

Q3 2022 Investor Presentation

2 November 2022

Johan Hedberg, Interim CEO
Roshan Saldanha, CFO
Thomas Heath, Chief Strategy Officer & Head of Investor Relations



SEK 25.6bn
net sales in the
past 12 months

SEK 7.7bn
gross profit in the
past 12 months

SEK 2.6bn
Adj. EBITDA in the
past 12 months

60+
countries with
local presence

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

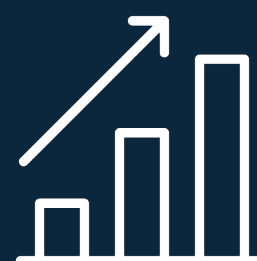
Scalable cloud communications platform
for messaging, voice, email and video

More than 600 billion
engagements per year

Over 150,000
customers



Profitable since our
foundation in 2008



>60% growth CAGR
since IPO in 2015



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



Three priorities

01 Cost control

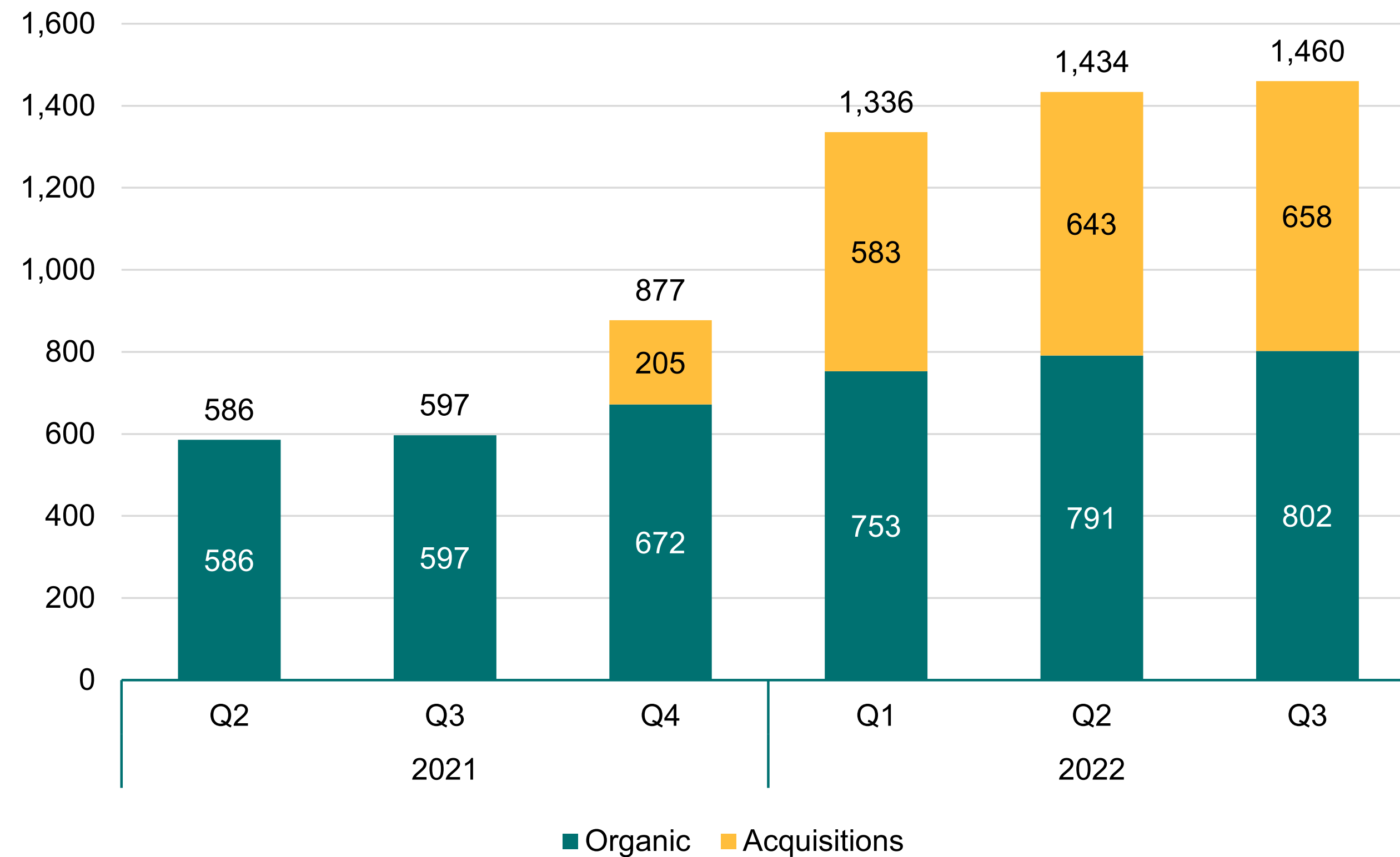
02 Cash flow

03 Growth



Stable cost base compared to Q2

Adjusted Opex, SEKm

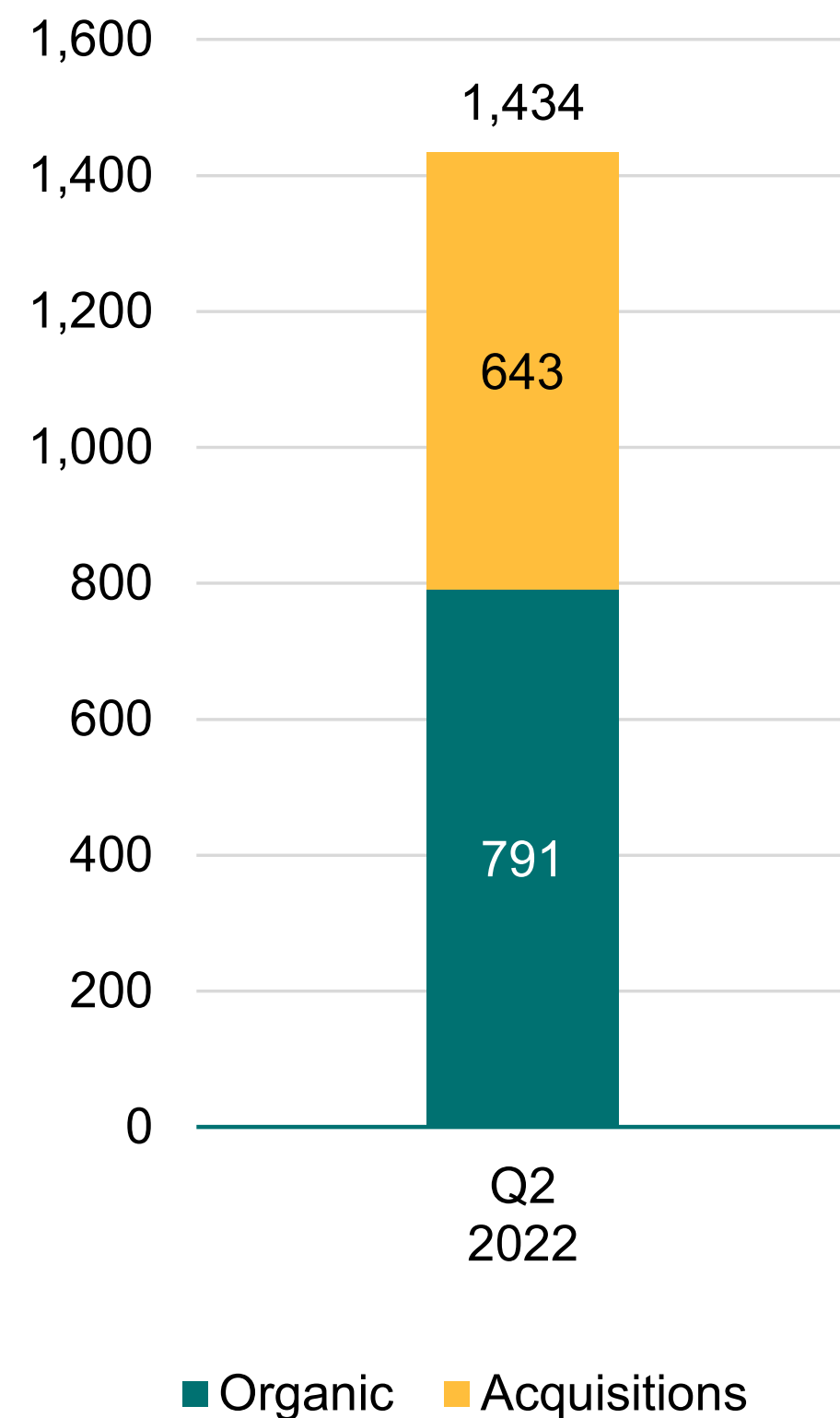


- Adjusted Opex in Q3 is 2% higher than Q2 in SEK, but 4% lower in constant currencies
- Focus and simplicity key to reduce costs



Implementing our Cost reduction program

Adj Opex, Q2 2022, SEKm



Voice, Email and SMB maintain strong margins and are out of scope

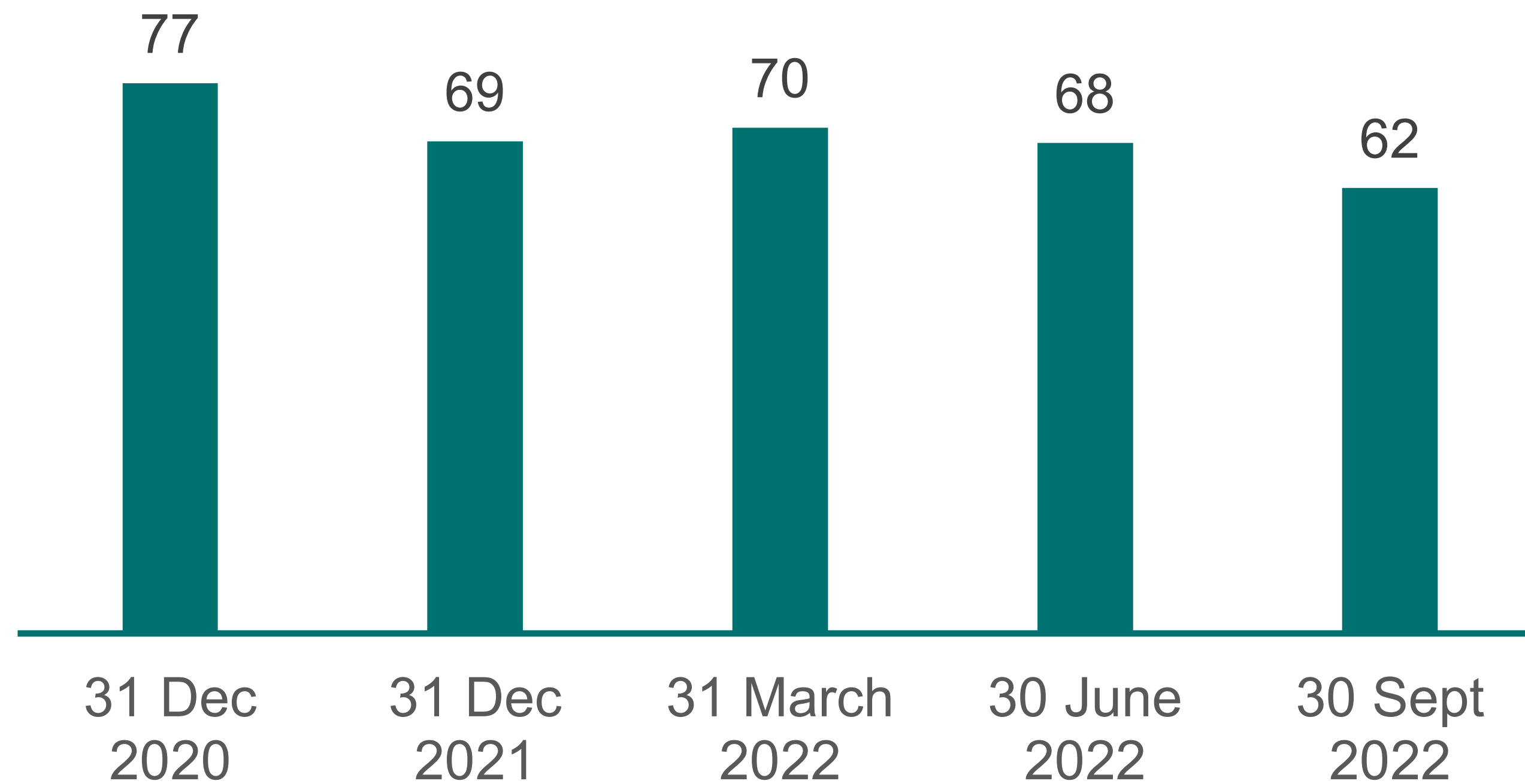
Targeting a **10% cost reduction** in Messaging and central functions (reported as segment “Other”)

