



Q1 2020

Investor Presentation

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SEK 5.6bn
revenue in the
past 12 months

SEK 646m
Adj. EBITDA in the
past 12 months

SEK 26bn
Market Cap

766
people

33 countries with
local presence

Customer engagement through mobile technology

40 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



>600% gross profit growth
since IPO in 2015

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Adapting to Covid-19

“In response to uncertainty around Covid-19, Sinch management has initiated a range of precautionary initiatives to protect employees and ensure maintained service delivery in all circumstances.”

Sinch coronavirus (COVID-19) Q&A



1. Does Sinch have a pandemic plan to respond to and recover from mass absenteeism events, such as the Coronavirus (COVID-19)?

Yes, the structure of our support and operations teams allow for remote work and mass absenteeism. This is documented at a high level within

COVID-19 Knowledge Center



In these challenging times, Sinch is here to ensure you can stay close to your customers and employees.

Press Release 22/04/2020

Industries unite to tackle SMS fraudsters exploiting COVID-19 text alerts



The UK mobile, banking and finance industries along with the National Cyber Security Centre (NCSC) have joined forces to prevent fraudsters sending scam text messages that seek to exploit the Covid-19 crisis. 3

Maintaining our financial flexibility

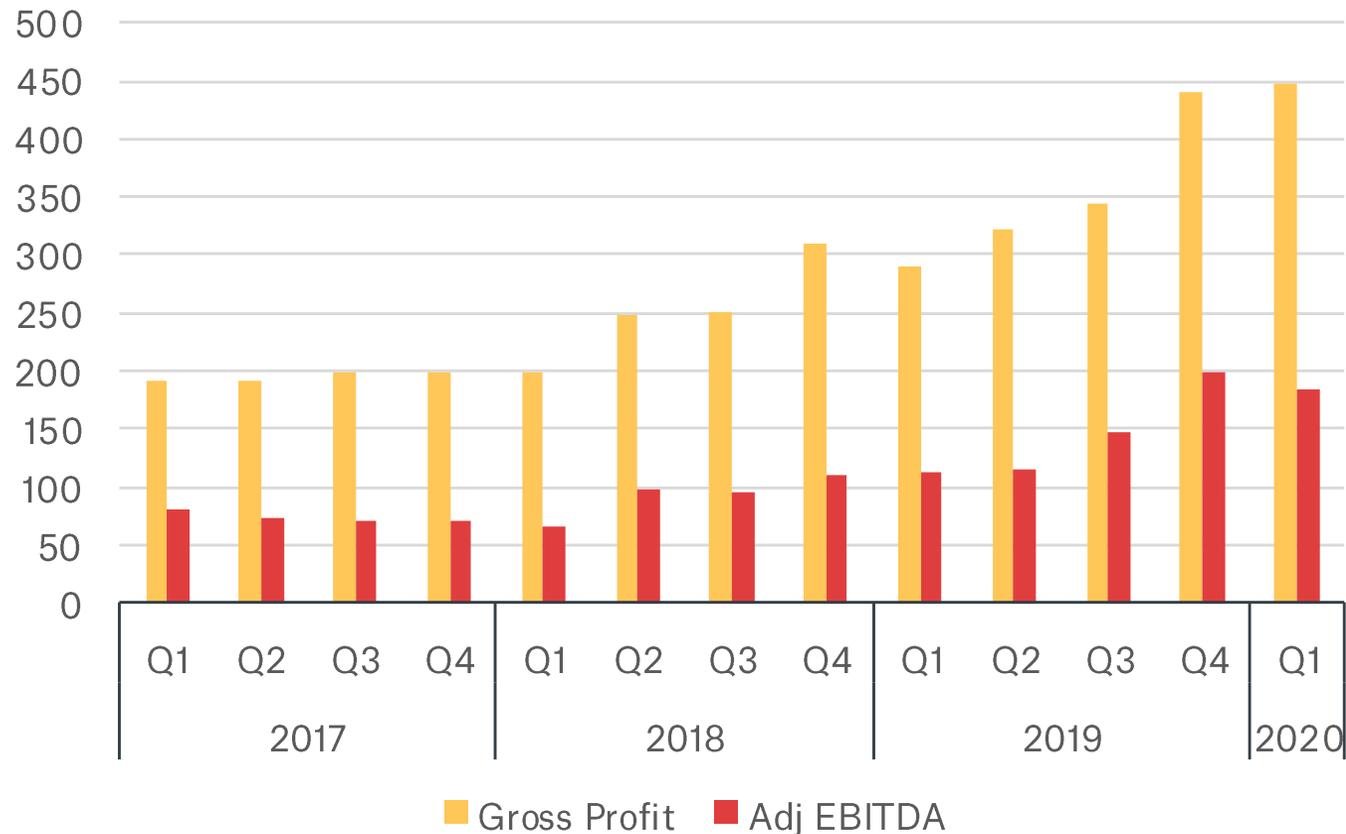


“On 26 March, Sinch has resolved on a directed new share issue of 5,000,000 shares at a subscription price of SEK 300 per share. The directed new share issue generated a large interest and has been carried out to selected Swedish and international institutional investors. Through the directed new share issue, Sinch raised SEK 1,500 million before issue costs.”

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Organic and acquired growth

Sinch Gross Profit and Adj EBITDA (SEKm)



- **Focus on Gross profit and EBITDA since pass-through revenues vary between geographies**
- **Track record of profitable growth**
- **54% growth in gross profit and 64% growth in EBITDA in Q1 20**



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 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)**

