

# Acquisition of Pathwire

30 September 2021



Oscar Werner, CEO

Roshan Saldanha, CFO

Thomas Heath, Chief Strategy Officer & Head of Investor Relations

SEK 11.8bn  
revenue in the  
past 12 months

SEK 132bn  
Market Cap

SEK 1.2bn  
Adj. EBITDA in the  
past 12 months

2,292  
people

47 countries with  
local presence

## Customer engagement through mobile technology

Listed on NASDAQ  
in Stockholm, Sweden

Scalable cloud communications  
platform for messaging, voice and video

170 billion B2C  
engagements per year



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

100%

Consumer  
penetration



Growing, global, multi-billion  
USD market



Profitable since our  
foundation in 2008

# Transaction highlights

01 **Leading cloud-based email communications platform**

Empowering developers and marketers to succeed with the world's most-used digital communication channel

02 **Proven, developer-centric go-to-market model**

Fast setup, easy integration. Proven digital go-to-market model resulting with over 100,000 customers

03 **Well-positioned in a growing market**

Market size estimated to USD 16 billion by Technavio, with Transactional email making up more than 60% of the market

04 **Highly attractive financial profile**

Historical revenue growth consistently above 30% with gross margin close to 80% and Adjusted EBITDA margin above 35%

05 **Significant cross-sales opportunities**

Mutual cross-sales opportunities to Sinch and Pathwire customers

# CPaaS throughout the customer journey

## Marketing

- Generate leads
- Add revenues
- Reduce churn

- Email with personalized discount offer
- Rich SMS with dynamic mobile landing page
- Personalized video to prevent bill shock

## Operations

- Use CPaaS functionality in own apps and products
- Improve efficiency
- Reduce cost

- Appointment reminders via SMS or WhatsApp
- Password reset via email
- One Time Passwords via SMS or voice call
- Voice calling with number masking

## Customer Service

- Handle customer support
- Improve customer experience
- Reduce contact center cost

- Bots and AI to automate conversations
- WhatsApp as complement to phone
- Click-to-chat in emails and on websites





# Strengthening our developer go-to-market

## Enterprise

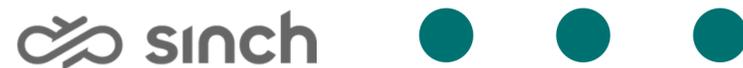
- Online lead-generation
- Lead with APIs and SaaS
- Target enterprise customers and indirect channel partners
- Customers may have in-house development resources or use System Integrators
- Customers look for superior service delivery, global reach, end-to-end connectivity, compliance, and competitive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

