **strong market growth in certain segments** with further growth opportunities both organically and through M&A
- **Revised leverage policy** allows for **2.5x net debt/EBITDA** to support our M&A strategy (previously 2.0x)
- **Organic investments** in opex may impact our earnings in the coming year before new initiatives translate into higher revenues and gross profit

ORGANIC GROWTH INITIATIVES



- Targeted sales initiatives and new product offerings to drive organic revenue and gross profit growth:
 - Internal automation and efficiency
 - Product development around rich media and conversational messaging
 - Faster go to market for personalized video messaging
 - Sales and marketing to drive direct sales and channel partner business

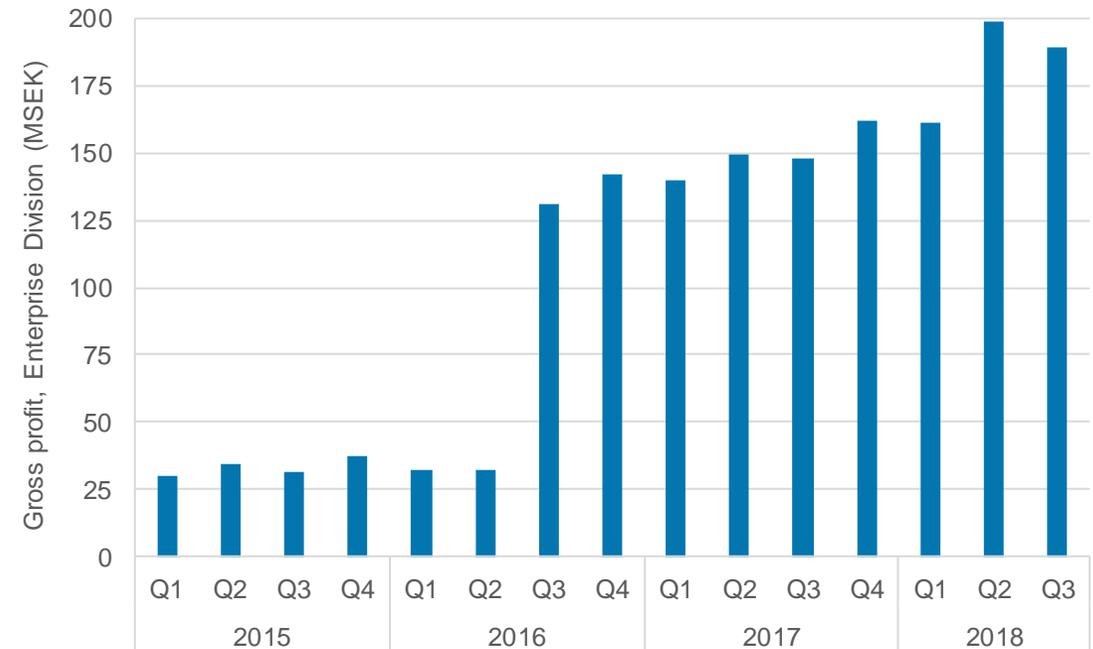
MESSAGING



Transactions



Gross profit



- Enterprise Division gross profit up **26 percent**
- Enterprise Division EBITDA up **33 percent**
- A2P messaging volume up **6 percent** y/y in comparable units

Growth rates are y/y.

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MESSAGING

- **Increased messaging traffic** to certain high-margin markets
- **Unwire** continuing to perform well
- Increasing revenues in **Vehicle personalized video** with **cross selling** to Operators in Europe and our Enterprise customer in the US

- **Active dialogue** with several **US-based, global, tech companies** where we can add more traffic from existing customers and go live with new ones
- **Focusing investments** on rich media, conversational messaging, RCS, OTT chat apps, personalized video, etc

REAL-TIME VOICE & VIDEO



- Sinch is **continuing to invest** in real-time voice and customer adaptations
- **Ride-hailing** developing favorably with plans to launch **number masking** in further markets later this year
- Strong pipeline for number **verification** with customers in multiple industries
- Improved **cross-selling** where voice and video is marketed alongside messaging

OPERATOR DIVISION



- Underlying business **developing as planned**
- Continued improvement in EBITDA compared to Q1 and Q2 this year
- Unusually high earnings from capacity expansion projects in the 17 Q3 comparison period