Playbook for profitable growth

Software-as-a-Service

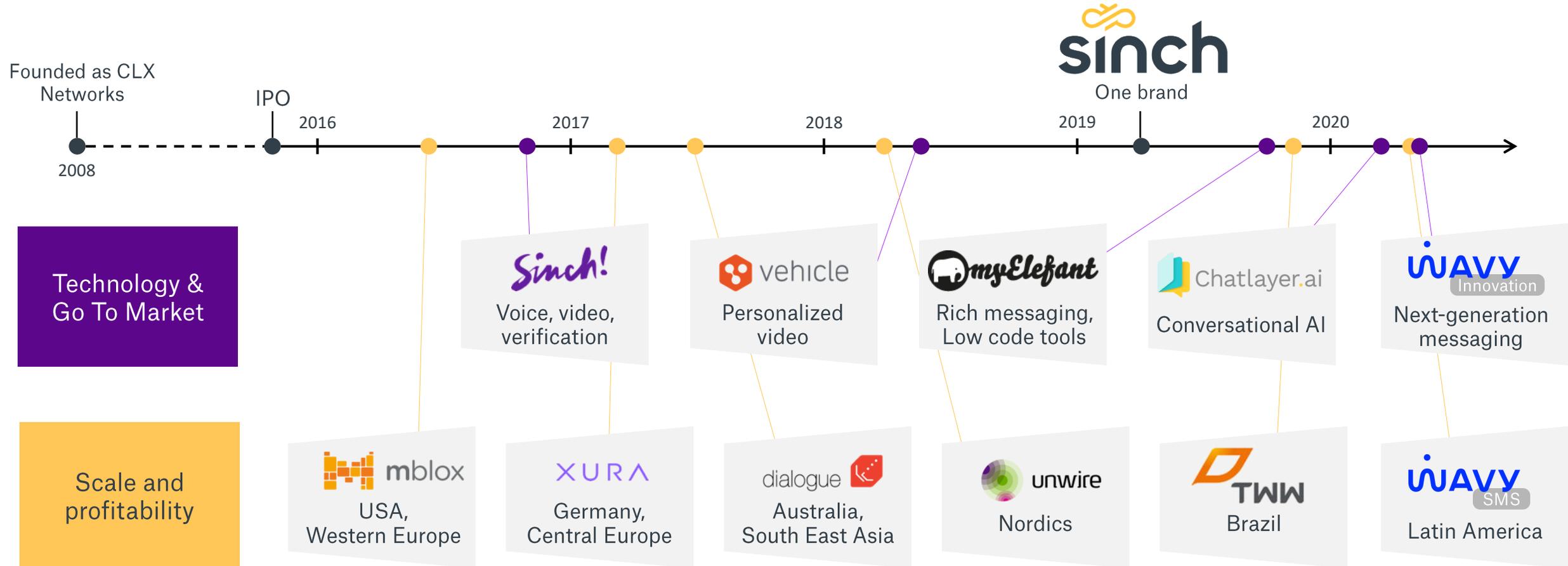
- Empower businesses to leverage rich and conversational messaging
- Increase our software value-add (CPaaS) in addition to our connectivity offering
- Increase stickiness with maintained scalability

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: Chatlayer

Chatlayer

- Founded in 2018
- Cloud-based software platform to build high-performing chat- and voicebots in multiple languages
- Custom AI for superior Natural Language Understanding
- Team of 17 people in Antwerp, Belgium

Deal rationale

- “Technology and Go To Market”-type acquisition to strengthen product offering and fuel growth
- Increased SaaS value-add in addition to our global connectivity offering
- Partner-based Go To Market model in line with Sinch strategy
- Future growth with cross- and upsell opportunities

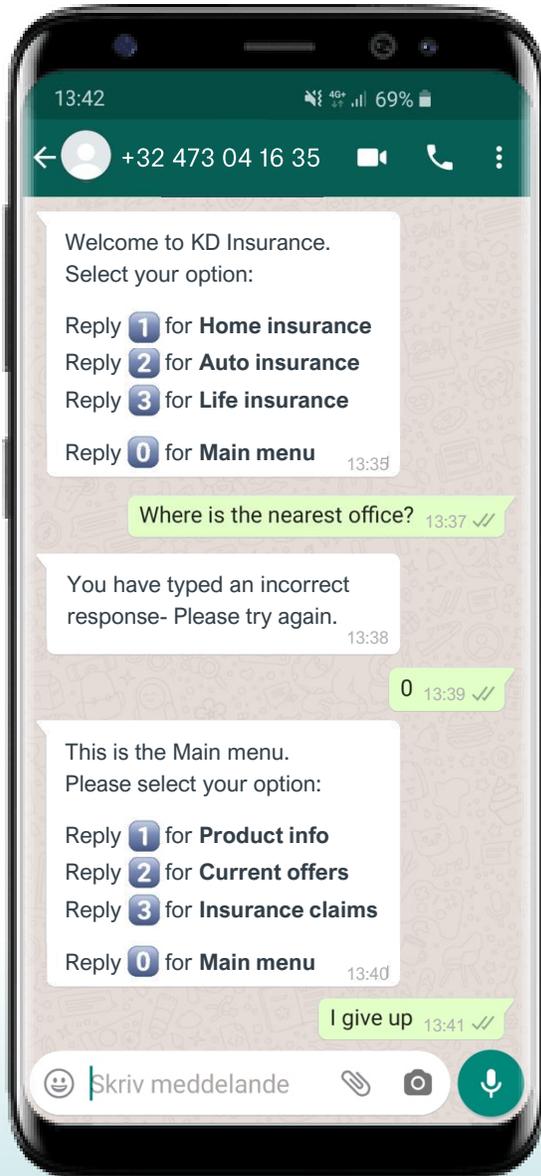
Integration

- Integration with Sinch APIs for communications across all mobile channels
- Zero-touch onboarding for cross-channel conversational messaging
- Cross-selling to Sinch customers

Financials

- Sinch pays an upfront EV of EUR 6.9m
- Transaction expected to close in early April
- Chatlayer recorded revenues of EUR 0.8m, gross profit of EUR 0.7m, and EBITDA of EUR -0.9m in 2019
- Recurring revenue growing rapidly. Gross margin of 86 percent in 2019.

