



Q4 2020

Investor Presentation

18 February 2021

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CEO

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CFO

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SEK 8.0bn
revenue in the
past 12 months

SEK 912m
Adj. EBITDA in the
past 12 months

SEK 106bn
Market Cap

2,083
people

47 countries with
local presence

Customer engagement through mobile technology

145 billion
engagements per year

Publicly listed on
NASDAQ
in Stockholm



Scalable cloud communications
platform for messaging, voice and video



Serving 8 of the 10 largest
U.S. tech companies



Consumer penetration



Growing, global, multi-billion
USD market



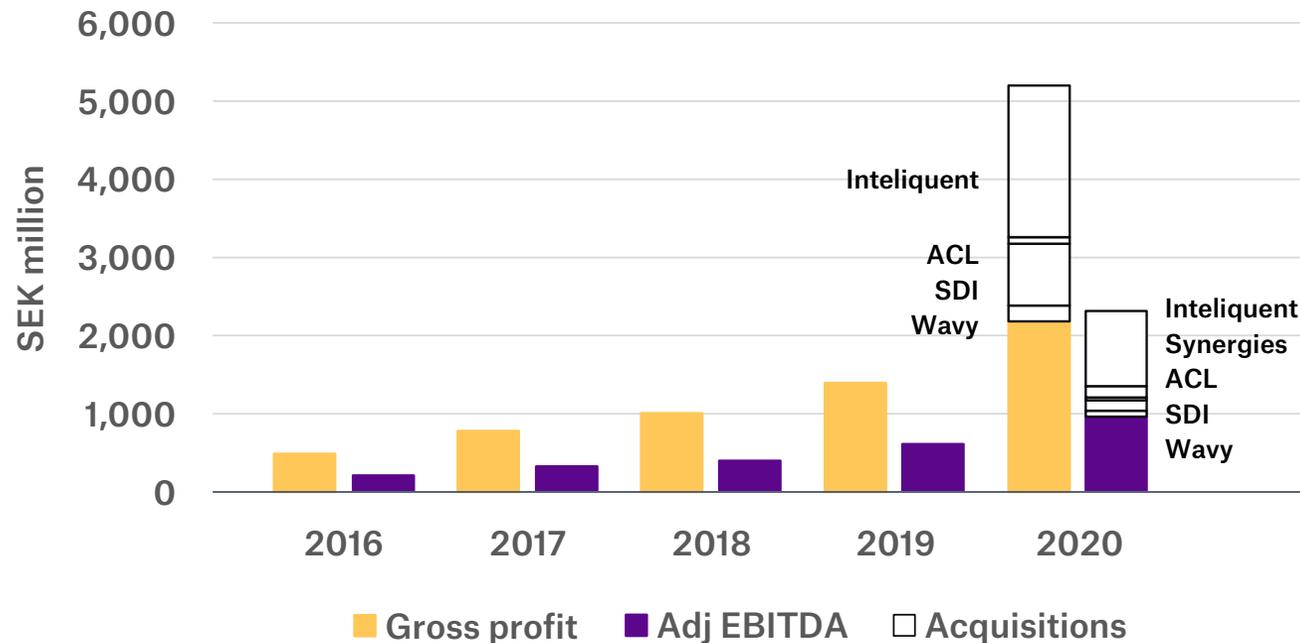
Profitable since our
foundation in 2008



10x growth in gross profit
since IPO in 2015

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Track record of profitable growth



- **Focus on Gross profit since pass-through revenues vary between geographies**
- **81% growth in Gross profit and 63% growth in EBITDA in Q4 20**
- **Acquisitions of Wavy, SDI, ACL and Inteliquent adding significantly to our scale and profitability**



The acquisition of Inteliquent is pending regulatory approval. ACL includes the last 8 months of earnings before the unit was consolidated on 1 September. SDI includes the last 10 months of earnings before the unit was consolidated on 1 November. Synergies refer to expected synergies for Wavy and SAP Digital Interconnect, estimated mid-point, at full run rate. Exchange rates as of 17 February 2021.

Growth markets



Messaging

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

- **USD 17 bn** market size for A2P SMS (MobileSquared), other estimates vary between USD 15-50 bn
- **Business usage of SMS continues to grow**
- **>100% growth rates expected in business messaging through next-generation messaging channels like WhatsApp & RCS**

CPaaS

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

- **Juniper Research sees a 30% growth CAGR**
- **Gartner expects a 33% growth CAGR**
- **IDC forecasts a 33% growth CAGR**
- **“By 2023, 90% of global enterprises will leverage API-enabled CPaaS offerings, up from 20% in 2020” - Gartner**



Creating value for businesses & their customers



Email



SMS



**Next-gen
messaging**

Rich content
Limited reach

Limited content
100% reach

Rich content
100% reach*

35x higher open rate

App-like experience

* Blending multiple channels including RCS, WhatsApp, Messenger and SMS with landing page technology

The Sinch Conversation API

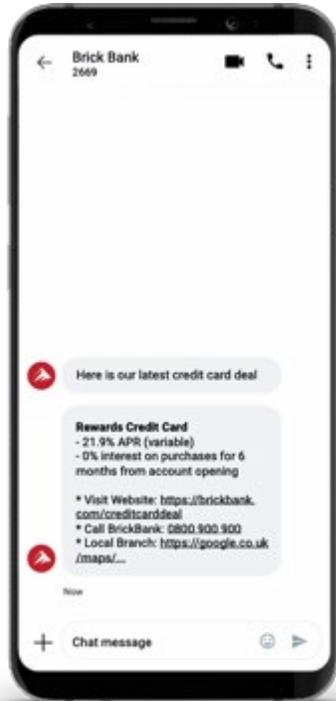


- **Send and receive messages on multiple conversational channels through a single API**
- **Leverage the expanded feature set of next-generation messaging channels**
- **WhatsApp, RCS, Viber, SMS and more**
- **Support for bots with seamless handover to a human when needed**

