



Q2 2021

Investor Presentation

16 July 2021

Oscar Werner
CEO

Roshan Saldanha
CFO

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Chief Strategy Officer & Head of Investor Relations



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SEK 11.8bn
revenue in the
past 12 months

SEK 1.2bn
Adj. EBITDA in the
past 12 months

SEK 107bn
Market Cap

2,292
people

47 countries with
local presence

Customer engagement through mobile technology

170 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



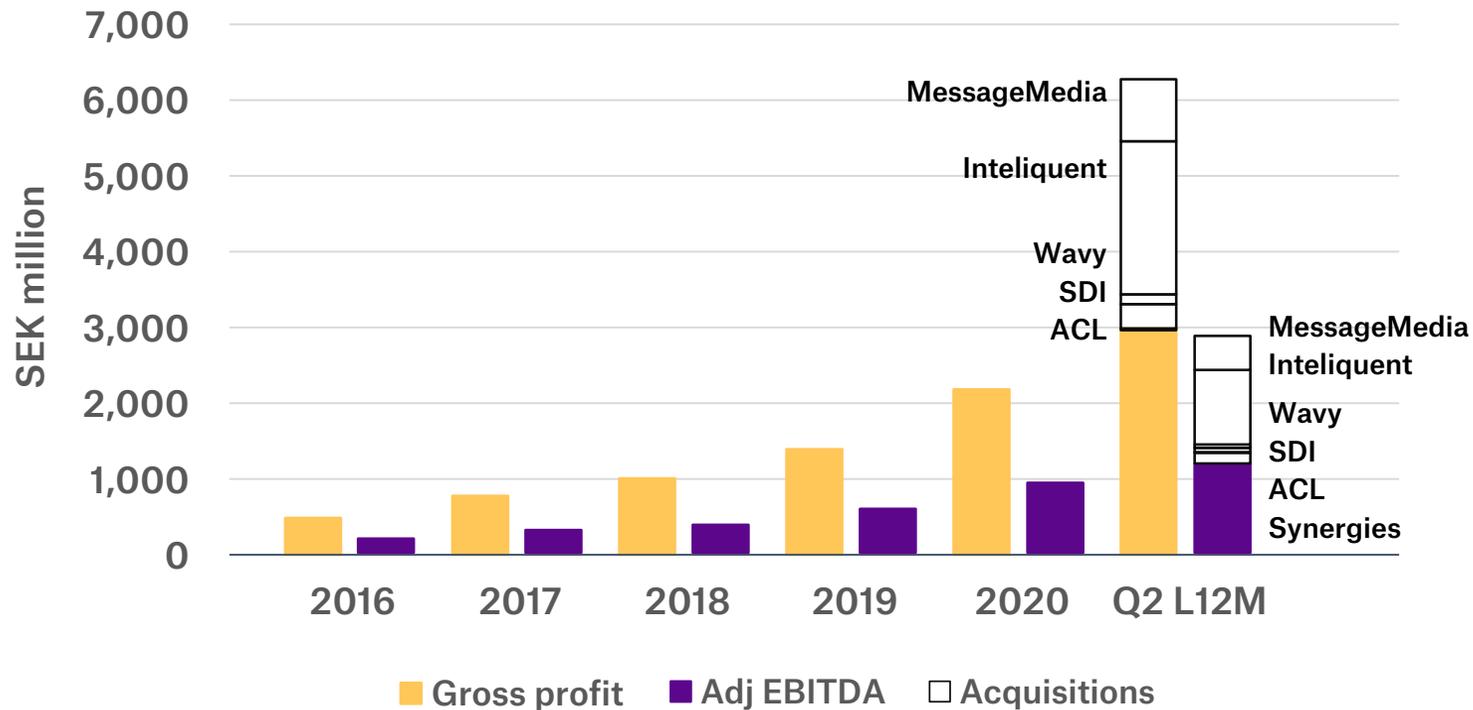
Profitable since our
foundation in 2008



11x growth in gross profit
since IPO in 2015

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Track record of profitable growth

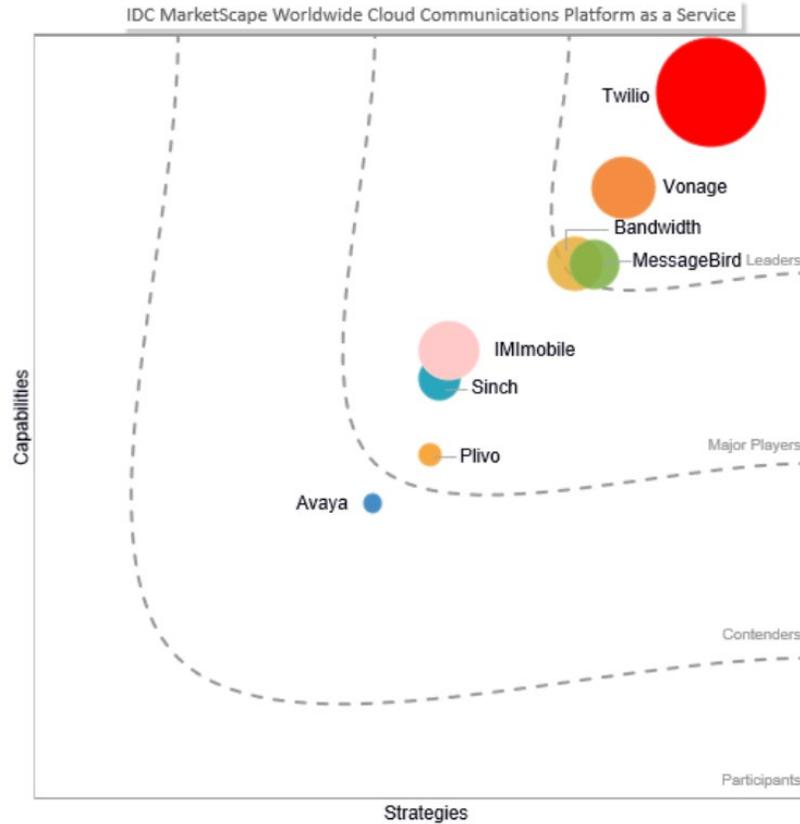


- Focus on Gross profit since pass-through revenues vary between geographies
- Acquisitions adding significantly to our scale and profitability
- Investing to increase growth in acquired units

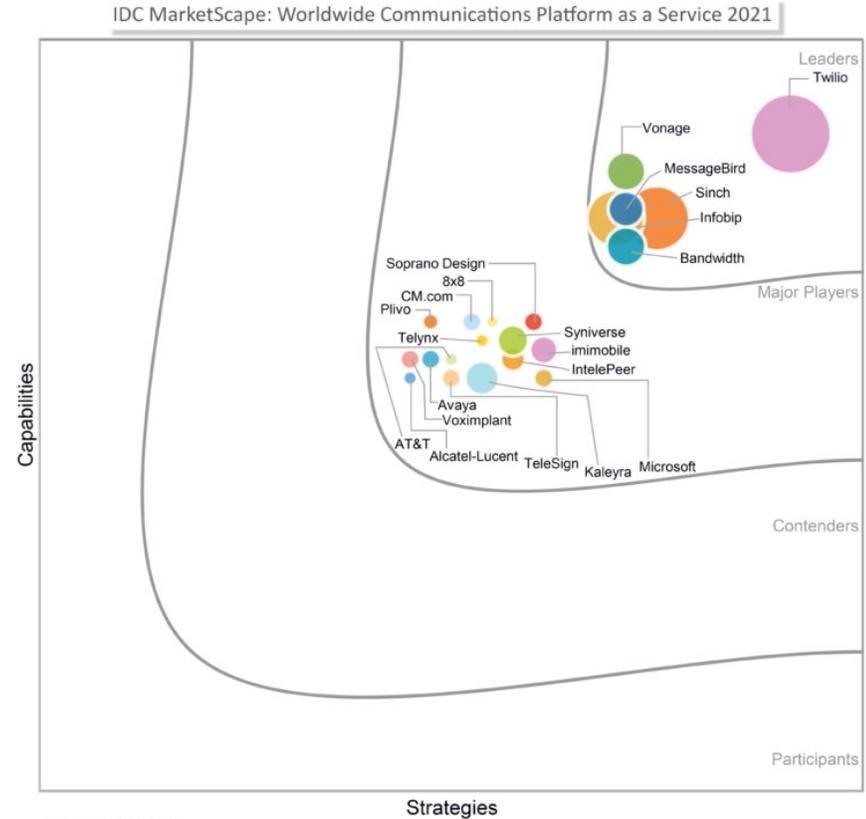


The acquisitions of Inteliquent and MessageMedia are pending regulatory approval. ACL includes the last 2 months of earnings before the unit was consolidated on 1 September 2020. SDI includes the last 4 months of earnings before the unit was consolidated on 1 November 2020. Wavy includes the last 7 months of earnings before the unit was consolidated on 1 February 2021. Synergies refer to expected synergies for Wavy and SAP Digital Interconnect, estimated mid-point, at full run rate. Exchange rates as of 15 July 2021.