- Targeting SEK 300 million (10%) in gross savings by Q3 2023
- Gradual impact: 1/3 in Q1 2023, full effect from Q3 2023
 - Reduced non-personnel expenses
 - Fewer consultants
 - Accelerated platform integrations
 - Employee reductions
- Around 150 redundancies
- Restructuring charges estimated to SEK 120 million, 18 million in Q3 with most of the rest in Q4



Continued, strong cash flow

Days Sales Outstanding*



- Cash flow from operating activities at SEK 726m in Q3 & 1,535m YTD
- YTD cash conversion at 50%**
- Focused effort to reduce Accounts Receivables is yielding results
- DSO at 62, down from 68 in Q2

*DSO = Days Sales Outstanding = (Accounts Receivables, billed and unbilled + Accrued income) / proforma Net income * 365. Proforma as of balance sheet date.

** Cash flow from operating activities after investments / Adjusted EBITDA

Growth



Messaging

- Q3 organic revenue growth at 11%, up from 9% in Q2
- Q3 organic GP growth at 4%, up from -4% in Q2**
- 11% growth in transaction volumes
- Continued effect from price negotiation with major customer in Q2
- Robust underlying performance but clear macro uncertainties

Voice

- Q3 revenue growth* at 2%, up from 1% in Q2
- Q3 GP growth* at 3%, up from -5% in Q2
- 8YY regulation has -5% impact on GP growth in Q3, down from -9% in Q2
- International expansion of Super Network for Voice & product initiatives to drive long term growth

Email

- Q3 revenue growth* at 22%, down from 23% in Q2
- Q3 GP growth* at 17%, up from 15% in Q2
- Growth driven by volume growth and customer acquisition
- Stable gross margin vs Q2 with shift of cloud infrastructure provider

SMB

- Q3 revenue growth* at 9%, down from 18% in Q2
- Q3 GP growth* at 11%, down from 13% in Q2
- Continued high growth with SMB customers in the US
- Revenue slowdown due to installed base in Australia and reduced covid volumes compared to H2 2021

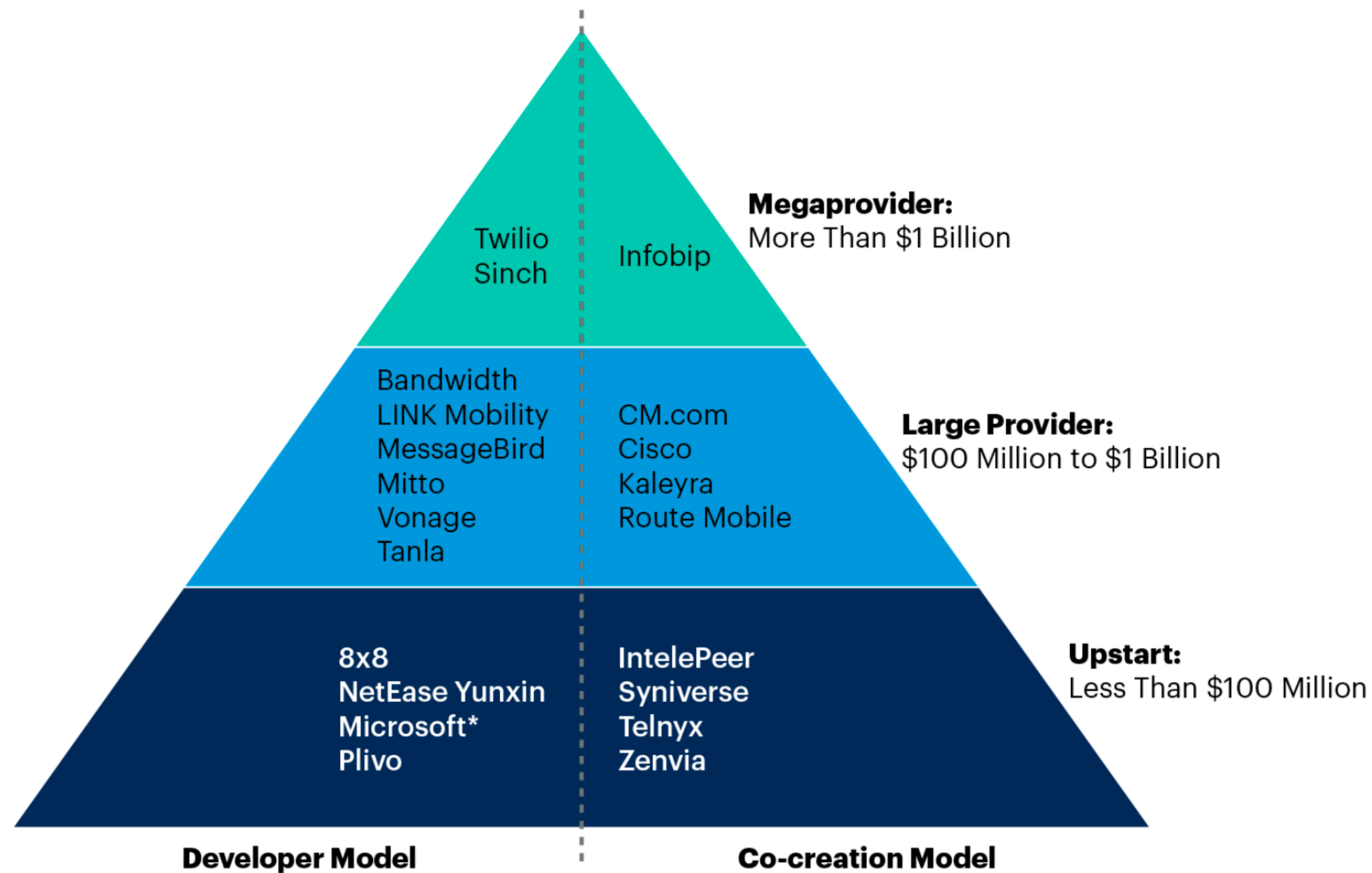
* Proforma growth in constant currencies

