



# Avanza Börsdag

19 November 2019

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CFO



sinch



**SEK 4.6bn**

revenue in the past 12 months

**SEK 483m**

Adj. EBITDA in the past 12 months

**SEK 11.5bn**

Market Cap

**570+**

employees

**30+**

offices in 30+ countries

Customer engagement through mobile technology

**30 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



>400% gross profit growth since IPO in 2015

**sinch**

# Growth markets



## Messaging

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

- **USD 17 bn** market size (MobileSquared), other estimates vary between **USD 15-50 bn**
- **Large variation in usage between markets**
- **We foresee continued growth in volumes and gross profit**

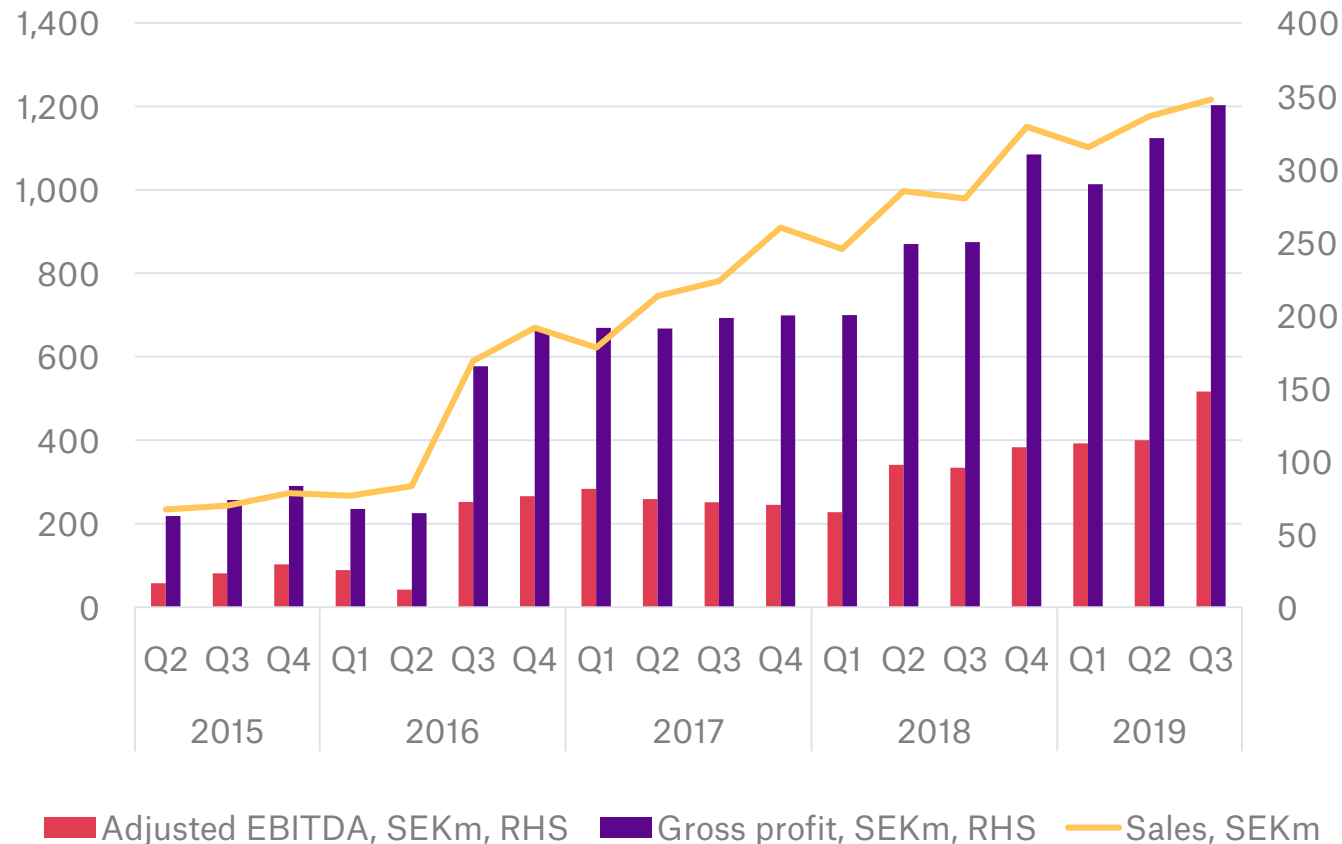
## CPaaS

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

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

# Profitable growth

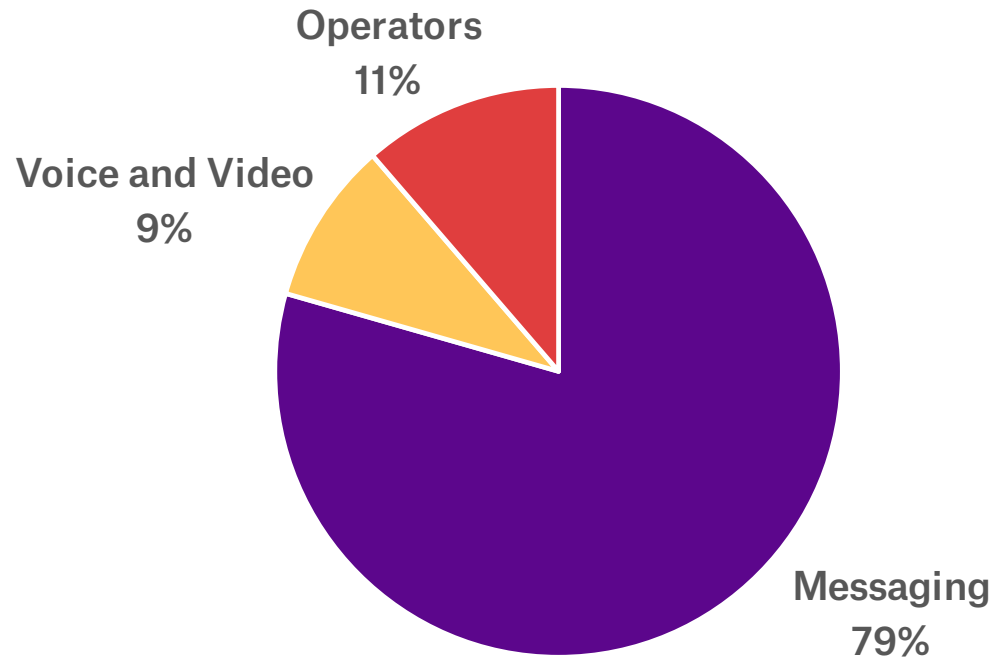
## Financial development since IPO in 2015



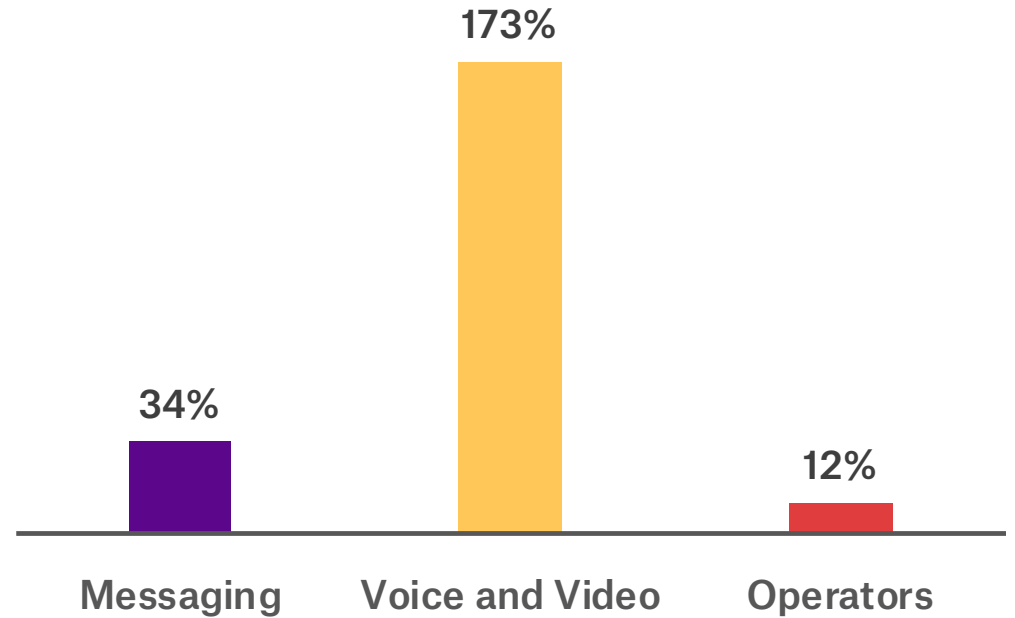
- **Focus on gross profit and EBITDA since pass-through revenues vary between geographies**
- **Track record of profitable growth**
- **37% growth in gross profit and 55% growth in EBITDA in Q3 19**



