



**Q3 2020**

# **Investor Presentation**

3 November 2020

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CEO

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CFO

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Chief Strategy Officer & Head of Investor Relations



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**SEK 6.6bn**  
revenue in the  
past 12 months

**SEK 786m**  
Adj. EBITDA in the  
past 12 months

**SEK 48bn**  
Market Cap

**1,484**  
people

**41** countries with  
local presence

Customer engagement through mobile technology

**107 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



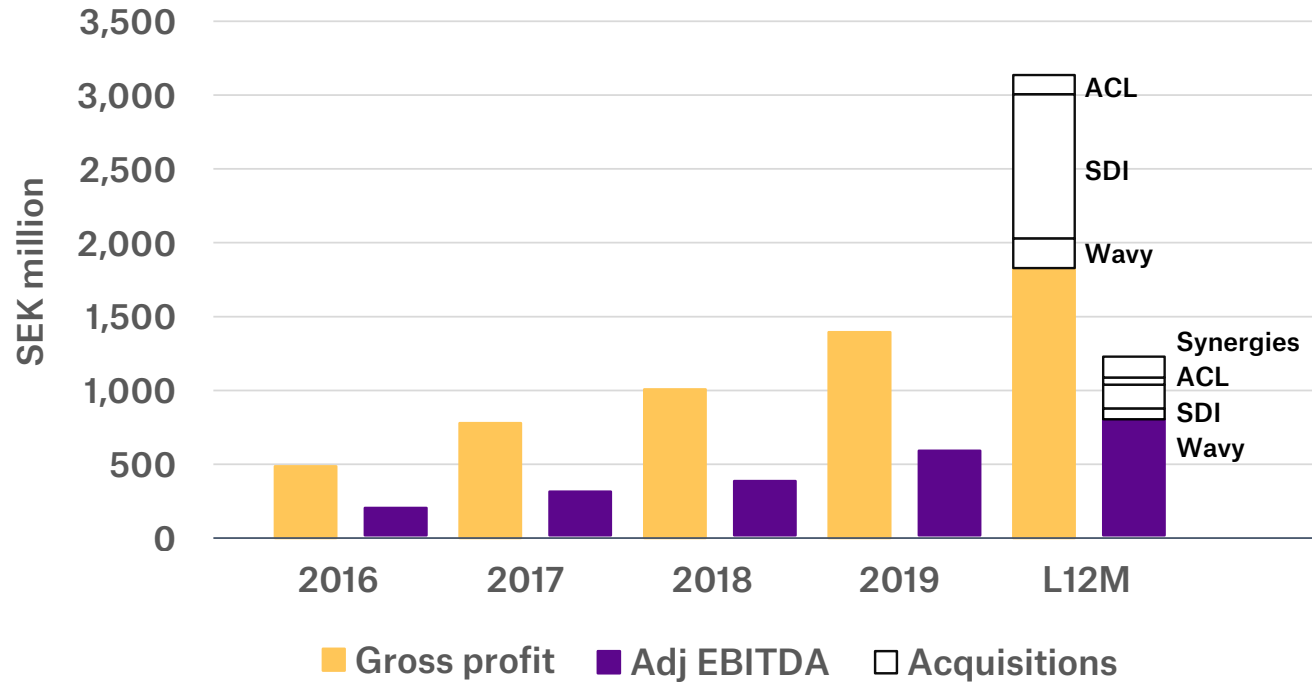
Profitable since our  
foundation in 2008



>650% 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**
- **40% growth in Gross profit and 53% growth in EBITDA in Q3 20**
- **Acquisitions of Wavy, SDI and ACL Mobile adding significantly to our scale and profitability**



The acquisition of Wavy is pending regulatory approval. "ACL" includes the last 11 months of ACL earnings before the unit was consolidated on 1 September, captured in reported figures. TWW and Chatlayer. Synergies refer to expected synergies for Wavy and SAP Digital Interconnect, estimated mid-point, at full run rate. Exchange rates as of 2 November 2020.

# 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)**



# Creating value for businesses & their customers



**Email**



**SMS**



**Next-gen  
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



# Customer case: Driving conversion for Cdiscount



## Cdiscount objectives

- French e-commerce company Cdiscount looking to improve conversion rates on marketing campaigns
- Expanding on previous positive experience of targeted marketing with SMS

## Sinch value proposition

- Mobile campaign using RCS messaging with rich media content, action buttons, and interactivity

## Key performance indicators

- Improved performance vs SMS benchmark
- 9% increase in average basket size
- 4% increase in revenue

# Playbook for profitable growth

## Software-as-a-Service

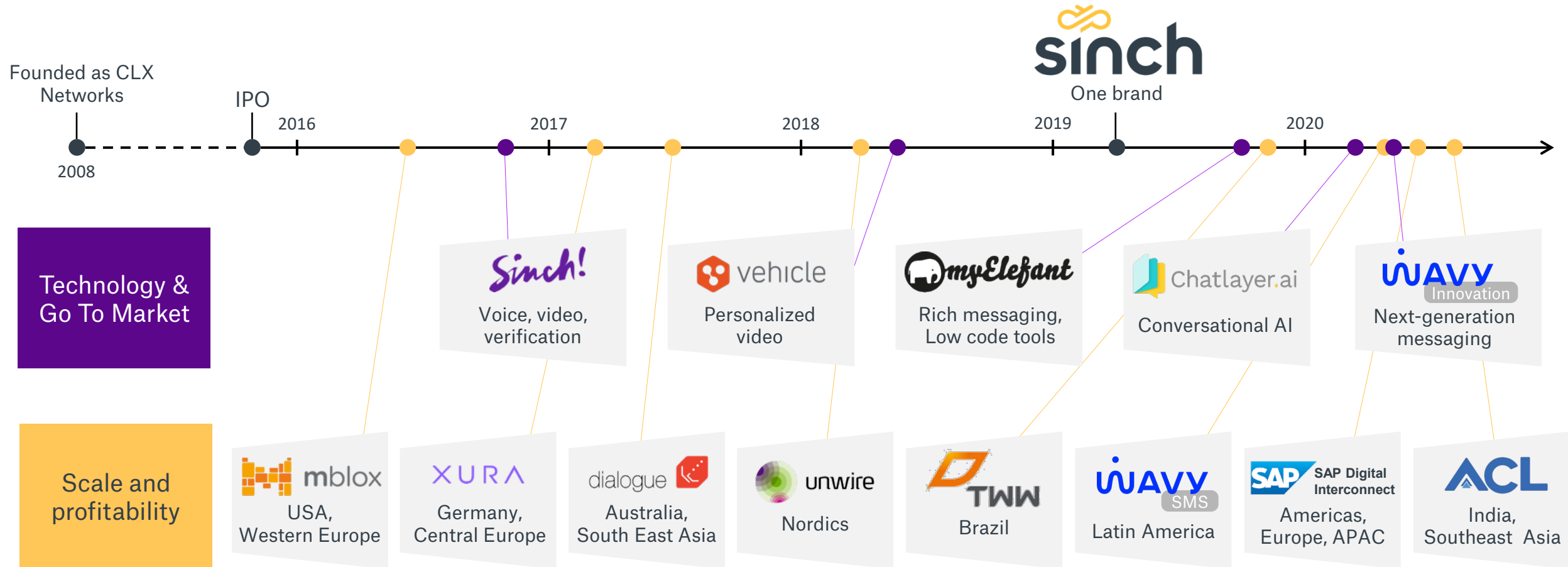
- Empower businesses to leverage rich and conversational messaging
- Increase our software value-add (CPaaS) in addition to our connectivity offering
- Increase stickiness with maintained scalability