** -26% including SEK 162m reassessment of reserves for accrued traffic costs



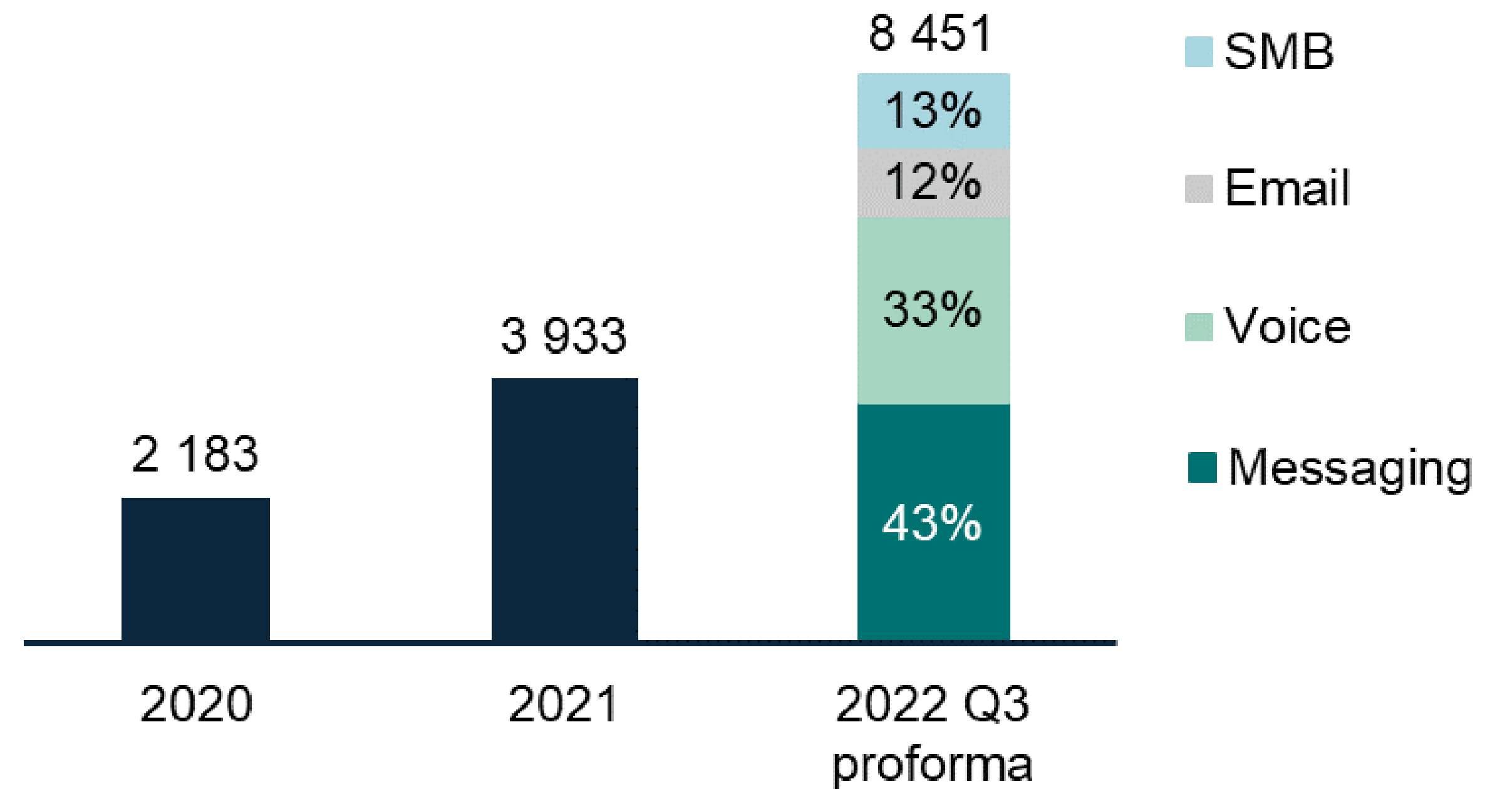
A global leader in cloud communications

Major Vendors in CPaaS



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

Rising gross profit and broadened product mix



Welcoming new leaders



Sean O'Neal

- New Business Unit President for SMB, succeeding Paul Perrett
- Broad experience in technology and online marketing
- Previously Onclusive, Adaptly, Daily Mail, Sony



Brett Scorza

- New Business Unit President for Voice, succeeding Ed O'Hara
- Background in telecoms and technology
- With Inteliquent since 2004, already has responsibility for sales, products, development and IT

Financials



Third quarter highlights

01

Stable cost base

- Adjusted Opex in Q3 is 2% higher than Q2 in SEK, but 4% lower in constant currencies
- Cost reduction program announced Q2 2022 expected to yield results starting Q1 2023

02

Strong cash flow

- Adjusted EBITDA of SEK 901m, up 202% vs Q3 2021 and higher than Q3 2021 pro forma Adj EBITDA
- Improved Cash flow from operating activities at SEK 727m
- Net debt/Adjusted EBITDA excl. IFRS16 leases at 3.2x.