## SMB\*

- 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

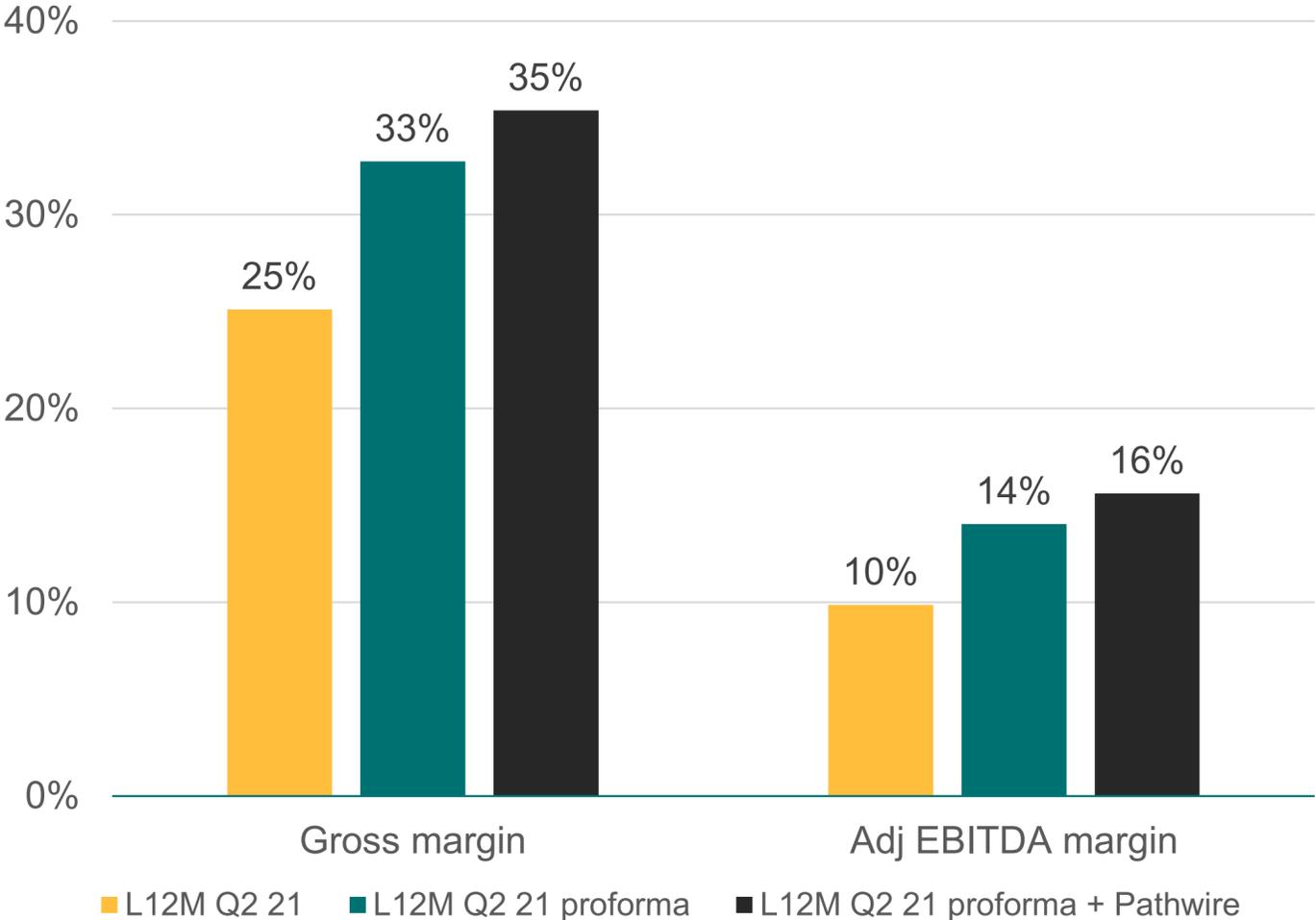


\* SMB = Small and Medium Sized businesses

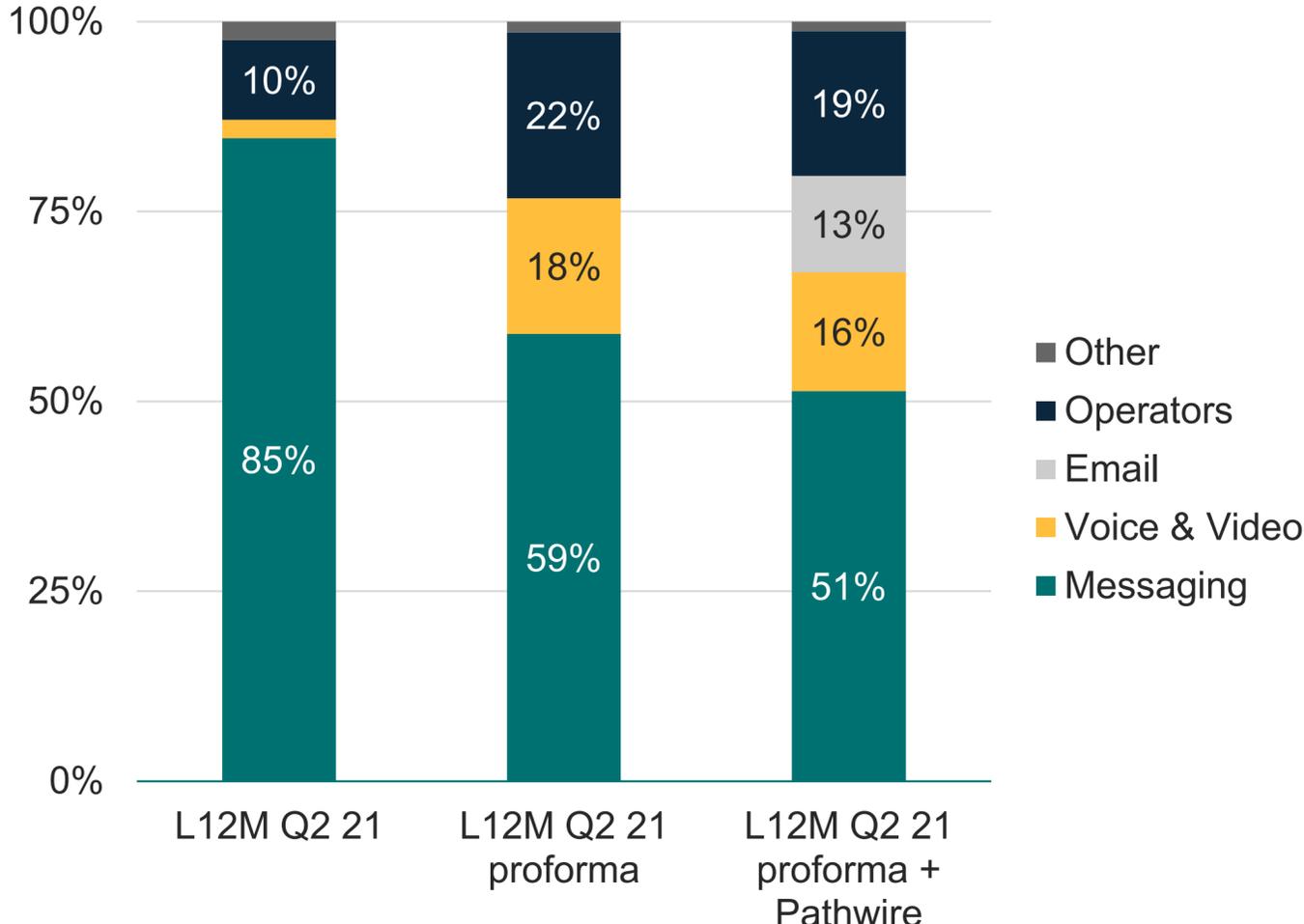


# Improved margin profile and balanced product mix

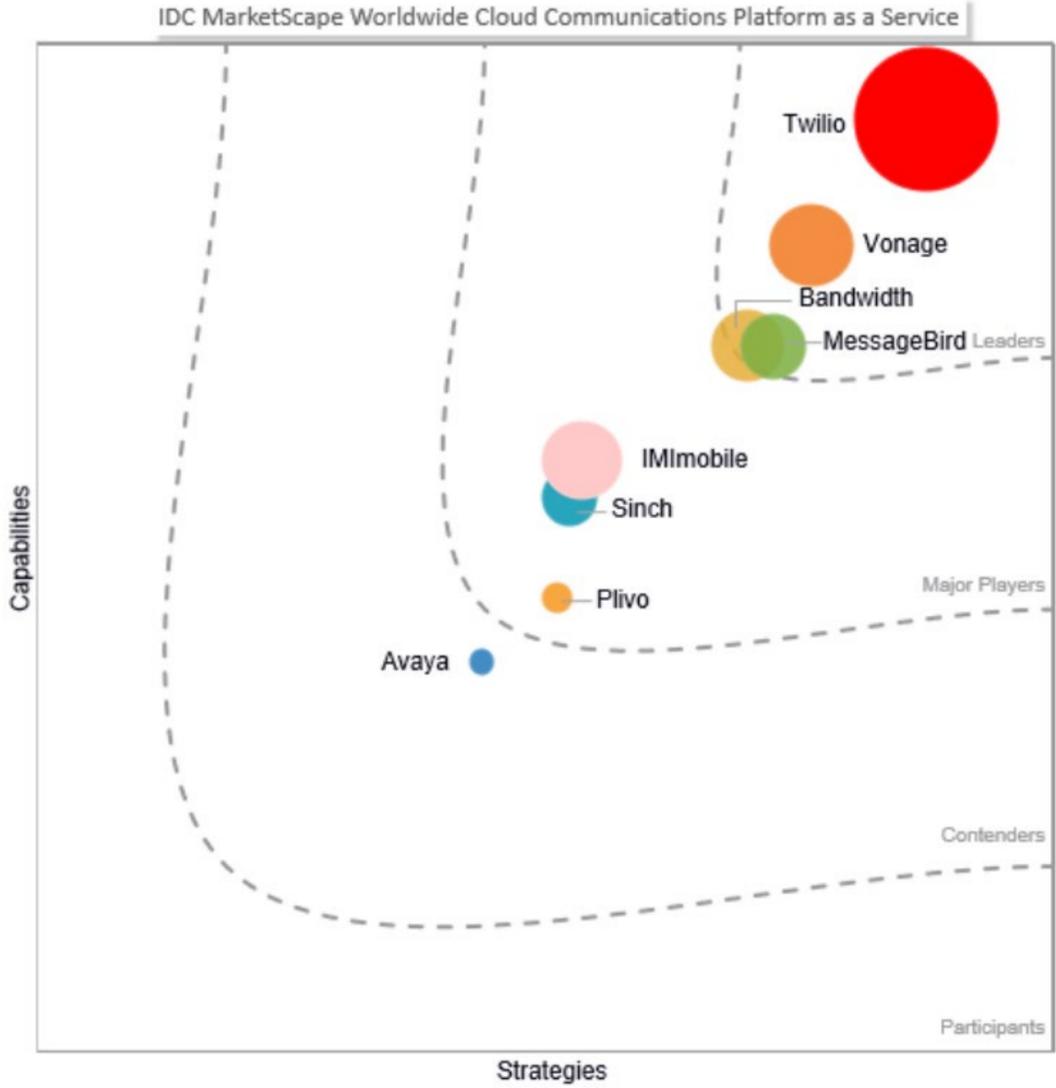
### Gross margin & Adjusted EBITDA margin



