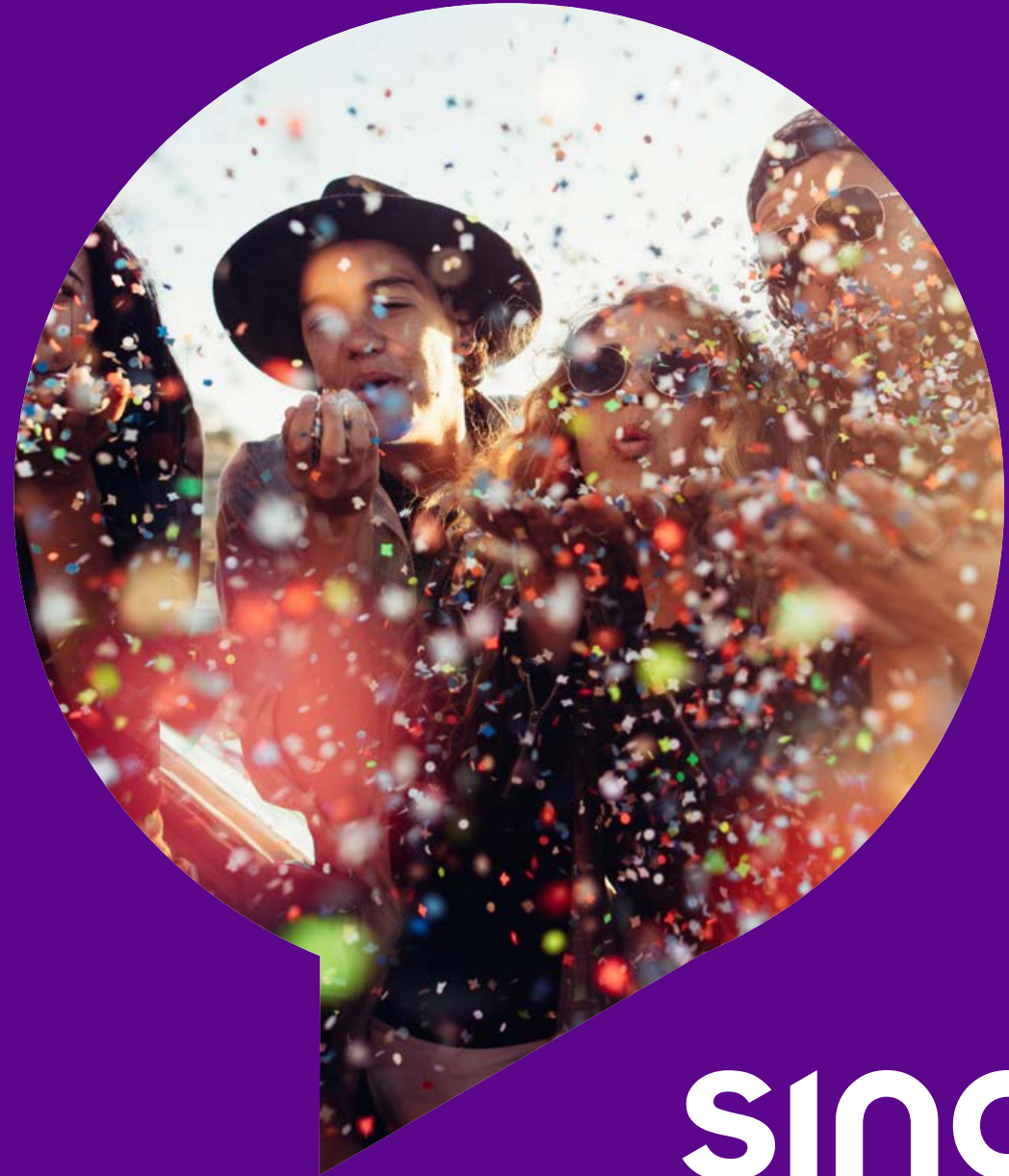# Acquisition of Wavy

27 March 2020

Oscar Werner
CEO

Roshan Saldanha
CFO

Thomas Heath
Chief Strategy Officer & Head of Investor Relations

sinch

SEK 5.0bn
revenue in the past 12 months

SEK 574m
Adj. EBITDA in the past 12 months

SEK 18bn
Market Cap

722
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

100% 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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Technology evolution in messaging

