

Q2 2022 Investor Presentation

21 July 2022

Erik Fröberg, Chairman of the Board

Johan Hedberg, Interim CEO

Roshan Saldanha, CFO

Thomas Heath, Chief Strategy Officer & Head of Investor Relations





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SEK 22.3bn
net sales in the
past 12 months

SEK 20bn
Market Cap

SEK 2.0bn
Adj. EBITDA in the
past 12 months

4,399
people

64 countries with
local presence

a global leader in **cloud communications**
and **mobile customer engagement**

Over 150,000
customers

Listed on NASDAQ
in Stockholm, Sweden

Scalable cloud communications platform
for messaging, email, voice and video

More than 600 billion
engagements per year



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

100%

Consumer
penetration



Growing, global, multi-billion
USD market

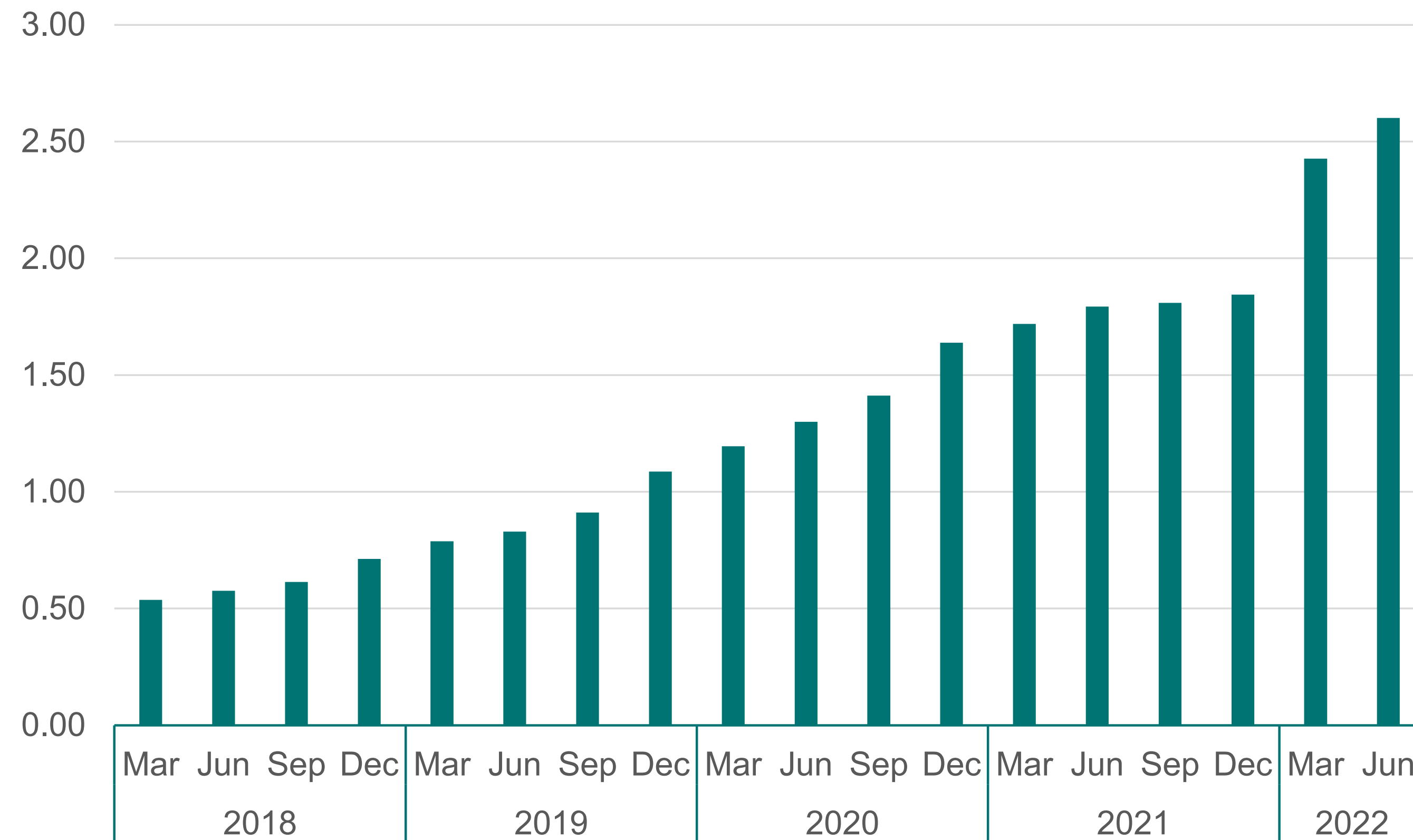


Profitable since our
foundation in 2008



Adjusted EBITDA per share

Adjusted EBITDA per share, rolling 12 months



- Financial target to grow Adjusted EBITDA per share > 20% per year, measured on R12M basis
- Strategy to combine organic and acquired growth
- Metric is affected by timing of share issues and consolidation of acquired Adjusted EBITDA
- 49% growth in Q2 R12M follows closing of major transactions in late 2021