# Business areas



**Gross Profit, Q3 19**



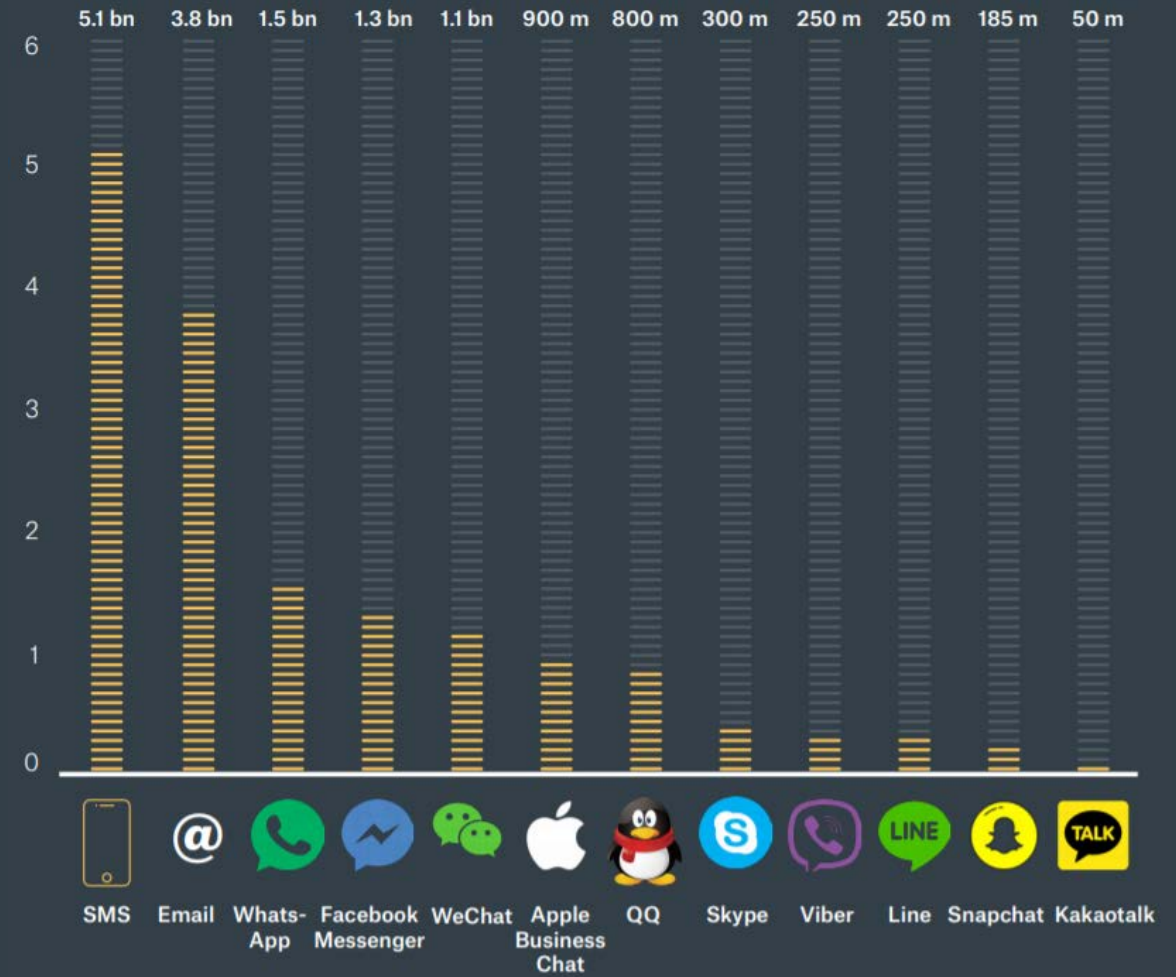
**Gross profit growth, Q3 19 y/y**

# Empowering superior customer engagement

- People across the world have embraced mobile messaging to keep in touch with friends and family
- Businesses have yet to fully capitalize on this opportunity
- SMS has unique characteristics:
  - 100% reach
  - Everybody is a trained user
  - 98% open rate, 90% read within 3 minutes
- New messaging channels expand our market:
  - Images, video and interactivity
  - Messaging becomes more relevant for businesses throughout their customer journey