## 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



\* Acquisitions of Wavy and SAP Digital Interconnect are pending regulatory approval



# Deal rationale: ACL Mobile

## ACL Mobile

- Leading cloud communications provider in India and Southeast Asia
- Strong customer base with leading position in Banking & Finance
- Significant scale with 47 billion business messages handled in the past 12 months
- 288 employees in India, UAE and Malaysia

## Deal rationale

- Significant scale in the world's second-largest mobile market with a 1.3 billion population
- More than 500 large enterprise customers, including the majority of India's privately-owned banks
- Highly accretive deal, fits Scale and Profitability category
- Direct operator connections in India & competitive cost structure for further expansion in Asia

## Integration

- Maintained leadership with ACL founder & CEO Sanjay K Goyal joining Sinch
- Utilisation of ACL's direct operator connections in India, UAE and Malaysia for all Sinch customers
- Further synergy assessment after ACL and SDI transactions have closed

## Financials

- Sinch pays a total enterprise value of INR 5,350m (SEK 655m)
- Revenues of INR 4,959m, gross profit of INR 1,091m and Adj EBITDA of INR 480m in the last 12 months - this corresponds to revenues of SEK 607m, gross profit of SEK 134m, and EBITDA of SEK 59m
- Like-for-like gross profit growth of 13 percent in the 12 months ending March 2020
- Transaction closed on 1 September with 82% acquired upfront and 18% on or after Dec 1, 2020

# Deal rationale: SAP Digital Interconnect

## SAP Digital Interconnect

- Global cloud communications provider with operations in Americas, Europe and Asia Pacific
- Programmable Communications (67% of revenue), Carrier Messaging (28%), Enterprise Solutions (5%)
- 18bn business messages and 292bn person-to-person (P2P) messages in 2019
- Around 320 employees with headquarters in San Ramon, California

## Deal rationale

- 1,500 enterprise customers, some of the world's most valuable brands, diversifies Sinch customer base
- Highly accretive deal, fits Scale and Profitability category
- Significantly strengthened US presence, more people also in Asia Pacific and Europe
- Very strong operator relationships as trusted vendor to hundreds of carriers

## Integration

- Await approval from competition authorities in multiple jurisdictions
- Combine operations across the USA, Europe, and Asia
- Win synergies through SMS platform integration
- Cross- and upsell combined & broadened Sinch+SDI product portfolio

## Financials

- Sinch pays an enterprise value of EUR 225m
- SAP Digital Interconnect recorded revenues of EUR 340m, gross profit of EUR 94m, and Adj EBITDA of EUR 15.4m in the 12 months ending March 2020. Revenue growth around 10% in the past two years.
- Transaction closed on 1 November 2020

# The Sinch Conversation API

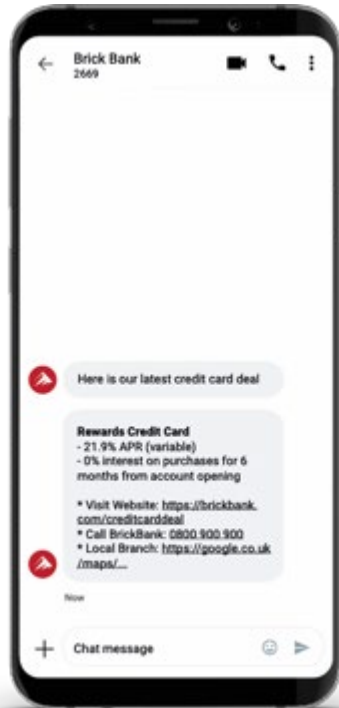


- **Send and receive messages on multiple conversational channels through a single API**
- **Leverage the expanded feature set of next-generation messaging channels**
- **WhatsApp, RCS, Viber, SMS and more**
- **Support for bots with seamless handover to a human when needed**

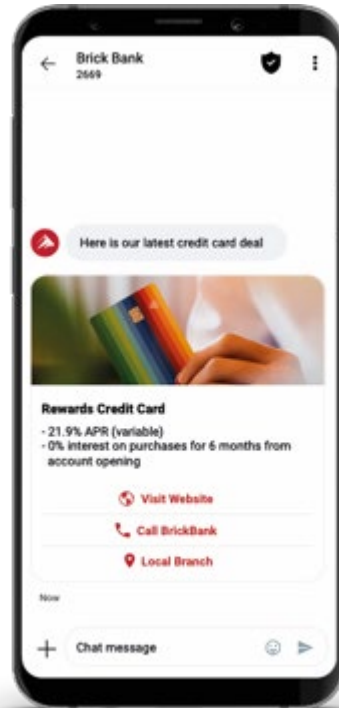




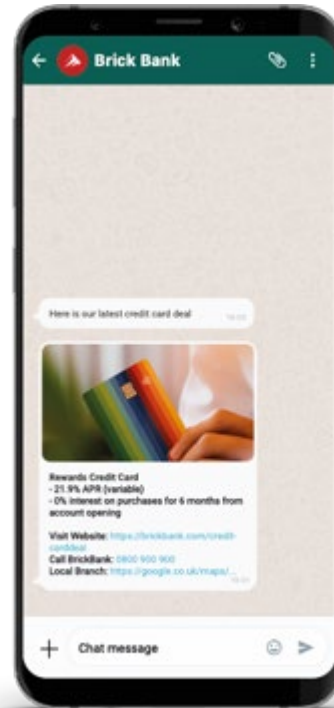
# Rich rendering across channels



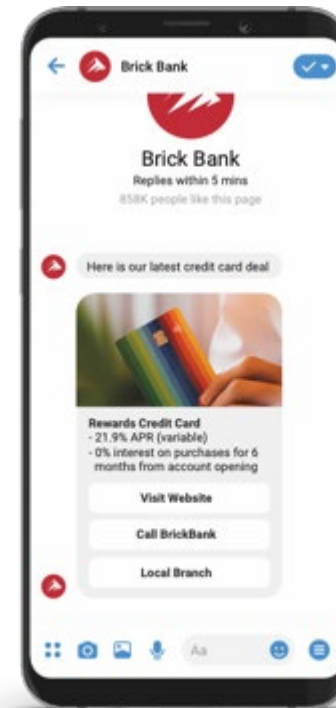
SMS



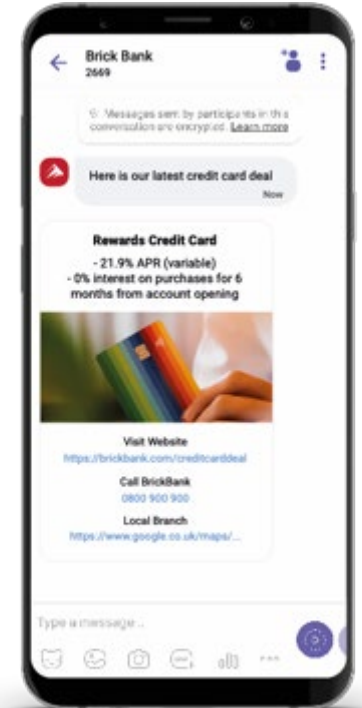
RCS



WhatsApp



Messenger



Viber



## July - September 2020

- Gross profit rising 40% to SEK 480.6 million (343.6)
- Adjusted EBITDA rising 53% to SEK 226.0 million (147.6)
- Adjusted EBIT excl. acquisition-related amortization of SEK 210.7 million (131.5)
- Profit after tax of SEK 96.4 million (68.7)
  