- **Strong sales pipeline** but **slow conversion** to projects and revenue
- Work ongoing to reach 15 percent medium-term EBITDA-margin target during 2019

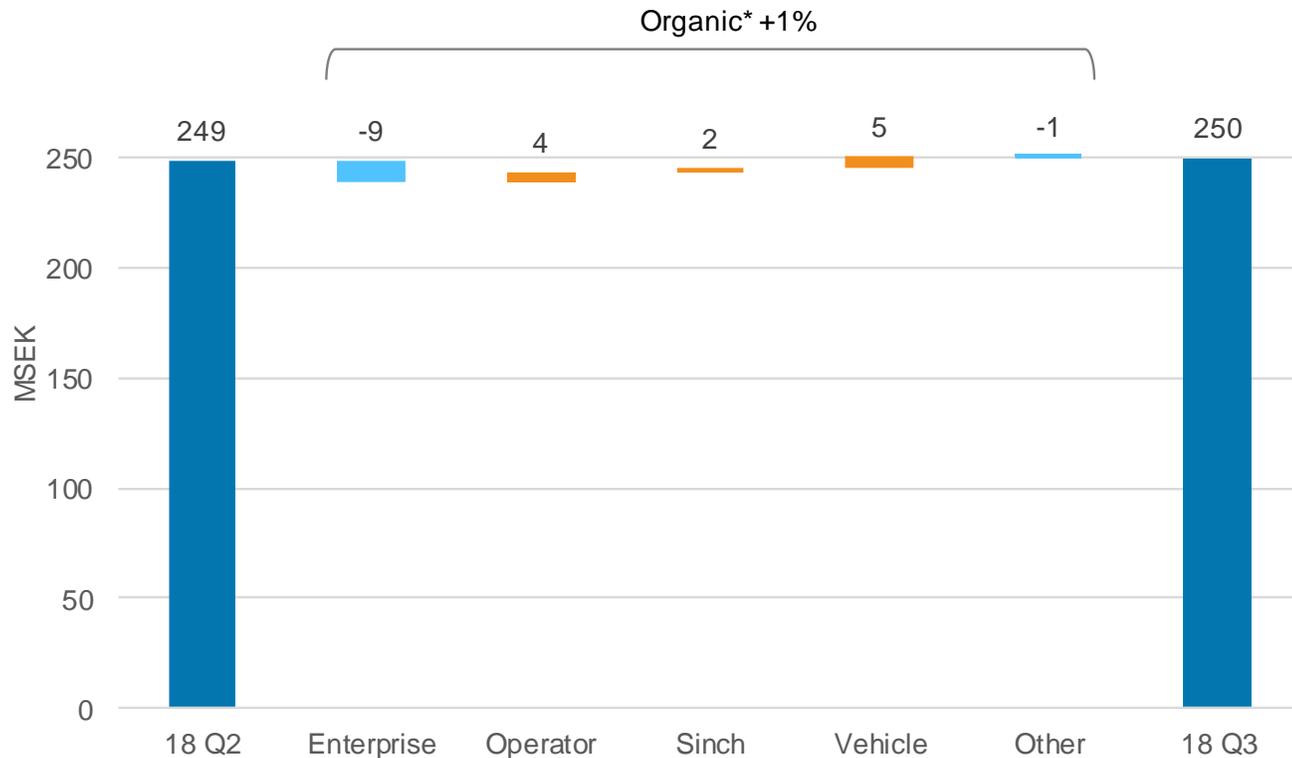
FINANCIALS

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Odd Bolin, CFO

JULY – SEPTEMBER 2018

- Gross profit increased to SEK 249.9 million (198.1 in 17Q3)
 - Adjusted EBITDA was SEK 95.4 million (71.7)
 - EBITDA was SEK 99.4 million (67.0)
 - EBIT was SEK 50.0 million (34.5)
 - Net profit for the quarter was SEK 37.9 million (11.8)
-
- Higher gross profit and EBITDA in the Enterprise Division due to organic growth and M&A
 - Operator Division is improving, but slow conversion of pipeline to revenue
 - Strong performance in Vehicle, continued investments in Sinch
 - Organic investments in opex may impact our earnings in the coming year before new initiatives translate into higher revenues and gross profit

