Avanza Börsdag
19 November 2019

Roshan Saldanha
CFO
SEK 4.6bn revenue in the past 12 months
SEK 483m Adj. EBITDA in the past 12 months
SEK 11.5bn Market Cap
570+ employees
30+ offices in 30+ countries

Customer engagement through mobile technology

30 billion engagements per year
Publicly listed on NASDAQ in Stockholm

Scalable cloud communications platform for messaging, voice and video

Growing, global, multi-billion USD market

100% Consumer penetration

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

Profitable since our foundation in 2008

>400% gross profit growth since IPO in 2015

$
Growth markets

Messaging

Application-to-Person (A2P) messaging is used across the world for ever-more use cases

- USD 17 bn market size (MobileSquared), other estimates vary between USD 15-50 bn
- Large variation in usage between markets
- We foresee continued growth in volumes and gross profit

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)
Profitable growth

- Focus on gross profit and EBITDA since pass-through revenues vary between geographies
- Track record of profitable growth
- 37% growth in gross profit and 55% growth in EBITDA in Q3 19
Business areas

Gross Profit, Q3 19

- Messaging: 79%
- Voice and Video: 9%
- Operators: 11%

Gross profit growth, Q3 19 y/y

- Messaging: 34%
- Voice and Video: 173%
- Operators: 12%
Empowering superior customer engagement

- People across the world have embraced mobile messaging to keep in touch with friends and family
- Businesses have yet to fully capitalize on this opportunity

- SMS has unique characteristics:
  - 100% reach
  - Everybody is a trained user
  - 98% open rate, 90% read within 3 minutes

- New messaging channels expand our market:
  - Images, video and interactivity
  - Messaging becomes more relevant for businesses throughout their customer journey
Technology evolution in messaging

- Text notifications
- Rich media messaging
- Conversational messaging

New messaging channels expand our addressable market
Playbook for profitable growth

Value-add through Software-as-a-Service

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

Leading connectivity

- Ensure leading direct global connectivity without middlemen
- Differentiate through superior quality, scale and reach
- Telco messaging (SMS, MMS, RCS) and ‘over-the-top’ (WhatsApp, Apple Business Chat, etc.)
- Benefit from market growth and continue to win market share

Organic growth and complementary acquisitions
Direct connectivity ensures
• End-to-end control
• Enhanced security
• Higher speed and throughput
• Improved redundancy
• Broader feature support

Competitive advantages
• Leading direct connectivity enables higher quality and competitive costs
• Proven ability to scale with 30 billion messages per year
• Particularly well-placed to serve demanding customers with global needs

Significant barriers to entry
• One carrier deal can take months to negotiate
• Pricing based on volume tiers benefits larger players
• Increasing local compliance, data privacy regulations, etc

Sinch Tier 1 Global Connectivity Network

300+ direct operator connections
Value-add through Software-as-a-Service

Simple Messages
- Average attention span: 3 sec
- Price model: Routing fee per message

Rich Messages
- Media
  - Image
  - Video
- Customization
  - Name
  - Tailored content
- Call to Action
- Touch interactions
- Average attention span: 45 sec

Conversational Messaging
- Secured account
- Logo / Verified
- Details & contacts
- Call to Action
- Calls
- Calendar
- Maps
- Interaction
- Real-time data
- Conversation
- Free-form messages
- Average attention span: 120 sec
- Price model: SaaS fee per conversation

Value added:
- x 15
- x 40

Price model: Routing fee + SaaS fee per message
Adding resources to capture new market opportunities

- Headcount increasing by around 30 employees per quarter excluding M&A
- Near-term negative effect on EBITDA before new initiatives translate into higher revenues and gross profit
- myElefant and TWW will increase headcount by 78 from Q4 19
Investments paying off

• Growth fuelled by Number Masking and Verification
• Growth with existing customers and new customers causing step change in gross profit and EBITDA
• Increasing OPEX to ensure quality as volumes ramp quickly
Stable margin development

• Revenue and gross margin depend on mix of terminating markets
• EBITDA/gross profit shows margin excluding mobile operator charges
• Increased opex investments to capture growth are more than offset by rising gross profit
Strategic acquisitions

- **Technology & Go To Market**
  - Symsoft: Industry-leading tech platform
  - Caleo: Billing technology
  - Sinch!: Voice, video, verification
  - Vehicle: Personalized video and rich media messaging
  - MyElefant: Rich messaging, Low code tools

- **Scale and profitability**
  - Voltari: USA, Canada
  - Mblox: USA, Western Europe
  - Xura: Germany, Central Europe
  - Dialogue: Australia, south east Asia
  - Unwire: Nordics
  - TWW: Brazil

- **Founded in Stockholm**

- **IPO**

- **2009**

- **2014**

- **2015**

- **2016**

- **2017**

- **2018**

- **2019**

- **One brand**
Financial targets

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

Performance:
- Adjusted EBITDA per share grew 46% in Q3 19, measured on a rolling 12 month basis
- Net debt/EBITDA of 0.9x, measured on a rolling 12 month basis
- Proforma Net debt/EBITDA is around 2.0x after the acquisitions of myElefant and TWW
Key highlights

1. Attractive, large and growing addressable market
2. Market leading position with global scale
3. Large potential for further growth with both existing and new customers
4. Proven M&A strategy with strong acquisition track record and maintained low leverage
5. Strong financial performance
Thanks!