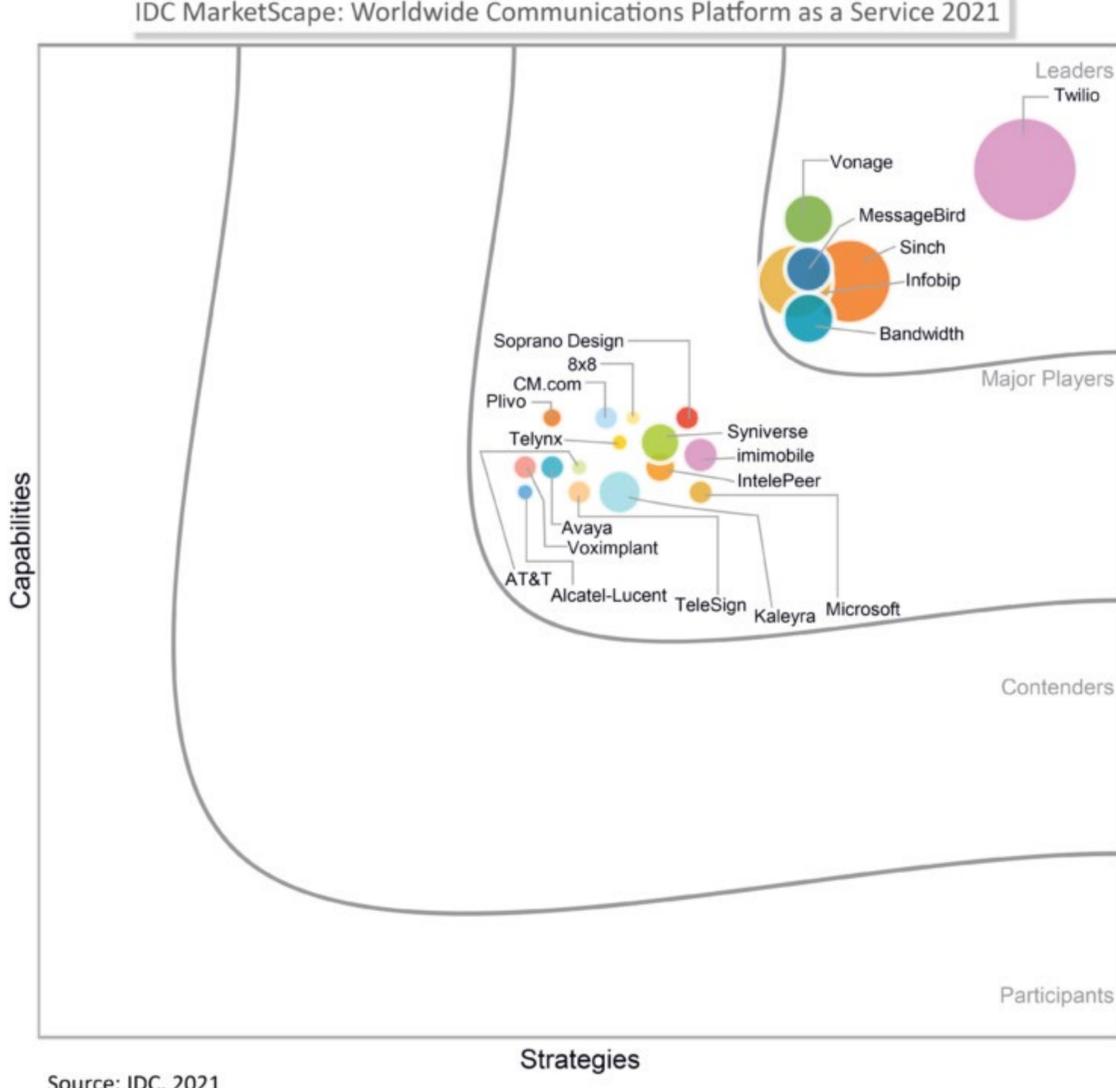
### Gross profit by product



# Establishing a global leader in CPaaS



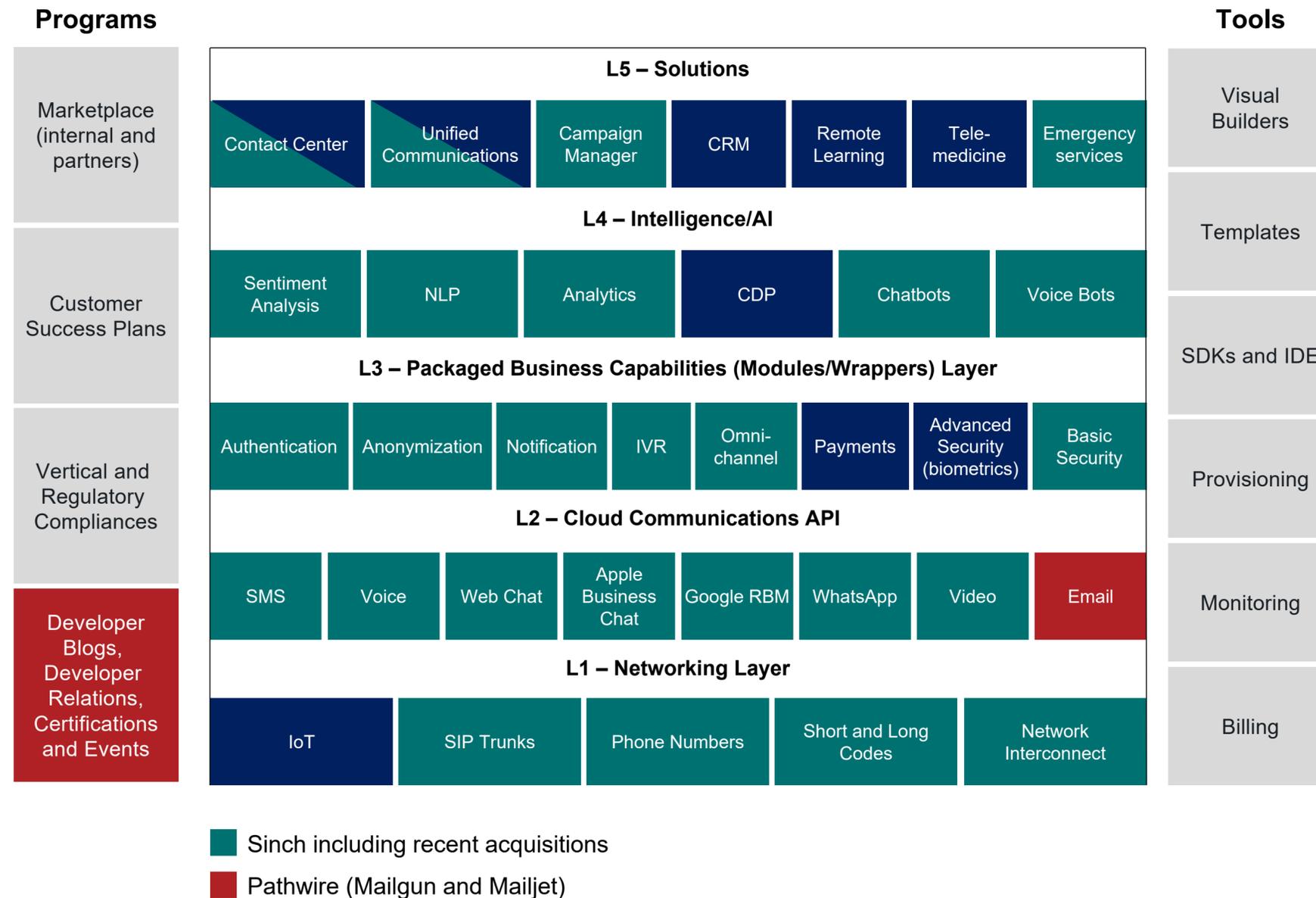
2019



2021



# Target market by product



- CPaaS tech stack as illustrated by Gartner
- Email is a key part of Level 2, “Cloud Communication APIs”
- Sinch with Pathwire is one of the very few, global CPaaS providers that can deliver leading quality at scale across all the main digital communications channels