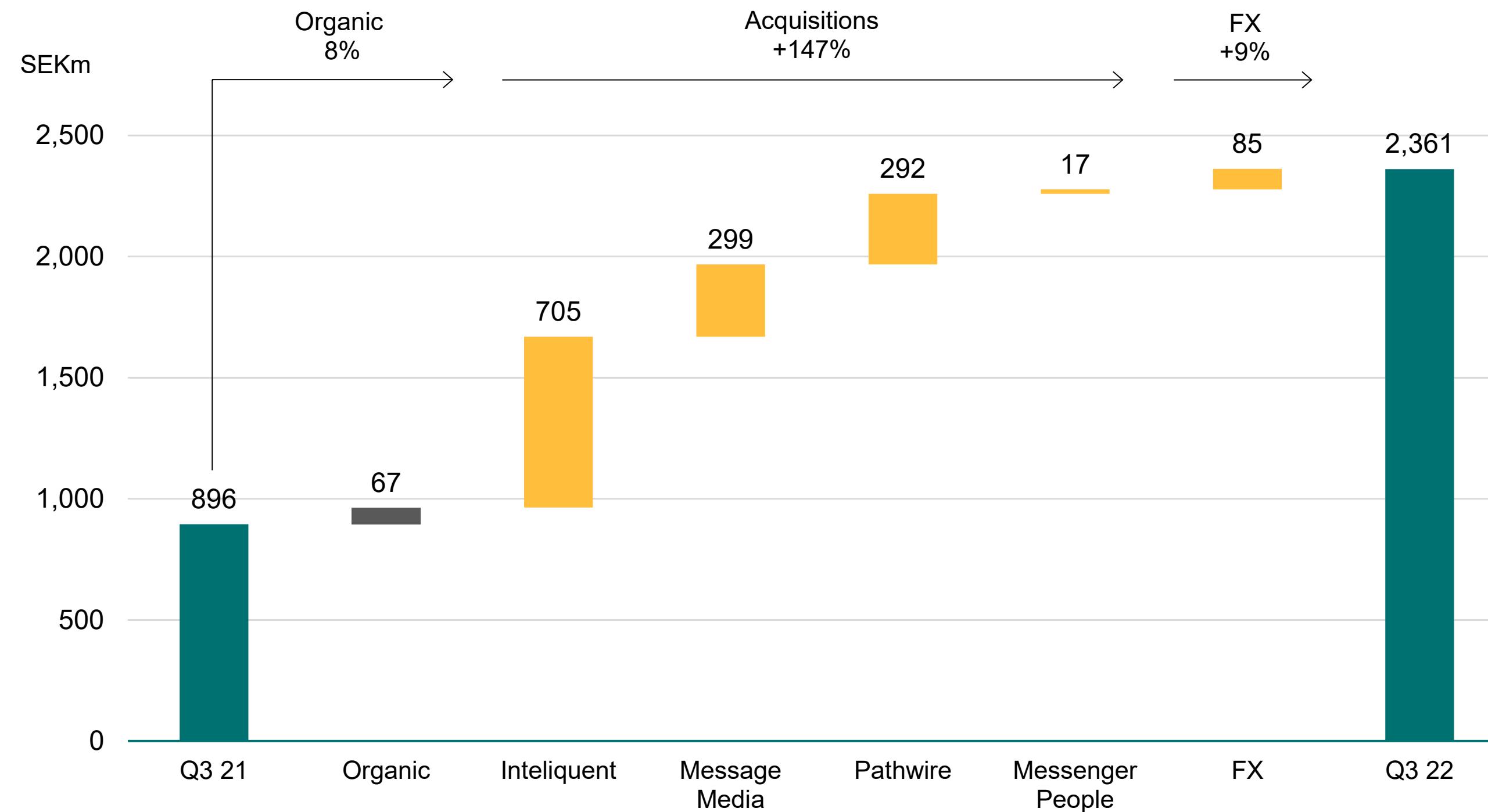
03

Growth and margin recovery

- Net sales growing 83%, Gross profit 164% and Adj EBITDA 202%
- Gross margin at 33% (23), up 4% from Q2 2022 and stable compared to pro forma Q3 2021
- L12M proforma Net sales at SEK 26.9bn with GP at SEK 8.5bn
- 3 of 4 segments report higher gross profit growth in Q3 compared to Q2