- Organic Gross profit growth of 24% in local currency
- COVID-19 causing reduced voice traffic and lengthened sales cycles
- 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.**

**Businesses increasing their use of SMS in addition to email**

**3.**

**Acquisition of TWW, myElefant, Chatlayer and ACL Mobile**

**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

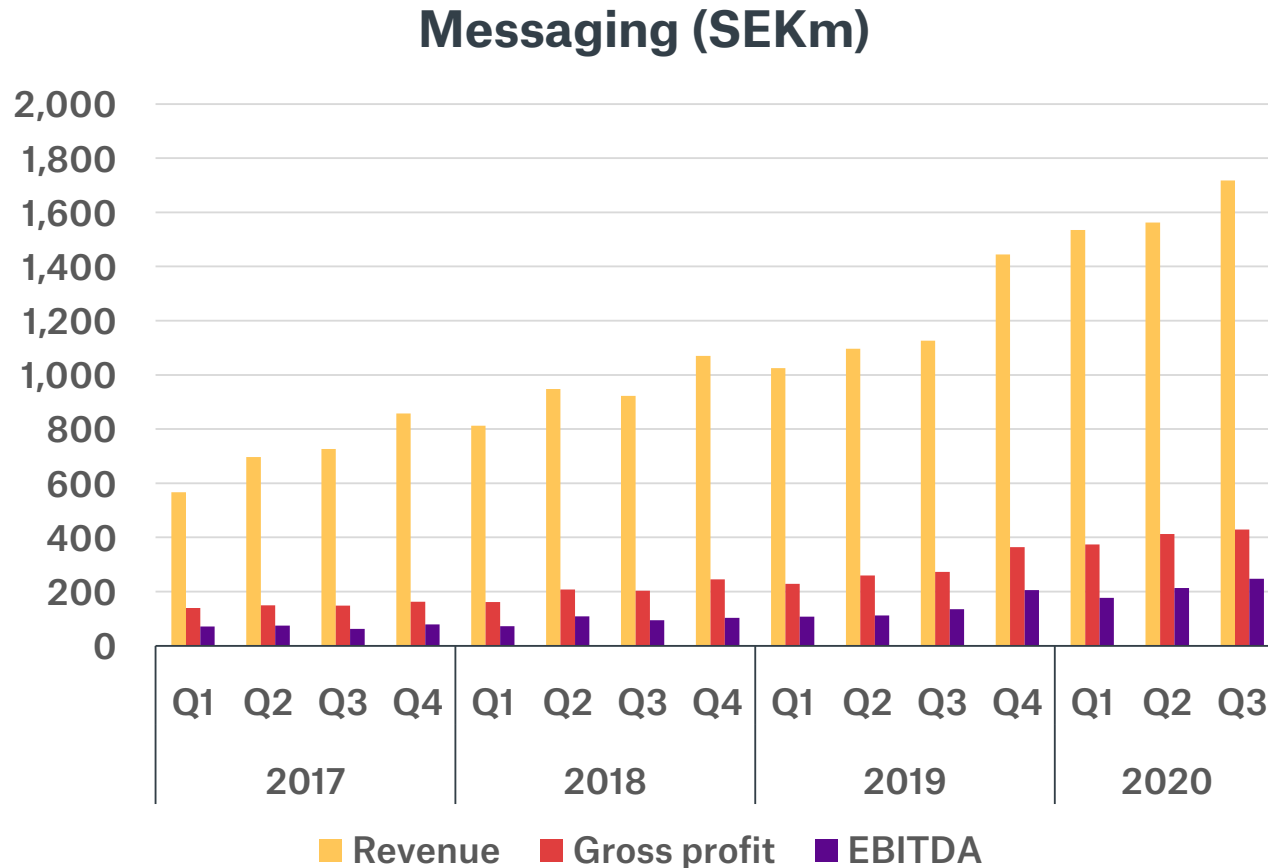
## New technology

- Unified cross-channel Conversation API
- New channels like WhatsApp and RCS
- Software for advanced, interactive messaging
- RCS-as-a-Service and 5G Messaging for mobile operators

## Integration

- TWW, myElefant & Chatlayer
- ACL Mobile
- SAP Digital Interconnect
- Wavy (pending regulatory approval)