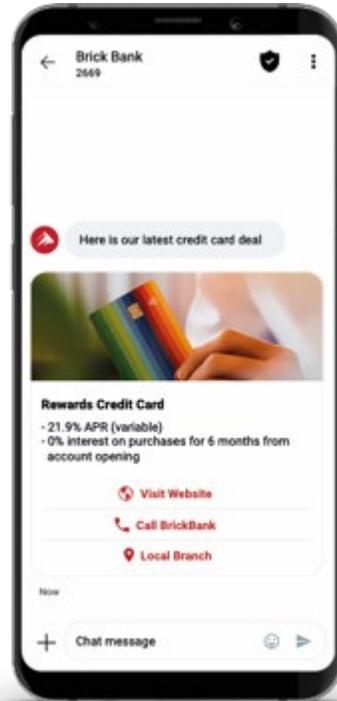




Rich rendering across channels



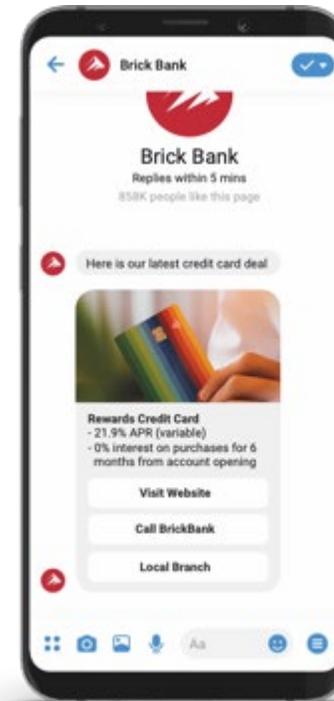
SMS



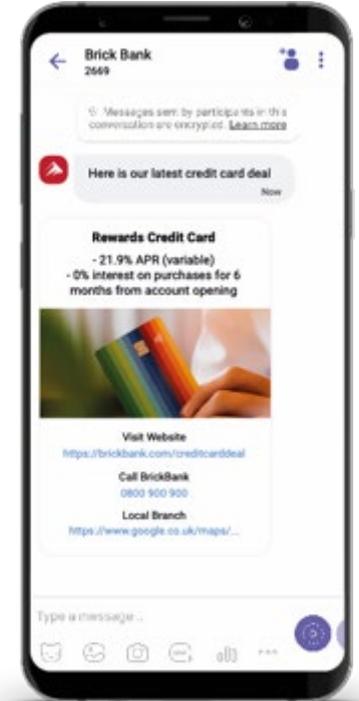
RCS



WhatsApp

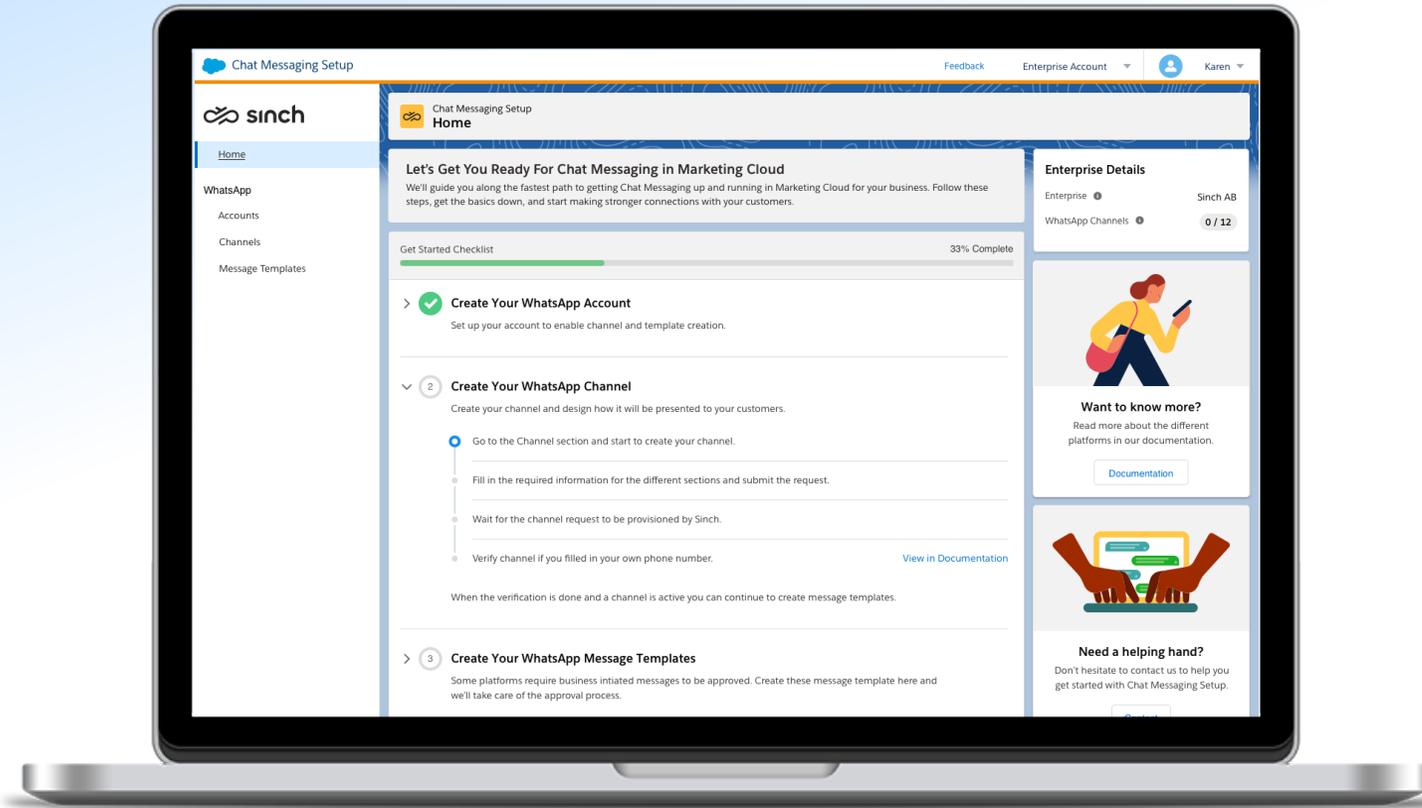


Messenger



Viber

WhatsApp messaging with Salesforce



- **Next-generation messaging for Salesforce customers using Marketing Cloud**
- **Joint product development with Salesforce, starting with WhatsApp**
- **Native integration into the Salesforce Marketing Cloud Journey Builder**
- **Available from 16 February**



Watch more: [product demo](#)

Raising NPS scores with iFood



Whatsapp



Slack



Apple Business Chat



Web Chat

Challenge

- Human agents stretched too thin and struggling to service delivery drivers on time

Solution

- iFood chatbot to register new drivers, onboard restaurants and measure NPS

Results

- 70% reductions in delivery service costs
- 1.4m conversations per year
- 44.6% requests handled by the bot



Playbook for profitable growth

Software-as-a-Service

- Empower businesses to leverage rich and conversational messaging
- Increase our software value-add (CPaaS) in addition to our connectivity offering
- Increase stickiness with maintained scalability