## User engagement platforms

Unique active users



# Technology evolution in messaging



New messaging channels expand our addressable market

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# Playbook for profitable growth

Value-add through  
Software-as-a-Service

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

Leading connectivity

- Ensure leading direct global connectivity without middlemen
- Differentiate through superior quality, scale and reach
- Telco messaging (SMS, MMS, RCS) and 'over-the-top' (WhatsApp, Apple Business Chat, etc.)
- Benefit from market growth and continue to win market share

Organic growth and complementary acquisitions





# Sinch Tier 1 Global Connectivity Network

300+ direct operator connections



- 1-Way Coverage
- 2-Way Coverage

## Direct connectivity ensures

- End-to-end control
- Enhanced security
- Higher speed and throughput
- Improved redundancy
- Broader feature support

## Competitive advantages

- Leading direct connectivity enables higher quality and competitive costs
- Proven ability to scale with 30 billion messages per year
- Particularly well-placed to serve demanding customers with global needs

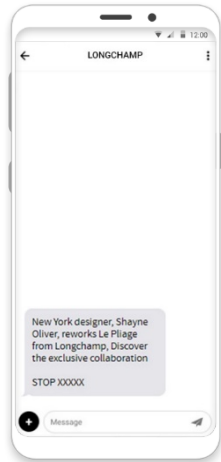
## Significant barriers to entry

- One carrier deal can take months to negotiate
- Pricing based on volume tiers benefits larger players
- Increasing local compliance, data privacy regulations, etc