# Leveraging M&A to meet strategic objectives

## Technology & Go To Market

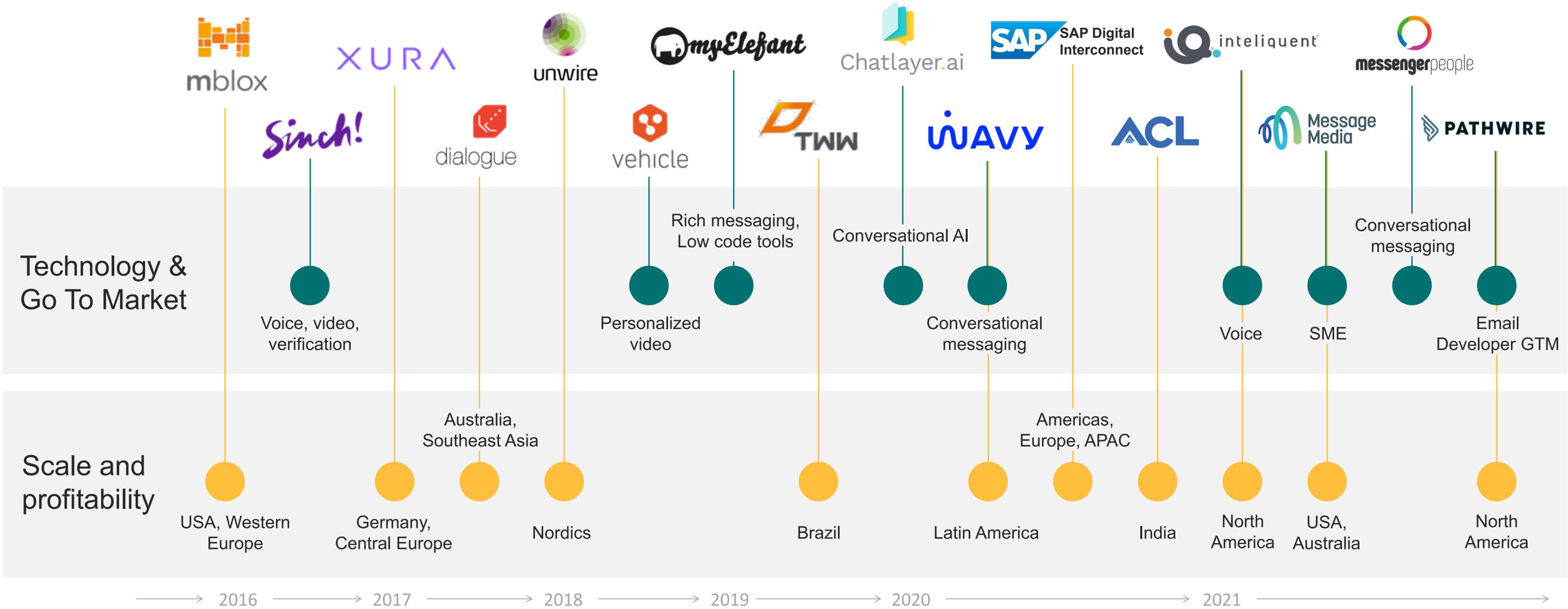
- Complementary technology that fits our strategic product roadmap
- Go To Market-ability in relevant products and geographies
- Increased software value-add with higher gross margin
- Future growth drivers

## Scale and profitability

- Acquire sticky customer relationships
- Add direct operator connections
- Leverage shared platform assets and extract synergies
- EV/EBITDA-accretive: acquiring profit at a valuation below our own



# Recent transactions





# Deal rationale: Pathwire

## Pathwire

- Founded in 2010
- Leading developer-centric cloud-based email communications platform
- More than 100,000 paying customers using Mailgun and Mailjet products
- Headquarters in San Antonio, Texas, with around 290 employees worldwide

## Deal rationale

- Gain leading product offering for email – the world’s most-used digital communication channel
- Dramatically strengthen developer go-to-market capabilities and differentiate vs competition
- Attractive financial profile with high growth and accretive margin profile

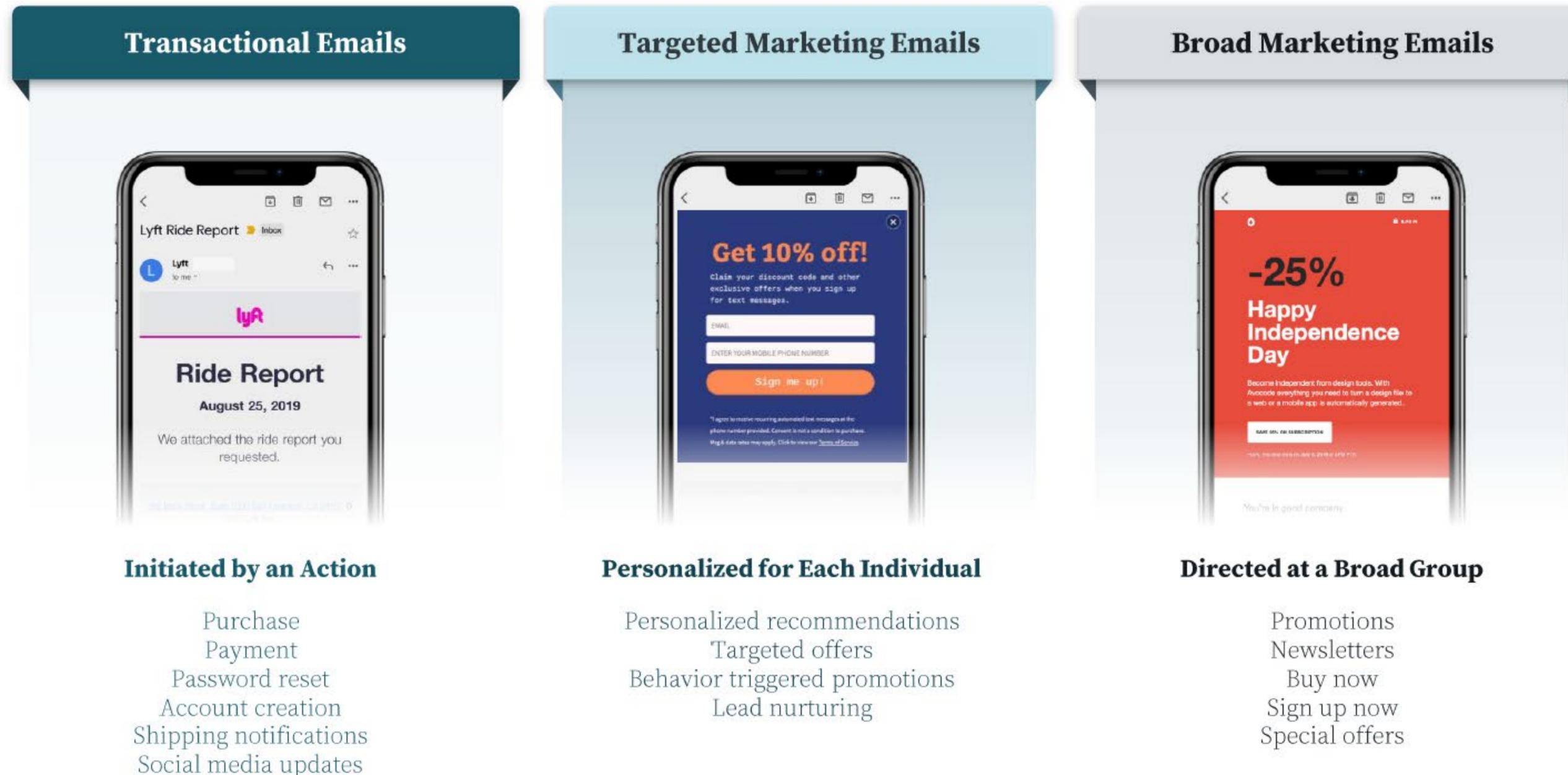
## Integration

- Significant revenue synergies from mutual cross-selling of Sinch and Pathwire products to each others’ customers
- Sinch’s global footprint leveraged to accelerate international expansion and strengthen enterprise go-to-market
- Pathwire expertise in developer Go To Market leveraged across full Sinch product portfolio