Text notifications → **Rich media messaging** → **Conversational messaging**

Next-generation messaging offers a step-change in customer experience

CPaaS relevance throughout the customer journey

	Revenue generation	Service enablement	Customer care
STAGE	**Revenue generation**	**Service enablement**	**Customer care**
OBJECTIVE	Add revenues Reduce churn	Use CPaaS functionality in own apps and products Improve efficiency Reduce cost	Handle customer support Improve customer experience Reduce contact center cost
EXAMPLE PRODUCTS	Rich SMS with dynamic mobile landing page Personalized video to prevent bill shock	One Time Passwords (OTP) Verification Number masking Mobile boarding pass	WhatsApp instead of phone Bots and AI to automate conversations

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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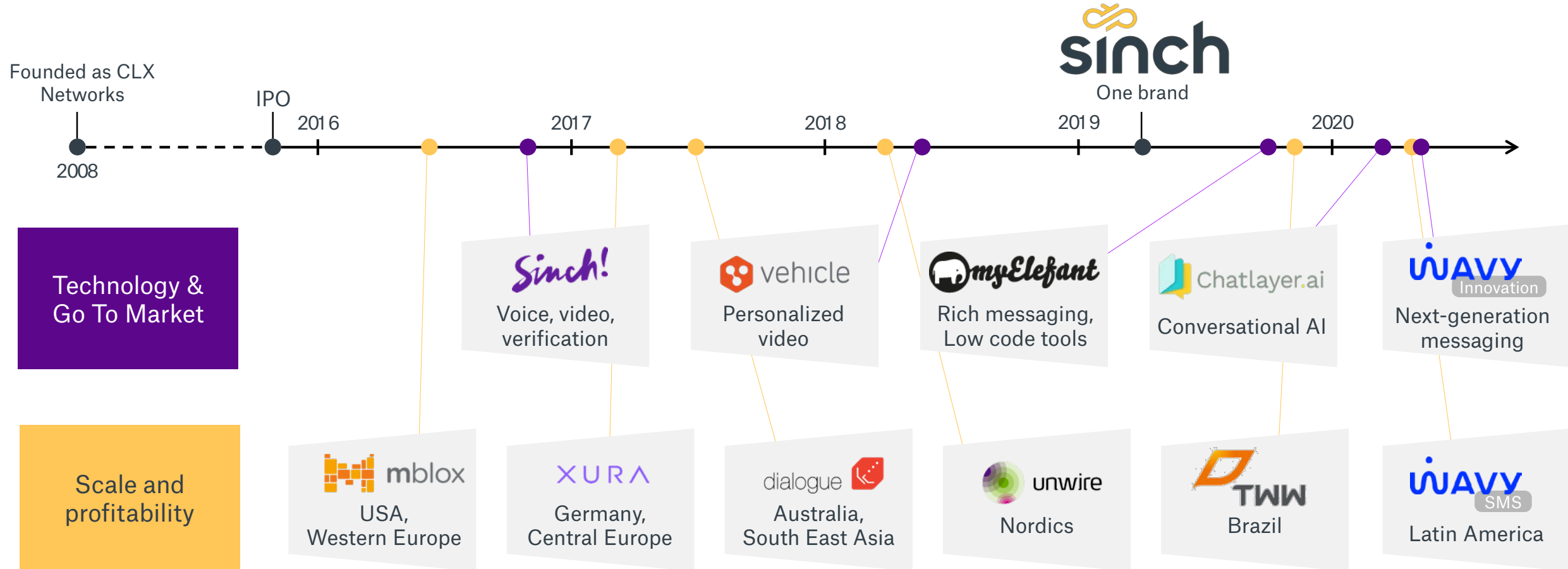# Leveraging M&A to meet strategic objectives

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 in new markets
- Extract synergies by transferring traffic to Sinch's technology platform
- EV/EBITDA-accretive: acquiring profit at a valuation below our own

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Strategic mergers & acquisitions

sinch
One brand

Founded as CLX Networks

IPO

2016   2017   2018   2019   2020

2008

Technology & Go To Market

Sinch!
Voice, video, verification

vehicle
Personalized video

myElefant
Rich messaging, Low code tools

Chatlayer.ai
Conversational AI

WAVY Innovation
Next-generation messaging

Scale and profitability

mblox
USA, Western Europe

XURA
Germany, Central Europe

dialogue
Australia, South East Asia

unwire
Nordics

TWW
Brazil

WAVY SMS
Latin America

Deal rationale

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

Latin America

- **626 million people in the region**

- **Rapid increase in smartphone penetration and mobile internet use**

Wavy

- **Part of Movile Group**

- **260 employees, 9 offices, 6 countries**

- **Connectivity throughout Latin America with 13 billion transactions per year**

- **Customers & volumes using WhatsApp, Apple Business Chat and RCS**

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Use case: Customer care through WhatsApp

ⱲAVy

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

ingresso rápido

Use case: Interactivity with Apple Business Chat

Using Apple Business Chat to win back defaulting customers for PlayKids, the Movile-founded education & entertainment platform with content in 7 languages and customers in 180 countries.