# Value-add through Software-as-a-Service

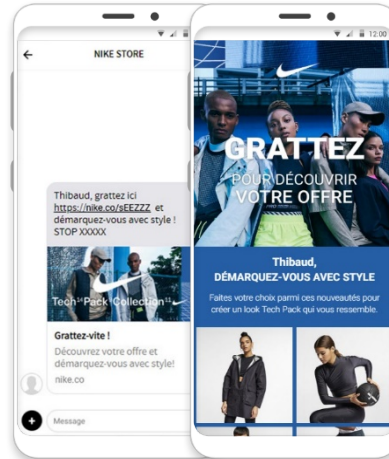
## Simple Messages



Average attention span

3 sec

## Rich Messages



Average attention span

45 sec

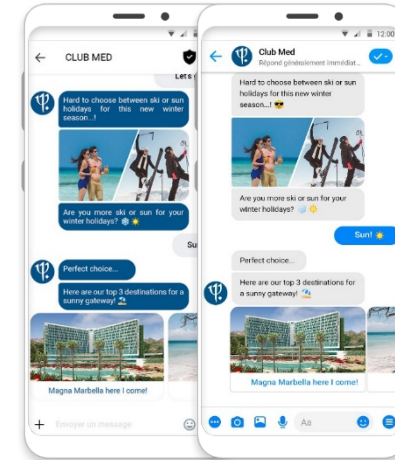
x 15

Media  
Image  
Video

Customization  
Name  
Tailored content

Call to Action  
Touch interactions

## Conversational Messaging



Secured account  
Logo / Verified  
Details & contacts

Call to Action  
Calls  
Calendar  
Maps

Interaction  
Real-time data

Conversation  
Free-form messages

Average attention span