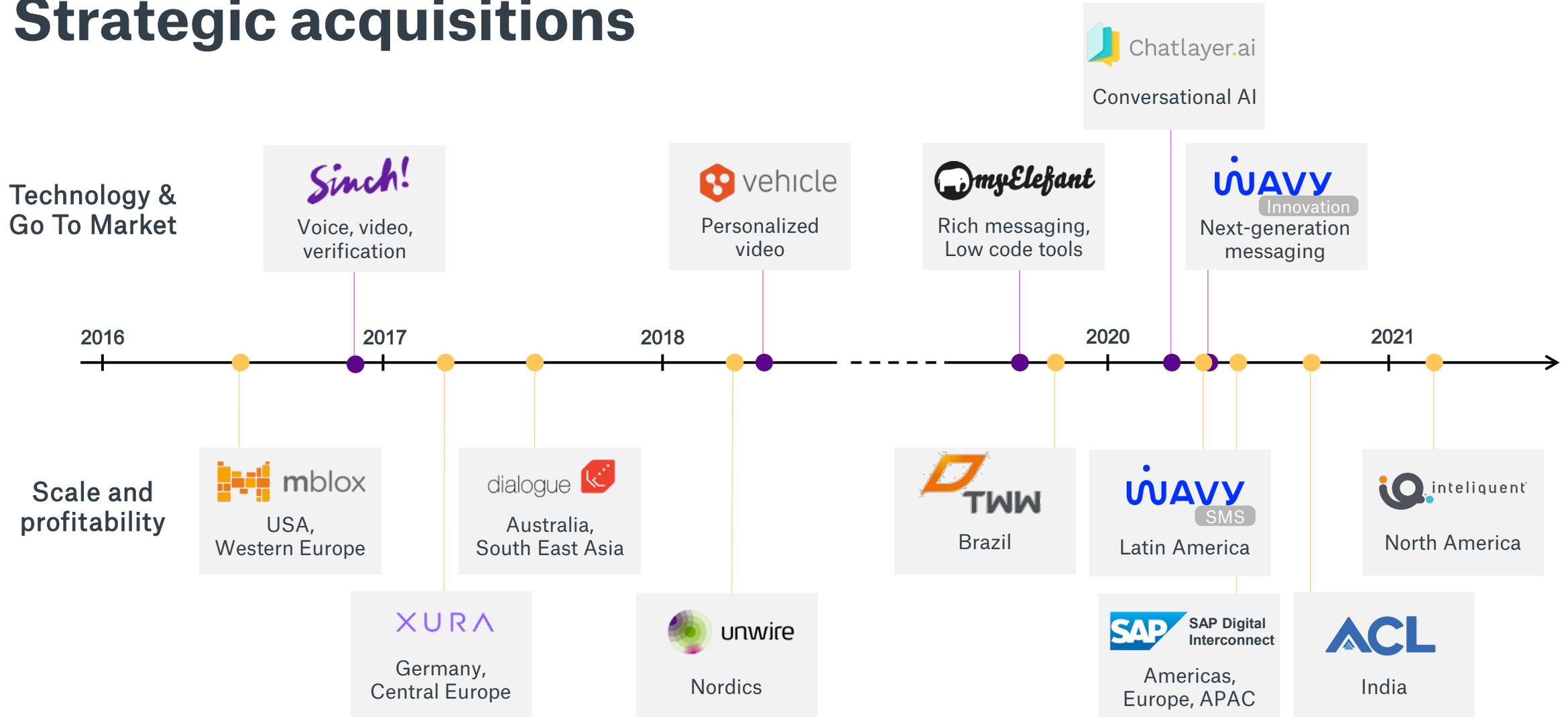
Connectivity

- Ensure leading direct global connectivity without middlemen
- Differentiate through superior quality, scale and reach
- Benefit from market growth and continue to win market share

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Strategic acquisitions



Deal rationale: Inteliquent

Inteliquent

- Largest independent voice communications provider in the United States
- 300+ billion voice minutes per year and 100+ million active phone numbers
- Around 600 employees including contractors with headquarters in Chicago, Illinois

Deal rationale

- Establish Sinch as a leader in voice communications selling to the largest US voice customers
- Super network for voice reaching 94% of the US population without middlemen
- Accretive deal that fits Scale and Profitability category

Integration

- Integration costs estimated to reach USD 25 million over 18 months
- Cross- and upsell combined Sinch+Inteliquent product portfolio
- Reinvest USD 15-20 million of EBITDA to accelerate joint roadmap in CPaaS voice, strengthen enterprise go to market and expand voice offering internationally

Financials

- Enterprise value of USD 1,140m. Closing is subject to regulatory approval, closing expected in H2 2021
- Reported revenues of USD 533m, gross profit of USD 256m, and EBITDA of USD 135m in 2020
- Revenues of USD 499m, GP of USD 233m and Adj EBITDA of USD 112m excl. temporary Covid uplift
- Underlying year-on-year revenue growth around 11% over the past 2 years driven by growth in CPaaS



October – December 2020

- Gross profit rising 81% to SEK 795.7 million (439.9)
- Adjusted EBITDA rising 63% to SEK 325.7 million (199.5)
- Adjusted EBIT excl. acquisition-related amortization of SEK 303.7 million (185.7)
- Profit after tax of SEK 212.6 million (94.7)

- Organic Gross profit growth of 37% in local currency
- COVID-19 causing reduced voice traffic and lengthened sales cycles
- Continued opex investments to handle greater business volumes, strengthen our go to market and develop new products

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Key growth drivers

1.

Volume growth & new use cases with US big tech companies

2.

Businesses increasing their use of SMS in addition to email

3.

Acquisition of SDI, TWW, Wavy and ACL Mobile

Growing both with new and existing customers

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Four investment areas

Organic growth

- Continuous investment in platform scalability
- Supporting growth with existing customers
- Greater focus on lead gen and new sales

Operational efficiency

- COGS efficiency
- Internal automation for improved scalability
- Client self-service tools