## Financials

- Sinch pays USD 925m in cash + 51m new Sinch shares; this implies an Enterprise Value of USD 1.9bn or SEK 16.6bn
- Transaction expected to close by the end of 2021. Integration cost of SEK 75 million expected over 18 months
- USD 132m revenues, USD 104m gross profit, USD 55m Adj EBITDA expected in 2021.
- Historical revenue growth consistently above 30% with gross margin close to 80% and Adjusted EBITDA above 35%

# Transactional and marketing email

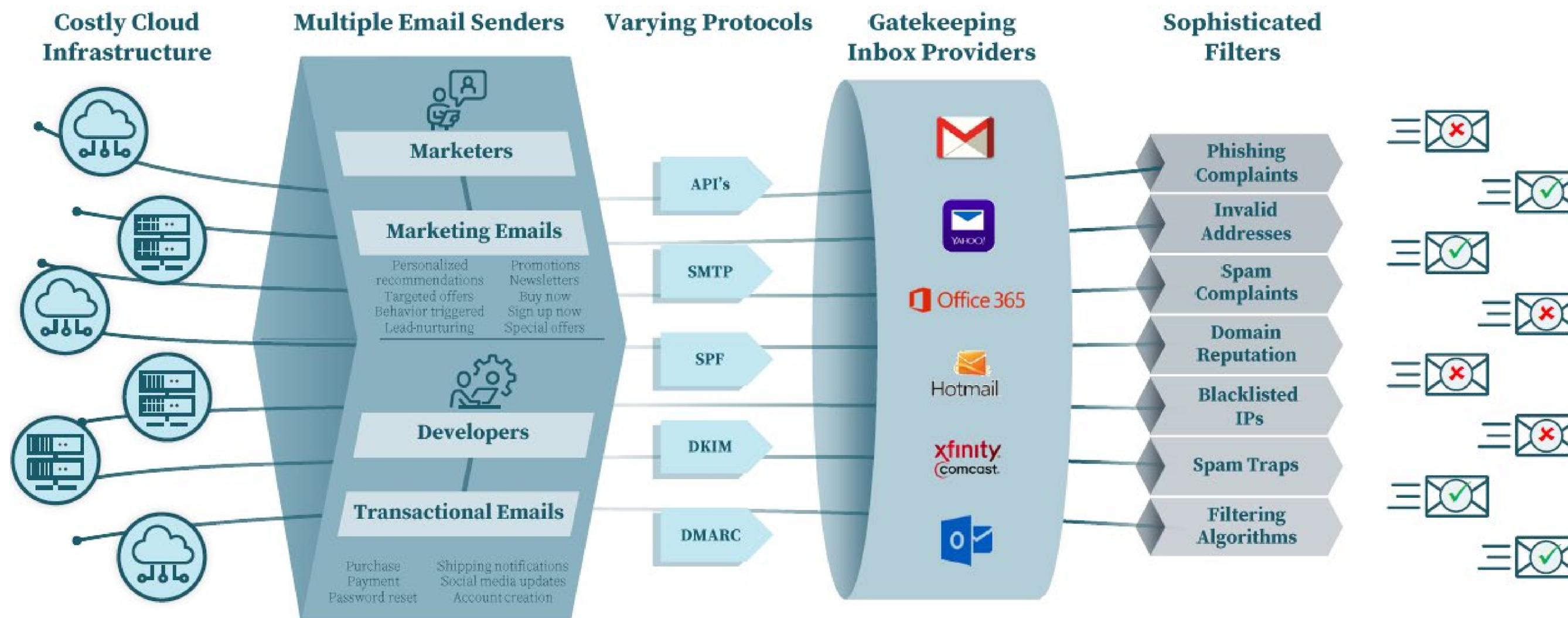


**146bn** business emails sent daily<sup>1</sup>

**7.7bn** email accounts worldwide<sup>1</sup>

**\$16bn** market size, with  
>60% relating to transactional email

# Sending email is complicated



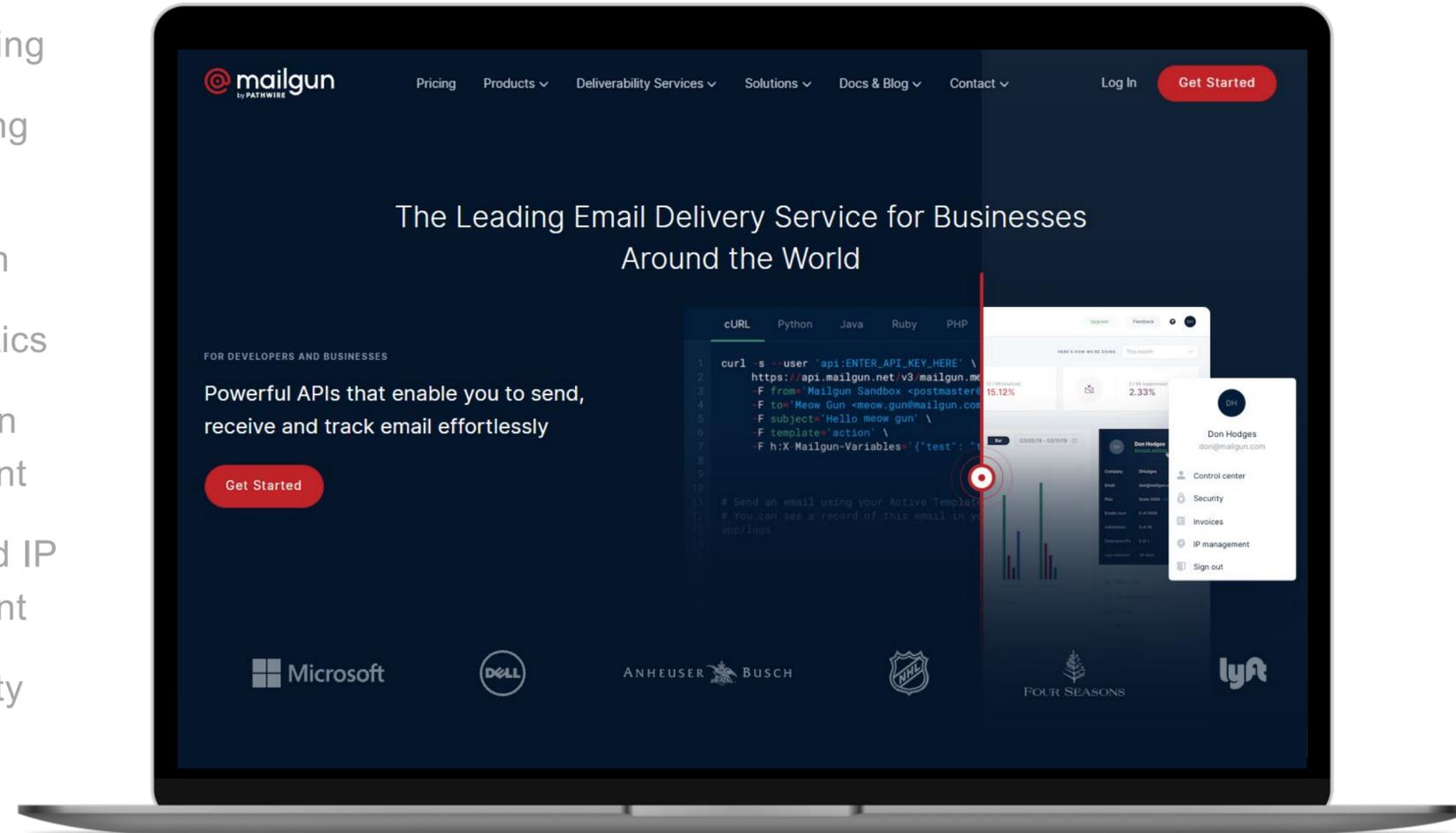
➤ Sending to a mailbox is easy, but sending to the inbox is another story entirely.