120 sec

x 40

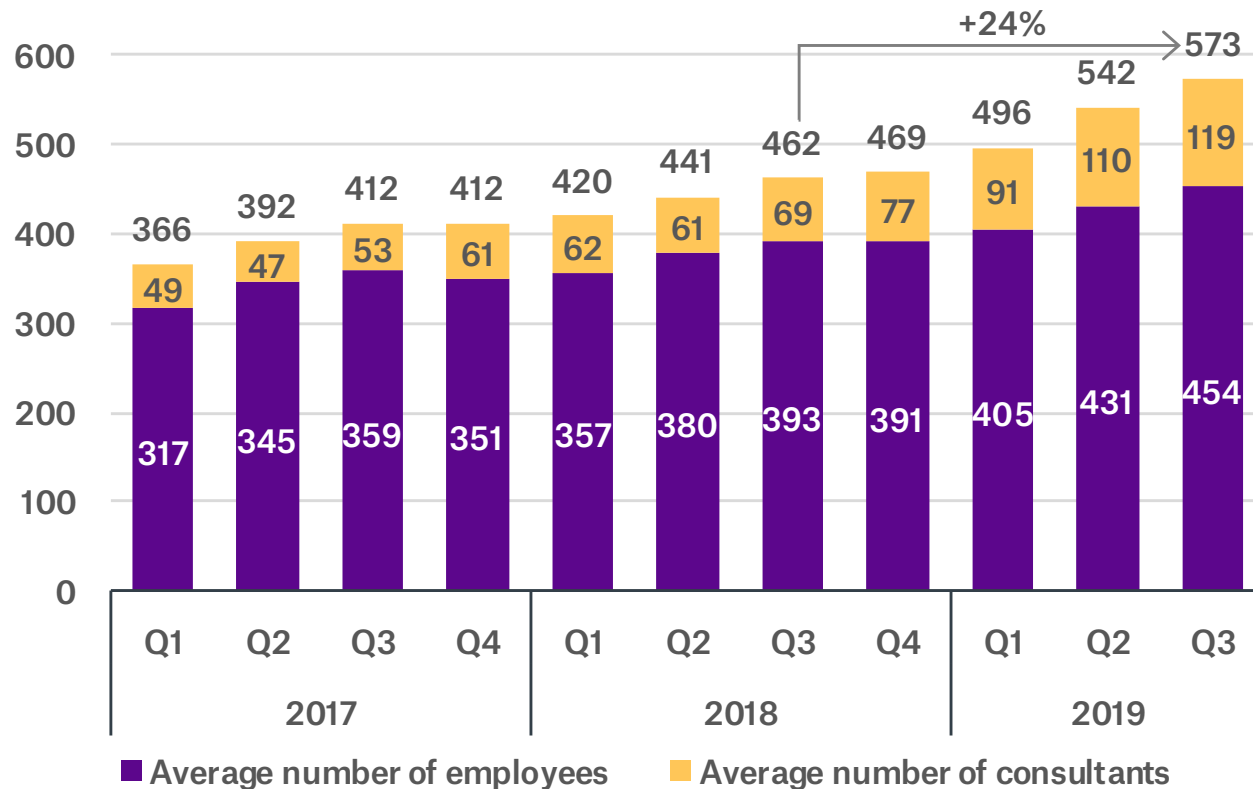
Value added

Price model: SaaS fee per conversation

Price model: Routing fee per message

Price model: Routing fee + SaaS fee per message

# Adding resources to capture new market opportunities

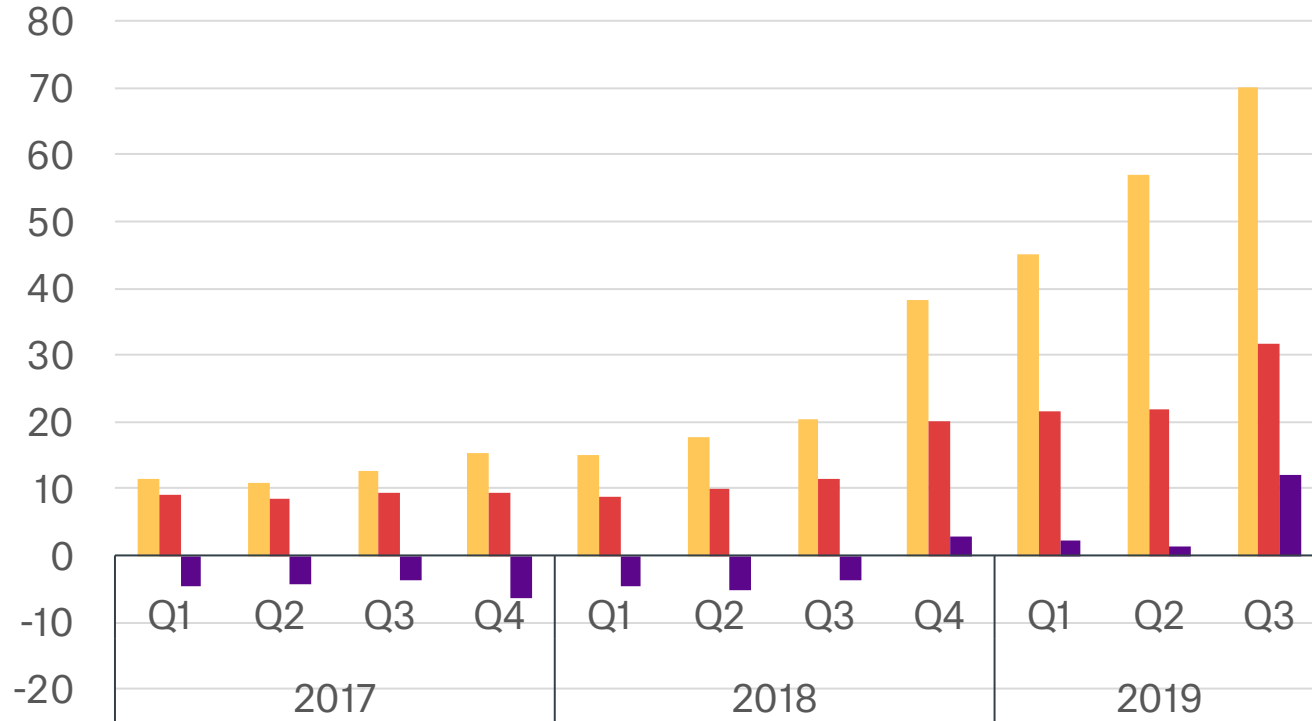


- Headcount increasing by around 30 employees per quarter excluding M&A
- Near-term negative effect on EBITDA before new initiatives translate into higher revenues and gross profit
- myElefant and TWW will increase headcount by 78 from Q4 19