First-generation chatbots use simple scripts and keyword processing

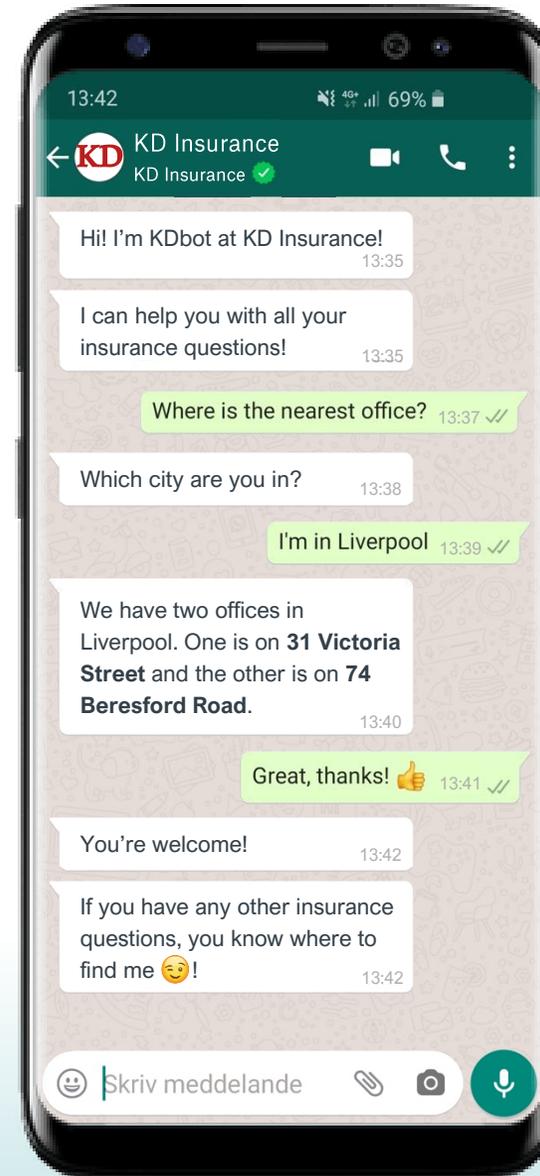


Scripted dialogue

Adding intelligence to messaging



Radical improvement in end-user experience



Conversational AI

Conversational AI uses NLU to interpret user input and provide a relevant answer

Deal rationale: Wavy

Wavy

- Leading SMS messaging provider in Latin America, second largest in Brazil
- Conversational messaging business growing >200 percent through innovation & use of new channels
- High WhatsApp volumes, customers using Apple Business Chat, RCS and Facebook Messenger
- 260 employees with operations in Brazil, Mexico, Colombia, Peru, Chile, Argentina and Paraguay

Deal rationale

- SMS business fits in “Scale and Profitability” category of earnings-accretive deals with scale benefits
- Innovation business fits in “Technology and Go To Market” category aiming to fuel organic growth
- 50 direct operator connections in Latin America strengthens Sinch’s global Super network
- Innovation leader in next-generation messaging growing >200 percent with high gross margins

Integration

- Await approval from competition authorities in Brazil
- Coordinate multiple Sinch operations across Latin America
- Ensure Sinch global customers benefit from improved connectivity to Latin America
- Leverage Wavy expertise in next-generation messaging with customers throughout the world

Financials

- Sinch pays BRL 355m in cash and 1,534,582 new shares in Sinch, implying an EV of SEK 1,170m
- Wavy is expected to record revenues of BRL 464m, gross profit of BRL 130m, and EBITDA of BRL 48m in the 12 months ending March 2020.
- Full financial details in press release. Transaction expected to close in H2 2020

Use case: Customer care through WhatsApp



Conversational messaging for Ingresso Rápido, the leading ticket sales and event management company in Brazil.

Challenge

- Large number of incoming calls to contact center with 20k tickets per month
- Very complex to scale support teams with maintained quality
- Looking to engage with customers on WhatsApp, where they already are active

Solution

- Hybrid chatbot combining scripted decision trees with AI and Natural Language Processing
- Support for multiple use cases like order status, PDF ticket delivery and event information
- Seamless handover to live customer care agents when needed

82%

Tickets answered by bot

70%

Satisfied users

45%

Cost reduction in call center





January – March 2020

- Gross profit rising 54% to SEK 446.7 million (289.5)
- Adjusted EBITDA rising 82% to SEK 184.3 million (112.2)
- Adjusted EBIT excl. acquisition-related amortization of SEK 168.8 million (102.3)
- Profit after tax of SEK 96.4 million (57.8)

- Organic Gross profit growth of 42% in local currency
- COVID-19 causing reduced voice traffic but increased messaging volumes
- High scalability means that EBITDA grows faster than Gross profit despite increased opex 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.

Acquisition of TWW and myElefant

3.

Project completions in Operator business

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

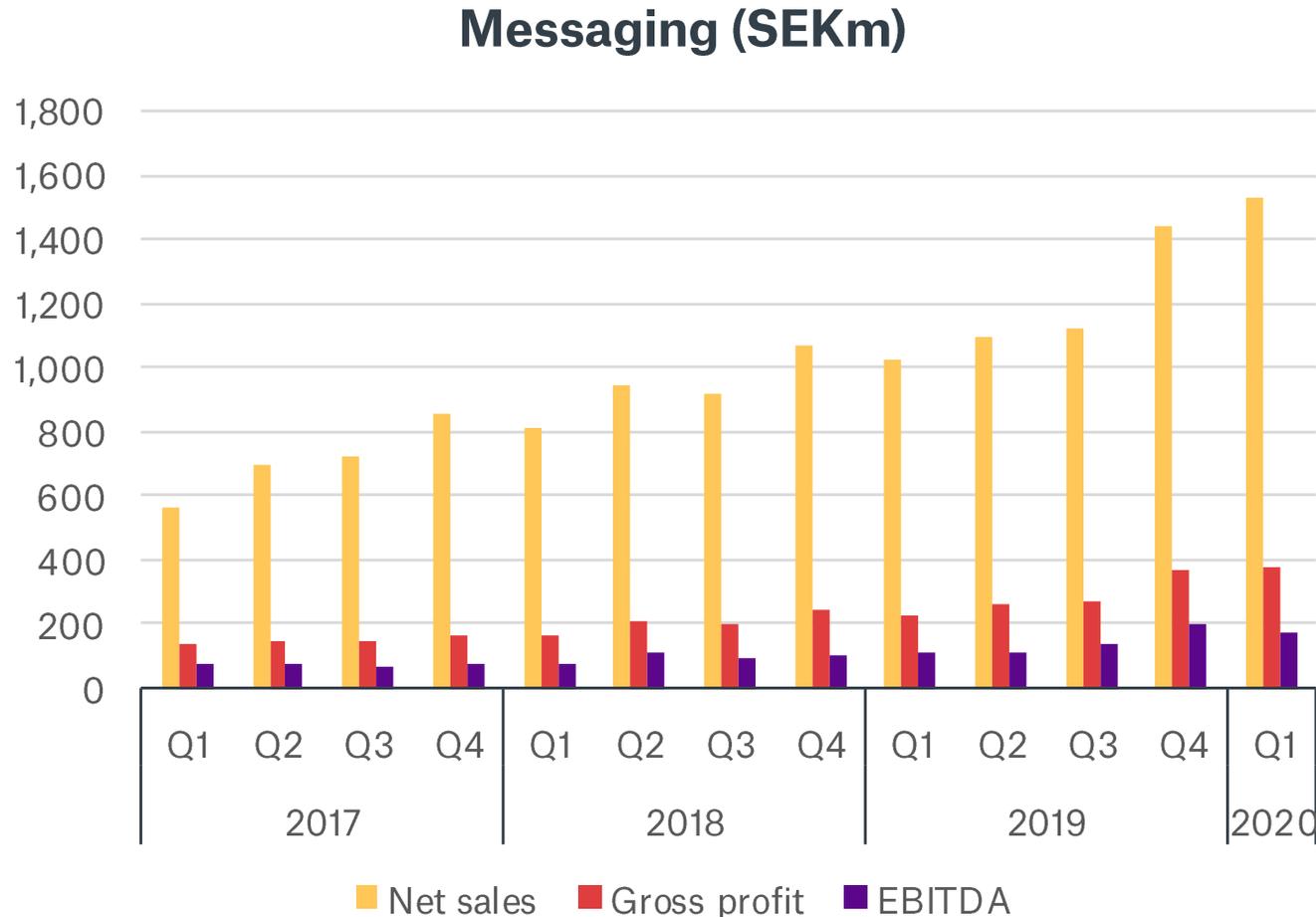
New technology

- Software for advanced, interactive messaging
- New channels like WhatsApp and RCS
- RCS-as-a-Service and SMSF for mobile operators