➤ Over 90% of incoming email is blocked by inbox service providers, with only 8% of all email traffic making it to the inbox.

➤ Deliverability is the rate in which your messages are being sent to the inbox.

# Mailgun: API platform for developers

- Email sending
- Email routing
- Send time optimization
- Logs analytics
- Suppression management
- Domain and IP management
- Deliverability services

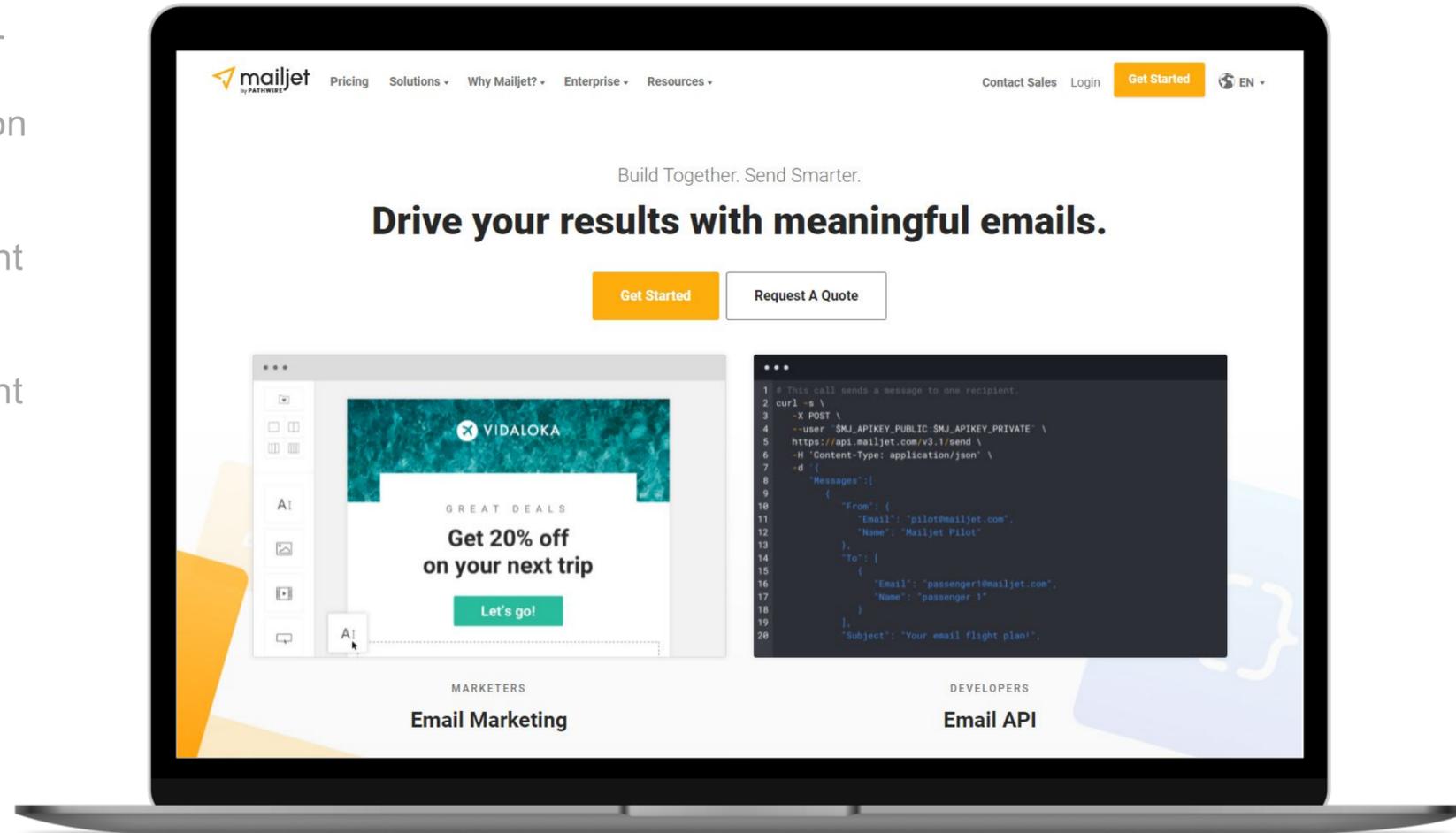


- 20+ API's, SDK's and plugins for developers
- Fast onboarding; product is usable in <1 minute
- High performance for time-sensitive email messages
- 98% delivery rate vs 83% industry average
- Scalable, cloud-native infrastructure with 99.99% uptime
- Email delivery services for high volume senders



# Mailjet: sending platform for marketers

- Email editor
- Collaboration
- Campaign management
- Contact management
- A/B testing
- Campaign analytics



- One of the most advanced drag-and-drop email builders on the market
- Seamless collaboration features for designers and developers
- Advanced automation to onboard new recipients, reward action and reactivate inactive users
- Inbox preview showing how emails will render across different devices and mailbox providers



# Pathwire manages the entire email lifecycle



## **VALIDATE**

Collect real email addresses and clean your CRM periodically



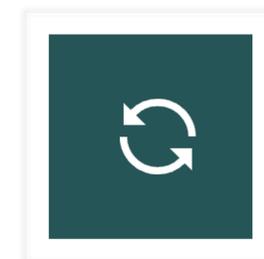
## **DEFINE**

Segment your audience to deliver personalized messages



## **CREATE**

Create beautiful emails that reflects your brand



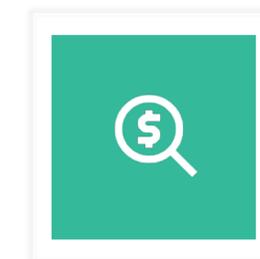
## **TEST**

Ensure your email renders perfectly and optimize content to hit the inbox



## **SEND**

Fast and reliable delivery ensures your emails reach your customer's inbox



## **OPTIMIZE**

Advanced analytics and campaign statistics help you make every campaign better than the last

# Loved by developers, trusted by businesses



★★★★★ Feb 03, 2021

"The Best Email Delivery Platform"

"We use Mailgun for just about everything, including transactional, invoices, newsletters, and customer support. The [email delivers super fast straight to our customer's inboxes.](#)"

★★★★★ Aug 20, 2021

"Mailjet"

"The price is very reasonable and [the reports are fantastic](#). I'm able to reach my target markets better when I download the reports and track who opens and "clicks" through my messages."



SPRING 2021  
MARKET LEADER  
Transactional Email Software

"[Mailgun makes it easy](#) to track the delivery of emails without maintaining our own email infrastructure, subscribing to spam feedback loops, or developing our own bounce detection software."

"Other services end up sending massive amounts of emails for large mailing lists which causes periods of slow delivery. We are very vested in timely delivery, whereas most other services are concerned about not being blocked as spam. [Mailgun is consistently fast.](#)"

 **Hacker News** [nekoashide](#) on Jan 31, 2020

"We went from a few thousand emails on Mailgun to almost 7 million emails across 140 domains and we have never encountered any reputation issues over the years we have used them."