# Investments paying off

## Voice and Video (SEKm)



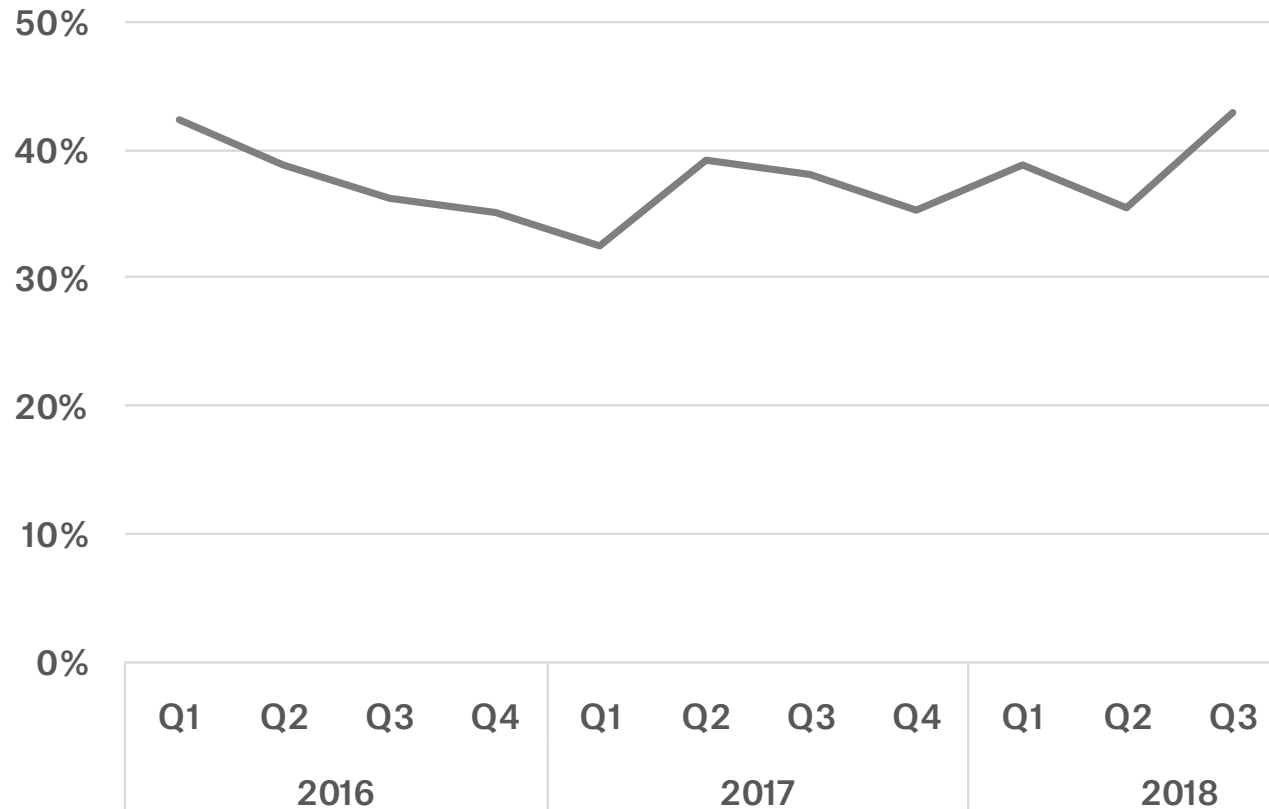
■ Revenue ■ Gross Profit ■ EBITDA

- **Growth fuelled by Number Masking and Verification**
- **Growth with existing customers and new customers causing step change in gross profit and EBITDA**
- **Increasing OPEX to ensure quality as volumes ramp quickly**