Establishing a global leader in CPaaS



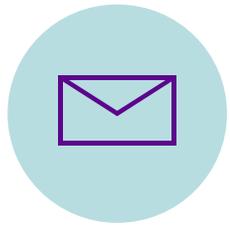
2019



2021



Creating value for businesses & their customers



Email



SMS



**Conversational
Messaging**

Rich content
Limited reach

Limited content
100% reach

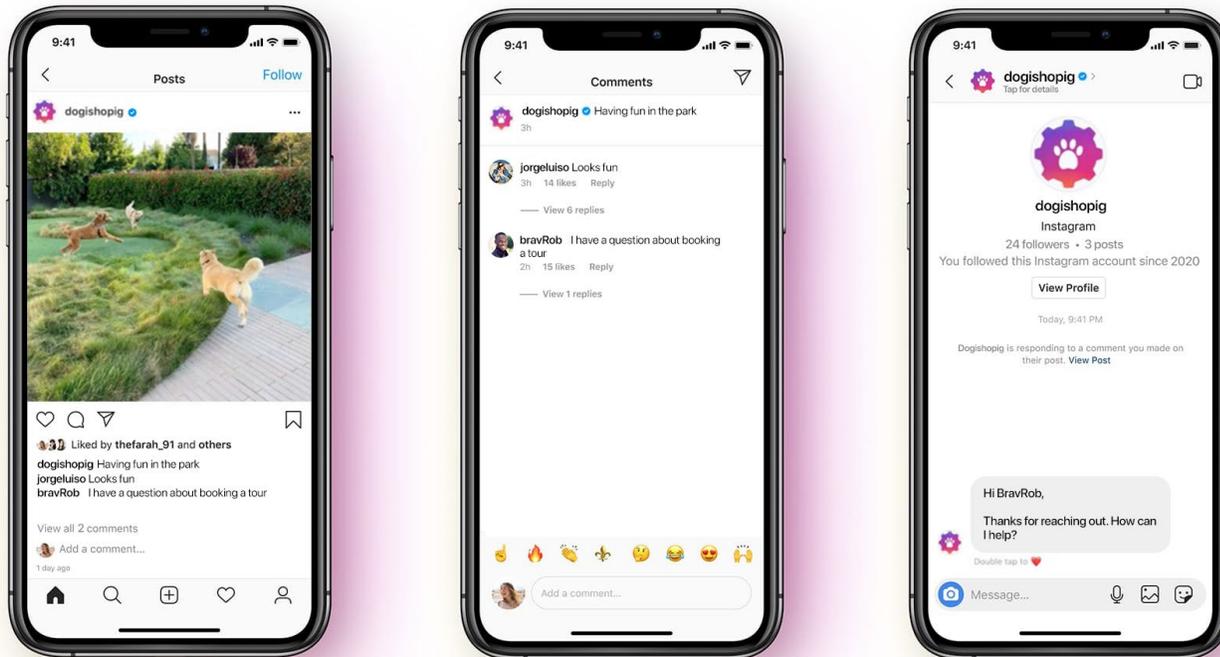
Rich content
100% reach*

35x higher open rate

App-like experience

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

Conversational messaging through Instagram



Available in closed beta through
the Sinch Conversation API

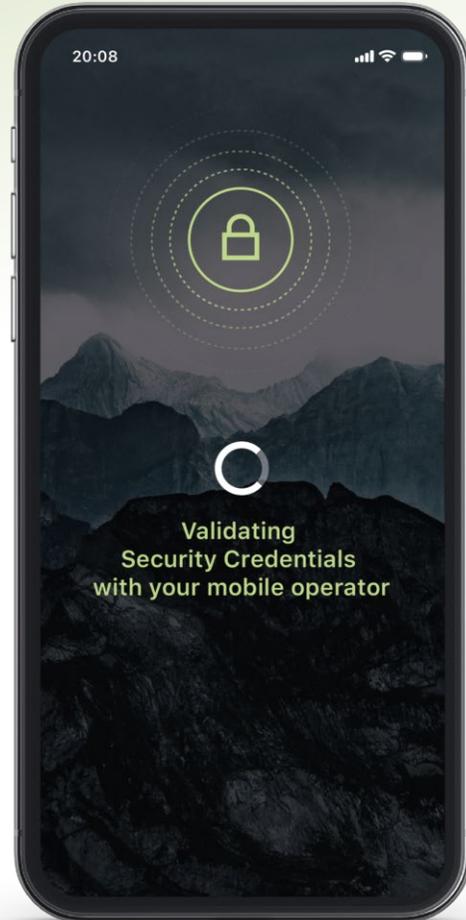
- **Enabling businesses to have 1:1 conversations with customers on one of the world's most loved channels**
- **Over 1 billion monthly active users on Instagram worldwide**
- **60% of people say they discover new brands on Instagram**
- **80% of users follow a company**



Zero-click user authentication

No pin code needed –
direct integration
with mobile
operators

Now available
in closed beta



- **Innovative new way to verify a customer's mobile phone number**
- **Verifying that you are in control of your phone & phone number is a way to implement Two Factor Authentication (2FA)**
- **Data verification has superior UX, speed and security compared to existing methods**
- **Complements Sinch's existing verification portfolio with SMS, flash call, voice verification**



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

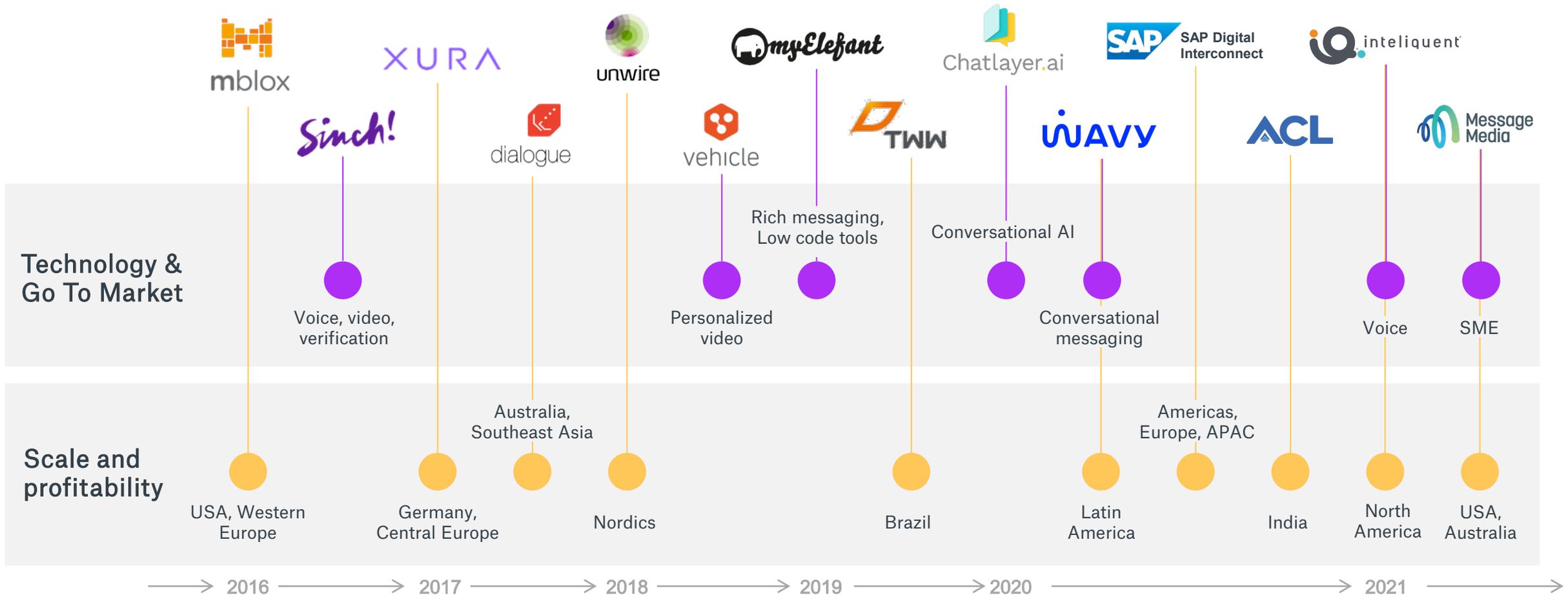
Connectivity

- 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





Complementary Go-To-Market models

Enterprise

- Online lead-generation
- Lead with APIs and SaaS
- Target enterprise customers and indirect channel partners
- Customers may have in-house development resources or use System Integrators
- Customers look for superior service delivery, global reach, end-to-end connectivity, compliance, and competitive pricing at high volumes