 **Will Lamerton**  
@WillLamerton

Props to [@mjml.io](#) for their amazing email framework - for any #Developers out there who need responsive emails this has been a wicked solution 🙌  
#Dev #Mjml

4:19 pm · 20 Sep 2021 · Twitter for iPhone



# Flexible pricing & packaging



## Flex

Try us out! Get 5,000 free emails per month for 3 months, then only pay for what you send

### Pay As You Grow

Start Sending

- ✓ Email APIs, SMTP Relay, and Webhooks
  - ✓ Suppression Management
  - ✓ Email Tracking and Analytics
- ✓ 99.99% Guaranteed Uptime SLA
  - ✓ 5 Days of Log Retention
  - ✓ Detailed Documentation
- ✓ Limited 24/7 Ticket Support

## Foundation

Send, receive, and track your emails effortlessly

STARTING AT

\$35 / month

50,000 EMAILS INCLUDED

Start Sending

- ✓ Email APIs, SMTP Relay, and Webhooks
  - ✓ Suppression Management
  - ✓ Inbound Email Routing
- ✓ Email Tracking and Analytics
- ✓ 99.99% Guaranteed Uptime SLA
- ✓ 1 Dedicated IP (Foundation 100k and up) ⓘ
- ✓ Email Address Validations

## Growth

Optimize sending with deliverability tools and enhanced support

STARTING AT

\$80 / month

100,000 EMAILS INCLUDED

Start Sending

- ✓ Email APIs, SMTP Relay, and Webhooks
  - ✓ Suppression Management
  - ✓ Inbound Email Routing
- ✓ Email Tracking and Analytics
- ✓ 99.99% Guaranteed Uptime SLA
- ✓ 1 Dedicated IP
- ✓ 1,000 Email Address Validations

## Scale

Drive results with the most advanced sending platform, deliverability tools, and full support

STARTING AT

\$90 / month

100,000 EMAILS INCLUDED

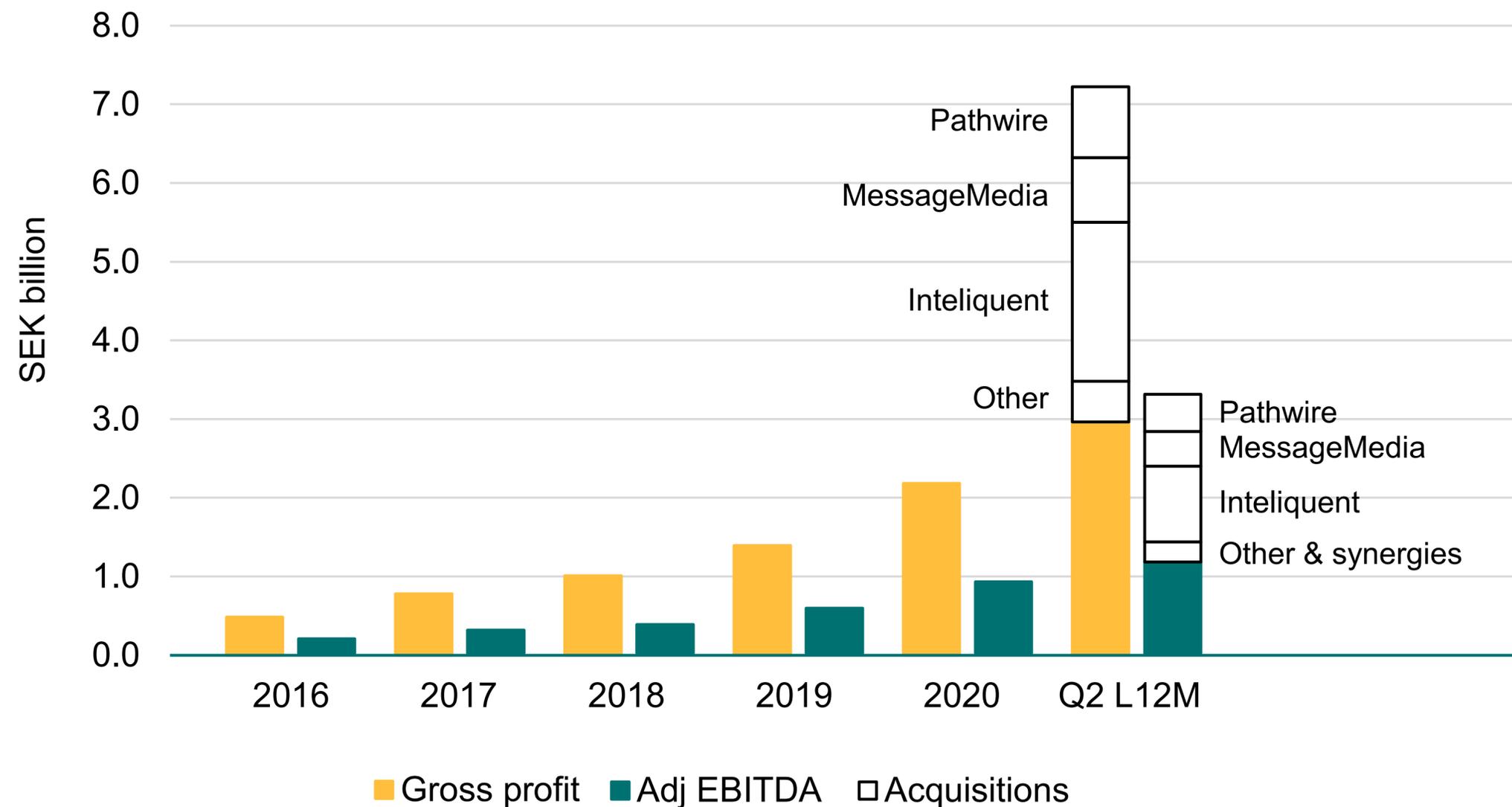
Start Sending

- ✓ Email APIs, SMTP Relay, and Webhooks
  - ✓ Suppression Management
  - ✓ Inbound Email Routing
- ✓ Email Tracking and Analytics
- ✓ 99.99% Guaranteed Uptime SLA
- ✓ 1 Dedicated IP
- ✓ Dedicated IP Pools