Second quarter highlights

01

Strong cash flow

- Net sales growing 80%, Gross profit 123% and Adj EBITDA 77%
- SEK 162m reassessment of reserves for accrued traffic costs affects Gross profit, EBITDA and Adjusted EBITDA
- Adjusted EBITDA of SEK 503m
- Improved Cash flow from operations at SEK 668m
- L12M proforma Net sales at SEK 25.6bn with GP at SEK 8.0bn

02

Stability and growth in Voice, Email and SMB

- 46% gross margin and 21% Adj EBITDA margin in Voice
- 73% gross margin and 37% Adj EBITDA margin in Email
- 61% gross margin and 28% Adj EBITDA margin in SMB
- New operating model where Business Units have full P&L responsibility

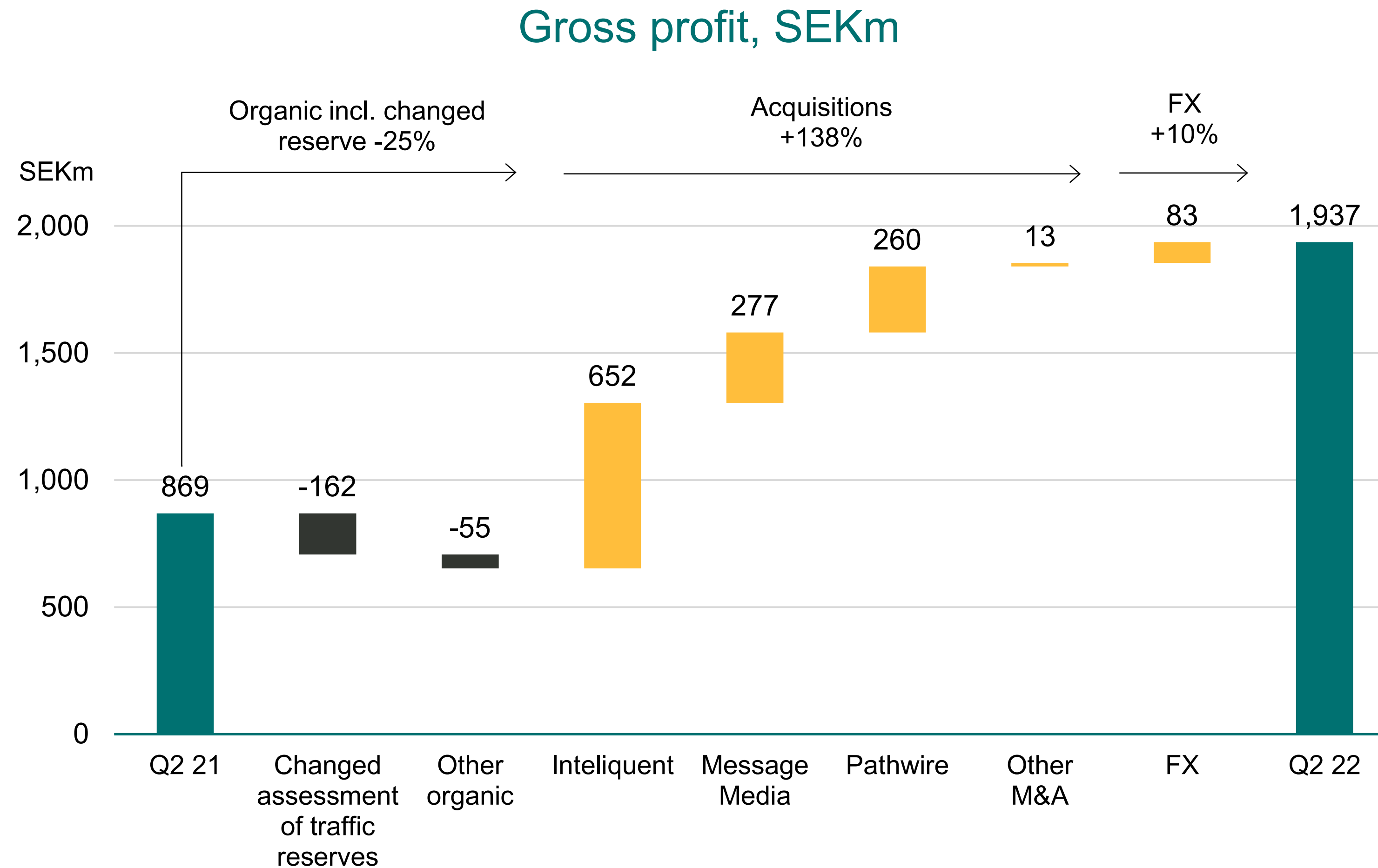
03

Cost reduction program for Messaging

- Lower growth in gross profit and margin pressure in past 9 months
- Price adjustment to large customer impacting 2022, macroeconomic uncertainty in 2022-2023
- Targeting gross savings of ~10% in the Messaging and central functions, corresponding to about SEK 300m on an annual basis.
- Full effect from Q3 2023.