Gross profit evolution

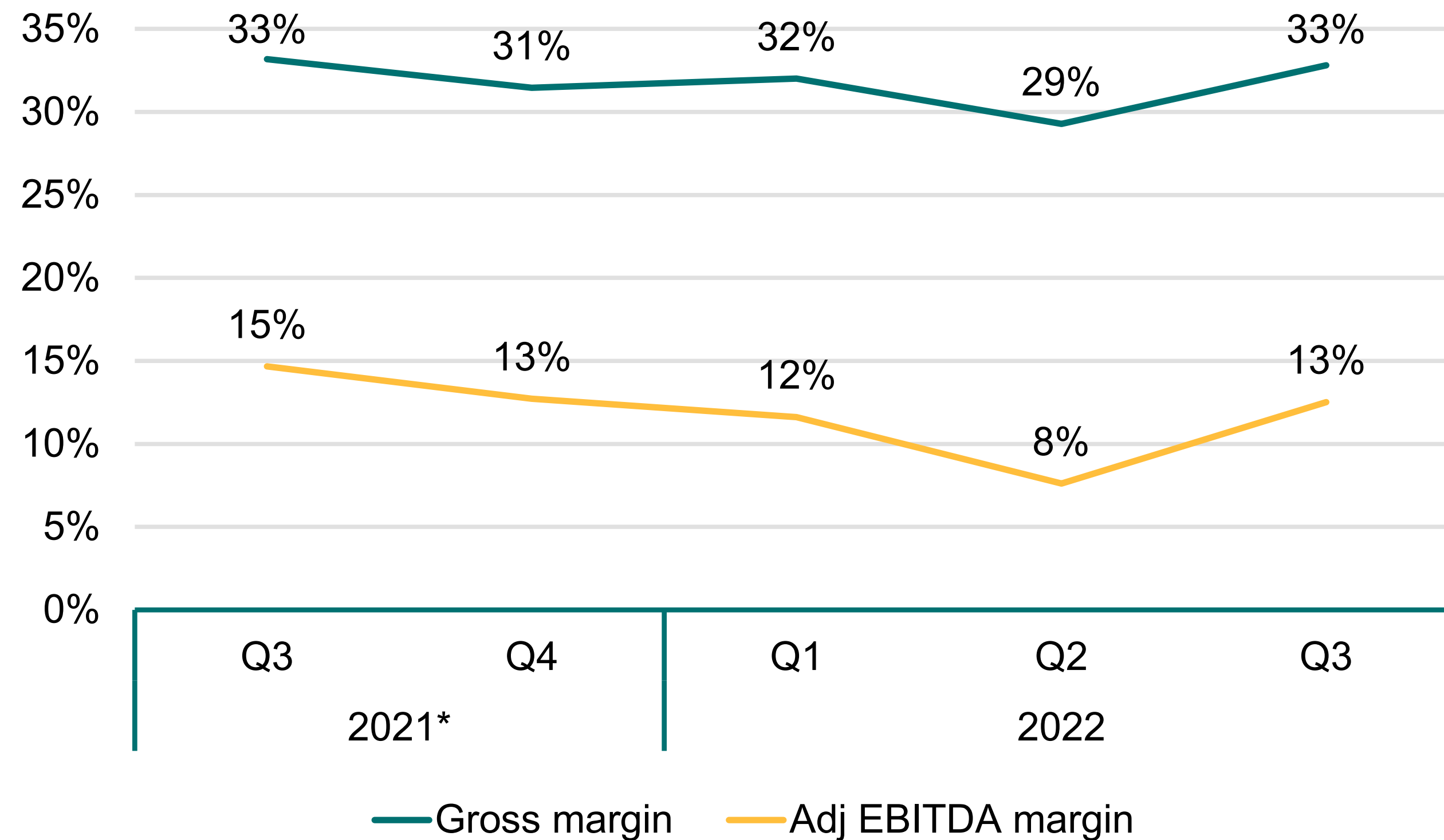
Gross profit, SEKm



- Organic gross profit growth of 8% and proforma organic gross profit growth of 6%
- Continued negative impact from Q2 price negotiation with one of our largest customers in Messaging
- 3 of 4 segments report higher gross profit growth in Q3 compared to Q2

Margin development

Gross margin & Adjusted EBITDA margin



- Gross margin is affected by mix but relatively stable at group level
- Q2 2022 affected by SEK 162 million reassessment of reserves for accrued traffic costs
- Opex control contributing to improved Adjusted EBITDA margin in Q3 2022

*Figures for Q3 and Q4 2021 are pro forma, including all acquisitions



Income statement

SEKm	Q3 2022	Q3 2021	2021	R12M
Net sales	7,196	3,938	16,177	25,568
Cost of goods sold and services	-4,835	-3,042	-12,244	-17,826
Gross profit	2,361	896	3,933	7,742
Other operating income	226	46	192	594
Work performed by the entity and capitalized	99	21	98	306
Other external costs	-591	-270	-1,306	-2,283
Employee benefits expenses	-1,144	-460	-1,837	-3,644
Other operating expenses	-143	-77	-249	-401
EBITDA	808	157	831	2,314
Depreciation and amortization	-5,623	-132	-673	-7,095
EBIT	-4,815	25	158	-4,781
Financial income	922	366	2,393	4,208
Financial expenses	-780	-90	-1,354	-3,433
Profit before tax	-4,673	301	1,197	-4,006
Current tax	-236	-95	-378	-861
Deferred tax	144	60	89	603
Profit for the period	-4,765	266	908	-4,264
Adjusted EBITDA	901	298	1,322	2,636
Adjusted EBIT	774	270	1,161	2,213

- Currency effects increase Net sales, Gross profit and EBITDA
- Depreciation & amortization includes non-cash amortization related to acquired entities
- SEK 5 billion goodwill impairment related to the Email segment
- Effective tax rate at 28% YTD excluding goodwill impairment

Cash conversion

SEKm	Q3 2022	Q3 2021	2021	R12M
Adjusted EBITDA	901	298	1,322	2,636
Paid interest	-51	-16	-34	-154
Paid taxes	-112	-30	-253	-507
Other items	-222	-8	152	-307
Cash flow before changes in working capital	516	244	1,188	1,668
Change in working capital	211	-735	-859	339
Cash flow from operating activities	727	-491	329	2,007
Net investments in property, plant and equipment and intangible assets	-168	-38	-178	-535
Cash flow from operating activities after investments	559	-529	151	1,472
Cash conversion from Adjusted EBITDA	62%	n.m.	11%	56%