# Track record of profitable growth

## Proforma gross profit and Adjusted EBITDA



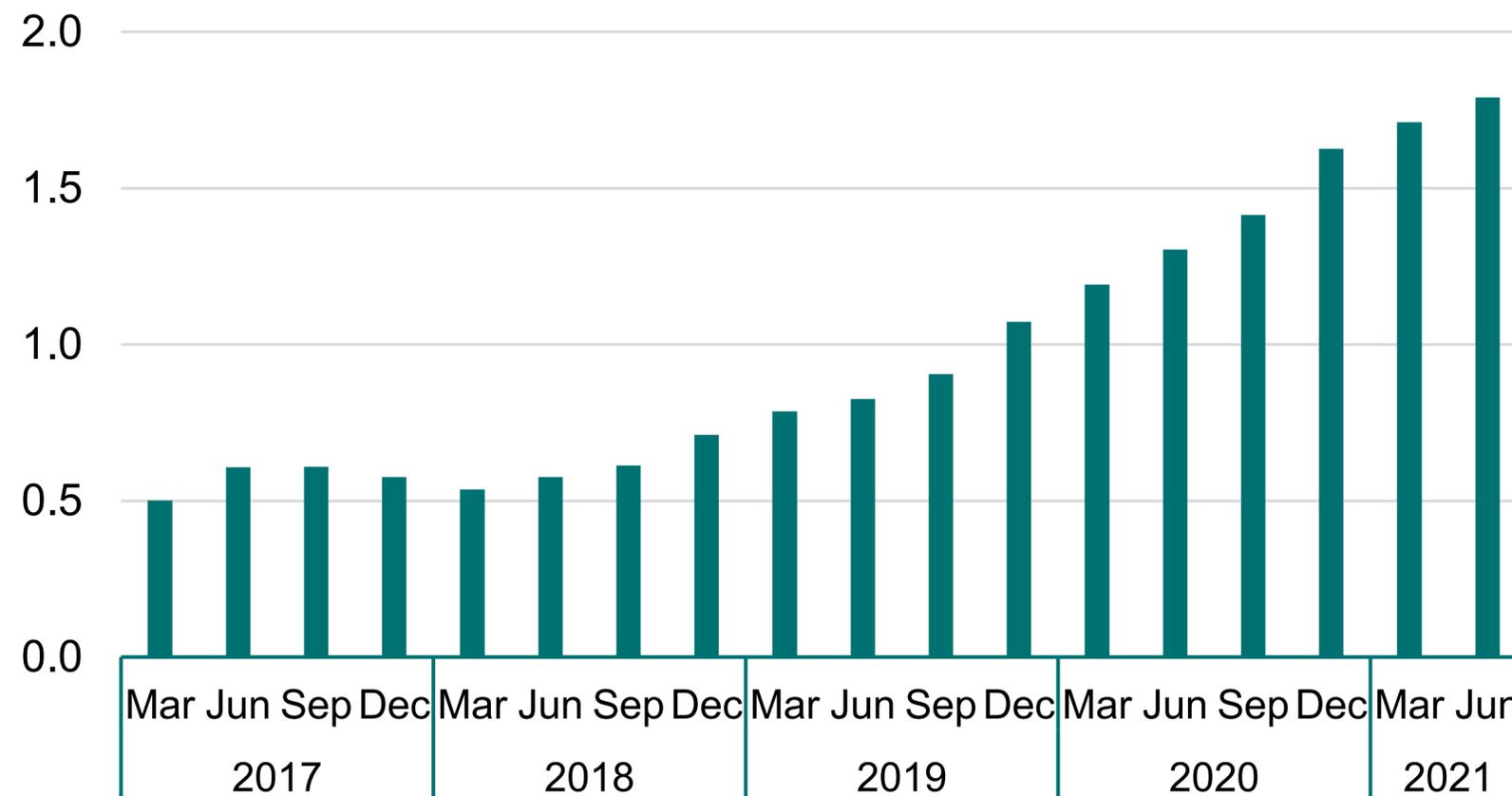
- Focus on Gross profit since pass-through revenues vary between products and geographies
- Acquisitions adding significantly to our scale and profitability
- Investing to increase growth in acquired units
  
- Pro forma L12M revenues of SEK 20.4 billion, gross profit of SEK 7.2 billion and Adjusted EBITDA of SEK 3.2 billion

\* The acquisitions of Inteliquent, MessageMedia and Pathwire are pending regulatory approval. "Other" captures unconsolidated earnings from ACL, SDI, Wavy, and MessengerPeople.



# 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

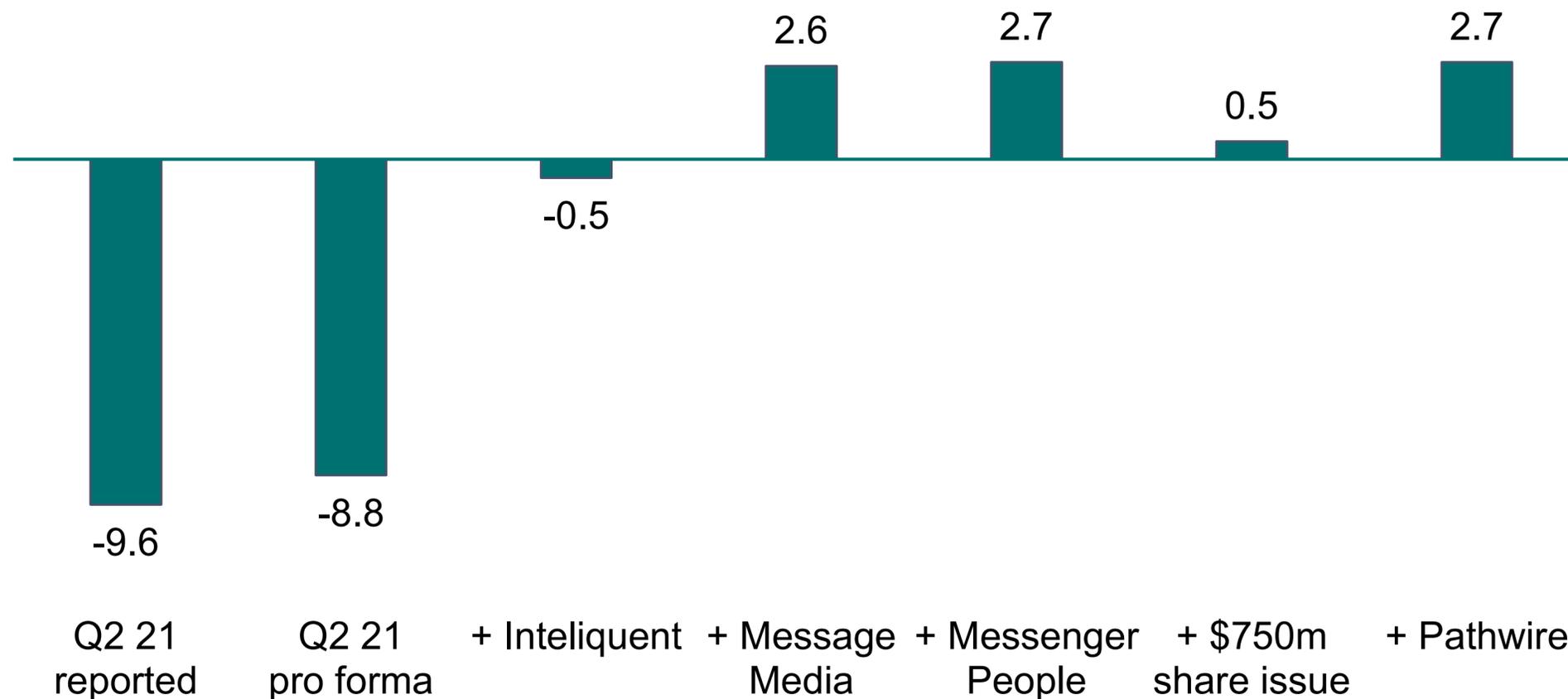
## Performance:

- 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

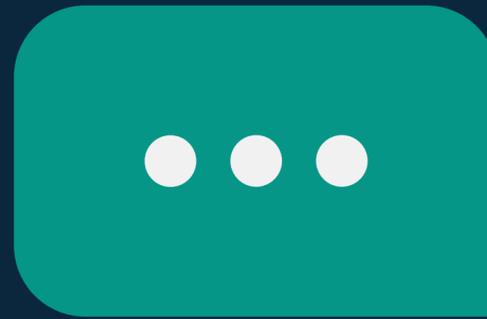
Pro forma net debt/Adjusted EBITDA



- 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 2.7x after payment for Inteliquent, MessageMedia, MessengerPeople and Pathwire

\* The acquisitions of Inteliquent, MessageMedia, and Pathwire are pending regulatory approval.

# Thank you!



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