# Strong growth in Messaging

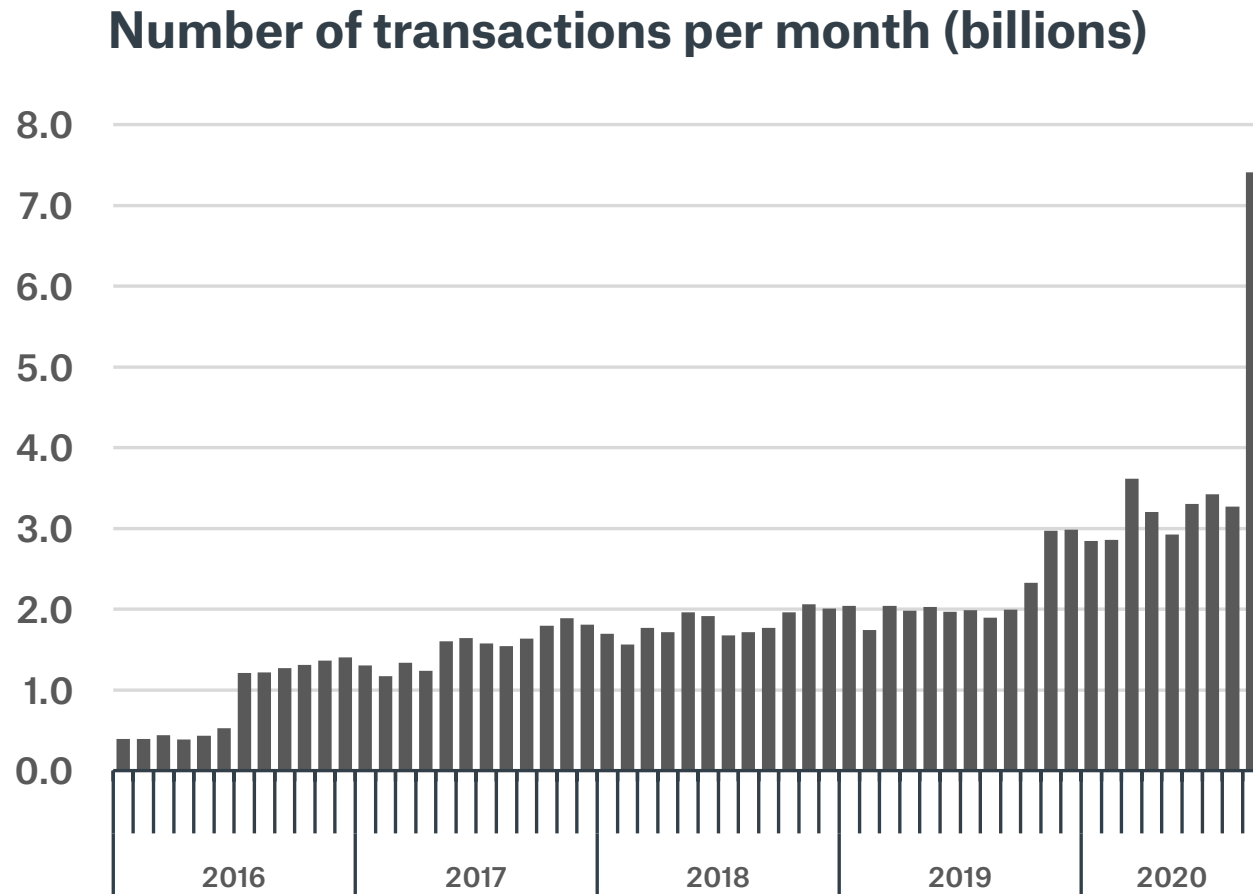


- **Total Gross profit growth of 57% with organic growth at 35%**
- **US tech companies continue to fuel growth**
- **myElefant & TWW included since mid-October 2019, Chatlayer since April 2020, ACL Mobile since September 2020**
- **Tougher comparable figures heading in to 2021**





# Rising message volumes

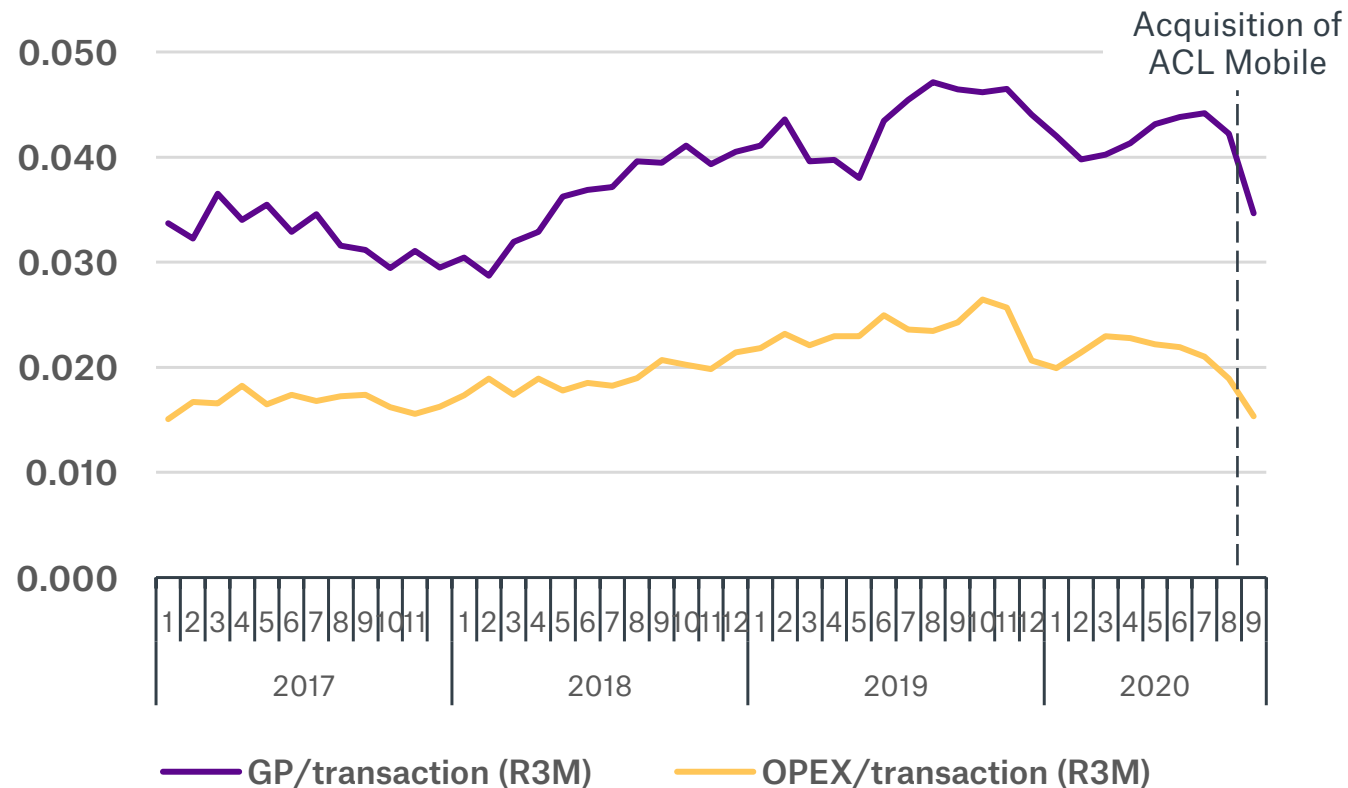


- **Very large increase in September 2020 due to the acquisition of ACL Mobile in India**
- **265% year-on-year growth in transactions in Q3 with 19% growth in comparable units**
- **SAP Digital Interconnect will add further volume from 1 November**
- **Growth from existing customers, new customers, new use cases**