Integration

- TWW & myElefant
- Chatlayer
- Wavy (pending regulatory approval)

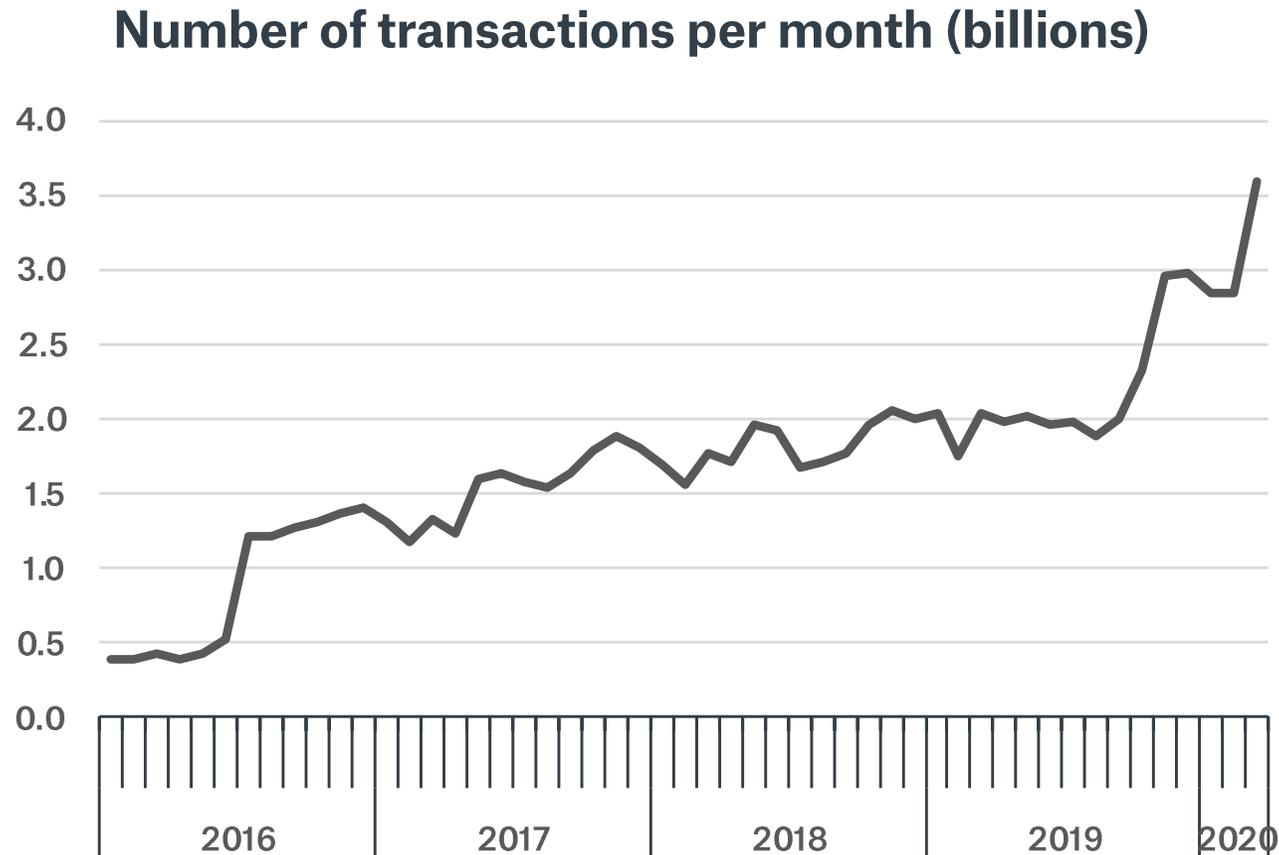
Accelerating growth in Messaging



- **Rising message volumes**
- **US tech companies continue to fuel growth**
- **Businesses shifting from email to mobile messaging**
- **myElefant & TWW included since mid-October 2019**
- **Investments in next-generation messaging**