Gross profit evolution

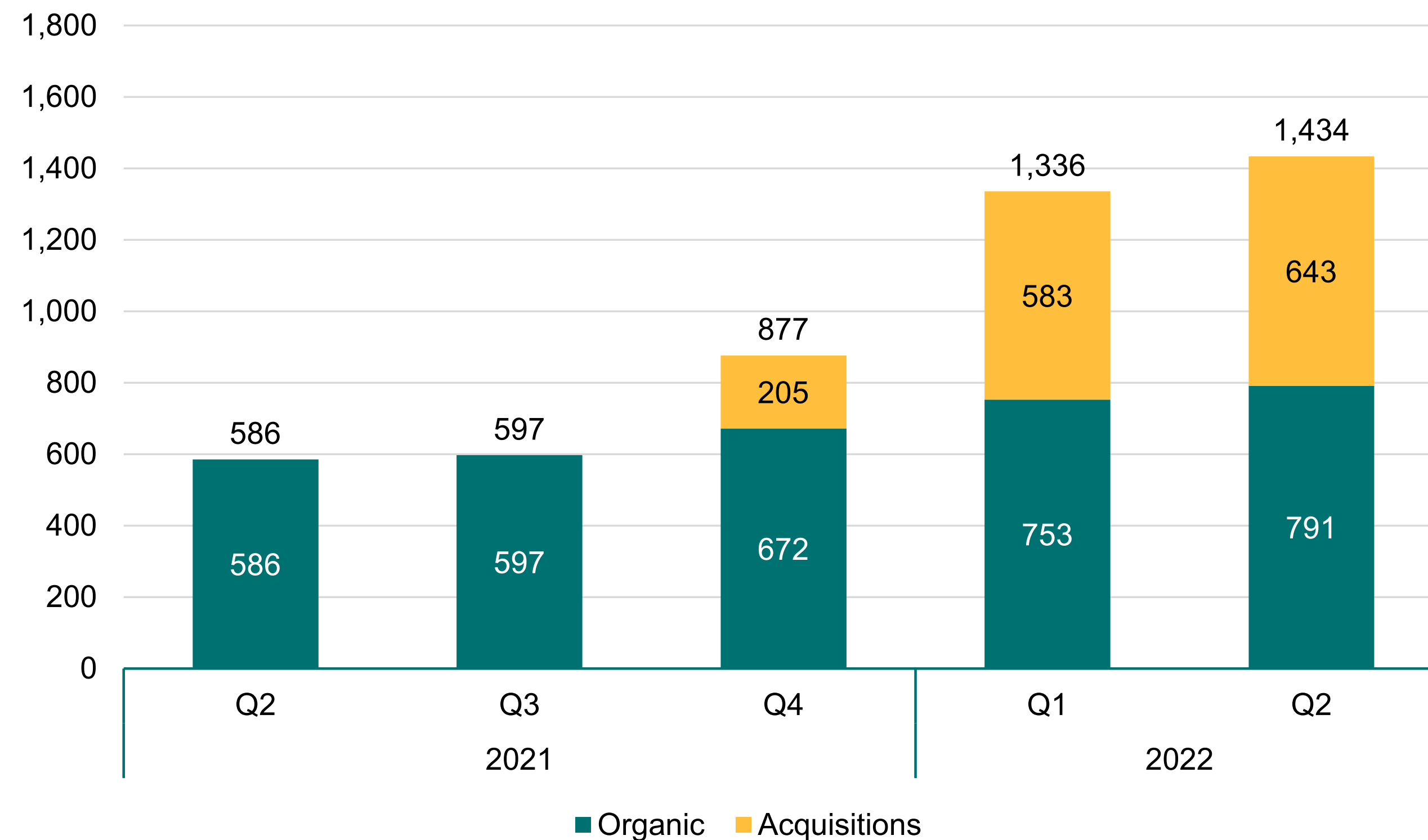


- SEK 162m reassessment of reserves for accrued traffic costs affects Q2 2022
- Organic gross profit growth of -4% (excl. reassessment) and proforma organic gross profit growth of 0%
- Price negotiation with one of our largest customers in Messaging hampers gross profit growth by 9%
- Continued growth in Email and SMB
- Largest customer now 5% of group Gross profit, top 10 customers account for 20%

Opex development



Adjusted Opex, SEKm



- Significant year-on-year increased in organic opex
- Increase since Q1 22 is 7%, of which half is due to currency
- Largest part of opex relates to personnel and is stable vs Q1
- Cost reduction program targeting an annual SEK 300m (10%) opex decrease in Messaging and Group functions (shown in green)



New operating model

Segment



Business Unit

Enterprise & Messaging

President
Anders Olin

Applications

President
Eduardo Henrique

Voice

President
Ed O'Hara

Developer & Email

President
Will Conway

SMB

President
Paul Perrett

Financials

- 43% of proforma GP*
- 20% gross margin*
- 6% Adj EBITDA margin*

- Currently included in Messaging

- 32% of proforma GP
- 47% gross margin
- 23% Adj EBITDA margin

- 12% of proforma GP
- 75% gross margin
- 37% Adj EBITDA margin

- 13% of proforma GP
- 62% gross margin
- 30% Adj EBITDA margin

Focus 2022

- Cost reduction program
- Gross profit growth recovery & attention to gross margins
- Cross sales of other products to large enterprise customers