- Cash flow before changes in working capital is affected by realized currency effects on financial items
- Impacts Q3 2022 by SEK -158m (part of “Other items”)



Cash flow

SEKm	Q3 2022	Q3 2021	2021	R12M
Cash flow before changes in working capital	516	244	1 188	1 668
Change in working capital	211	-735	-859	339
Cash flow from operating activities	727	-491	329	2 007
Net investments in property, plant and equipment and intangible assets	-168	-38	-178	-535
Change in financial receivables	0	1	-4	-9
Acquisition of Group companies	-7	22	-28 877	-28 261
Cash flow from investing activities	-175	-14	-29 059	-28 805
Changes in loans	-55	-37	10 533	9 808
Amortization lease liability	-43	-6	-55	-149
New issue/warrants	13	39	15 976	6 588
Cash flow from financing activities	-85	-4	26 454	16 248
Cash flow for the period	467	-510	-2 276	-10 550
Opening cash and cash equivalents	1 470	12 264	3 123	11 934
Exchange rate differences	75	179	1 024	628
Closing cash and cash equivalents	2 012	11 934	1 871	2 012

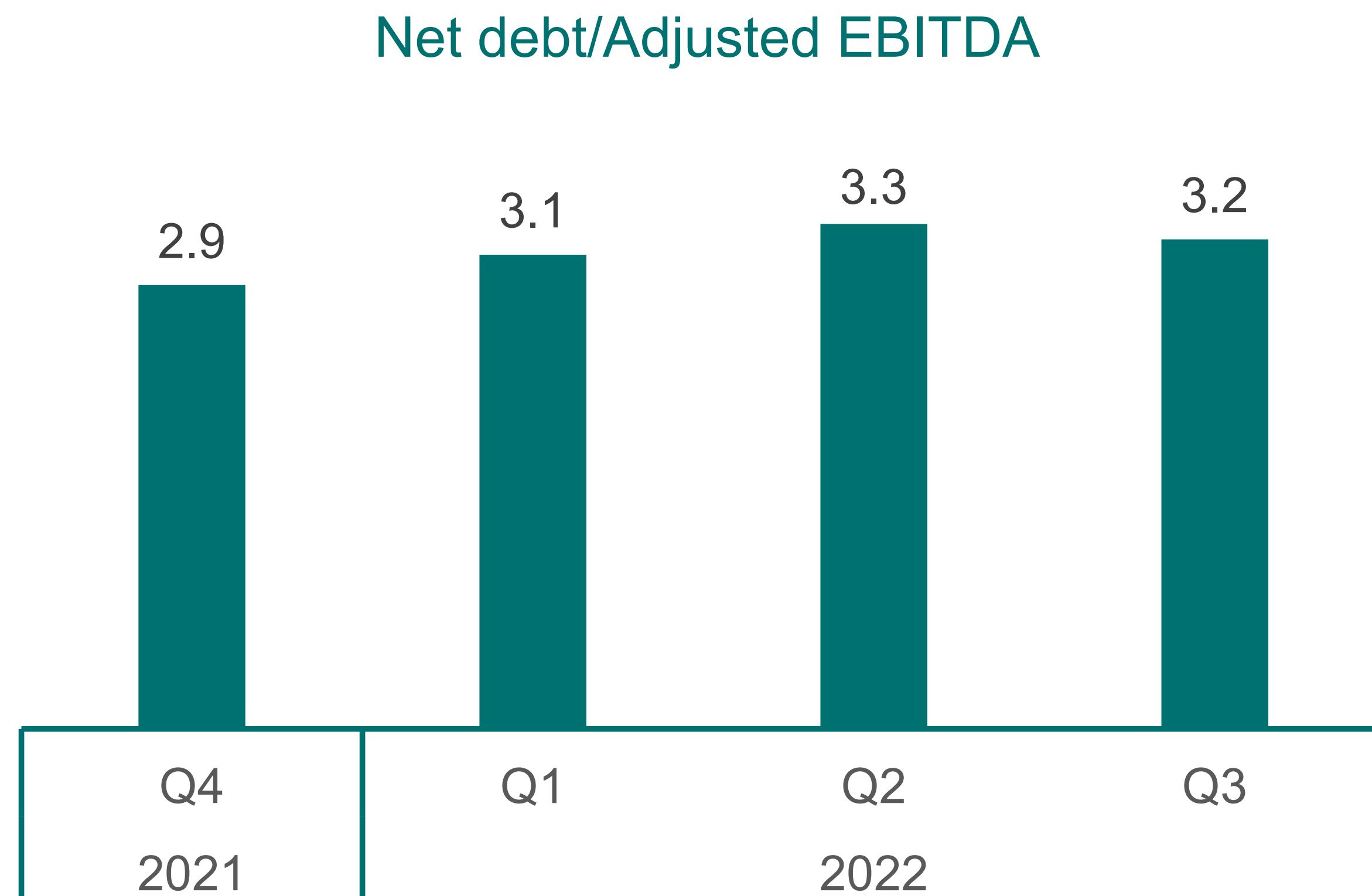
- Cash flow from operating activities at SEK 727 million in Q3 and 1,535 million YTD
- Improved working capital from reduction in Accounts Receivables
- Net debt decreased by SEK 272m during the quarter
- Strong financial profile with diversified earnings pool
- Cash conversion* of 62%

* Cash flow from operating activities after investments / Adjusted EBITDA

** For the period Jan-Sep 2022, SEK 260 million has been reallocated between Change in borrowings and Exchange rate difference in cash and cash equivalents. The reallocation has not affected the third quarter.