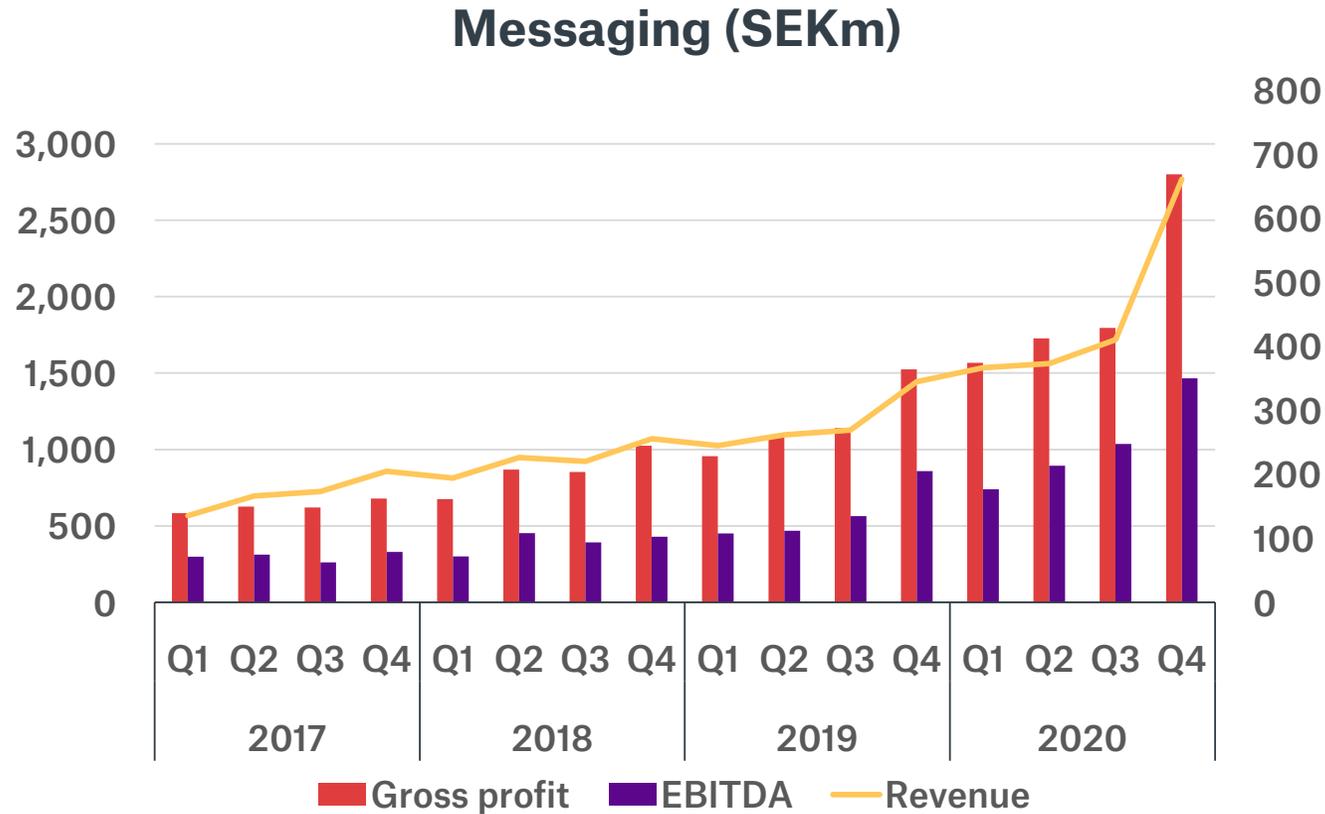
New technology

- Unified cross-channel Conversation API
- New channels like WhatsApp and RCS
- Software for advanced, interactive messaging
- RCS-as-a-Service and 5G Messaging for mobile operators

Integration

- TWW & Wavy
- ACL
- SDI
- Inteliquent (planning)

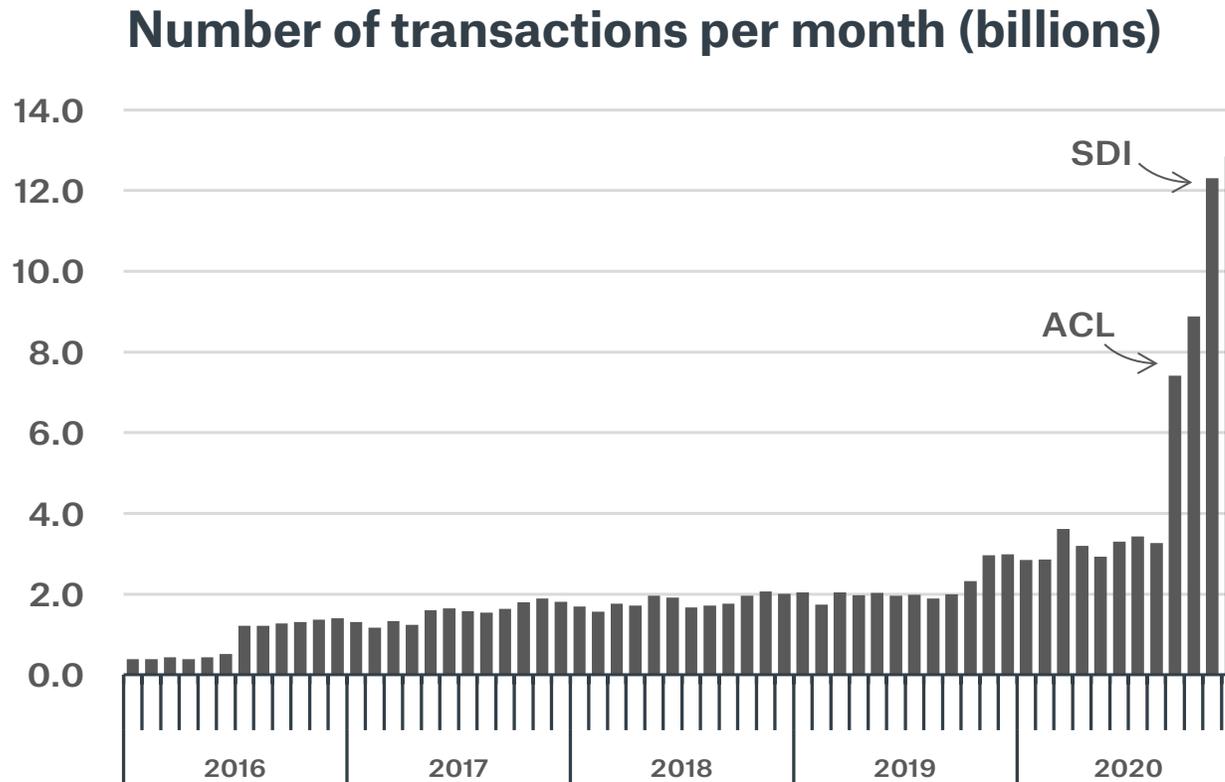
Strong growth in Messaging



- **Total Gross profit growth of 84% with organic growth at 47%**
- **SDI contributing from 1 November 2020 & Wavy from 1 February 2021**
- **US tech companies continue to fuel growth**
- **Strong performance in December**
- **Tougher comparable figures heading in to 2021**



Rising message volumes

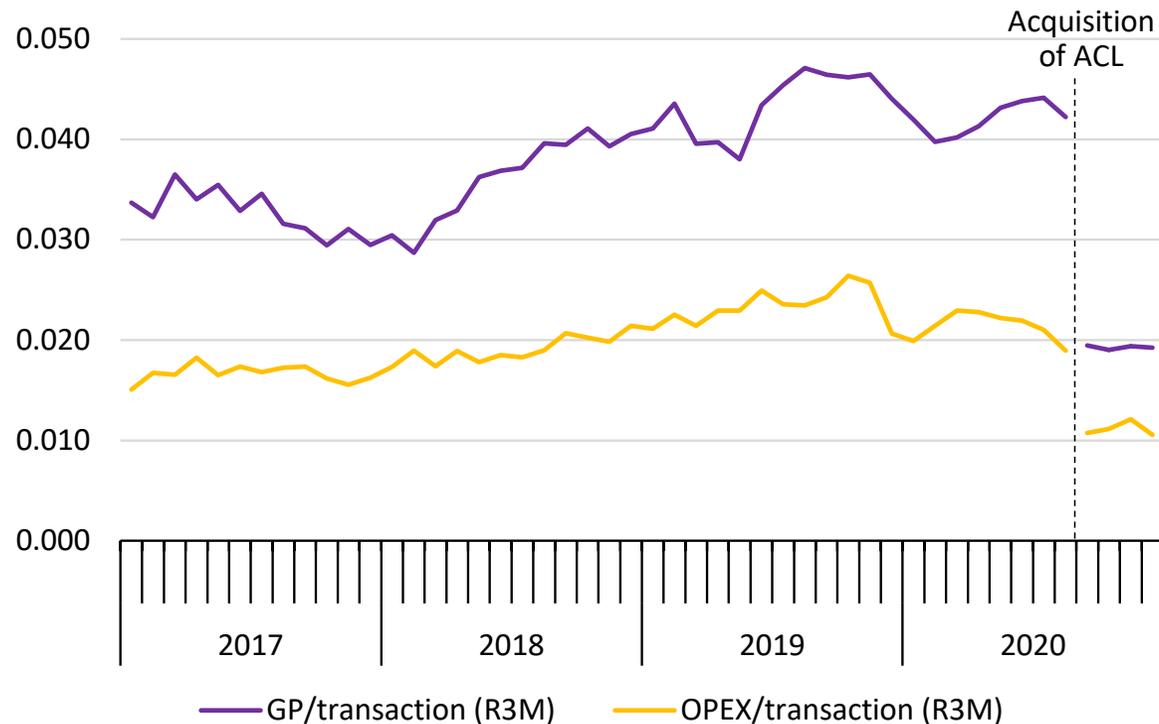


- **Very large increase in September 2020 due to the acquisition of ACL Mobile in India**
- **354% year-on-year growth in transactions in Q4 with 44% growth in comparable units**
- **Wavy to add further volume from 1 February**
- **Growth from existing customers, new customers, new use cases**