Developer

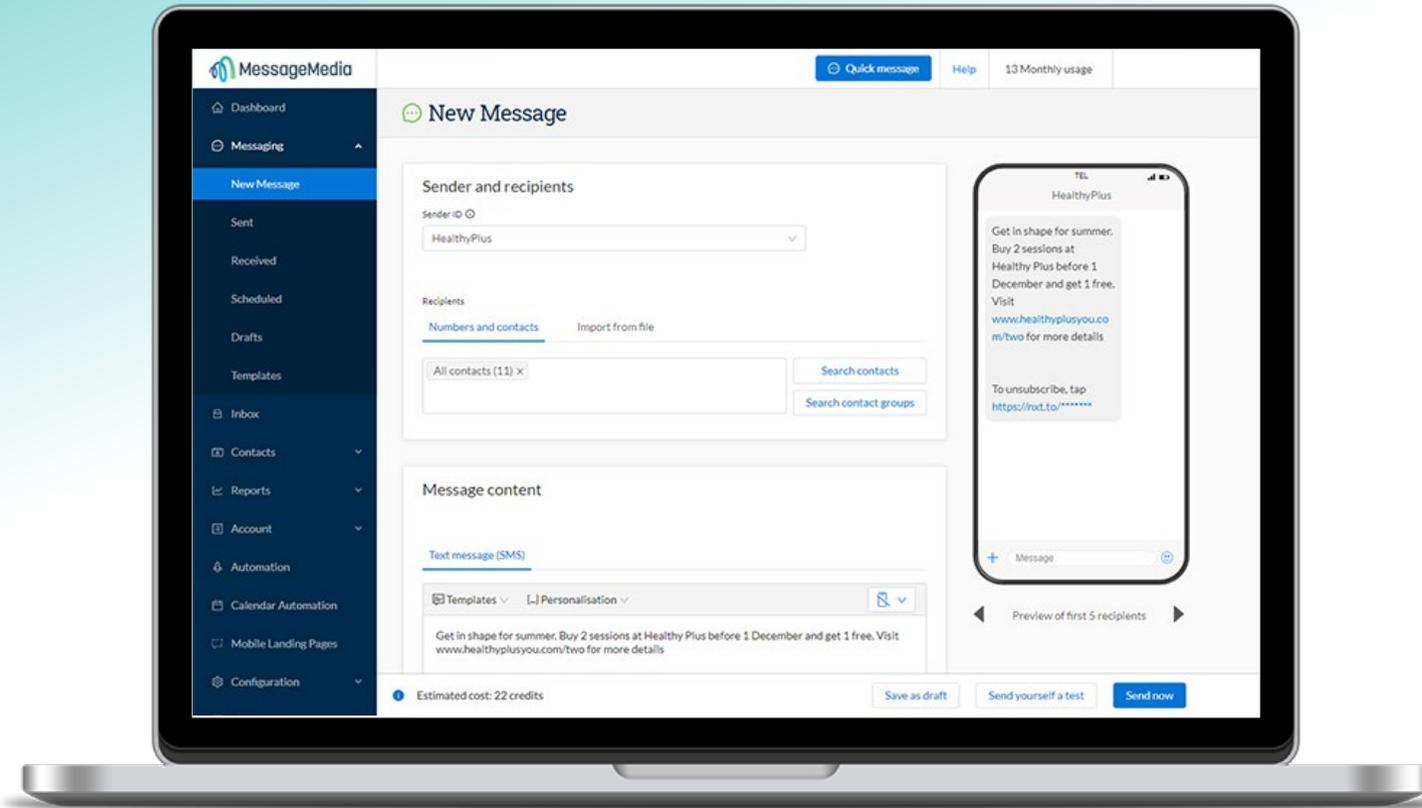
- Online self-signup
- Lead with APIs
- Target developers, who may work for any size business
- Customers have in-house developer resources
- Customers look for intuitive UX, self-signup and self-service, SDKs, tutorials and code examples, strong documentation

SME

- Online self-signup
- Lead with SaaS & integrations
- Target small and medium sized businesses: local dentists, mechanics, etc.
- Customers have limited development resources
- Customers look for 'out-of-the-box' solution, ease-of-use, quick time-to-value, and ability to reach wanted business objective without coding



SaaS products focused on ease-of-use



- **Web-based SaaS application suite supporting outbound messaging and conversational use cases**
- **Optimized for ease-of-use and quick time-to-value**
- **Subscriptions-based price model**
- **Single platform supporting multiple brands**
- **Preconfigured integrations to multiple SME-focused cloud platforms**

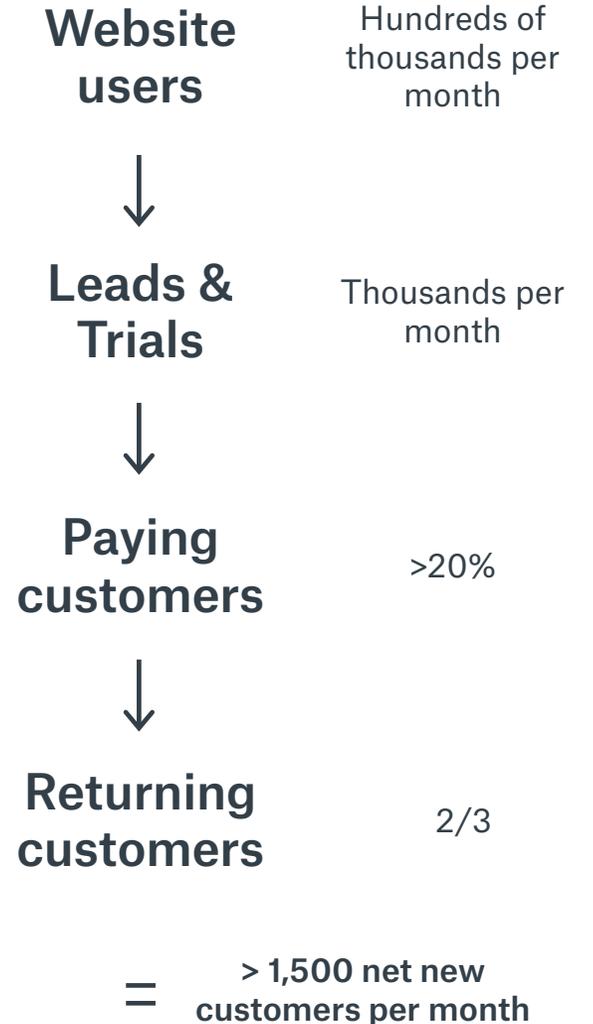
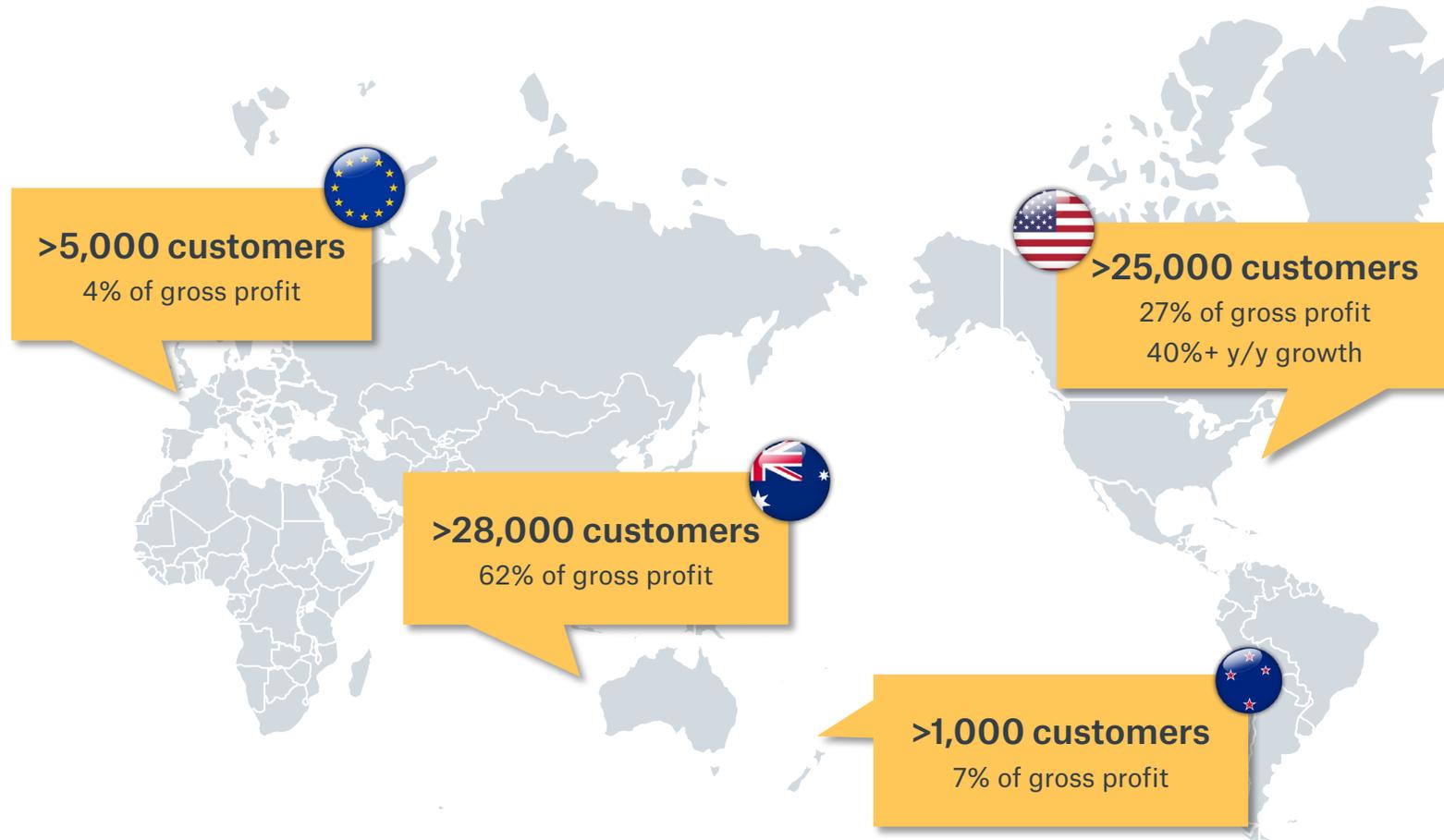


Integrations including:



...and many more!