Rising message volumes

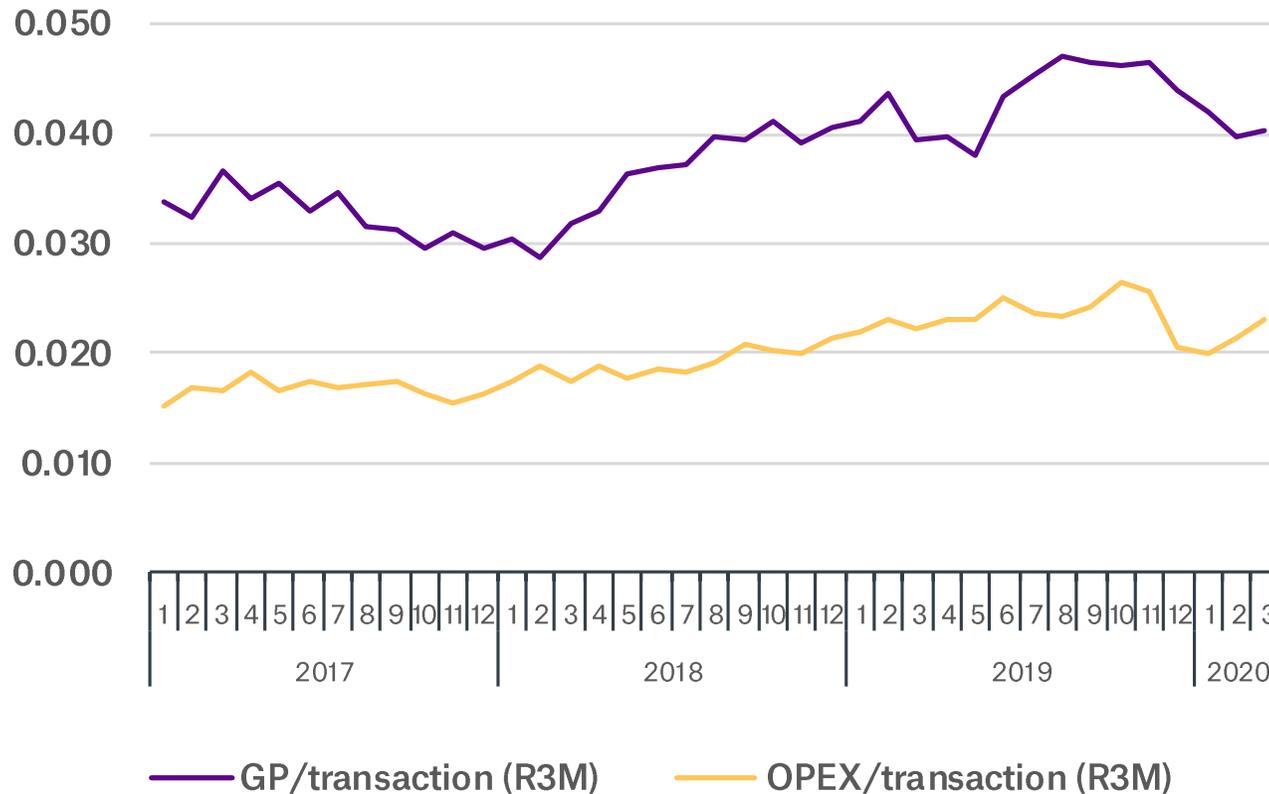


- **Acquisition of TWW and myElefant adding significant volumes in October-November 2019**
- **Significant volume increase in March 2020 is likely to be partly related to Covid-19**
- **Growth from existing customers, new customers, new use cases**
- **60% growth in transactions**
- **64% growth in Gross profit**



Gross profit per transaction

OPEX/transaction & Gross profit/transaction (SEK)

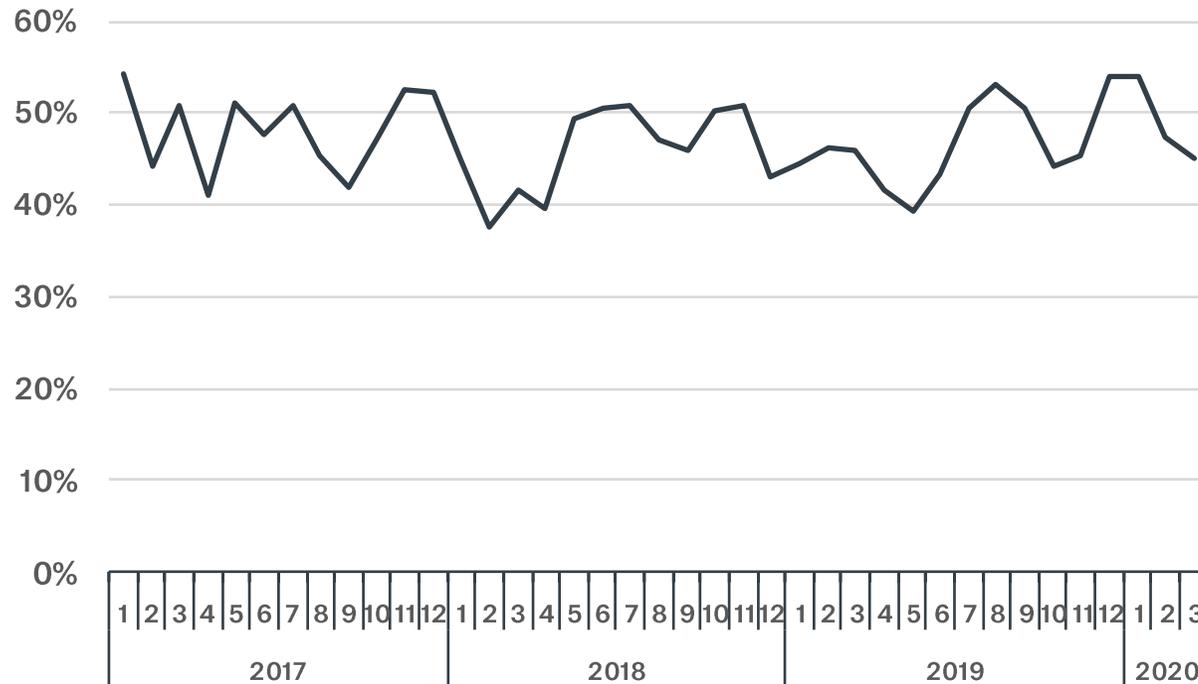


- **Gross profit is the primary bottom line driver**
- **GP/transaction decline due to traffic mix and inclusion of TWW**
- **Opex/transaction increase due to seasonal opex pattern**