Gross profit per transaction

OPEX/transaction & Gross profit/transaction (SEK)

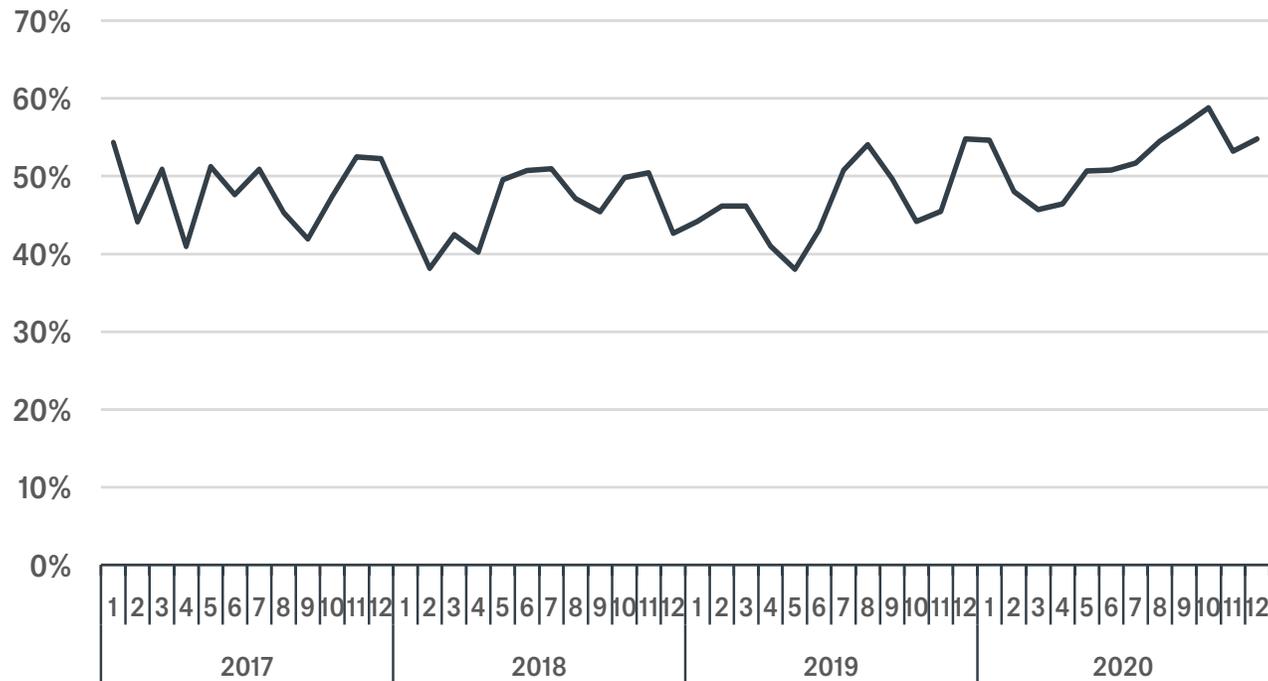


- **Gross profit is the primary bottom line driver**
- **Per-transaction measures relevant to track profitability and economies of scale**
- **ACL Mobile has significantly lower GP and OPEX per transaction, skews overall measures from September 2020**



Rising margin in Messaging

Messaging EBITDA/Gross profit

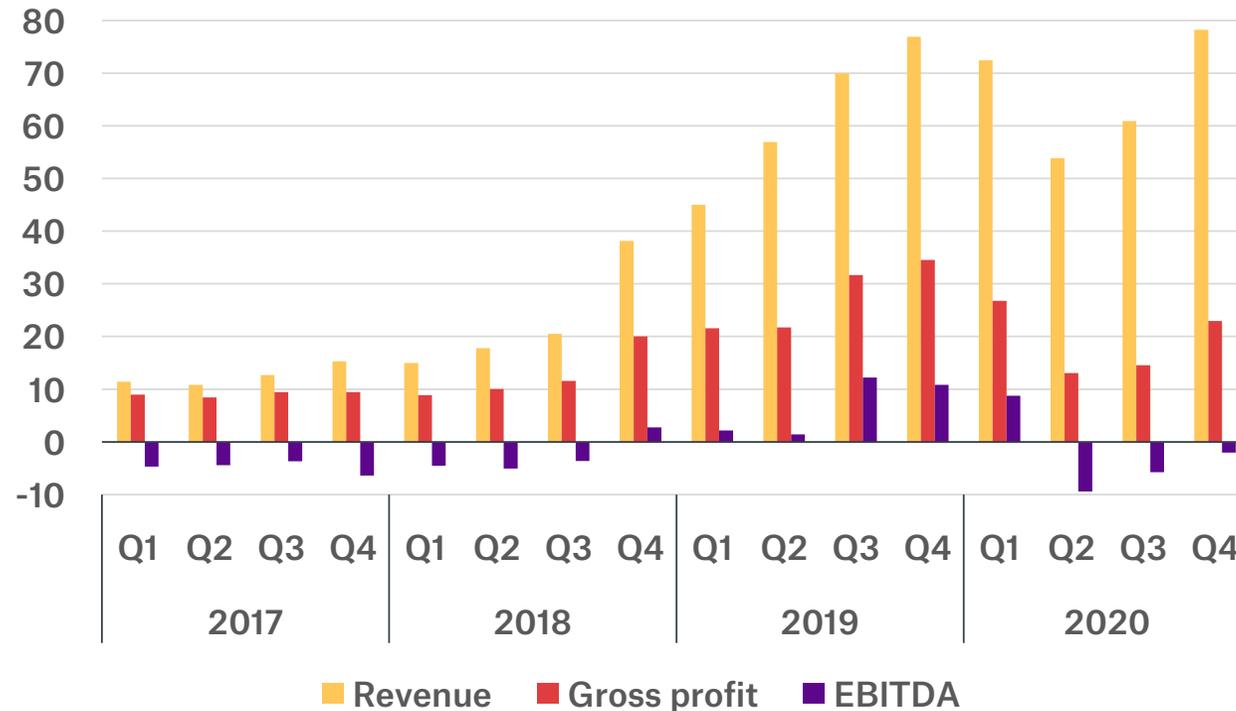


- Revenue and gross margin depend on mix of terminating markets
- EBITDA/Gross profit shows margin excluding mobile operator charges
- Adding traffic volume increases gross profit more than it increases opex