# Gross profit per transaction

## OPEX/transaction & Gross profit/transaction (SEK)

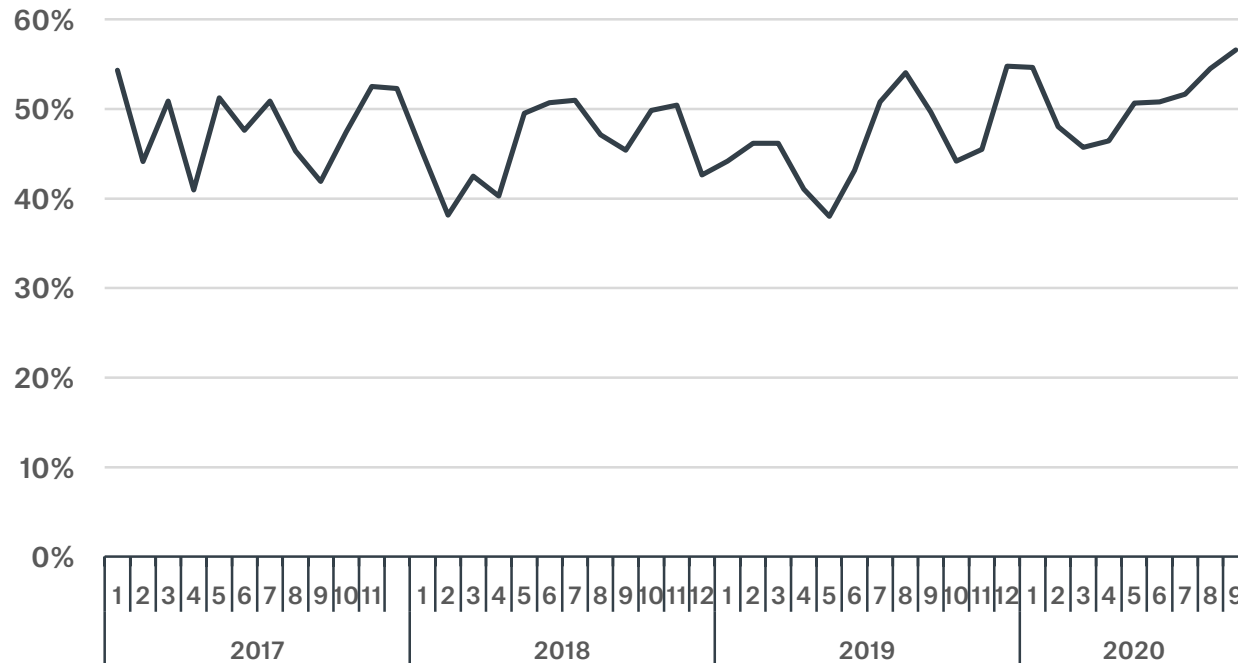


- **Gross profit is the primary bottom line driver**
- **Per-transaction measures relevant to track profitability and economies of scale**
- **ACL Mobile has significantly lower GP and OPEX per transaction, skews overall measures from September 2020**



# Rising margin in Messaging

Messaging EBITDA/Gross profit

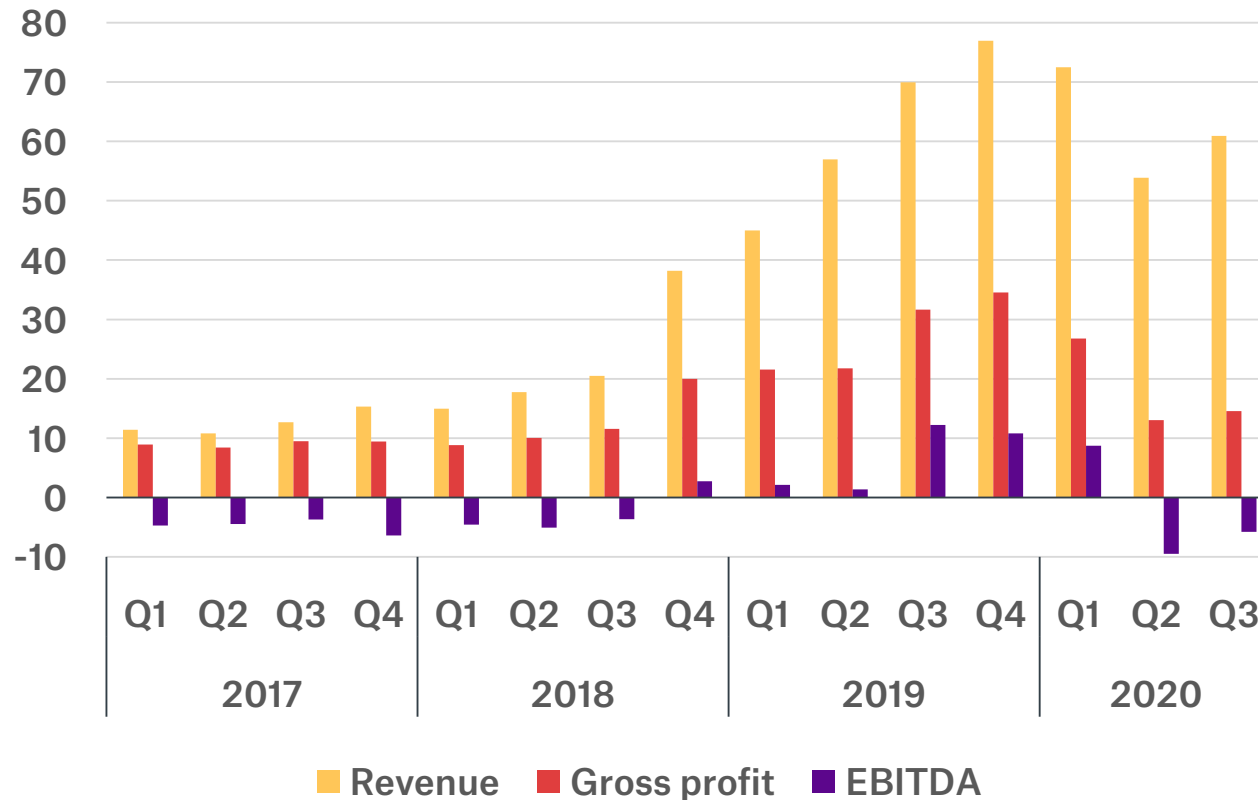


- Revenue and gross margin depend on mix of terminating markets
- EBITDA/Gross profit shows margin excluding mobile operator charges
- Adding traffic volume increases gross profit more than it increases opex
- Continued opex investments to capture growth
- Positive timing effects, holiday pay and currency reducing opex in Q3