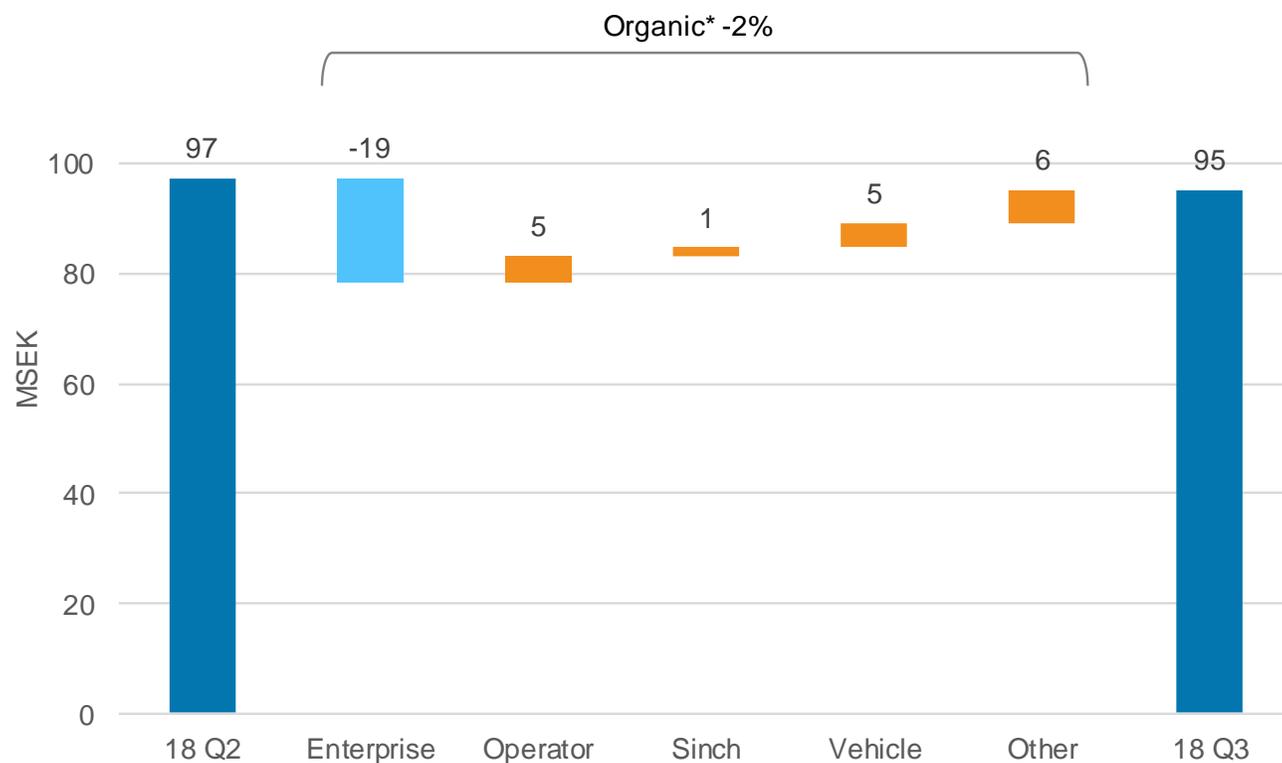
GROSS PROFIT, Q/Q



- We maintain the high level established in Q2 despite Q3 being a seasonal weak quarter
- Strong momentum with key US clients
- Good performance in Vehicle

Organic growth includes the impact of currency fluctuations. Unwire is normally consolidated into the Enterprise Division, but is shown separately here to illustrate the impact of M&A.