- Cost reduction program
- Product unification and international expansion
- Includes Chatlayer, MessengerPeople, Sinch4Marketing, Contact Pro

- 8YY reform
- Cross sales of voice and messaging
- International voice expansion

- Continued focus on profitable growth
- Cross sales of Email to Sinch enterprise customers
- Cross sales of SMS to Pathwire developer community

- Continued growth in the United States through new customer acquisition
- Integration of SMS backend to Sinch global platform
- Extension of omnichannel capabilities leveraging Sinch Conversation API

* Including Applications

Financials

Income statement

SEKm	Q2 2022	Q2 2021	2021	R12M
Net sales	6,615	3,682	16,177	22,310
Cost of goods sold and services	-4,678	-2,813	-12,244	-16,033
Gross profit	1,937	869	3,933	6,276
Other operating income	143	24	192	414
Work performed by the entity and capitalized	87	21	98	229
Other external costs	-597	-294	-1,306	-1,961
Employee benefits expenses	-1,001	-419	-1,837	-2,960
Other operating expenses	-41	-51	-249	-336
EBITDA	528	152	831	1,662
Depreciation and amortization	-577	-104	-673	-1,603
EBIT	-49	48	158	59
Net finance income/expenses	2	59	1,039	910
Profit before tax	-47	107	1,197	-969
Income tax	7	-60	-289	-201
Profit for the period	-40	47	908	768
Adjusted EBITDA	503	284	1,322	2,034
Adjusted EBIT	390	254	1,161	1,709

- SEK 162m reassessment of reserves for accrued traffic costs affects Gross profit, EBITDA and Adjusted EBITDA
- EBITDA is higher than Adjusted EBITDA due to currency effects
- Depreciation & amortization includes non-cash amortization related to acquired entities



Reconciling Cash flow with Adjusted EBITDA

SEK million	Q2 2022	Q2 2021	2021	R12M
Adjusted EBITDA	503	284	1,322	2,034
Paid interest	-60	-13	-34	-118
Paid taxes	-187	-57	-253	-442
Other items	-167	8	152	-77
Cash flow before changes in working capital	89	221	1,188	1,396
Cash flow before changes in working capital / Adjusted EBITDA	18%	78%	90%	69%

- Cash flow before changes in working capital is affected by realized currency effects on financial items
- Impacts Q2 2022 by SEK -248m (part of “Other items”)

Cash flow

SEKm	Q2 2022	Q2 2021	2021	R12M
Cash flow before changes in working capital	89	221	1,188	1,396
Change in working capital	579	-461	-859	-606
Cash flow from operating activities	668	-240	329	790
Net investments in property, plant and equipment and intangible assets	-163	-26	-178	-405
Change in financial receivables	0	-9	-4	-7
Acquisition of Group companies	0	-178	-28,877	-28,232
Cash flow from investing activities	-162	-213	-29,059	-28,643
Borrowings, bank and bond loans	3,443	0	10,846	10,846
Amortization of bank loans	-3,521	-71	-313	-313
Amortization lease liability	-57	-16	-55	-111
New issue/warrants	42	9,395	15,976	6,614
Cash flow from financing activities	-93	9,308	26,454	16,587
Cash flow for the period	413	8,855	-2,276	-11,226
Opening cash and cash equivalents	1,226	3,200	3,123	12,264
Exchange rate differences	-168	209	1,024	472
Closing cash and cash equivalents	1,470	12,264	1,871	1,470

- Improved working capital
- R12M change in working capital affected by ca SEK 500m addition of working capital within acquired businesses
- Strong financial profile with diversified earnings pool
- Net det decreased by SEK 326m during the quarter



Revenue recognition

Balance sheet item	Right to payment	Recorded as revenues	When invoiced	Balance sheet as of 30 June 2022 (SEKm)
Unbilled Accounts Receivables	Unconditional	When performance obligation is completed	Typically days after period end	1,835m
Billed Accounts Receivables	Unconditional	When performance obligation is completed	Typically days after period end	2,858m
Accrued revenue	Not unconditional	When performance obligation is completed	Typically days after period end	91m

Expected credit losses reserved as of 30 June 2022: SEK 169m.
Accrued revenue above is shown net of impairment reserve.