Time Picker

List Picker

Authentication

ABC Chat

90% Reduction in default rate

45% Activation increase compared to email and phone

Use case: Empowering the mobile workforce

Raised productivity for the largest food delivery platform in Latin America

Challenge

- 120k couriers on motorbike delivering food for iFood
- Many situations require conversations between the customers, couriers, and iFood
- Challenging for to answer effectively and quickly as volumes are increasing

Solution

- Chatbot available through in-app messaging with integration to iFood Zendesk environment
- AI and Natural Language Processing to help resolve common use cases
- Automatic processing of main uses cases "Restaurant delayed", "Can't find location" and "Client can't pay"

7k
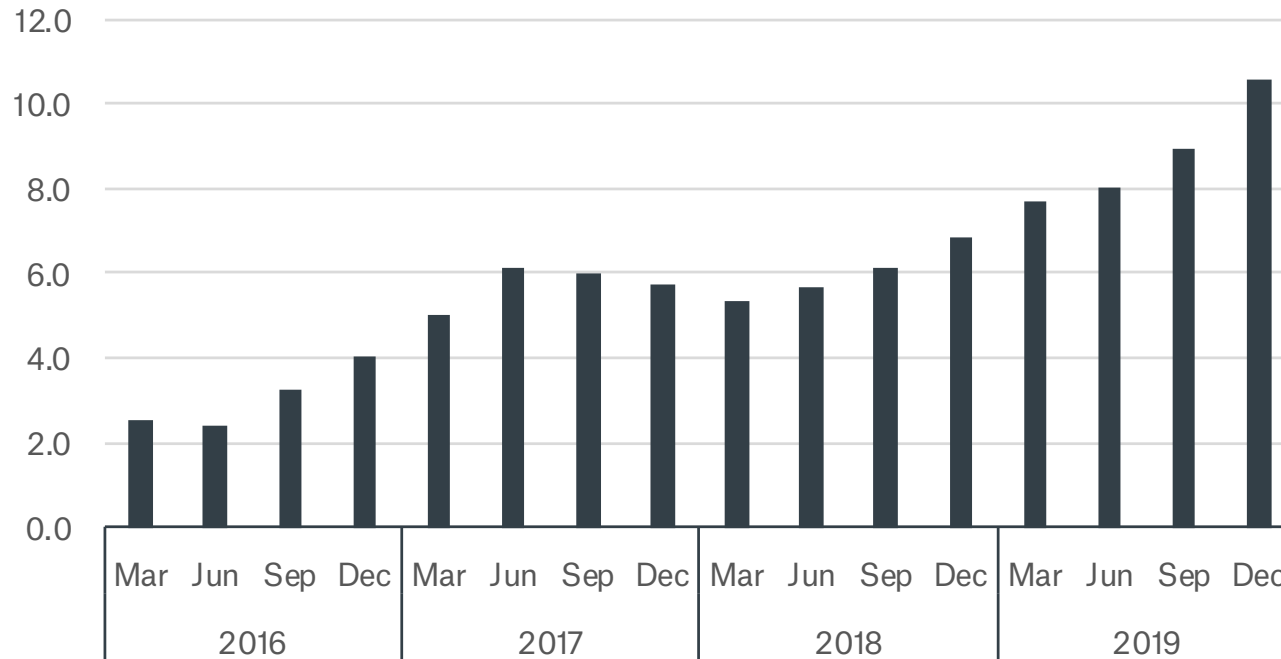Tickets resolved

5min
Time to completely solve tickets

93%
Customer satisfaction score (CSAT)

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 54% in Q4 19, measured on a rolling 12 month basis**

- **Proforma net debt/EBITDA of 0.3x after acquisitions of Chatlayer, Wavy and directed share issue**

Thanks!