Global, digital, go-to-market model



Deal rationale

Message Media

- Leading provider of software-as-a-service for mobile customer engagement to small and medium sized businesses with strong organic growth in the United States, Australia, New Zealand and beyond
- More than 60,000 customers, sending over 5 billion mobile messages per year
- 9 successful acquisitions with focus on integration to leverage shared technology platform
- Over 350 employees with headquarters in Melbourne, Australia

Deal rationale

- Expand addressable market and position Sinch for growth with small and medium sized businesses
- Add digital customer acquisition engine winning >1,500 new customers per month
- Expand scope of future M&A with experienced team leveraging modern multi-brand platform
- Accretive deal that fits both Scale and Profitability & Technology and Go To Market criteria

Integration

- MessageMedia to form SME-focused part of Sinch with current management in place
- Integration costs estimated to reach USD 8 million over 18 months
- MessageMedia to benefit from Sinch's global super network and investments in new conversational messaging channels. Savings to be reinvested in expansion, leveraging Sinch's presence in 47 countries

Financials

- Enterprise value of USD 1,300m, of which USD 1,100m is paid in cash and 200m is paid in equity
- Closing is subject to regulatory approval, closing expected in H2 2021
- Revenues of USD 151m, gross profit of USD 94m, and EBITDA of USD 51m expected in L12M to June 2021
- Underlying year-on-year revenue growth around 22% over the past 2 years with higher growth in the US



April – June 2021

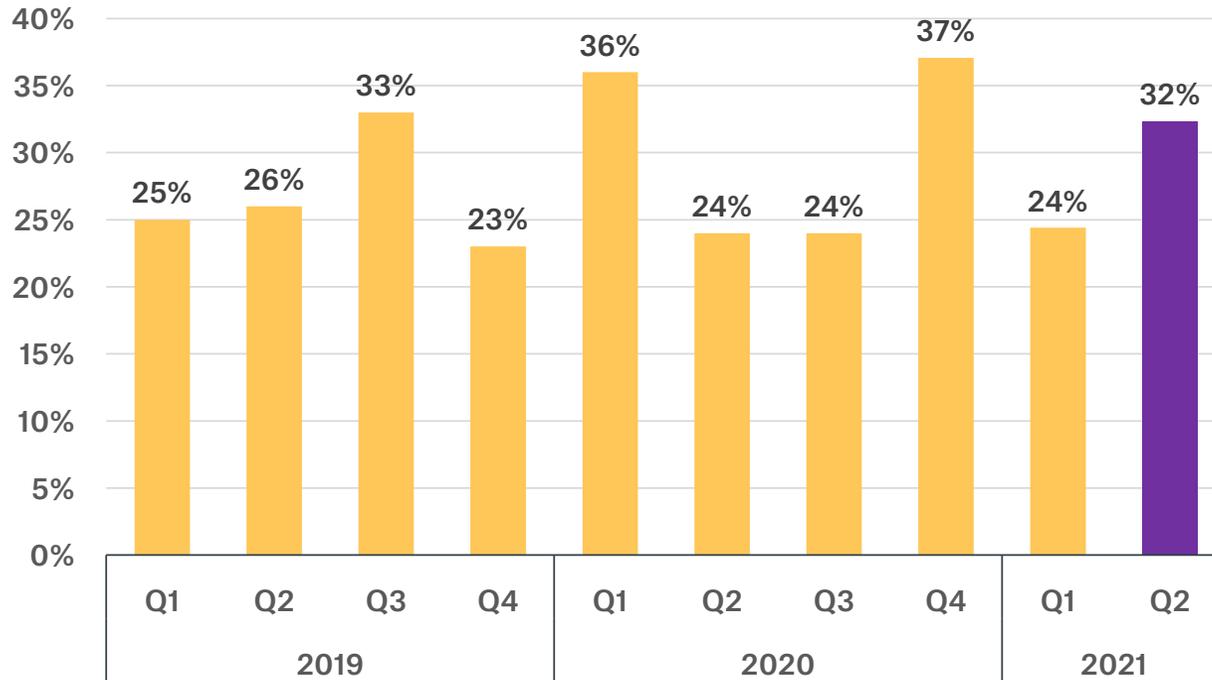
- Gross profit rising 89% to SEK 869 million (460.3)
- Adjusted EBITDA rising 42% to SEK 284 million (200)
- Adjusted EBIT excl. acquisition-related amortization of SEK 254 million (185)
- Profit after tax of SEK 47 million (37)

- Organic Gross Profit growth of 32% in local currency
- 42% growth in Adjusted EBITDA (excludes currency effects and share incentive plans)
- Broad growth across customer segments and geographies
- Gross margin and Adj EBITDA margin affected negatively by recently acquired businesses
- Continued opex investments to prepare our business for future growth, strengthen our go to market and develop new products

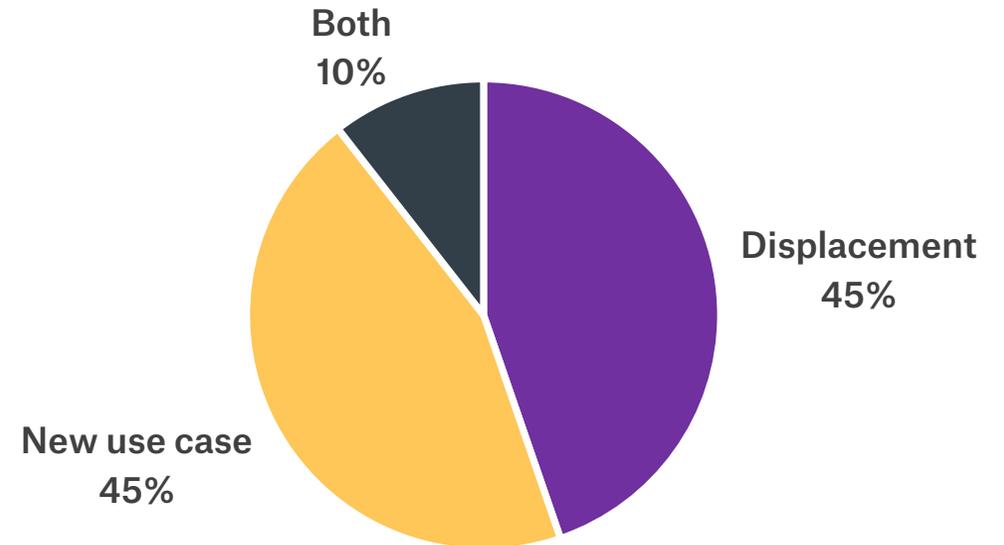
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Broad-based organic growth