# Modest improvement Voice and Video

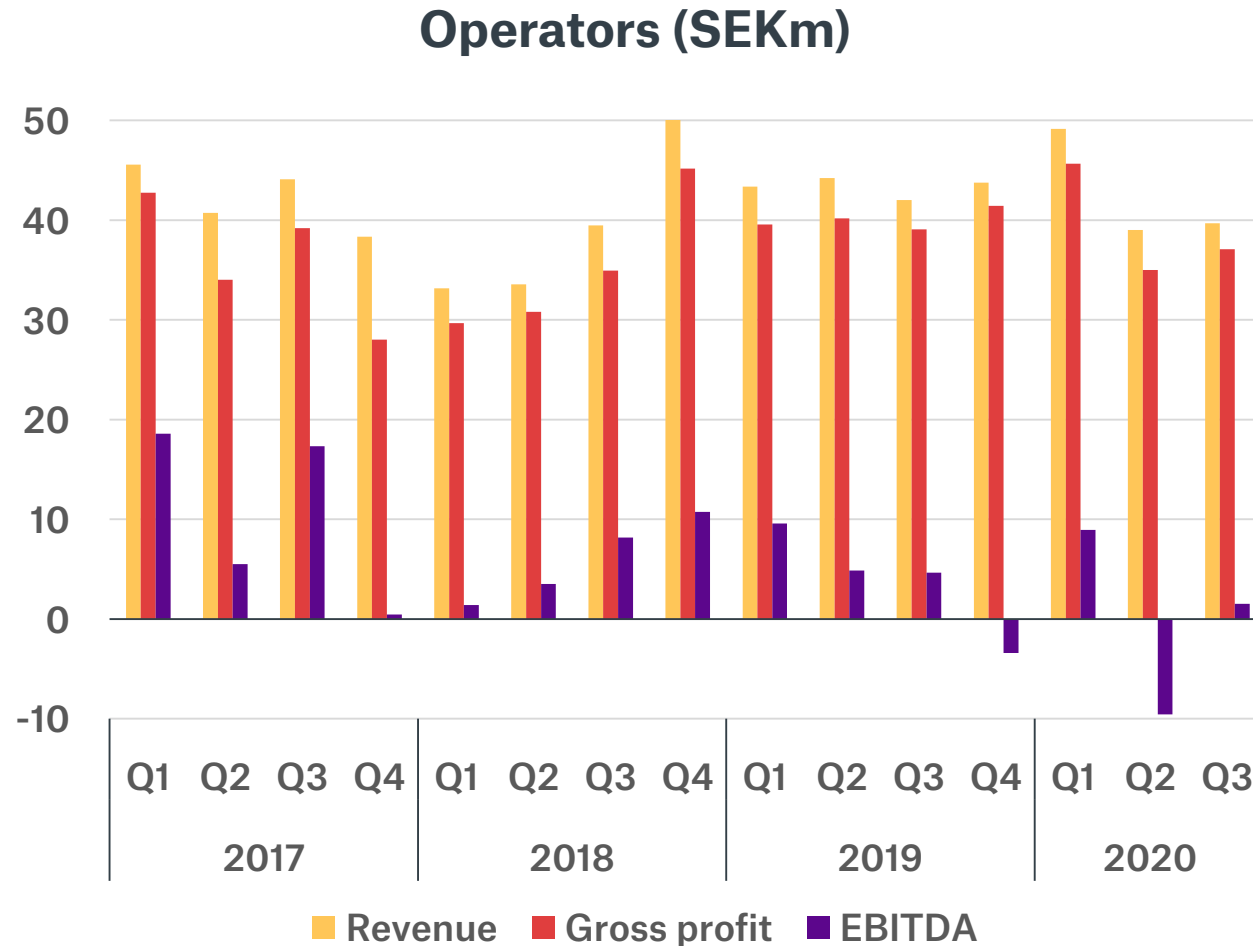
Voice and Video (SEKm)



- Sharp decrease in demand for Number masking from ride hailing customers as Covid-19 reduces travelling
- Improvement towards end of the quarter, but uncertain future due to renewed lockdowns
- Positive underlying trends in products for Number verification



# Recovery in Operators



- Return to profitability, partly driven by reduced currency headwind
- Lengthened sales cycles as with lower operator investments due to Covid-19
- Positive customer feedback to new 5G Messaging products sold together with Ericsson





# Q3 2020 Financials



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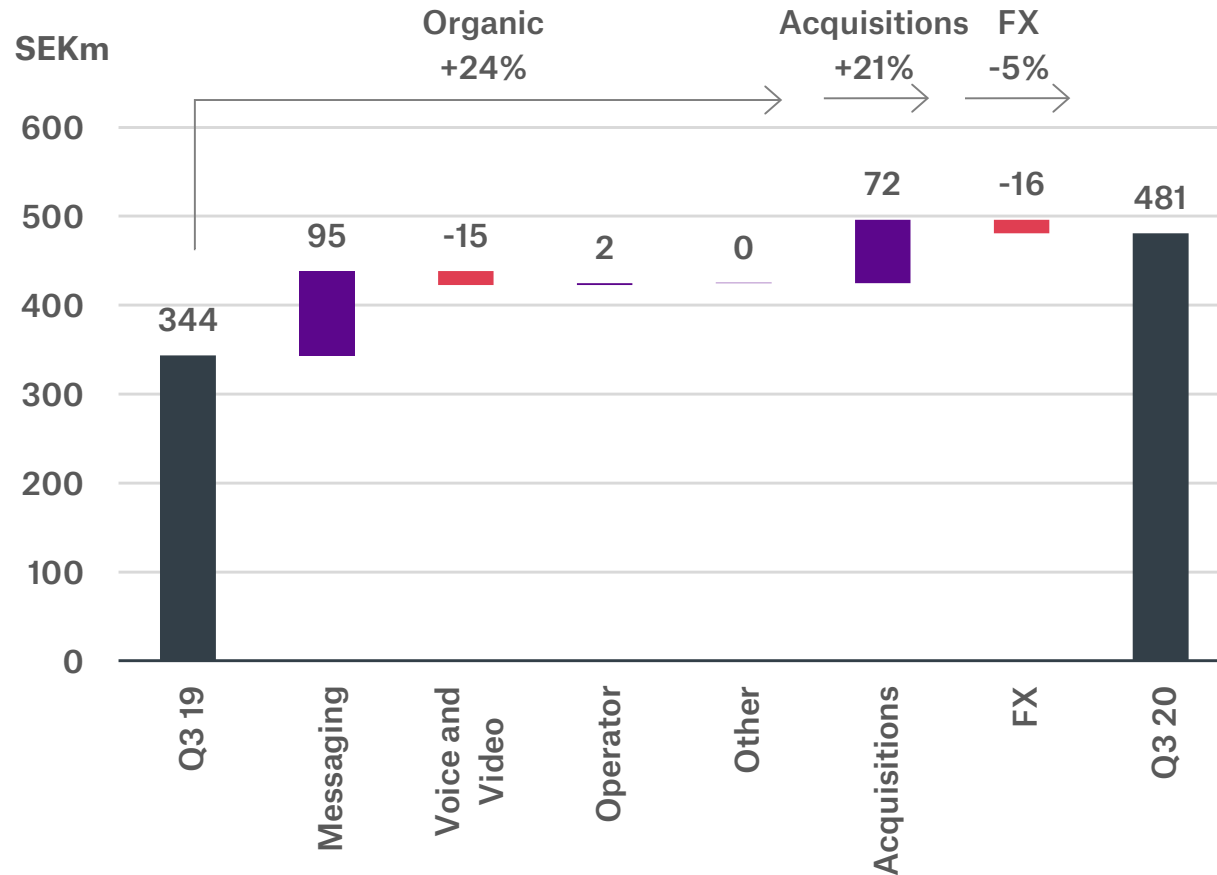
# Income statement

SEK million	Q3 2020	Q3 2019	2019	R12M
Net sales	1,777.7	1,216.4	5,035.6	6,564.5
Cost of goods sold and services	-1,297.1	-872.9	-3,641.4	-4,737.0
<b>Gross profit</b>	<b>480.6</b>	<b>343.6</b>	<b>1,394.1</b>	<b>1,827.5</b>
Other operating income	96.7	25.0	103.1	190.2
Work performed and capitalized	16.7	8.1	38.6	64.9
Other external costs	-164.9	-90.0	-328.7	-491.4
Employee benefits expenses	-175.7	-124.9	-537.6	-718.4
Other operating expenses	-38.5	-27.0	-113.9	-142.7
<b>EBITDA</b>	<b>214.9</b>	<b>134.8</b>	<b>555.5</b>	<b>730.2</b>
Depreciation, amort. and impairment	-59.7	-48.2	-183.9	-225.3
<b>EBIT</b>	<b>155.2</b>	<b>86.6</b>	<b>371.6</b>	<b>504.8</b>
Finance income	-9.9	150.8	18.6	-305.9
Finance expenses	-10.5	-144.4	-35.2	245.5
<b>Profit before tax</b>	<b>134.7</b>	<b>93.0</b>	<b>355.0</b>	<b>444.5</b>
Current tax	-41.5	-25.1	-83.8	-143.6
Deferred tax	3.2	0.8	3.3	23.8
<b>Profit for the period</b>	<b>96.4</b>	<b>68.7</b>	<b>274.5</b>	<b>324.6</b>