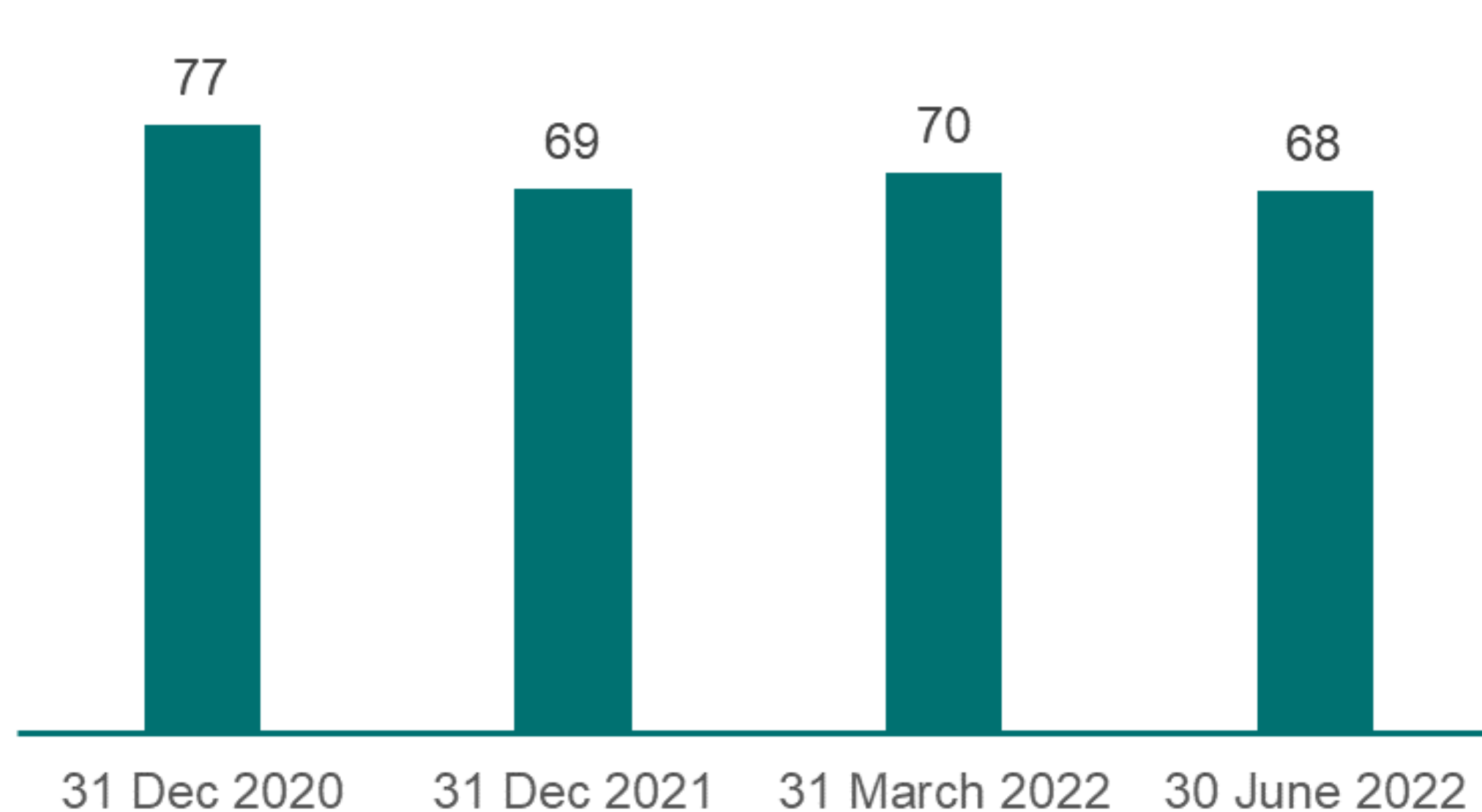
Total current assets

SEKm	31 Dec 2021	31 Mar 2022	30 Jun 2022
Accounts receivable	3,870	4,197	4,523
of which Unbilled receivables	1,606	1,493	1,835
of which Billed receivables	2,400	2,845	2,858
of which Expected credit losses	-136	-142	-169
Tax assets	198	182	210
Other current receivables	298	315	334
Accrued income and prepaid expenses	932	978	912
of which Accrued revenue from contracts with customers	339	382	91
Cash and cash equivalents	1,871	1,226	1,470
Total current assets	7,169	6,898	7,449
Account receivable	3,870	4,197	4,523
Accrued revenue	339	382	91
Account receivable + Accrued revenue	4,209	4,579	4,614
Change q/q		9%	1%