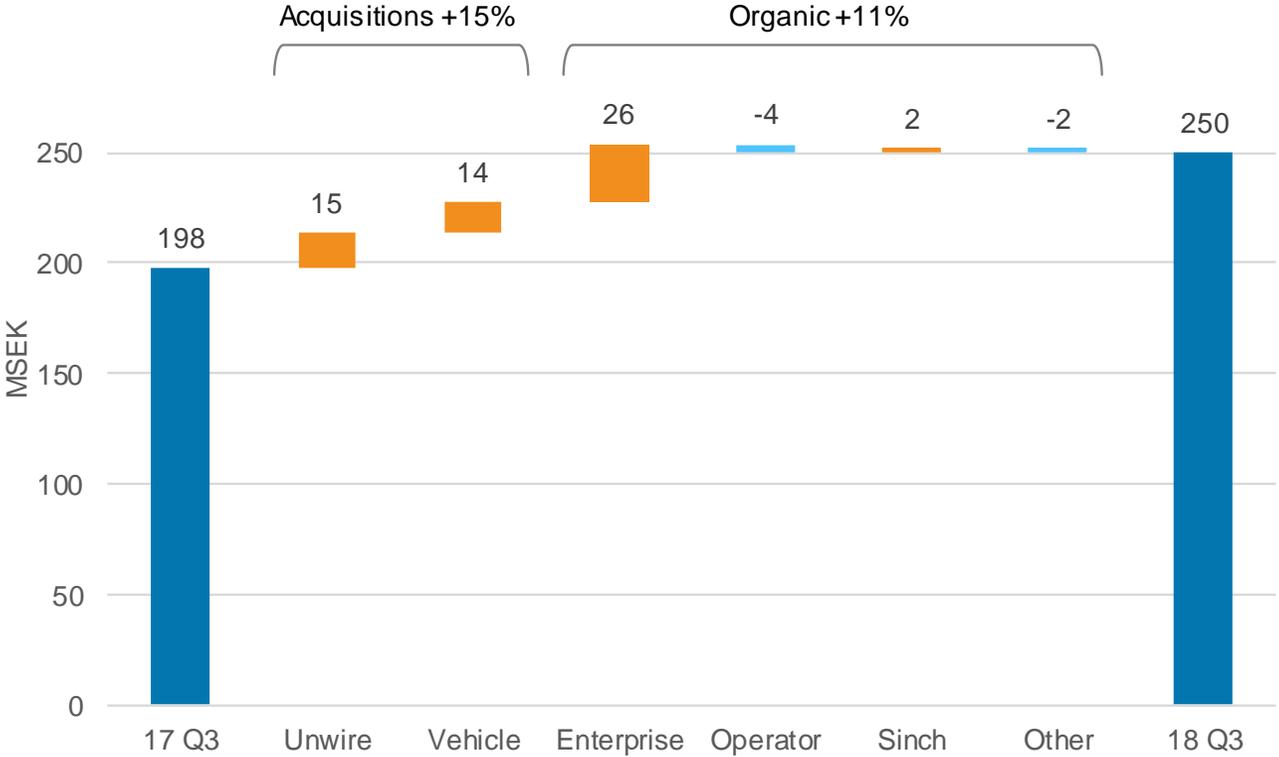
ADJUSTED EBITDA, Q/Q



- We maintain the high level established in Q2 despite Q3 being a seasonal weak quarter
- Improved EBITDA in the Operator division
- Strong contribution from Vehicle