Continued high organic Gross profit growth

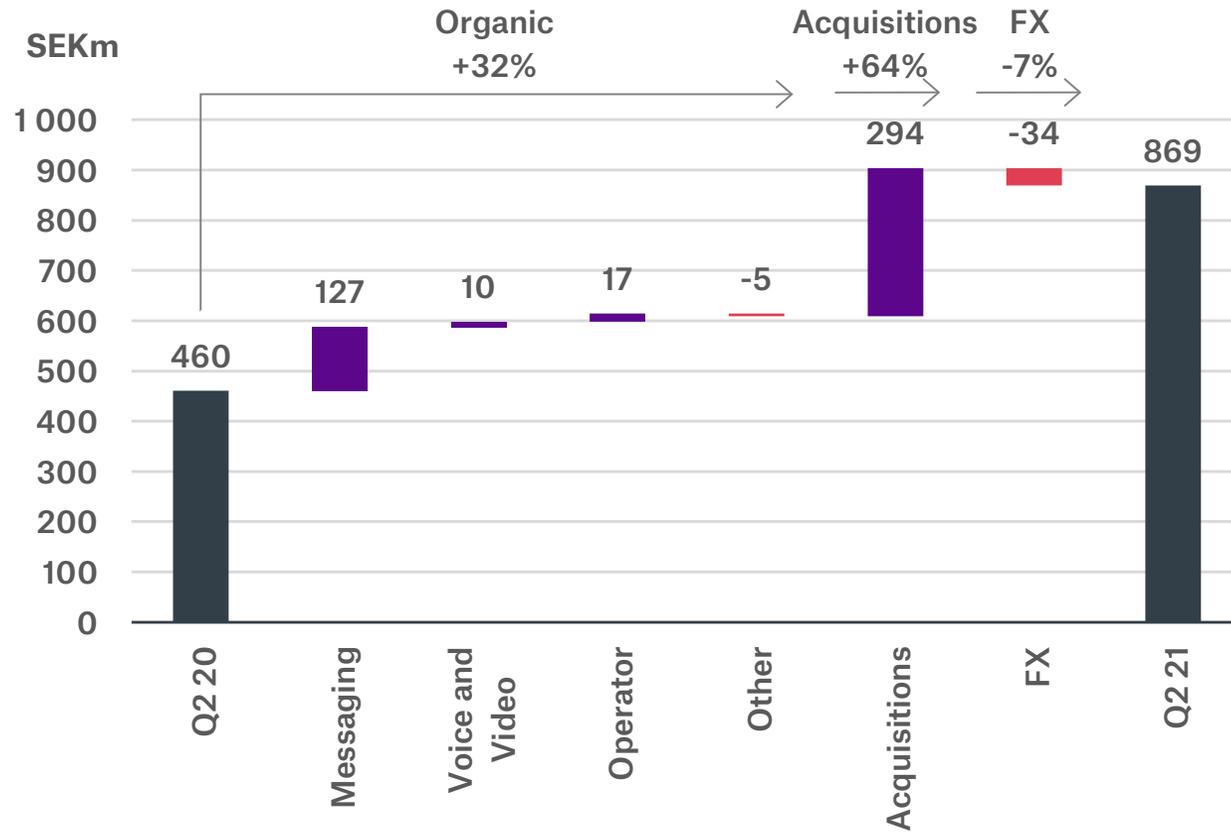


Growth comes both from net new business & wins from competition*



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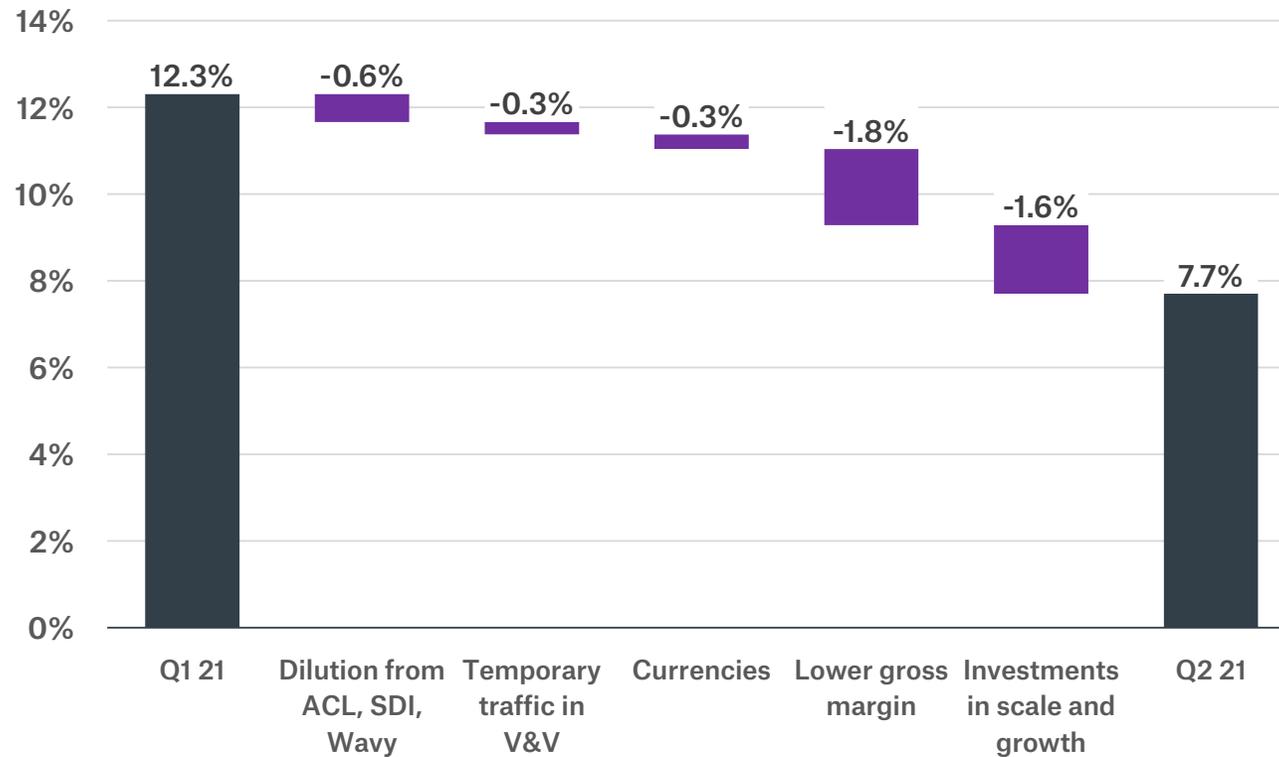
Gross profit growth



- **Broad organic growth across the business due to investments in product and go to market**
- **32% organic Gross profit growth**
- **89% total Gross profit growth**



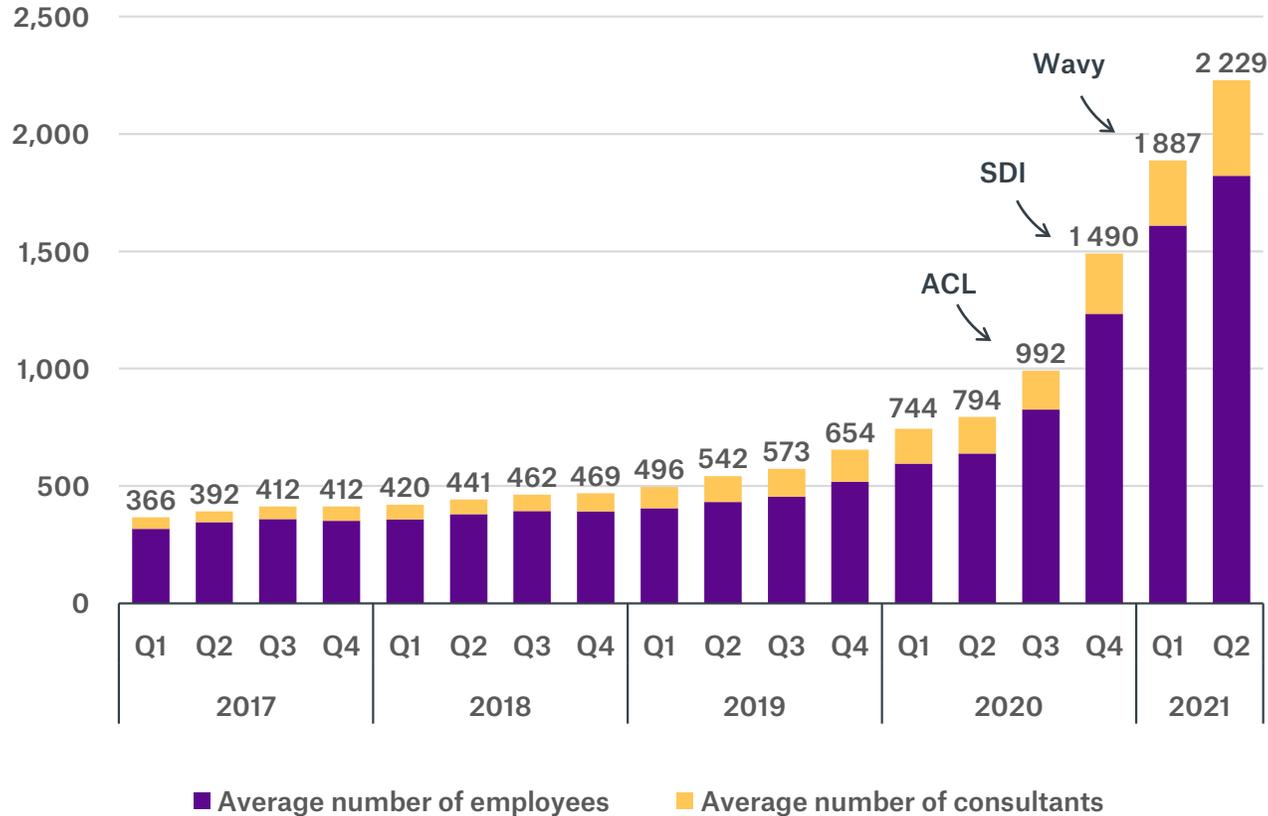
Adjusted EBITDA margin



- **Acquired businesses still operating at lower margin**
- **Currency headwind and dilutive, temporary traffic**
- **Investments in scale and growth**
- **42% growth in Adjusted EBITDA despite scale-up investments**