Modest improvement Voice and Video

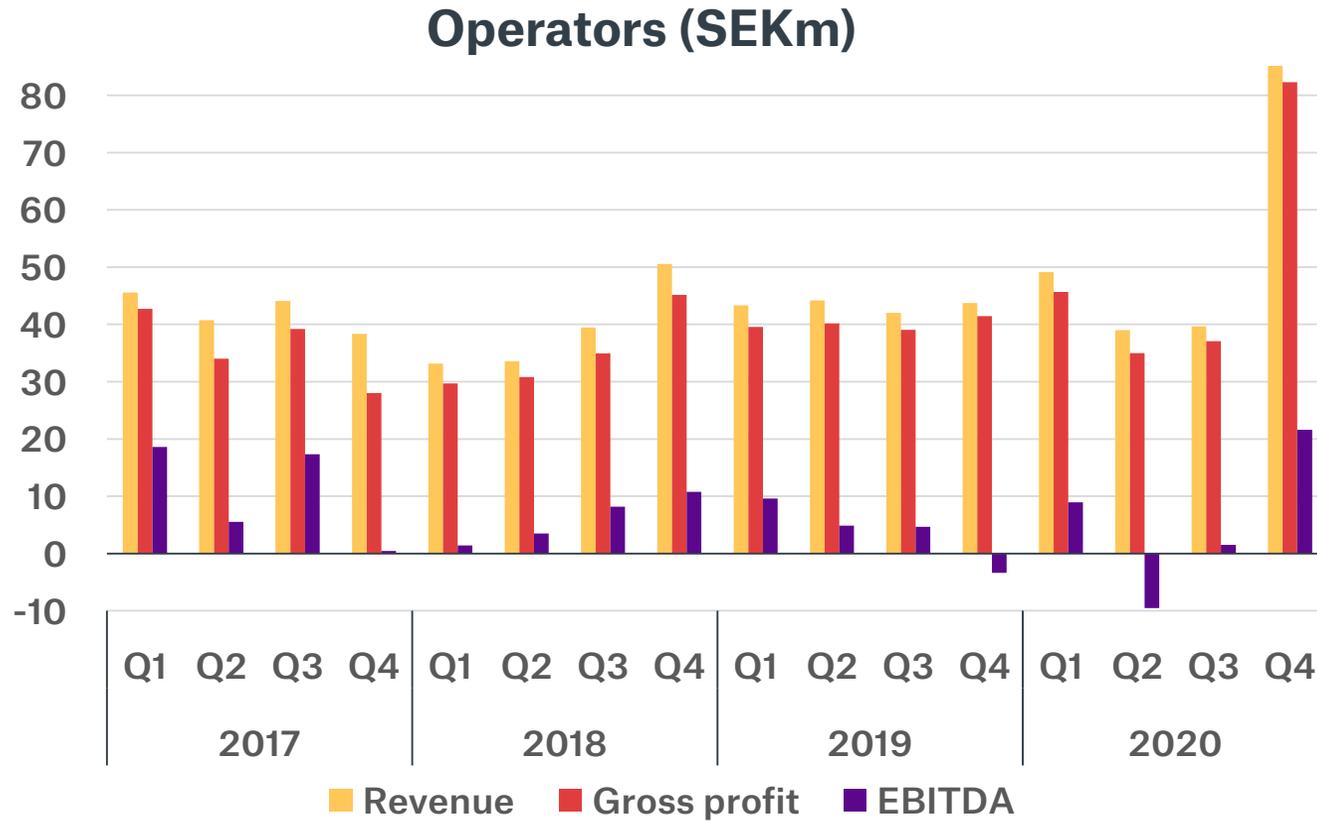
Voice and Video (SEKm)



- **Sharp decrease in demand for Number masking from ride hailing customers as Covid-19 reduces travelling**
- **Positive underlying trends in Number verification**



Recovery in Operators



- **High margins in Operator Software business**
- **SDI person-to-person (P2P) messaging hub operating at lower gross margin**
- **Promising demand for new 5G Messaging products sold together with Ericsson**





Q4 2020 Financials



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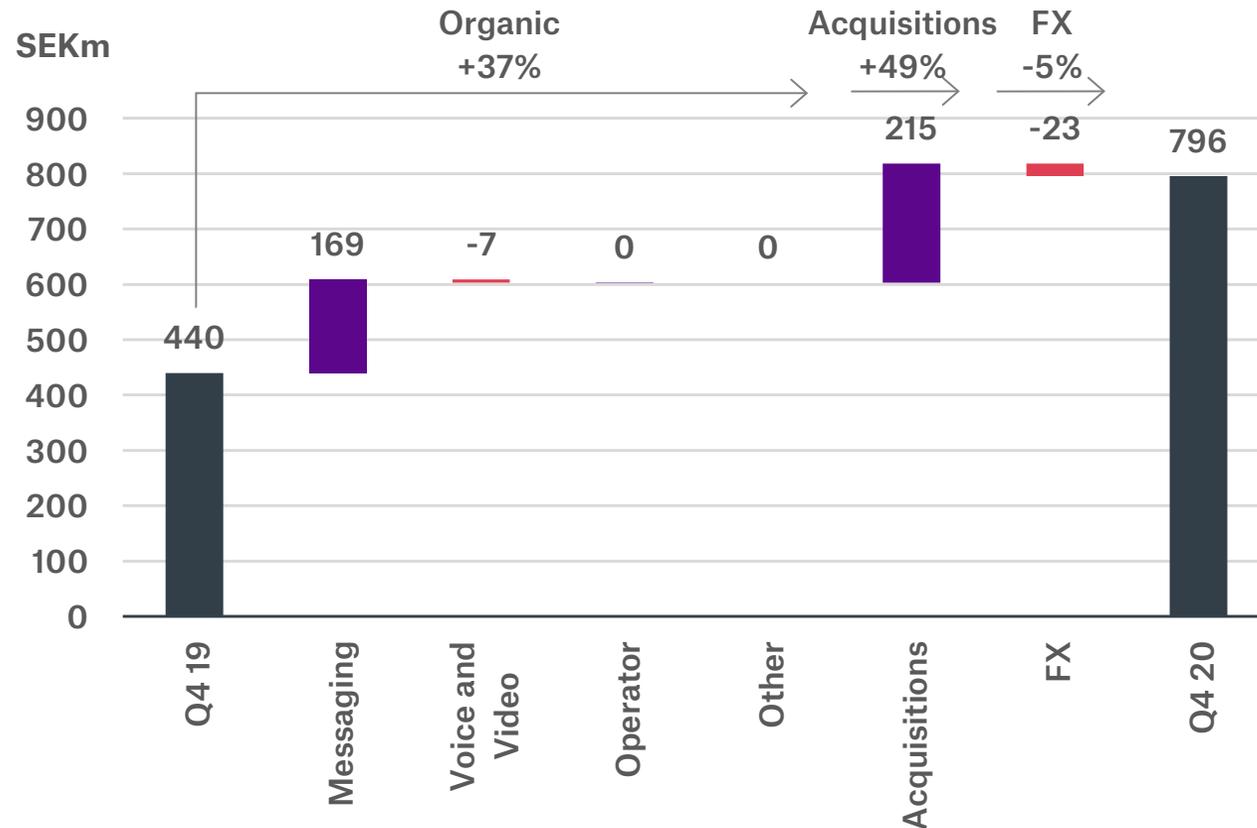
Income statement