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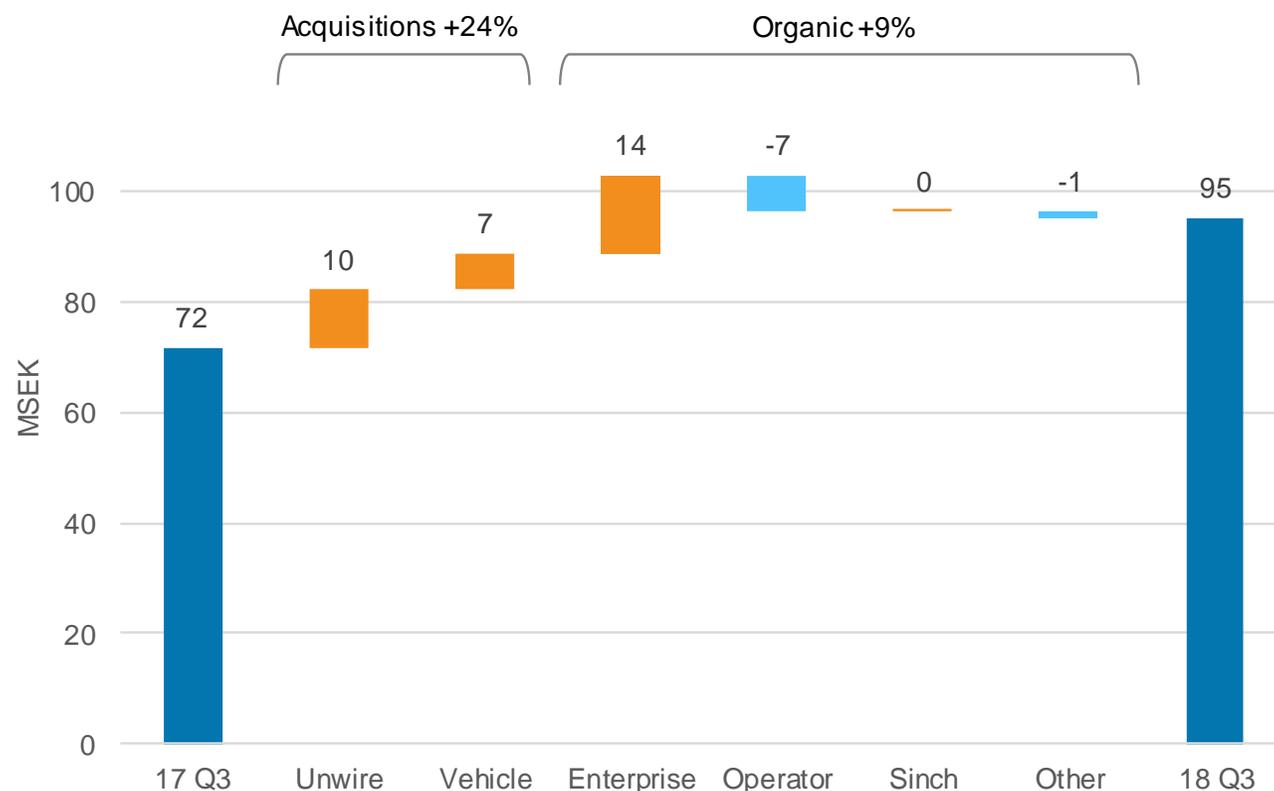
GROSS PROFIT, Y/Y



- Significant GP contribution from acquired businesses
- Organic GP growth helped by key client wins in the U.S.

Organic growth includes the impact of currency fluctuations. Unwire is normally consolidated into the Enterprise Division, but is shown separately here to illustrate the impact of M&A.

ADJUSTED EBITDA, Y/Y



- Significant EBITDA contribution from acquired businesses
- Healthy underlying growth
- Unusually high EBITDA in Operator division in Q3 17 impacts the y/y comparison

Organic growth includes the impact of currency fluctuations. Unwire is normally consolidated into the Enterprise Division, but is shown separately here to illustrate the impact of M&A.

KEY METRICS

Enterprise Division:

- **Gross profit** – we use gross profit as our key measure since gross margin depends on geographical traffic mix, which we have limited influence over
- **Adjusted EBITDA/gross profit** – measures operational efficiency in the business
- **OPEX per transaction** – measures operational efficiency in the business