Lower Net debt/Adjusted EBITDA



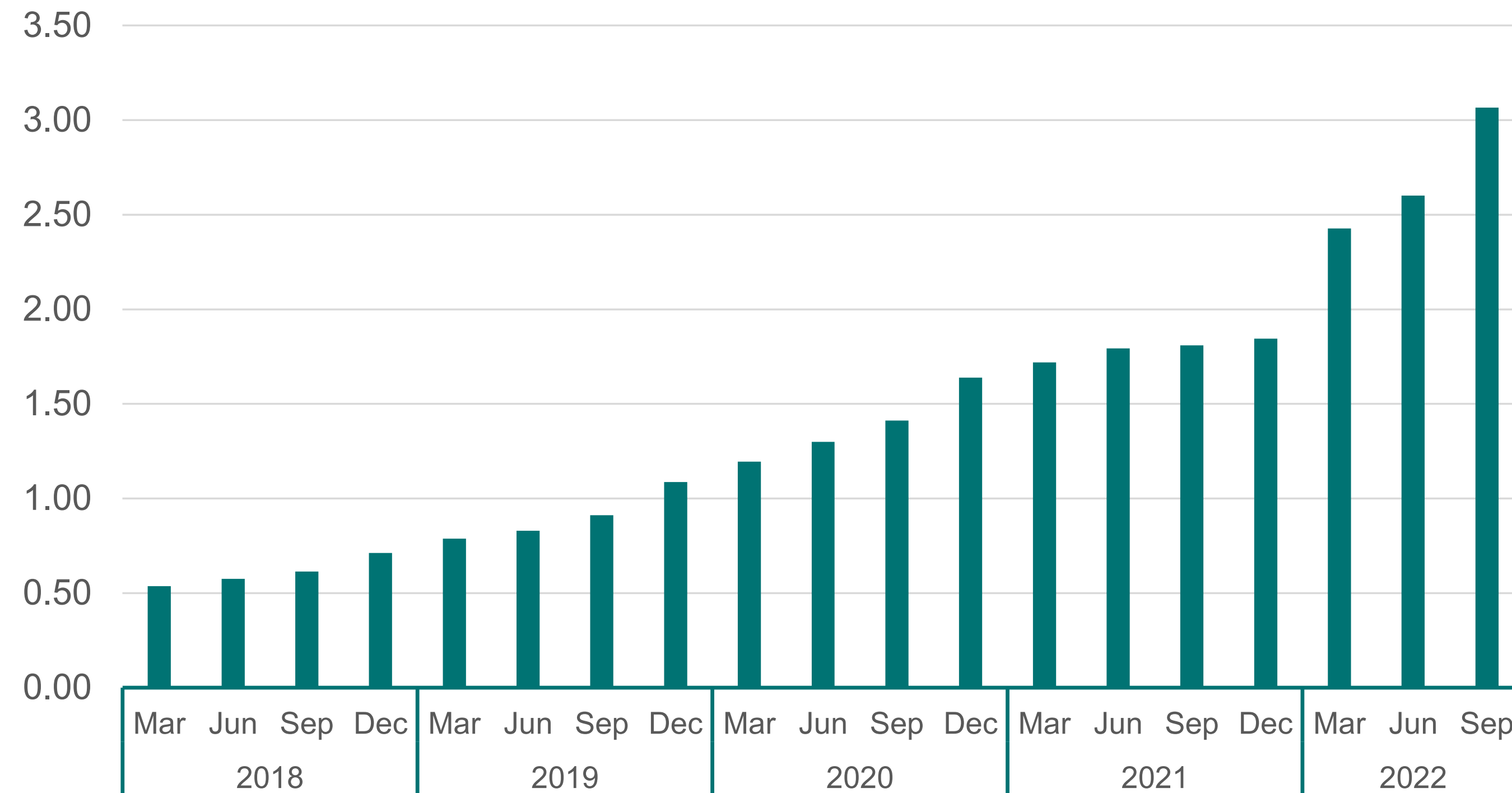
- Three components affecting Net debt/EBITDA:
 - EBITDA growth
 - Cash generation
 - Immediate currency impact on debt, but trailing impact on earnings
- EBITDA growth and strong cash generation causing Net debt/EBITDA to fall in Q3 vs Q2
- Expecting continued deleveraging from earnings growth and cash generation
- Extended maturities during Q3 means no loans mature before 2024

* Net debt/Adjusted EBITDA measured on a pro forma basis, excluding IFRS16-related leases



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 83% in Q3 22, measured on a rolling 12-month basis
- Proforma Net debt/adjusted EBITDA of 3.2x excl. IFRS 16-related leases



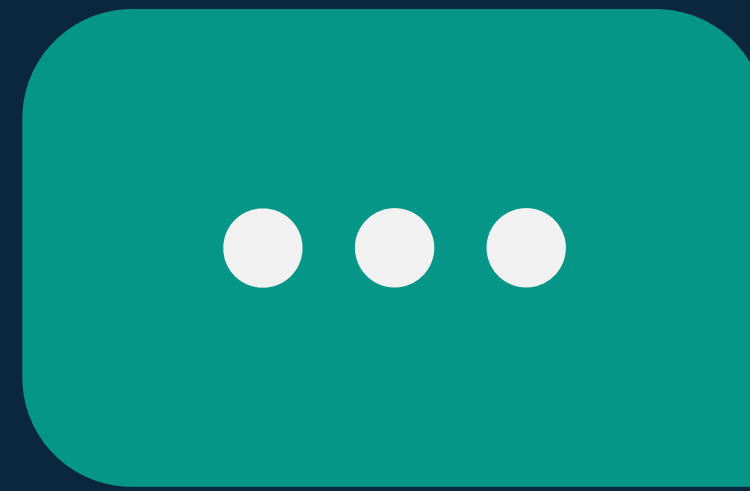
Three priorities

01 Cost control

02 Cash flow

03 Growth

Thank you!



To get in touch, contact:

Ola Elmeland, Investor Relations Director

investors@sinch.com