Stable margin in Messaging

Messaging EBITDA/Gross profit

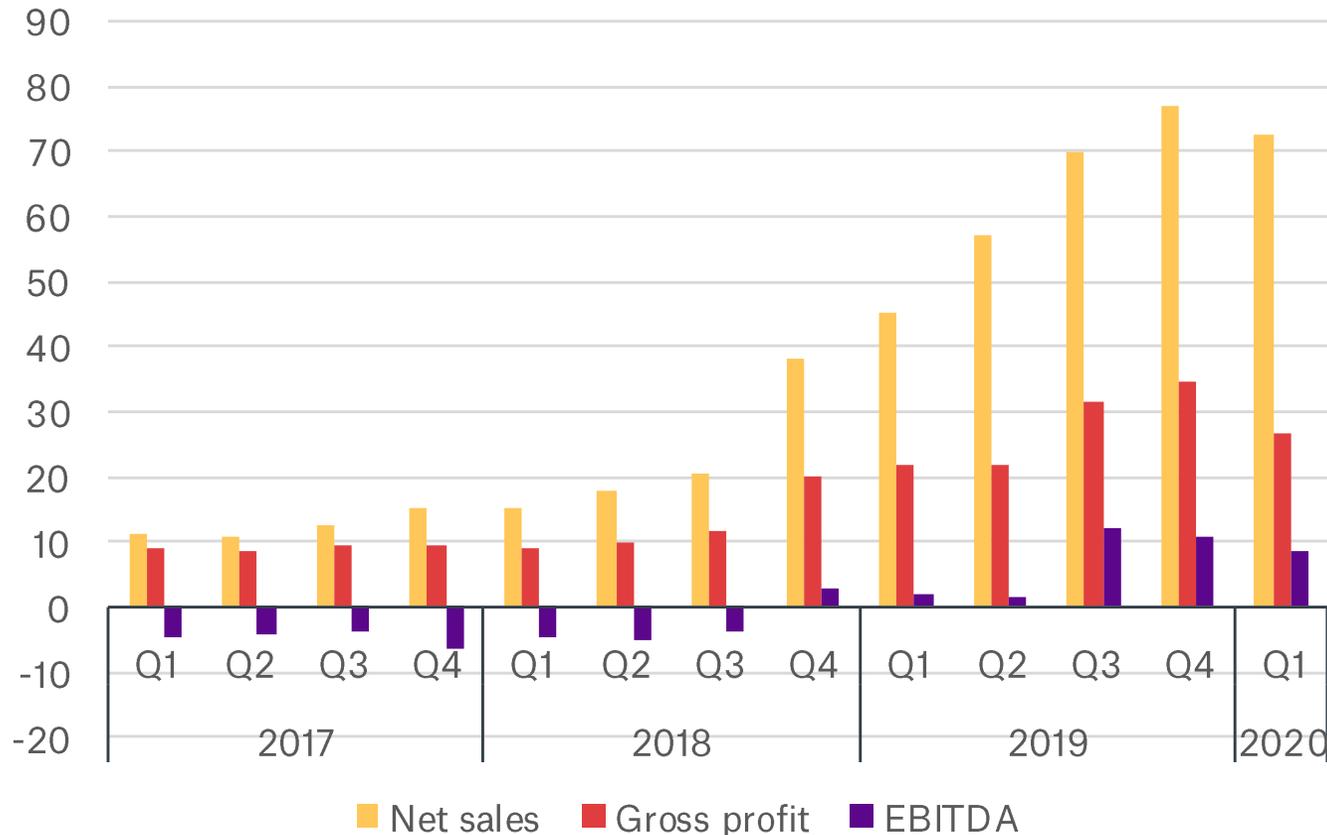


- Revenue and gross margin depend on mix of terminating markets
- EBITDA/Gross profit shows margin excluding mobile operator charges
- Adding traffic volume increases gross profit more than it increases opex
- Continued opex investments to capture growth



Covid-19 impact on Voice and Video

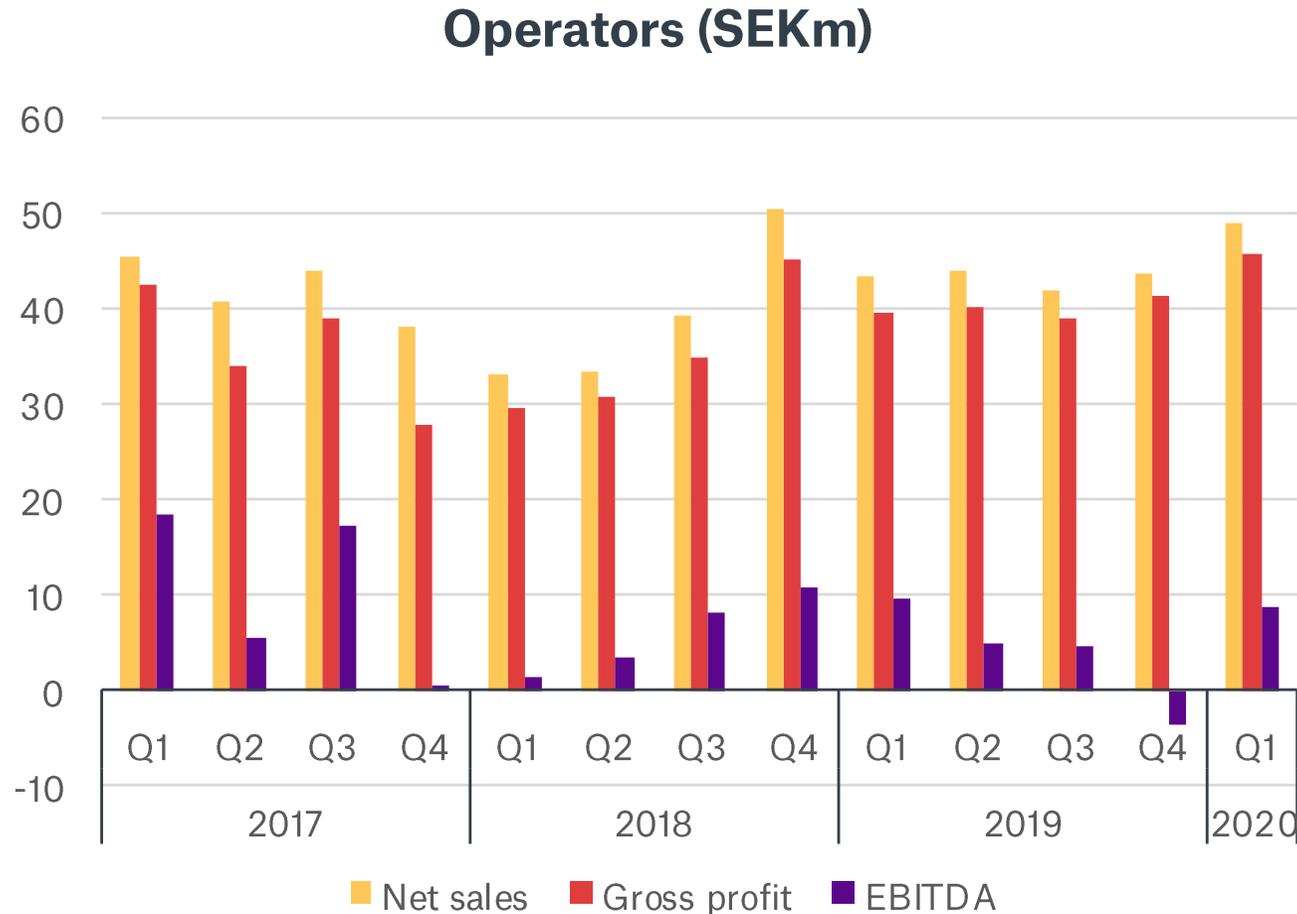
Voice and Video (SEKm)



- Growth fuelled by Number Masking and Verification
- Decreased demand for Number Masking from ride hailing customers as Covid-19 reduces travelling
- Increasing OPEX to ensure quality of service and add functionality



Return to profitability in Operators



- **Fluctuations in results as projects are realized**
- **Previously delayed projects successfully completed in Q1 20**
- **Investments in 5G SMSF and RCS-as-a-Service for mobile operators**