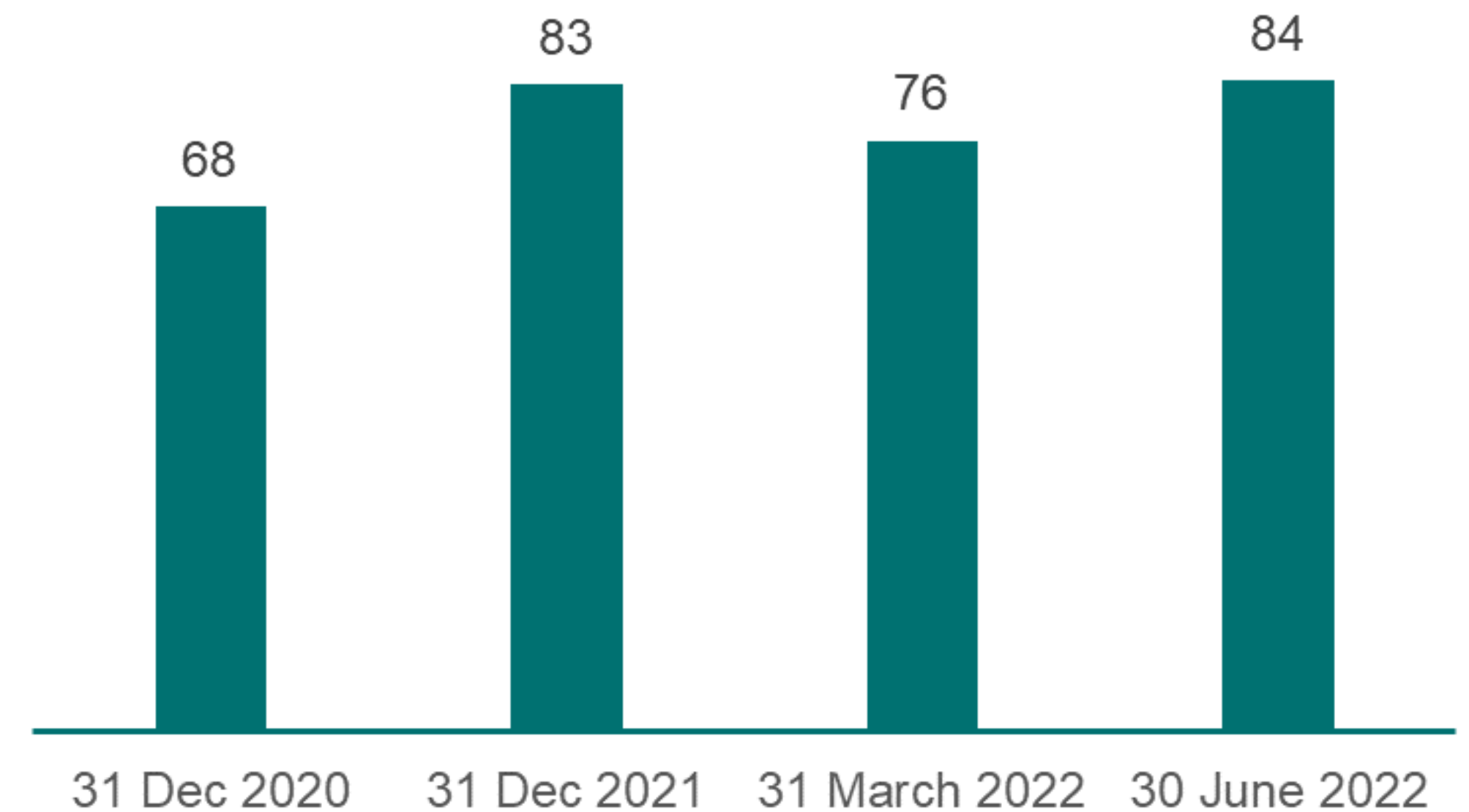


Days outstanding

Days Sales Outstanding



Days Payable Outstanding



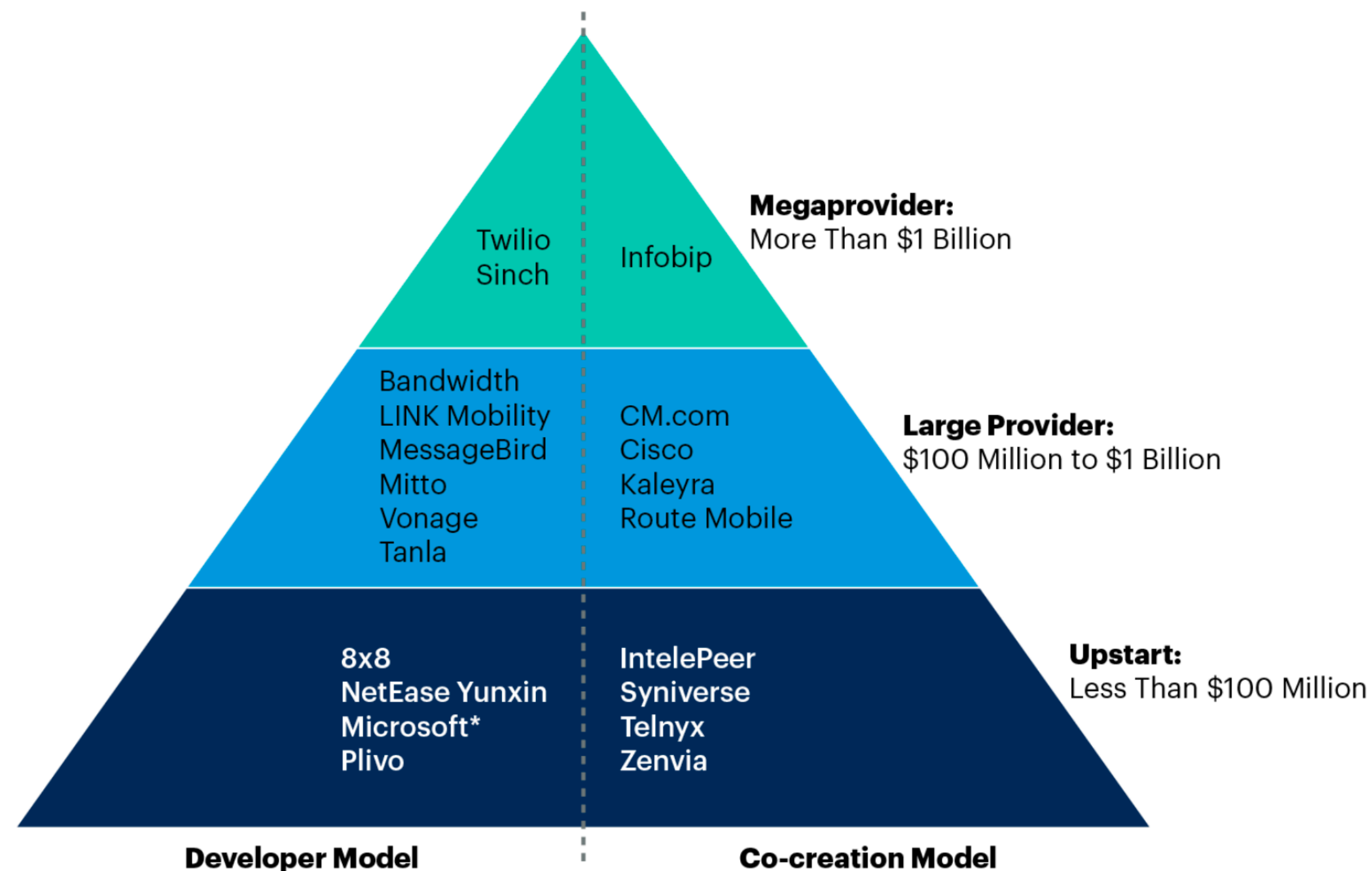
- Must relate balance sheet items to proforma L12M revenues to correctly calculate DSO and DPO