- **Non-recurring Acquisition cost of SEK 68.8 million in Q3 20 related mainly to SAP Digital Interconnect**
- **Non-recurring Adjusted earnout of SEK 61.0 million related to Vehicle**
- **Adjusted EBIT excludes non-recurring items as well as amortization of acquisition-related assets**
- **Adjusted EBIT of SEK 210.7 million (131.5) in Q3 20**



# Gross profit growth

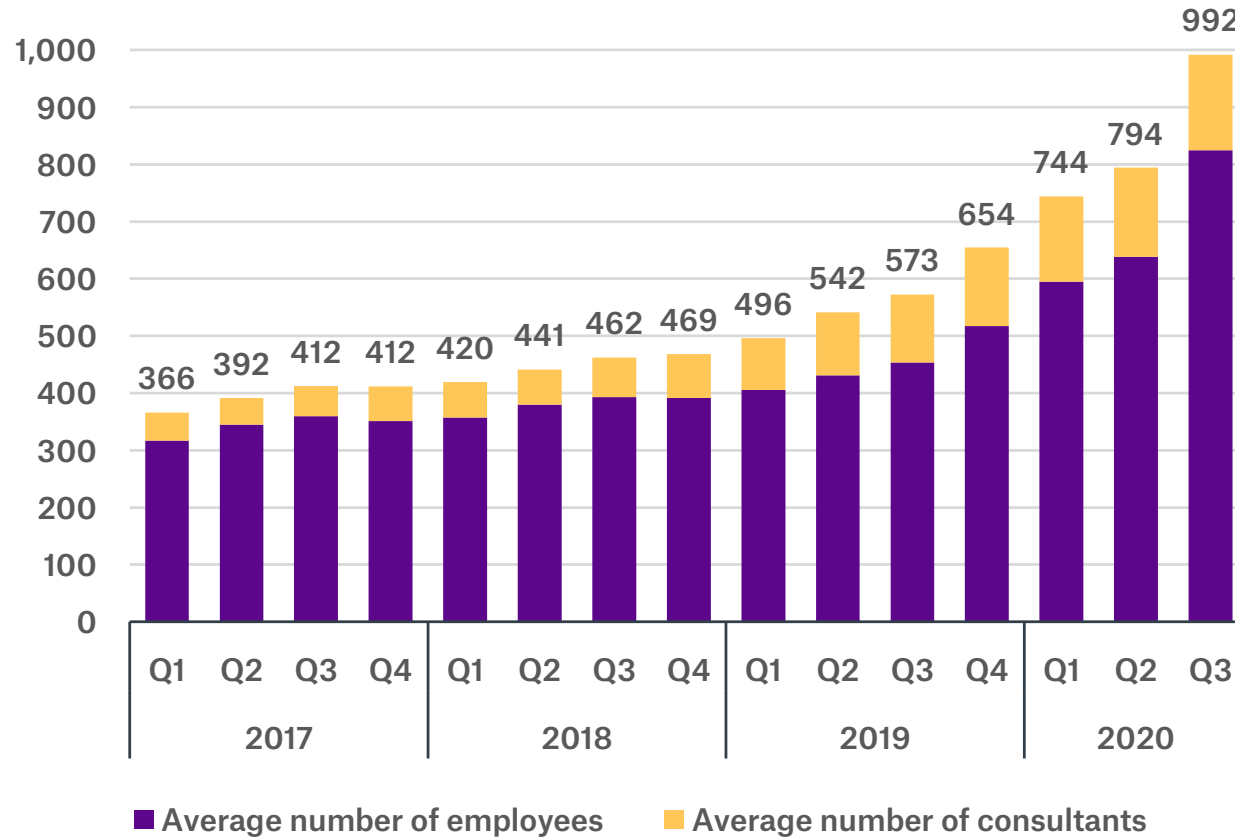


- **40% growth in Gross profit despite headwinds in Operators and Voice and Video**
- **24% organic Gross profit growth**
- **21% contribution from acquisitions**
- **Big US tech companies and acquisitions fuelling growth**





# Headcount increase



- **Headcount rises with recruitment and acquisitions**
- **Employee cost is the largest contributor to group Opex**
- **Headcount at 1,162 at end of Q3, including 288 employees from ACL Mobile**
- **SAP Digital Interconnect adding 322 employees from 1 November**



# Reconciling Cash flow with EBITDA

SEK million	Q3 2020	Q3 2019	2019	R12M
Adjusted EBITDA	226.0	147.6	573.5	786.3
Paid interest	-7.7	-5.9	-20.8	-26.4
Paid taxes	-72.7	-8.1	-117.4	-136.1
Other	-0.7	10.4	18.2	-26.9
<b>Cash flow before changes in working capital</b>	<b>145.0</b>	<b>144.0</b>	<b>453.5</b>	<b>596.9</b>
<b>Cash flow before changes in working capital/Adjusted EBITDA</b>	<b>64%</b>	<b>98%</b>	<b>79%</b>	<b>76%</b>

- **Strong underlying cash generation**
- **Higher paid tax in the United States due to timing effects**
- **64% cash conversion from Adjusted EBITDA to Cash flow before changes in working capital in Q3 20**



# Cash flow

SEK million	Q3 2020	Q3 2019	2019	R12M
Cash flow before changes in working capital	145.0	144.0	453.5	596.9
Changes in working capital	-37.6	-120.9	-126.2	44.8
<b>Cash flow from operating activities</b>	<b>107.4</b>	<b>23.1</b>	<b>327.3</b>	<b>641.7</b>
Net investments in fixed assets and intangible assets	-21.9	-13.7	-56.0	-88.9
Change in financial receivables	8.3	5.2	12.1	17.5
Acquisition of subsidiary	-569.0	-2.1	-668.5	-1,275.4
<b>Cash flow from investing activities</b>	<b>-582.6</b>	<b>-10.7</b>	<b>-712.4</b>	<b>-1,346.7</b>
New borrowing	-	-	1,453.4	1,453.4
Amortization of bank loan	-25.6	-27.5	-756.7	-922.0
Amortization lease liability	-8.1	-6.4	-25.8	-29.0
New share issue/warrants	-0.6	-1.7	2.1	2,212.8
<b>Cash flow from financing activities</b>	<b>-34.2</b>	<b>-35.6</b>	<b>673.1</b>	<b>2,715.2</b>
<b>Cash flow for the period</b>	<b>-509.4</b>	<b>-23.2</b>	<b>288.0</b>	<b>2,010.2</b>

- **Continued high cash conversion**
- **Acquisition of subsidiary relates to acquisition of ACL Mobile**