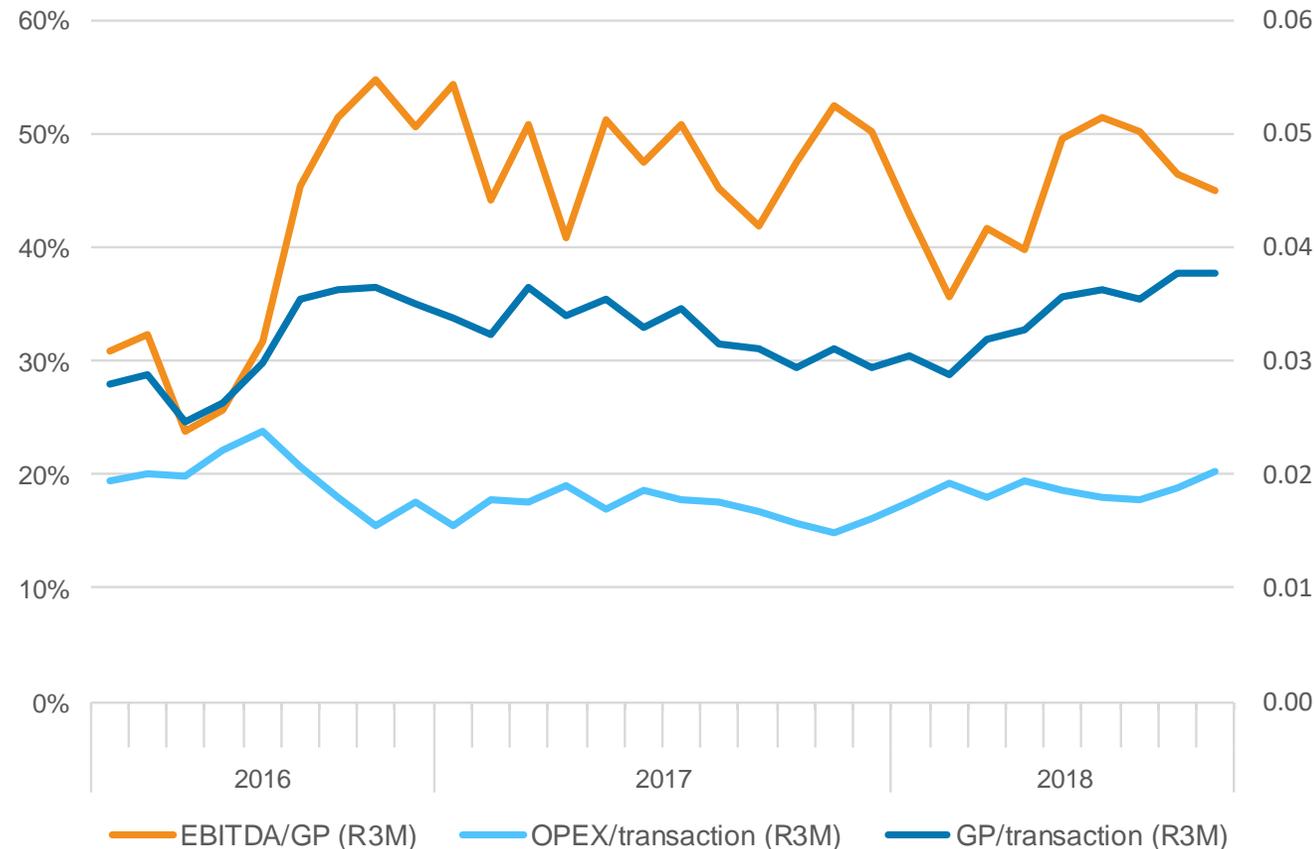
Operator Division:

- **Revenue**
- **EBITDA**

Sinch, Vehicle and other new investments:

- **Gross profit growth**

OPERATIONAL EFFICIENCY IN MESSAGING



- Gross profit is the primary bottom line driver
- GP/transaction rising as traffic increases to key high-margin countries
- Revenue and gross margin depend on mix of terminating markets

EBITDA and gross profit in the Enterprise Division. OPEX/transaction and GP/transaction in SEK.
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OUR STORY

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Oscar Werner, CEO

CLX AT A GLANCE

- We deliver **customer engagement**, helping businesses engage people through mobile technology
- We address a growing, global **multi-USD billion market**
- The mobile channel has **100% penetration** and reaches 5bn mobile users world-wide
- **Customer satisfaction** is generally very high
- Cloud communications via mobile technology is becoming **business critical** and moves **from early adopter to early majority**
- CLX is a world leading **cloud communications platform** for messaging, voice and video
- Preferred partner to the world's most demanding enterprises, **servicing 8 out of 10 of the largest US Big Tech** companies
- Software solutions to **mobile operators** based on the same underlying platform

The CLX logo is positioned in the top right corner of the slide. It consists of the letters 'CLX' in a bold, white, sans-serif font. The 'X' is stylized with a gap in the middle. The background of the slide is a photograph of a young man and woman sitting at a table in a cafe, looking at a smartphone and a newspaper.

GROWTH MARKETS



Messaging

Application-to-Person (A2P) messaging is used across the world for ever-more use cases

- We believe a **USD10bn** market size estimate is reasonable
- Third-party market size estimates vary between USD 10-50bn
- Large variation in usage between markets
- We foresee continued growth in volumes and gross profit



CPaaS

Communications Platform as a Service (CPaaS) allows businesses to easily integrate messaging, voice and video services into their own business applications

- Juniper Research sees a **35%** growth CAGR (USD 1.1bn in 2016 to 6.7bn in 2022)
- Gartner expects a **50%** growth CAGR (USD 618m in 2016 to 4.63bn in 2021)
- IDC forecasts a **57%** growth CAGR (USD 867m in 2016 to 8.2bn in 2021)