# Stable margin development

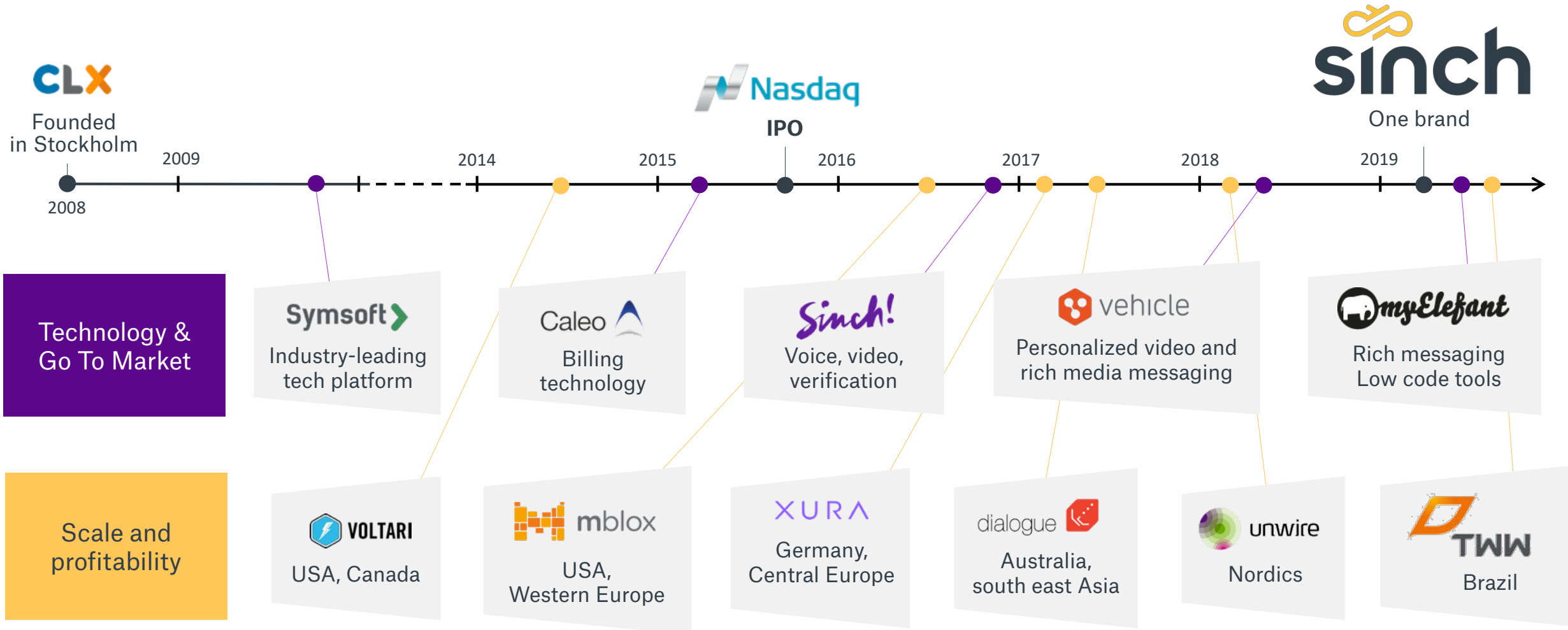
Sinch Adj EBITDA/gross profit



- Revenue and gross margin depend on mix of terminating markets
- EBITDA/gross profit shows margin excluding mobile operator charges
- Increased opex investments to capture growth are more than offset by rising gross profit

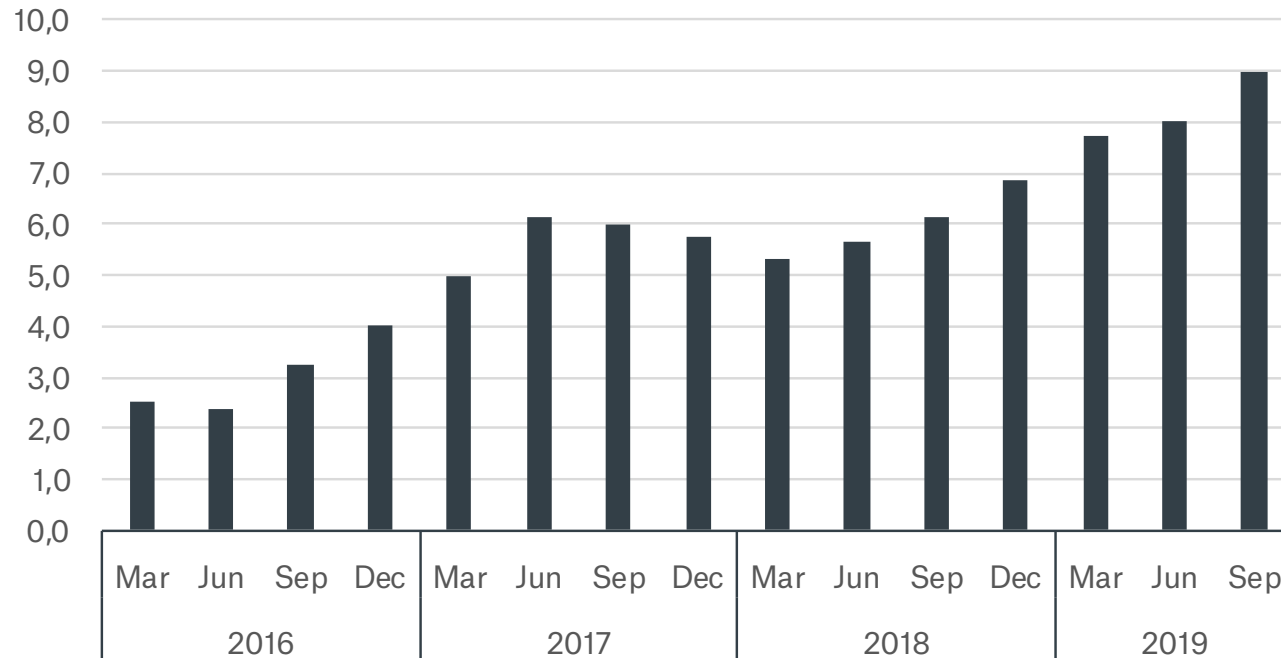


# Strategic acquisitions



# 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 46% in Q3 19, measured on a rolling 12 month basis
- Net debt/EBITDA of 0.9x, measured on a rolling 12 month basis
- Proforma Net debt/EBITDA is around 2.0x after the acquisitions of myElefant and TWW





# Key highlights

1. **Attractive, large and growing addressable market**
2. **Market leading position with global scale**
3. **Large potential for further growth with both existing and new customers**
4. **Proven M&A strategy with strong acquisition track record and maintained low leverage**
5. **Strong financial performance**





**Thanks!**