Headcount increase

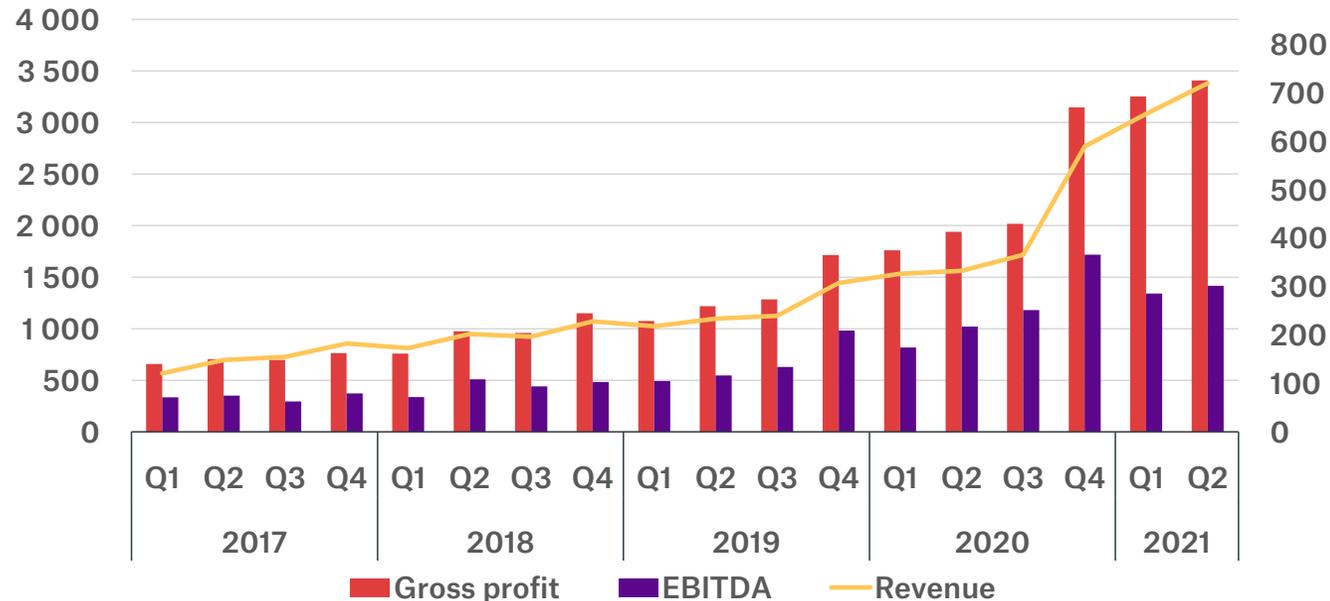


- **Headcount rises with recruitment and acquisitions**
- **Added 132 colleagues in Q2**
- **Total headcount at 2,292 at end of Q2 2021**



Strong growth in Messaging

Messaging (SEKm)

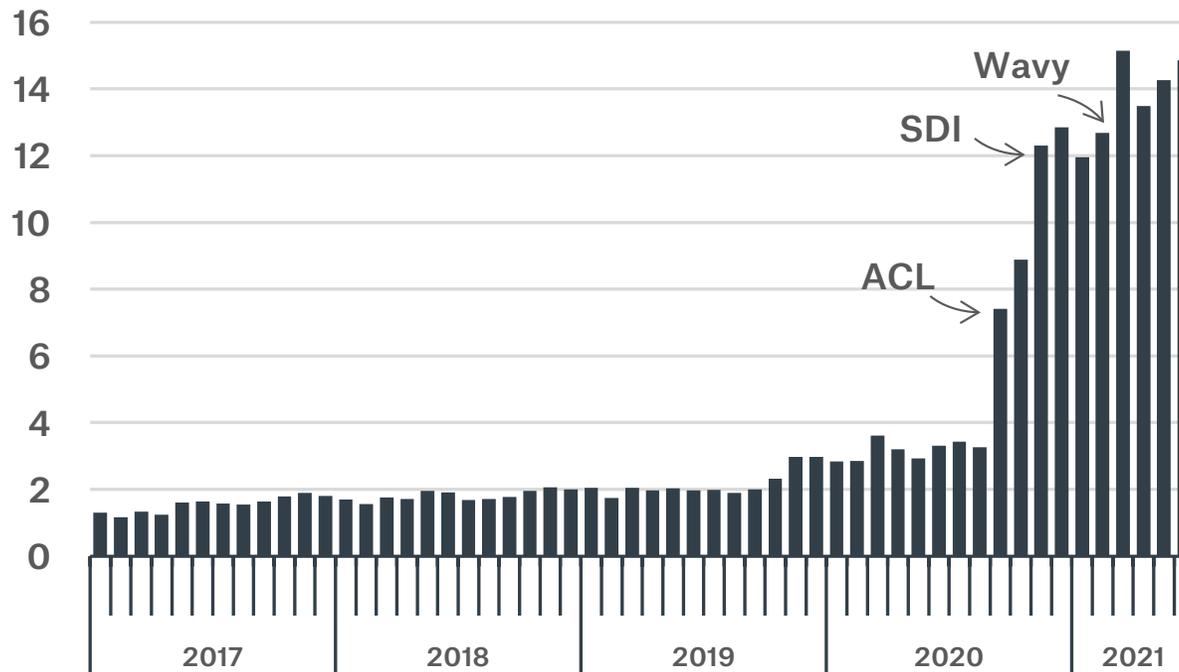


- **Total Gross profit growth of 76% with organic growth at 31%**
- **SDI contributing from 1 November 2020 & Wavy from 1 February 2021**
- **Investments in product, sales and marketing delivering broad growth across the full customer base**



Rising message volumes

Number of transactions per month (billions)

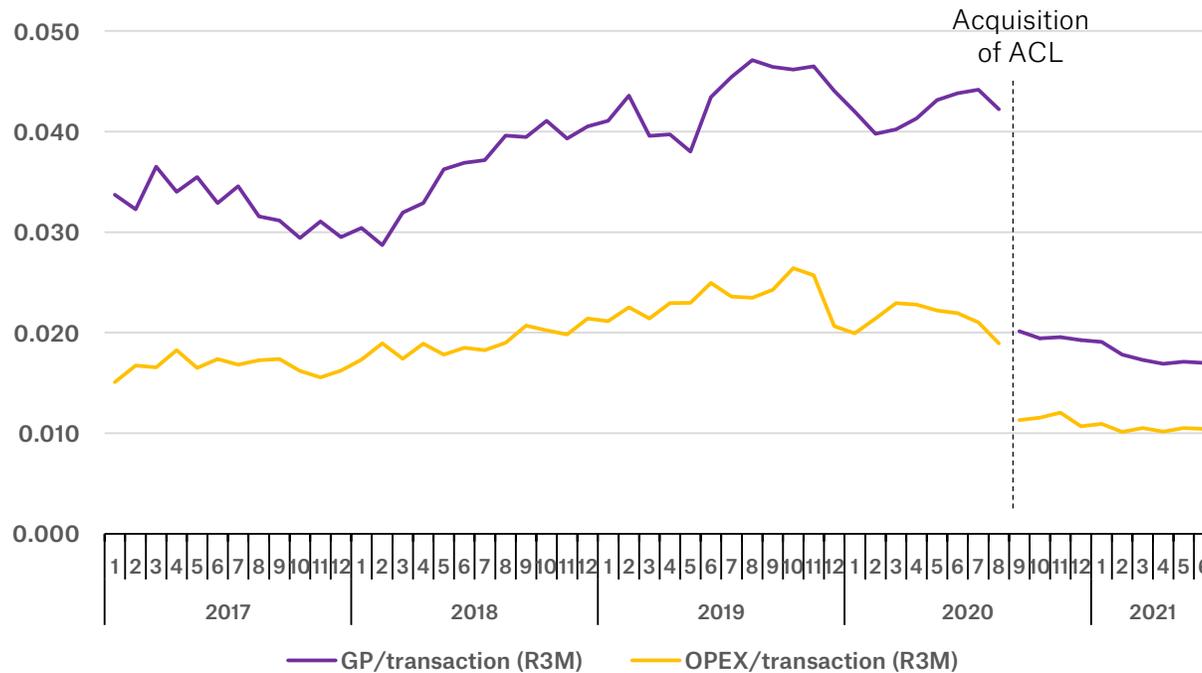


- **Large increase in September 2020 due to ACL acquisition in India**
- **352% year-on-year growth in transactions in Q2 with 59% growth in comparable units**
- **Growth from existing customers, new customers, new use cases**



Gross profit per transaction

OPEX/transaction & Gross profit/transaction (SEK)