Infinite use cases



- 100% consumer penetration
- 98% open rate
- Everybody is a trained user



BANKING

Confirmations
Transaction alerts
2FA, One time PIN codes



HEALTHCARE

Patient monitoring
Voice authentication
Appointment reminders



INTERNET COMMERCE

Verification
Two Factor Authentication
Order tracking



INDUSTRIAL & UTILITIES

Meter reading
Workforce automation
Process alerts



TRAVEL

Flight & ticket status
Local numbers



TRANSPORTATION

Process monitoring
Shipping confirmation



RIDE HAILING

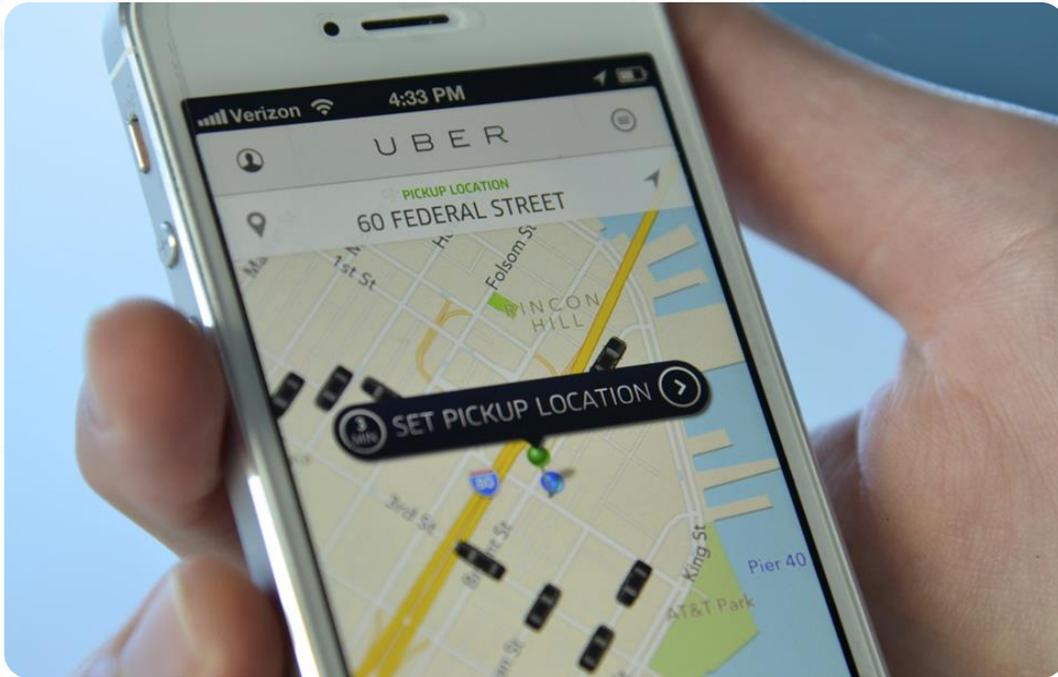
Verification
Arrival notifications
Number masking