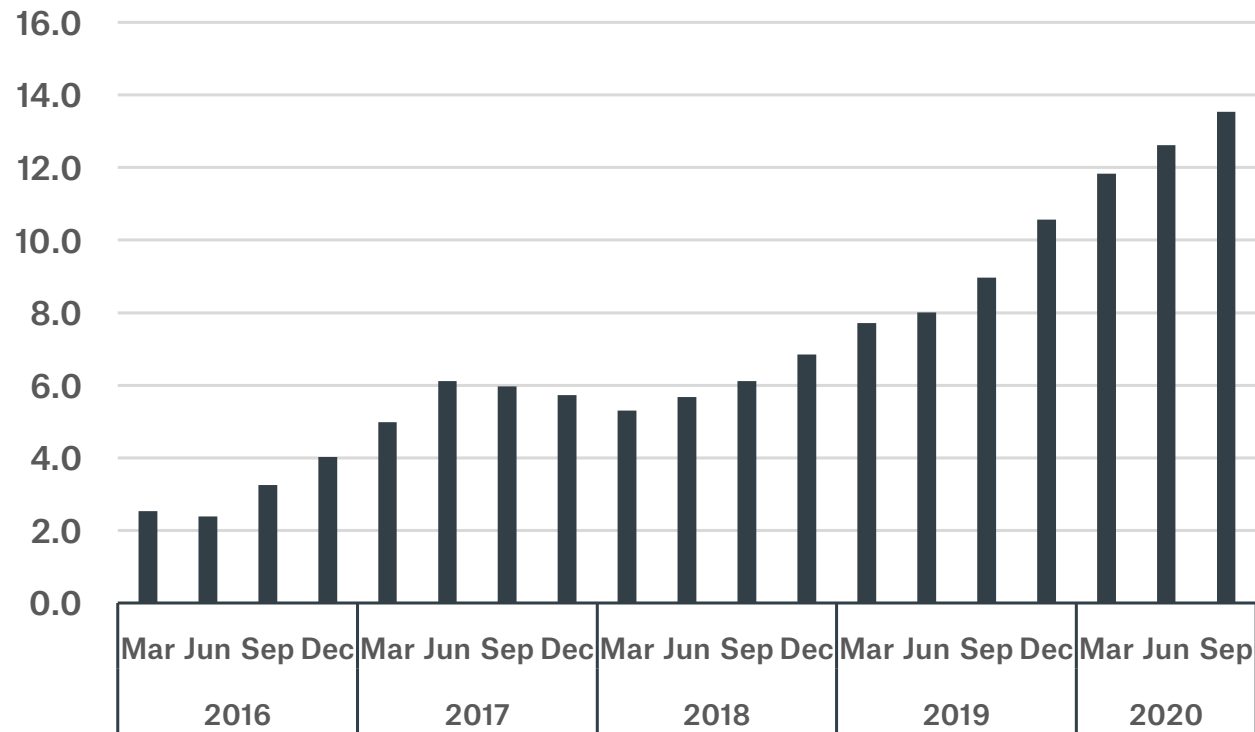


# Integration process



# Financial targets

Adjusted EBITDA per share, rolling 12 months



## Targets:

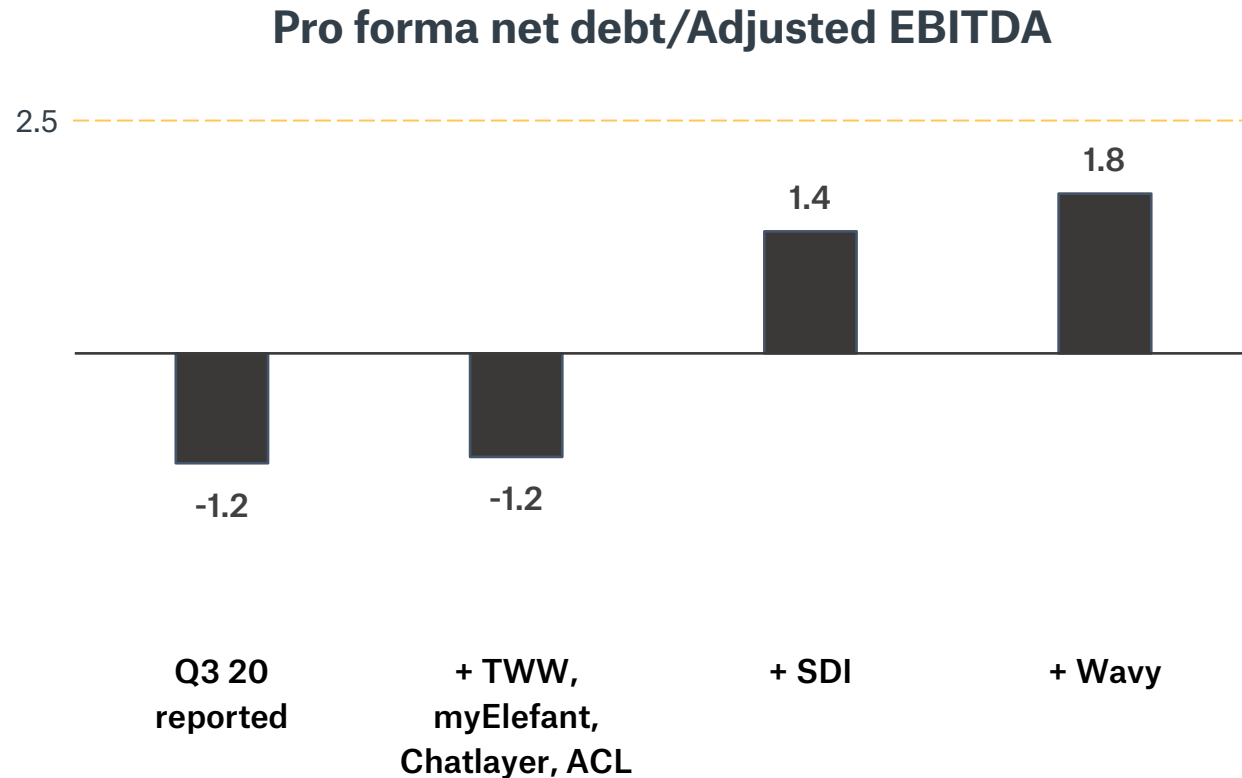
- Adjusted EBITDA per share to grow 20% per year
- Net debt < 2.5x adjusted EBITDA over time

## Performance:

- Adjusted EBITDA per share grew 51% in Q3 20, measured on a rolling 12 month basis
- Net debt/EBITDA of -1.2x, measured on a rolling 12 month basis



# Financial leverage



- Pro forma calculation includes last 12 months of Adj EBITDA for acquired entities
- Financial target is to maintain Net debt < 2.5x adjusted EBITDA over time



# Key priorities ahead



**Continued growth with US-based, global tech companies**

**Initiatives for broadened growth across the base**

**New customer wins in next-gen messaging through Sinch Conversation API**

**Closing of pending transactions**

**Technical and commercial integration of SAP Digital Interconnect**

**Continued strengthening of our connectivity offering**

**Investment in SaaS products for advanced, next-generation messaging**

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**Thanks!**