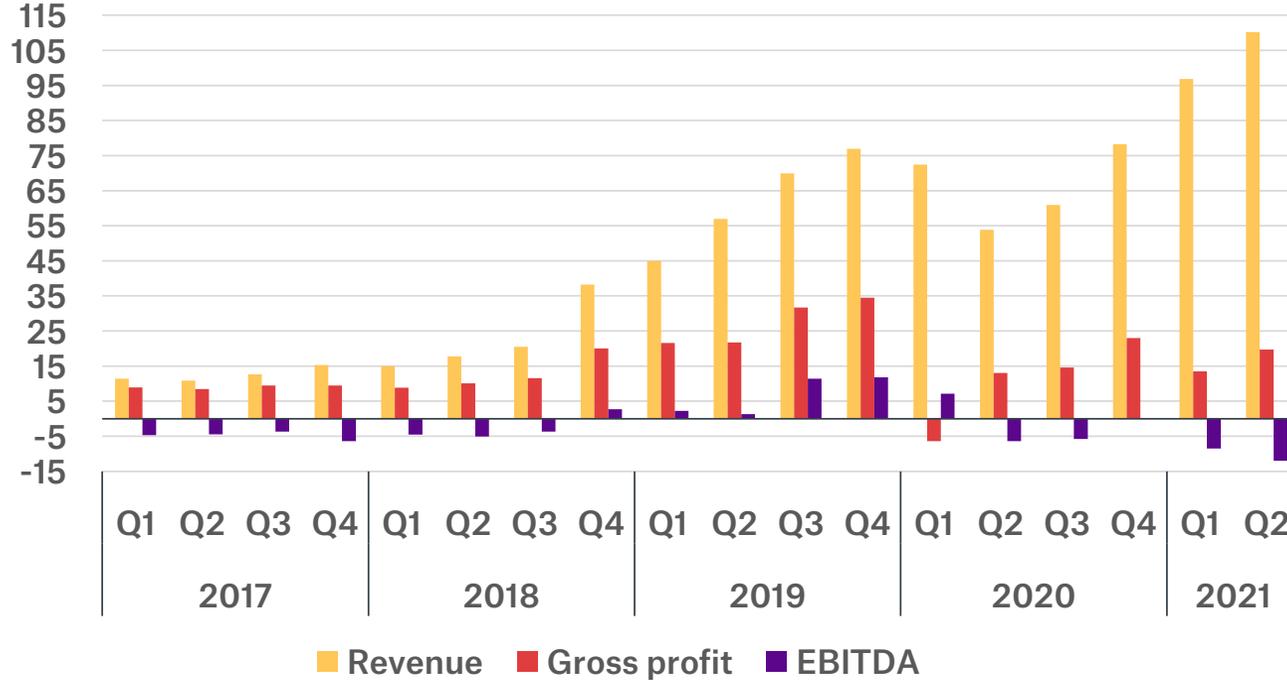


- **Gross profit is the primary bottom line driver**
- **Per-transaction measures relevant to track profitability and economies of scale**
- **ACL Mobile has significantly lower GP and OPEX per transaction, skews overall measures from September 2020**



Continued Covid impact on Voice and Video

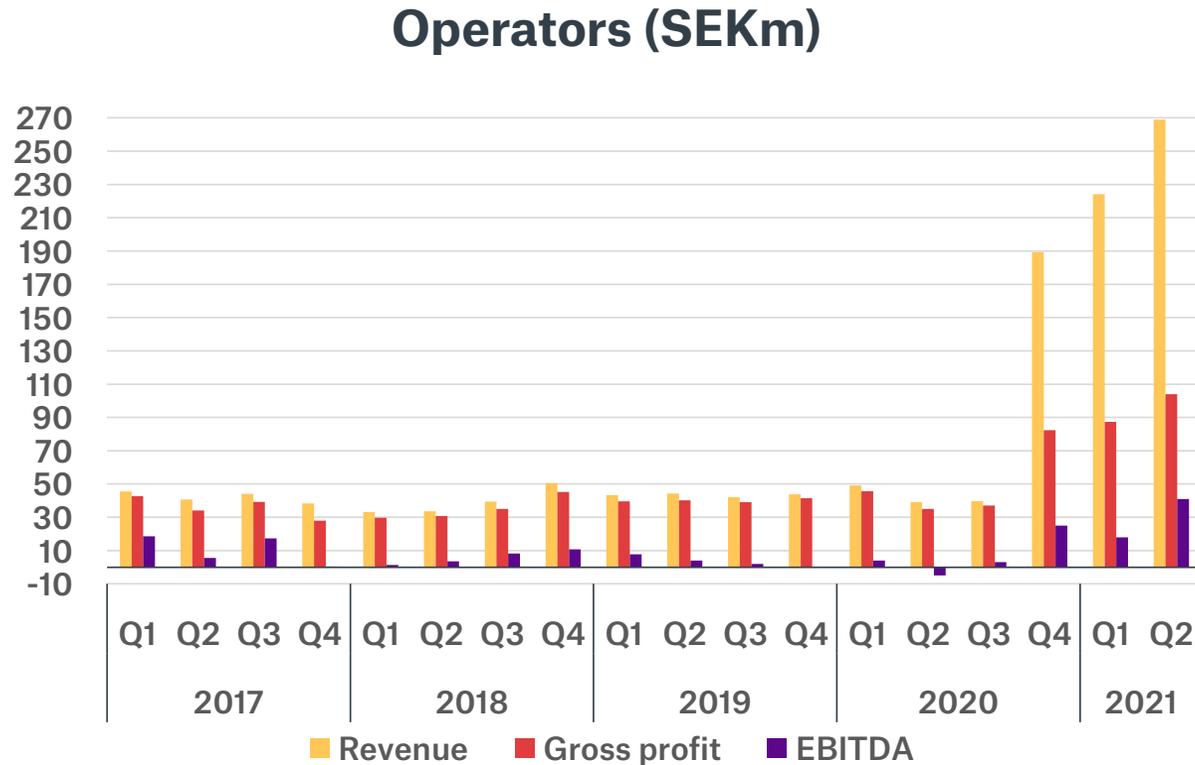
Voice and Video (SEKm)



- Growth compared to previous quarters fuelled by Number verification
- Temporary traffic with low gross margin will not continue after Q2
- Work to prepare for upcoming integration with Inteliquent after deal closes



Broadened product offering to Operators



- **Sinch and SDI operator organizations united in early 2021**
- **Strong Q2 performance, both organic and SDI**
- **High margins in Operator Software business, though volatile between quarters**
- **SDI person-to-person (P2P) interconnect business operating at lower gross margin**





Integration



Integration planning	Integration planning	Integration	Integration	Integration
<ul style="list-style-type: none"> Deal signed in Feb 2021 Regulatory approval process is ongoing Expected to close H2 2021 Integration planning together with MessageMedia management, as applicable under competition rules 	<ul style="list-style-type: none"> Deal signed in June 2021 Regulatory approval process is ongoing Expected to close H2 2021 Integration planning together with Inteliquent management, as applicable under competition rules 	<ul style="list-style-type: none"> TWW closed Oct 2019 Wavy closed Feb 2020 Completed rebranded with local website Initiated customer and supplier migrations to leverage Sinch global platform Work to extend Wavy ways-of-working initiated to accelerate Conversational Messaging sales 	<ul style="list-style-type: none"> Deal closed Sept 2020 Local carrier connections leveraged to better serve large global Sinch customers Sinch Operator technology deployed in India Chatlayer Conversational AI platform deployed locally in India 	<ul style="list-style-type: none"> Deal closed Nov 2020 Sales teams merged with Sinch across 19 countries Product & Operations teams integrated with Sinch Continued customer and supplier migrations to shared global platform



Q2 2021 Financials



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Income statement

Sinch Group, SEK million	Q2 2021	Q2 2020	2020	R12M
Net sales	3,682	1,622	8,023	11,809
Cost of goods sold and services	-2,813	-1,162	-5,840	-8,844
Gross profit	869	460	2,183	2,966
Other operating income	24	34	198	188
Work performed by the entity and capitalized	21	18	69	77
Other external costs	-294	-126	-683	-979
Employee benefits expenses	-419	-198	-869	-1,306
Other operating expenses	-51	-43	-183	-207
EBITDA	152	146	715	738
Depreciation, amortization, and impairments	-104	-58	-262	-347
EBIT	48	88	453	391
Finance income	377	2	6	607
Finance expenses	-318	-34	-79	-513
Profit before tax	107	56	379	485
Current tax	21	-34	-143	-121
Deferred tax	-81	15	209	137
Profit for the period	47	37	446	501

- **Non-recurring items in EBITDA reflect recent M&A activity**
- **SEK 75 million integration cost related primarily to SDI and Wavy**
- **Adjusted EBIT excludes non-recurring items as well as amortization of acquisition-related assets**
- **Adjusted EBIT of SEK 254 million (185) in Q1 21**



Reconciling Cash flow with EBITDA

SEK million	Q2 2021	Q2 2020	2020	R12M
Adjusted EBITDA	284	200	989	1,165
Paid interest	-12	-10	-30	-33
Paid taxes	-40	-6	-101	-192
Other items not affecting cash	187	-57	-256	4
Cash flow before changes in working capital	418	127	602	944
Cash flow before changes in working capital / Adjusted EBITDA	147%	64%	61%	81%

- **High conversion of Adjusted EBITDA to cash flow**
- **“Other” captures non-recurring items in EBITDA and revaluation of balance sheet items**