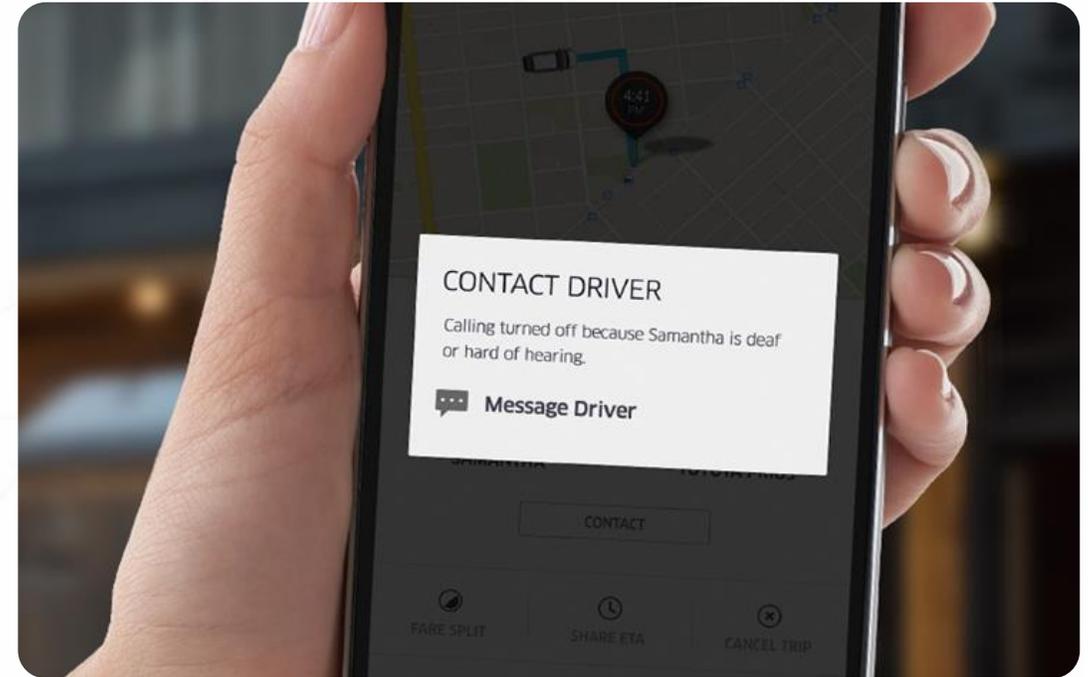
MEDIA

News alerts
Data from offline ads

INNOVATIVE SOLUTIONS IN VOICE AND VIDEO



- **Cloud-based** capabilities in **voice and real-time video**



- Targeted sales effort now focusing on **ride-hailing** vertical
- Number masking with temporary phone numbers **safeguards privacy** and improves platform **revenue assurance**

PERSONALIZED VIDEO

- Unique, personalized videos to each recipient
- Dynamically rendered at scale with no limits
- Nearly 100 percent device reach and 98 percent open-rate
- 4.5 higher click-thru rate than email
- **17% annualized churn reduction** across the subscriber base for a major US wireless carrier
- **Highest improvement** to Net Promoter Score (NPS) of any recent marketing effort

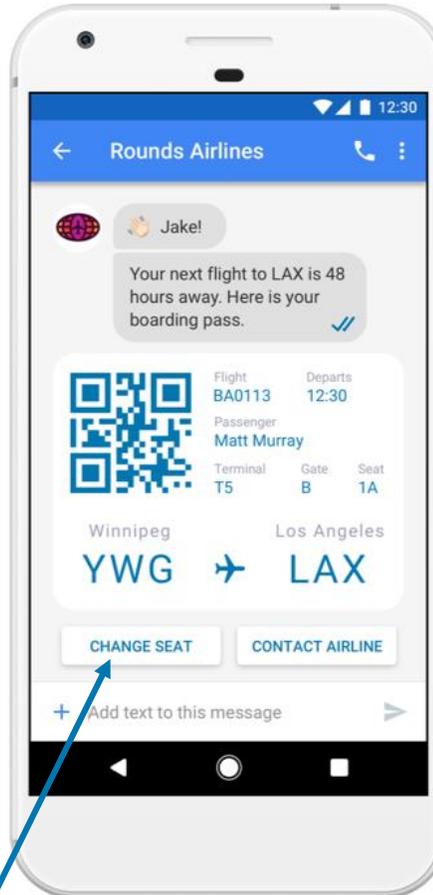


NEXT GEN MESSAGING FOR THE “POST APP” ERA



Branding
Customize with your company name, colour and logo.

RCS = SMS “2.0”



Real Time Feedback

Know when your customer has received and read your message and whether your customer is typing you a response to your message. Know if your customer has tapped on links to Calendar, Maps, Play Store or the Dialer in your message. All done in real time.

Rich Dynamic Content

Send images, videos, web links and app links without the need to transcode your message.

App-Like Experience

Suggest actions by creating app-like buttons linking to Android apps such as the Calendar, Maps, Play Store or Dialer and embed important Metadata such as telephone number, location and event details in the link making for an easy and effortless customer experience.



Quick Response
Suggested actions will create a speedy and error-free interaction with your customers. There are no limits to the number of suggested replies you can have.

FUTURE GROWTH



- **Strong pipeline** with several US-based, global, digital-native companies
- Considerable interest and increasing revenues in **Vehicle personalized video**
- Sinch **number masking** products for **ride-hailing** developing well with further markets set to go live this year
- **Improving pipeline** and **key customer engagements** in Sinch number **verification**
- Investment in **rich media, conversational messaging, RCS and OTT chat apps** to capture market growth potential

Q & A