Q1 2020 Financials



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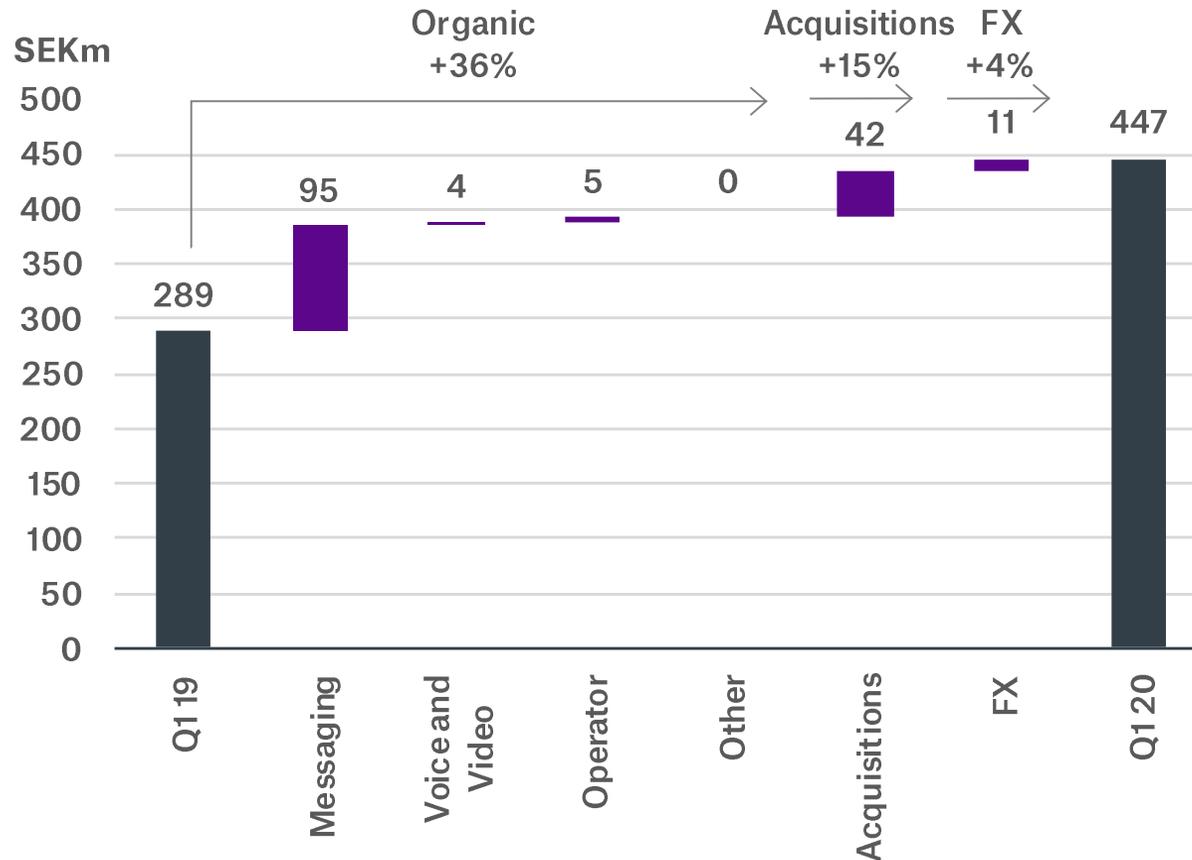
Income statement

SEK million	Q1 2020	Q1 2019	2019	R12M
Net sales	1,624.2	1,101.8	5,035.6	5,558.0
Cost of goods sold and services	-1,177.5	-812.3	-3,641.4	-4,006.7
Gross profit	446.7	289.5	1,394.1	1,551.3
Other operating income	32.9	26.0	103.1	110.1
Work performed and capitalized	15.2	6.1	38.6	47.6
Other external costs	-110.7	-69.0	-328.7	-370.4
Employee benefits expenses	-184.2	-119.6	-537.6	-602.2
Other operating expenses	-24.7	-20.8	-113.9	-117.8
EBITDA	175.2	112.2	555.5	618.5
Depreciation, amort. and impairment	-56.6	-43.2	-183.9	-197.3
EBIT	118.6	69.0	371.6	421.2
Finance income	24.2	124.7	18.6	-81.9
Finance expenses	-12.1	-120.1	-35.2	72.8
Profit before tax	130.8	73.7	355.0	412.0
Current tax	-42.0	-14.8	-83.8	-111.1
Deferred tax	7.7	-1.1	3.3	12.0
Profit for the period	96.4	57.8	274.5	313.0

- **Non-recurring items of SEK 9.1 million in Q1 20 relate to acquisitions and integration cost**
- **Amortization of acquisition-related assets does not affect cash flow**
- **Adjusted EBIT excludes non-recurring items as well as amortization of acquisition-related assets**
- **Adjusted EBIT of SEK 168.8 million (102.3) in Q1 20**