- Limited change to DSO in last year and quarter



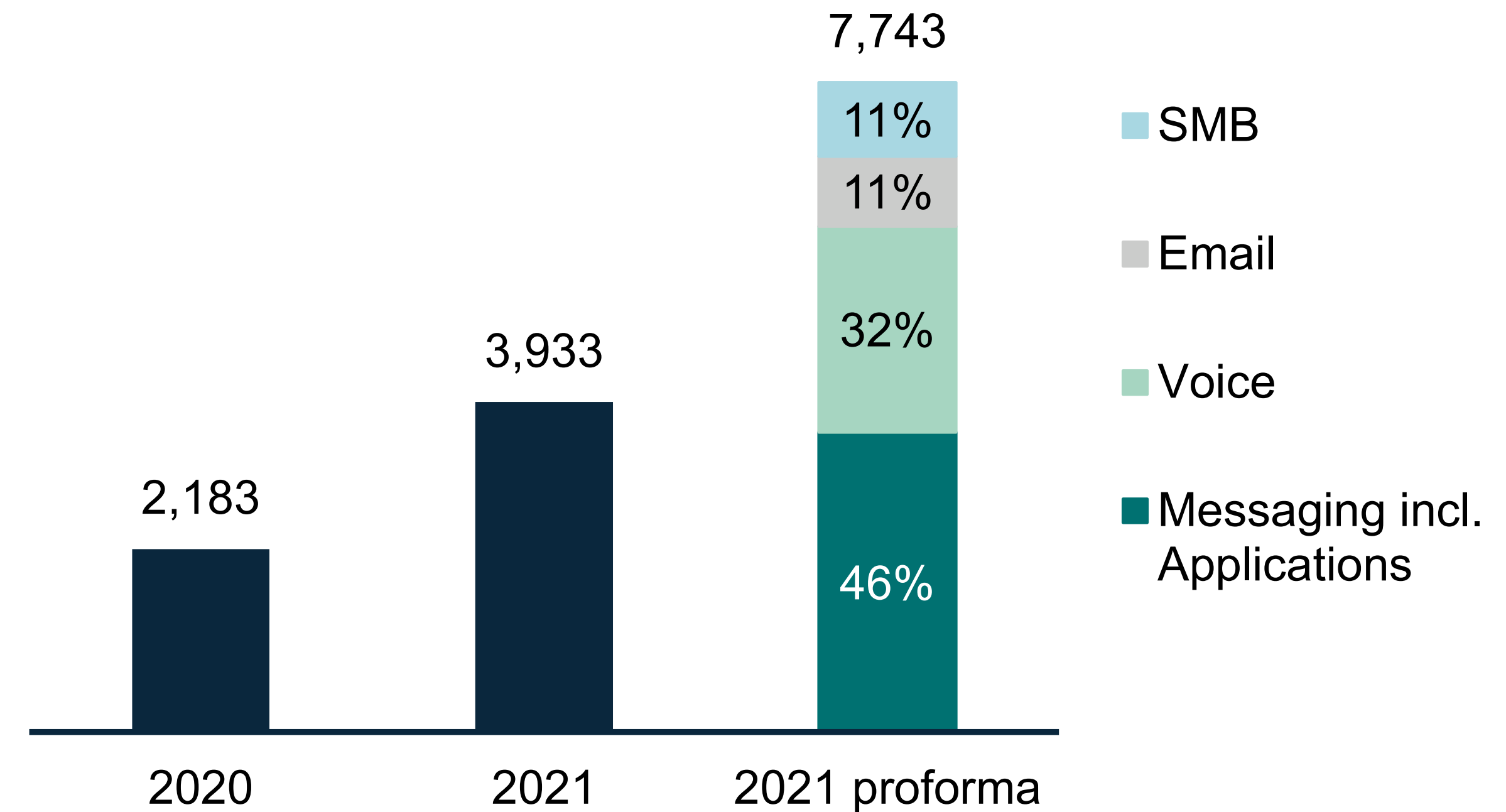
A global leader in cloud communications

Major Vendors in CPaaS



Source: Gartner (November 2021)
 * Gartner estimate based on launch in April 2021

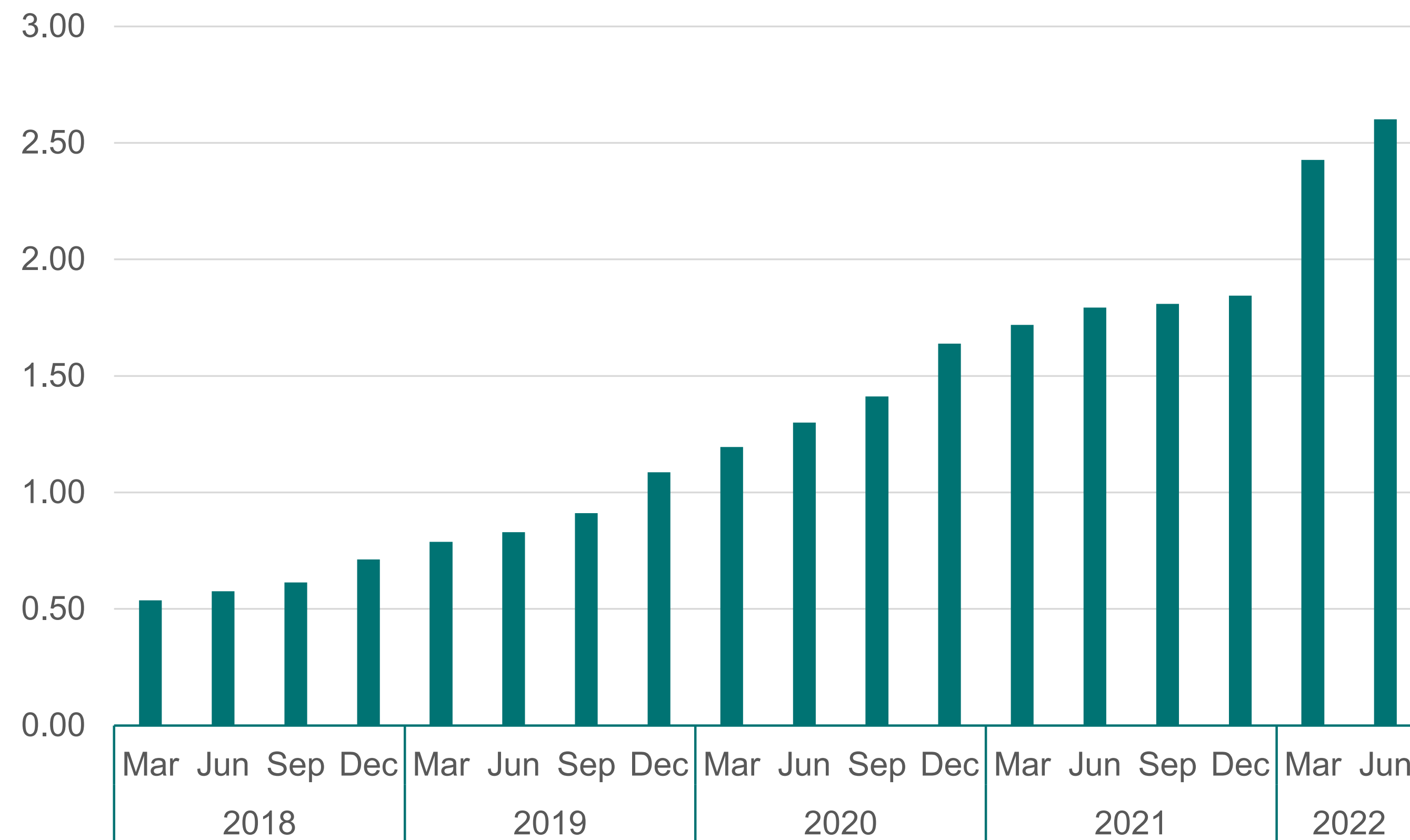
Rising gross profit and broadened product mix





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 49% in Q2 22, measured on a rolling 12 month basis
- Proforma Net debt/EBITDA of 3.3x excl. IFRS 16-related leases

Thank you!



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