Sinch Group, SEK million	Q4		Q4	
	2020	2019	2020	2019
Net sales	2 999,5	1 540,7	8 023,3	5 035,6
Cost of goods sold and services	-2 203,8	-1 100,7	-5 840,0	-3 641,4
Gross profit	795,7	439,9	2 183,3	1 394,1
Other operating income	34,1	26,6	197,8	103,1
Work performed by the entity and capitalized	19,8	15,3	69,4	38,6
Other external costs	-293,0	-90,0	-694,3	-328,7
Employee benefits expenses	-311,5	-160,6	-869,4	-537,6
Other operating expenses	-66,0	-36,7	-171,9	-113,9
EBITDA	179,1	194,3	714,9	555,5
Depreciation, amortization and impairment	-88,1	-51,4	-262,0	-183,9
EBIT	91,0	142,9	452,9	371,6
Finance income	11,9	-299,7	5,7	18,6
Finance expenses	-45,3	279,4	-79,2	-35,2
Profit before tax	57,6	122,6	379,4	355,0
Current tax	-27,5	-25,8	-145,3	-83,8
Deferred tax	182,5	-2,2	208,4	3,3
Profit for the period	212,6	94,7	442,5	274,5

- **Non-recurring items in EBITDA reflect recent M&A activity**
- **SEK 75 million integration cost related primarily to SDI**
- **Adjusted EBIT excludes non-recurring items as well as amortization of acquisition-related assets**
- **Adjusted EBIT of SEK 303.7 million (185.7) in Q4 20**



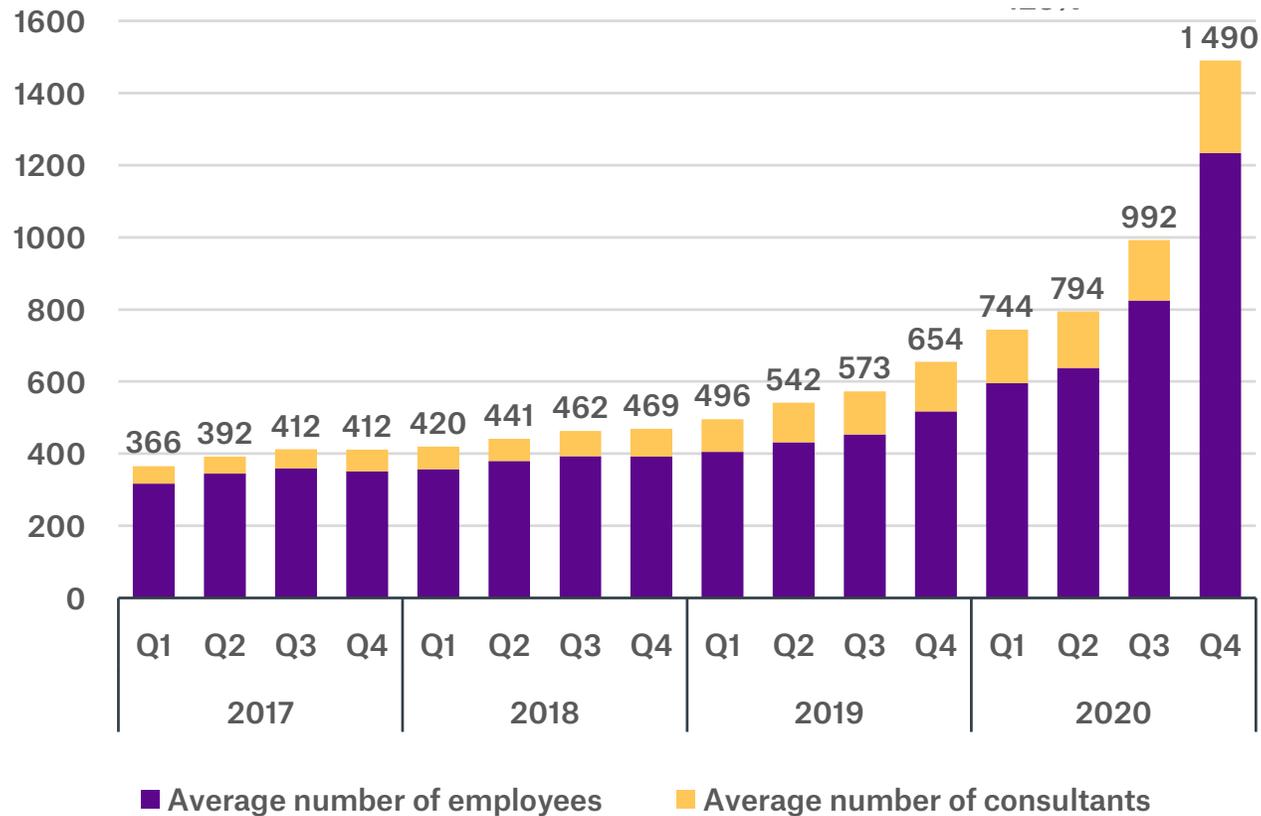
Gross profit growth



- **Gross profit growth of 81% compared to Q4 2019**
- **37% organic Gross profit growth helped by record December**
- **Strengthened SEK causing currency headwind**
- **Big US tech companies and acquisitions fuelling growth**



Headcount increase



- **Headcount rises with recruitment and acquisitions**
- **1,778 people in Sinch at end of Q4**
- **305 people joining from Wavy on 1 February 2021**
- **159 SDI consultants now recognised in headcount**



Reconciling Cash flow with EBITDA

SEK million	Q4	Q4	2020	2019
	2020	2019		
Adjusted EBITDA	325.7	199.5	912.5	573.5
Paid interest	-5.6	-2.4	-29.7	-20.8
Paid taxes	-19.2	-54.0	-101.3	-117.4
Other	-145.9	-6.6	-179.4	-18.2
Cash flow before changes in working capital	154.9	149.7	602.1	453.5
Cash flow before changes in working capital / Adjusted EBITDA	48%	75%	66%	79%

- **Acquisition and integration costs are visible in cash flow**
- **Non-recurring items in EBITDA matches “Other” items in the Cash flow bridge**



Cash flow

Sinch Group, SEK million	Q4 2020	Q4 2019	2020	R12M
Cash flow before changes in working capital	154.9	149.7	602.1	453.5
Changes in working capital	-206.7	-13.7	-148.2	-126.2
Cash flow from operating activities	-51.8	135.9	453.9	327.3
Net investments in tangible and intangible assets	-19.5	-22.7	-85.6	-56.0
Change in financial receivables	-8.3	11.4	-2.2	12.1
Acquisition of subsidiaries	-2,189.9	-580.6	-2,884.6	-668.5
Cash flow from investing activities	-2,217.7	-591.9	-2,972.4	-712.4
New borrowing/loan arrangement fees	-	1,453.4	-	1,453.4
Amortization of bank loan	-28.9	-683.8	-267.2	-756.7
Amortization lease liability	-8.4	-6.9	-30.4	-25.8
New share issue/warrants	3,317.6	1.4	5,529.0	2.1
Cash flow from financing activities	3,280.3	764.1	5,231.4	673.1
Cash flow for the period	1,010.8	308.1	2,712.9	288.0

- **Negative change in working capital primarily related to the acquisition of SDI**
- **Acquisition of subsidiary relates to the acquisition of SDI**
- **New share issue in November 2020**





Integration



Integration planning

- Deal signed in February 2021
- Regulatory approval process is ongoing
- Expected to close H2 2021
- Integration planning together with Inteliquent management, as applicable under competition rules