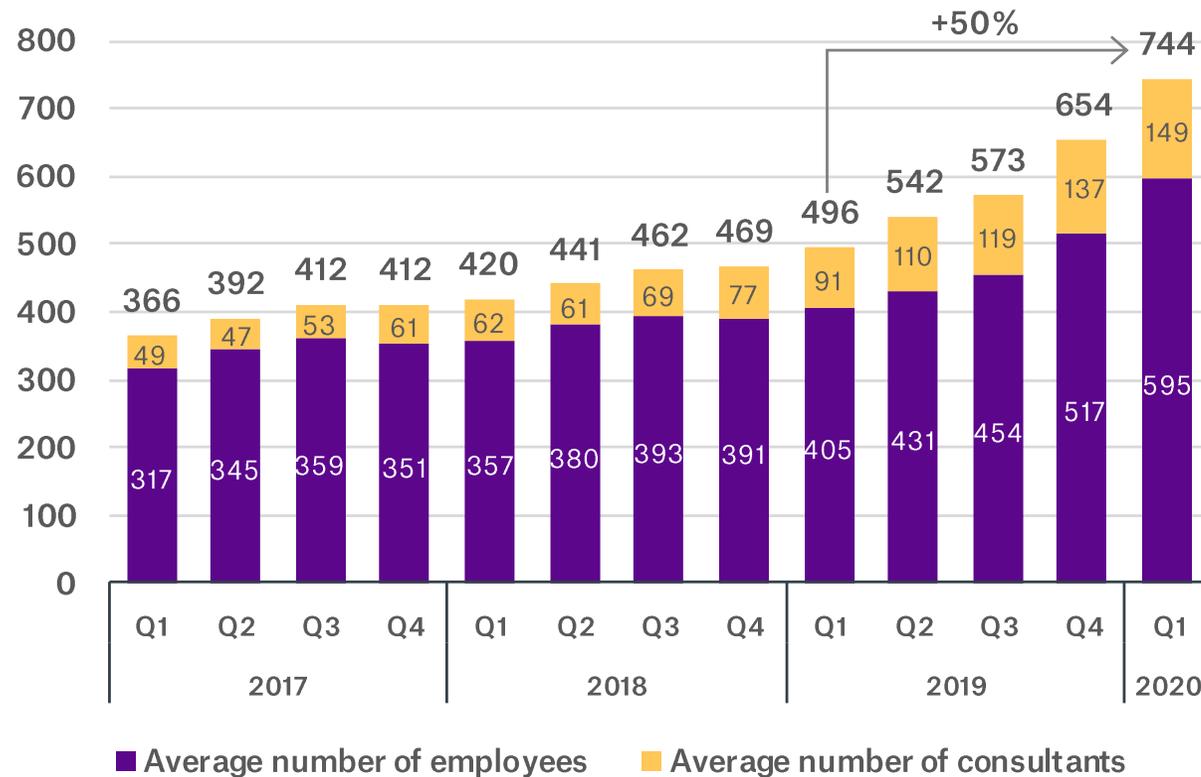
Accelerating Gross Profit growth



- **54% total Gross Profit growth**
- **36% organic Gross Profit growth**
- **15% contribution from acquisitions**
- **Big US tech companies and acquisitions fuelling growth**
- **SEK 18m positive FX effect on Adjusted EBITDA in the quarter**



Headcount increase



- Headcount rising due to recruitment and acquisitions
- Near-term negative effect on EBITDA before new initiatives translate into higher revenues and gross profit
- Headcount increase in Q1 similar to Q4 excluding acquisitions
- Headcount at 766 at end of Q1
- Slowed recruitment pace at the end of the quarter due to Covid-19



Reconciling Cash Flow with EBITDA

SEK million	Q1 2020	Q1 2019	2019	R12M
Adjusted EBITDA	184.3	112.2	573.5	645.6
Paid interest	-6.9	-6.6	-20.8	-21.1
Paid taxes	-3.0	-20.6	-117.4	-99.9
Other	1.1	0.8	18.2	18.5
Cash flow before changes in working capital	175.6	85.9	453.5	543.2
Cash flow before changes in working capital/Adjusted EBITDA	95%	77%	79%	84%

- **Strong underlying cash generation**
- **95% cash conversion from Adjusted EBITDA to Cash flow before changes in working capital in Q1 20**



Cash flow

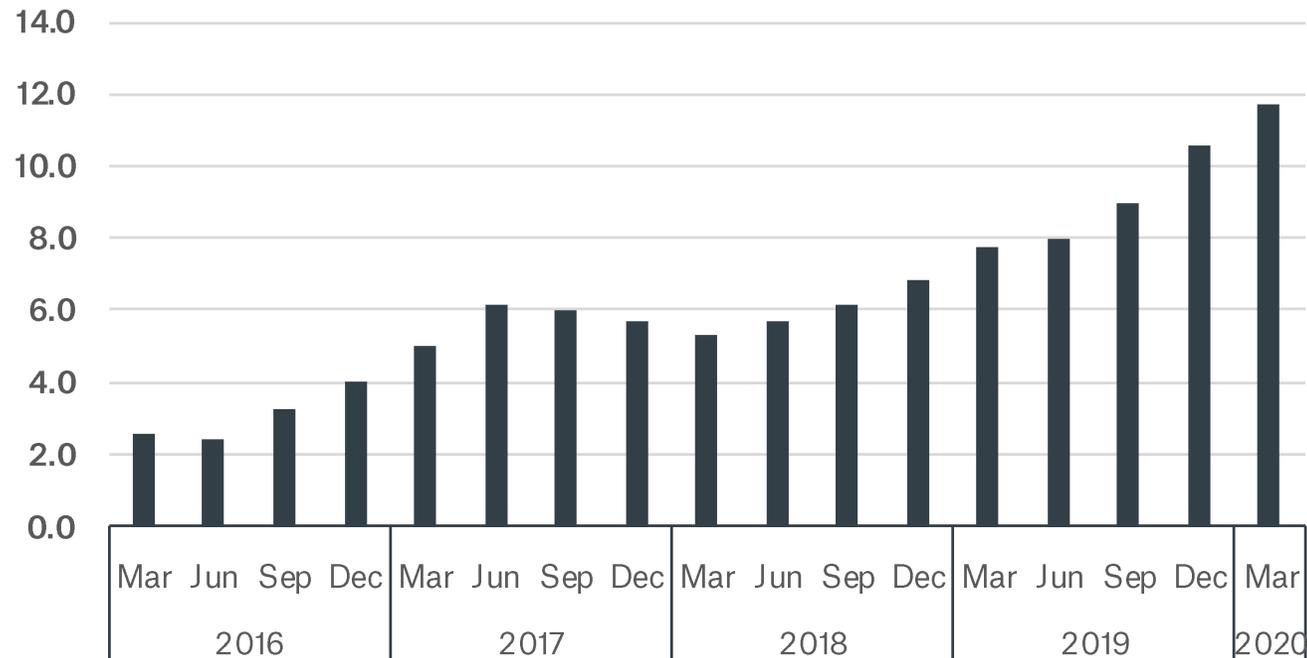
SEK million	Q1 2020	Q1 2019	2019	R12M
Cash flow before changes in working capital	175.6	85.9	453.5	543.2
Changes in working capital	-40.9	-47.8	-126.2	-119.3
Cash flow from operating activities	134.7	38.0	327.3	423.9
Net investments in fixed assets and intangible assets	-20.0	-7.6	-56.0	-68.4
Change in financial receivables	-0.9	1.4	12.1	9.9
Acquisition of subsidiary	-44.3	-11.3	-668.5	-701.5
Cash flow from investing activities	-65.1	-17.5	-712.4	-760.0
New borrowing	-	-	1,453.4	1,453.4
Amortization of bank loan	-1.4	-24.1	-756.7	-733.9
Amortization lease liability	-6.9	-6.1	-25.8	-26.5
New share issue/warrants	1,511.2	1.9	2.1	1,511.4
Cash flow from financing activities	1,502.9	-28.3	673.1	2,204.4
Cash flow for the period	1,572.5	-7.8	288.0	1,868.3

- **Net Working Capital fluctuates between quarters**
- **Very low bad debt**
- **Successful directed new share issue and refinancing of debt**



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 52% in Q1 20, measured on a rolling 12 month basis
- Net debt/EBITDA of -1.0x, measured on a rolling 12 month basis



Future growth



Strong pipeline with several US-based, global tech companies

Enterprises shifting from mail to messaging

Larger Sinch field sales organisation, strengthened marketing

M&A

Continued strengthening of our connectivity offering

Increased SaaS value-add through investment in software, RCS, OTT chat apps, etc

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Thanks!