Cash flow

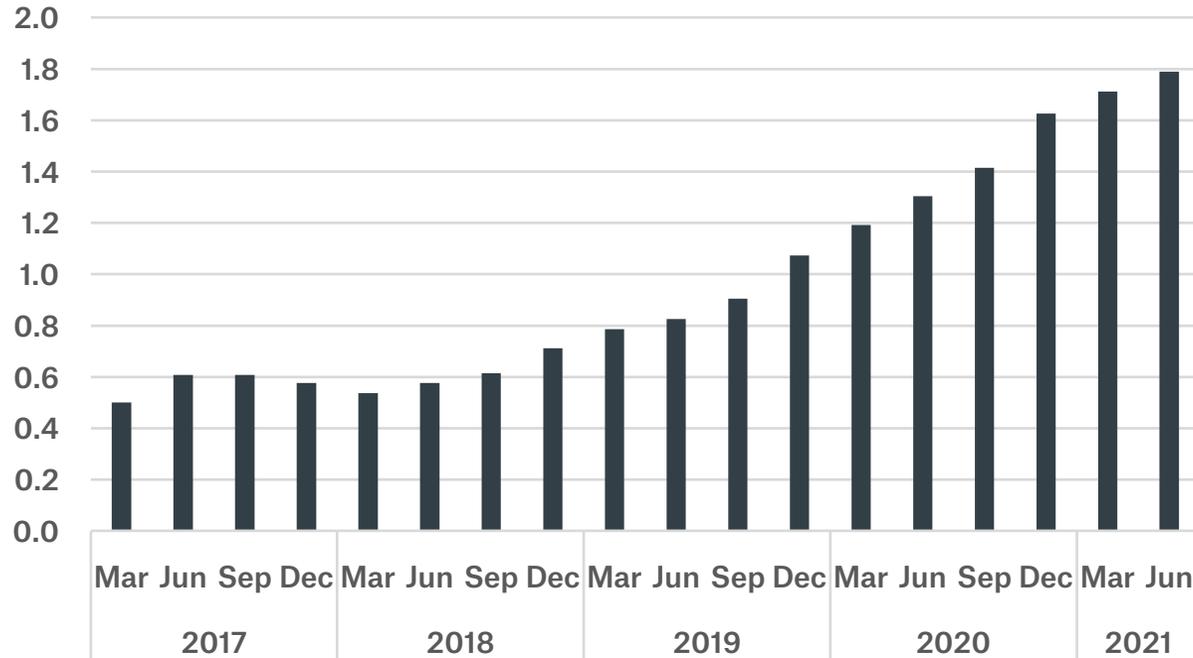
Sinch Group, SEK million	Q2 2021	Q2 2020	2020	R12M
Cash flow before changes in working capital	418	127	602	944
Change in working capital	-461	137	-148	-344
Cash flow from operating activities	-43	264	454	600
Net investments in tangible and intangible assets	58	-24	-86	-26
Change in financial receivables	-9	-1	-2	-3
Acquisition of Group companies	-178	-81	-2,885	-3,442
Cash flow from investing activities	-129	-107	-2,972	-3,471
Amortization of bank loans	-71	-211	-267	-143
Amortization lease liability	-16	-7	-30	-43
New share issue/warrants	9,310	701	5,529	12,664
Cash flow from financing activities	9,223	482	5,231	12,479
Cash flow for the period	9,051	639	2,713	9,607
Opening balance cash and cash equivalents for the period	3,200	2,041	466	2,651
Exchange rate differences in cash and cash equivalents	13	-29	-56	6
Closing balance cash and cash equivalents for the period	12,264	2,651	3,123	12,264

- **Working capital varies between quarters, negative Q2 follows positive Q1**
- **New share issue ahead of MessageMedia acquisition announcement**



Financial targets

Adjusted EBITDA per share, rolling 12 months



Targets:

- Adjusted EBITDA per share to grow 20% per year
- Net debt < 3.5x adjusted EBITDA over time

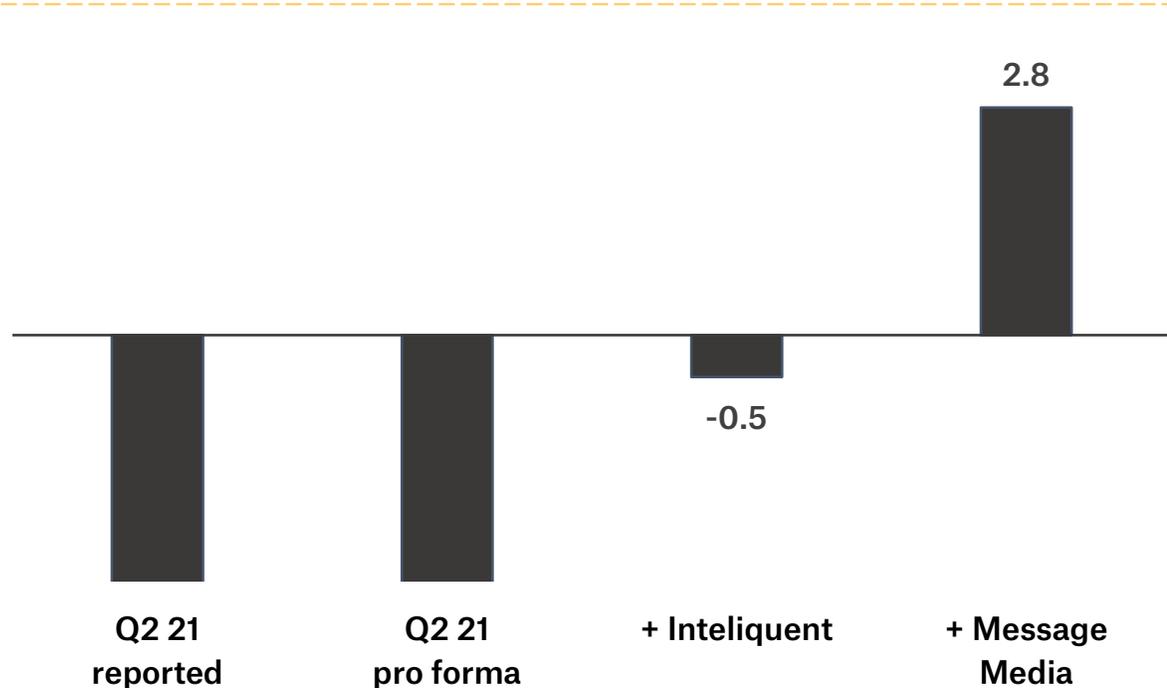
Performance:

- Adjusted EBITDA per share grew 38% in Q2 21, measured on a rolling 12 month basis
- Net debt/EBITDA of -9.6x, measured on a rolling 12 month basis



Financial leverage

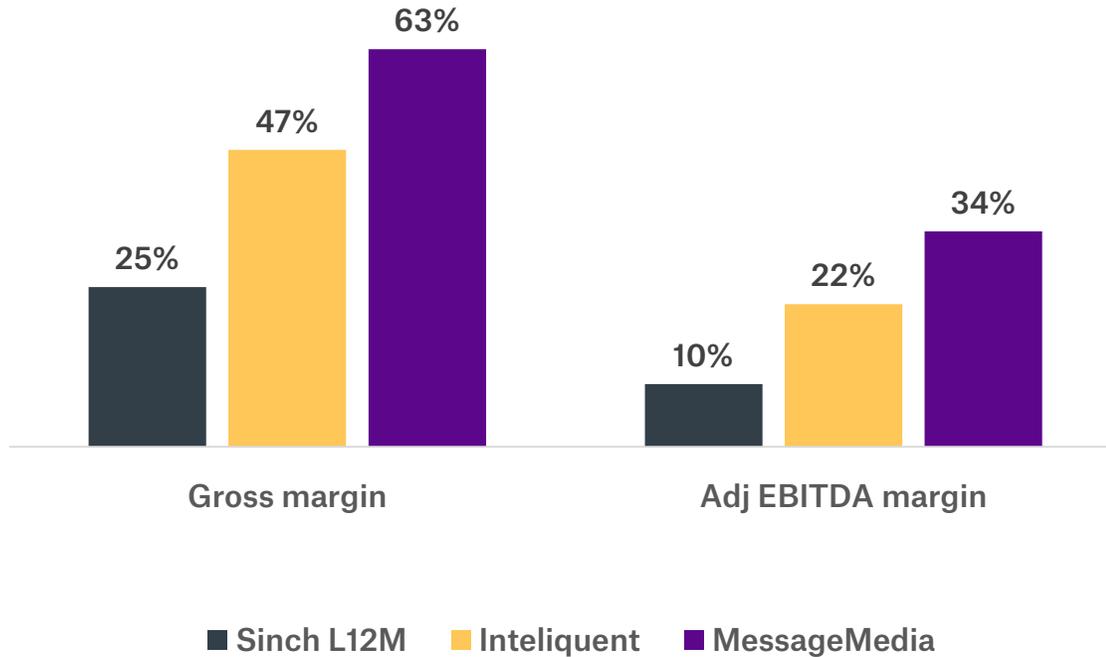
Pro forma net debt/Adjusted EBITDA



- Pro forma calculation includes last 12 months of Adj EBITDA for acquired entities
- Updated financial target is to maintain Net debt < 3.5x adjusted EBITDA over time
- Pro forma Net debt/Adj EBITDA of 2.8x to after recent share issue and payment for Inteliquent and MessageMedia



Inteliquent & MessageMedia to benefit margins



- Inteliquent and MessageMedia operate at higher margins
- Inteliquent and MessageMedia transactions will add approx. 8 percentage points to Sinch's gross margin and 4 percentage points to Sinch's Adjusted EBITDA margin
- Pro forma* calculation implies SEK 19.1 bn revenue, SEK 6.2 bn gross profit, and SEK 2.6 bn Adj EBITDA



* The acquisitions of Inteliquent and MessageMedia are pending regulatory approval. Pro forma calculation as of Q2 2021, including last 12 months earnings in Sinch, ACL, SDI, Wavy, Inteliquent and MessageMedia. Inteliquent contribution excludes covid uplift considered to be temporary.

Key priorities ahead



Continued high growth: broad-based organic & through M&A

Improving growth in acquired businesses

Cost control, synergies and operational efficiency

Continued strengthening of our connectivity offering

Investment in SaaS products for advanced, Conversational messaging

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Thanks!