Integration

- TWW closed October 2019
- Wavy closed February 2020
- Onboarding and consolidation of joint teams
- Sales goals alignment
- Platform assessment
- Initiatives to scale Wavy's Conversational Messaging business

Integration

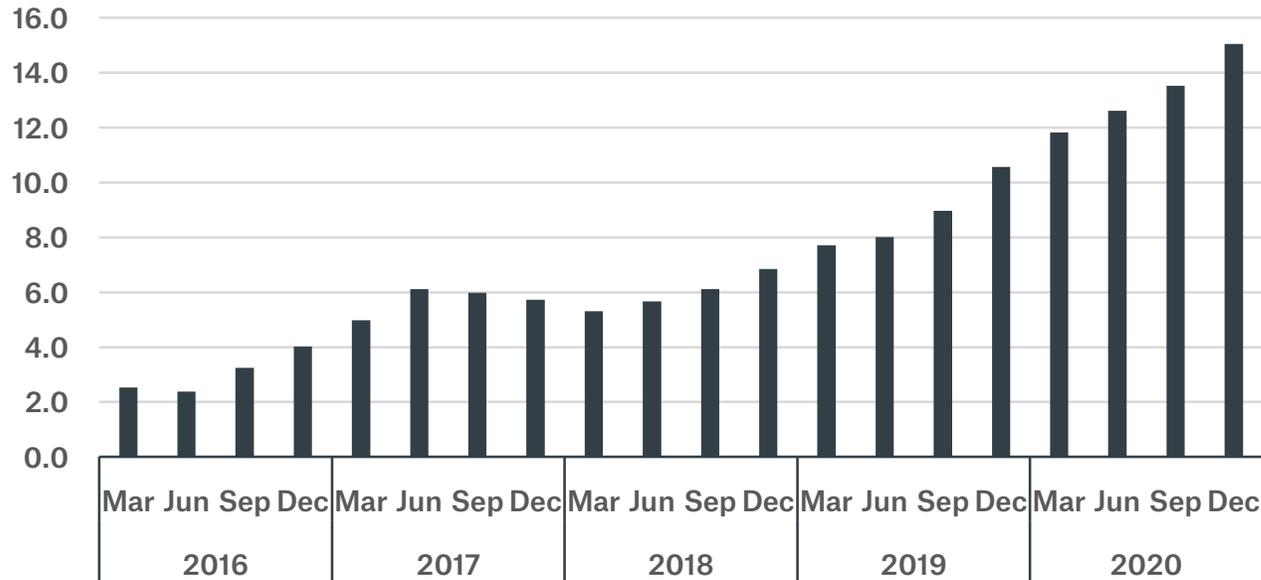
- Deal closed September 2020
- Team onboarding
- Traffic pooling outside India
- Technology assessment

Integration

- Deal closed November 2020
- Onboarding 280+ employees across 19 countries
- Transfer of shared functions
- Separation of business and P2P messaging
- Product portfolio review

Financial targets

Adjusted EBITDA per share, rolling 12 months



Targets:

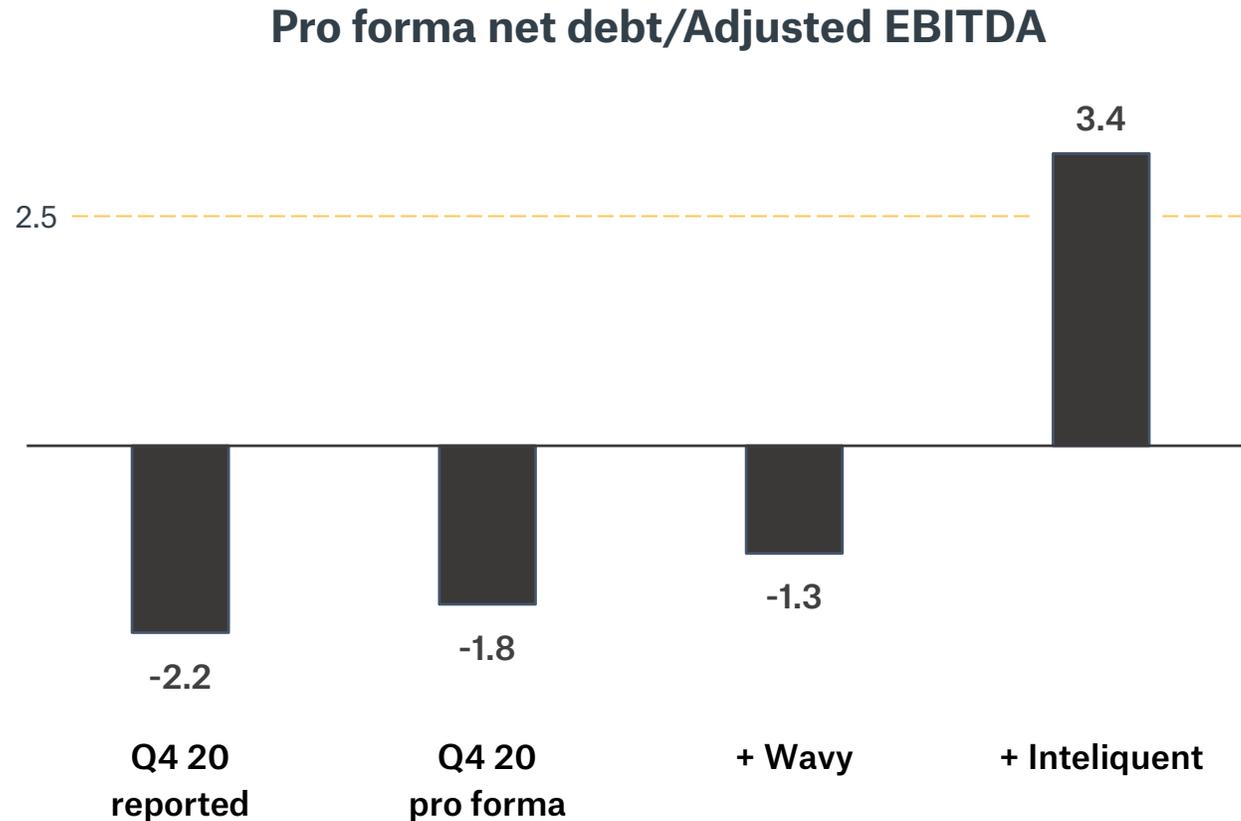
- Adjusted EBITDA per share to grow 20% per year
- Net debt < 2.5x adjusted EBITDA over time

Performance:

- Adjusted EBITDA per share grew 43% in Q4 20, measured on a rolling 12 month basis
- Net debt/EBITDA of -2.2x, measured on a rolling 12 month basis



Financial leverage



- Pro forma calculation includes last 12 months of Adj EBITDA for acquired entities
- Financial target is to maintain Net debt < 2.5x adjusted EBITDA over time



Key priorities ahead



Continued growth with US-based, global tech companies

Initiatives for broadened growth across the base

New customer wins in next-gen messaging through Sinch Conversation API

Integration of Wavy & TWW, ACL and SDI

Continued strengthening of our connectivity offering

Investment in SaaS products for advanced, next-generation messaging

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Thanks!

