Sinch at a glance

We deliver customer engagement through mobile technology
Scalable cloud communications platform for messaging, voice and video
100% consumer penetration
Growing, global, multi-billion dollar market
We serve 8 out of 10 of the largest US tech companies
Software for mobile operators based on the same underlying platform
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)
April – June 2019

- Gross profit rising 29% to SEK 321.1 million (248.6)
- Adjusted EBITDA rising 17% to SEK 114.2 million (97.4)
- Adjusted EBIT excl. acquisition-related amortization of SEK 104.1 million (91.2)
- Profit after tax of SEK 53.3 million (29.0)

- Organic Gross Profit growth of 26% in local currency
- Continued investments to capture new market growth opportunities affect our earnings before new initiatives translate into higher revenues and gross profit
Key growth drivers

1. Rising message volumes with large US tech companies
2. Growth in Personalized Video
3. New client wins in Voice and Video
4. Software to Operators

Growing both with new and existing customers
**Investment areas**

**Operational efficiency**
- COGS efficiency
- Internal automation for improved scalability
- Client self-service tools

**Sales and marketing**
- New brand & strengthened lead generation
- International expansion of personalized video products
- Greater focus on new sales in Europe
- Geographic expansion in Asia

**New technology**
- Software for advanced, interactive messaging
- New channels like WhatsApp and RCS
- RCS-as-a-Service for mobile operators
Continued growth in Messaging

- Rising message volumes
- US tech companies fuel growth
- High demand for personalized video
- Investments in next-generation messaging

**Messaging (SEKm)**

- **Revenue**
- **Gross Profit**
- **EBITDA**
Rising message volumes

Number of transactions per month (billions)

- Growth with existing customers, new customers, new use cases
- 7% organic growth in transactions
- 22% organic growth in Gross Profit
Gross profit per transaction

OPEX/transaction & Gross profit/transaction (SEK)

- Gross profit is the primary bottom line driver
- GP/transaction rising due to personalized video, currency tailwind and increased traffic to profitable markets
OPEX investments to capture growth

- Revenue and gross margin depend on mix of terminating markets
- EBITDA/gross profit shows margin excluding mobile operator charges
- Growth initiatives weigh on profitability before they translate into revenue and earnings
High growth in Voice and Video

• Growth fuelled by Number Masking and Verification
• Increased OPEX to handle new customers and rising volumes
Healthy profitability in Operators

- Improved conversion of orders to sales
- Fluctuations in results as projects are realized
- Investments in RCS-as-a-Service for mobile operators
### Income statement

<table>
<thead>
<tr>
<th></th>
<th>Q2 2019</th>
<th>Q2 2018</th>
<th>2018 R12M</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net sales</strong></td>
<td>1,176.7</td>
<td>997.4</td>
<td>3,986.6</td>
</tr>
<tr>
<td><strong>Cost of goods sold and services</strong></td>
<td>-855.6</td>
<td>-748.8</td>
<td>-2,978.2</td>
</tr>
<tr>
<td><strong>Gross profit</strong></td>
<td>321.1</td>
<td>248.6</td>
<td>1,008.4</td>
</tr>
<tr>
<td><strong>Other operating income</strong></td>
<td>25.6</td>
<td>14.7</td>
<td>109.6</td>
</tr>
<tr>
<td><strong>Work performed and capitalized</strong></td>
<td>9.1</td>
<td>6.3</td>
<td>21.7</td>
</tr>
<tr>
<td><strong>Other external costs</strong></td>
<td>-79.6</td>
<td>-75.5</td>
<td>-280.3</td>
</tr>
<tr>
<td><strong>Employee benefits expenses</strong></td>
<td>-132.6</td>
<td>-104.2</td>
<td>-405.1</td>
</tr>
<tr>
<td><strong>Other operating expenses</strong></td>
<td>-29.4</td>
<td>-9.6</td>
<td>-81.1</td>
</tr>
<tr>
<td><strong>EBITDA</strong></td>
<td>114.2</td>
<td>80.3</td>
<td>373.3</td>
</tr>
<tr>
<td><strong>Depreciation, amort. and impairment</strong></td>
<td>-41.1</td>
<td>-40.5</td>
<td>-155.5</td>
</tr>
<tr>
<td><strong>EBIT</strong></td>
<td>73.2</td>
<td>39.8</td>
<td>217.8</td>
</tr>
<tr>
<td><strong>Finance income</strong></td>
<td>42.7</td>
<td>55.5</td>
<td>148.5</td>
</tr>
<tr>
<td><strong>Finance expenses</strong></td>
<td>-50.2</td>
<td>-55.1</td>
<td>-165.0</td>
</tr>
<tr>
<td><strong>Profit before tax</strong></td>
<td>65.7</td>
<td>40.3</td>
<td>201.3</td>
</tr>
<tr>
<td><strong>Current tax</strong></td>
<td>-18.2</td>
<td>-17.7</td>
<td>-41.1</td>
</tr>
<tr>
<td><strong>Deferred tax</strong></td>
<td>5.8</td>
<td>6.4</td>
<td>19.3</td>
</tr>
<tr>
<td><strong>Profit for the period</strong></td>
<td>53.3</td>
<td>29.0</td>
<td>179.5</td>
</tr>
</tbody>
</table>

- No non-recurring items in EBITDA this quarter
- Amortization of acquisition-related assets does not affect cash flow
- Adjusted EBIT now excludes non-recurring items as well as amortization of acquisition-related assets
- Adjusted EBIT of SEK 104.1 million (91.2) in Q2 19
Continued high Gross Profit growth

- 29% total Gross Profit growth
- 26% organic* Gross Profit growth
- Rising Gross Profit in all business units
- Big US tech companies and personalized video contribute to growth in Messaging
Increasing our value-add in Messaging

Transactions
- Gradual shift from wholesale to direct enterprise customers

Revenues
- Higher value per transaction with personalized video messaging
- Adding product differentiation, e.g. with latency-focused routing

Gross Profit
- Serving more demanding enterprises
- Traffic to more challenging destinations

Growth rates in local currencies in comparable units.
Headcount increase

- Recruitment and company acquisitions grow our headcount
- Near-term negative effect on EBITDA before new initiatives translate into higher revenues and gross profit
### Cash flow

<table>
<thead>
<tr>
<th>SEK million</th>
<th>Q2 2019</th>
<th>Q2 2018</th>
<th>2018</th>
<th>R12M</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash flow before changes in working capital</td>
<td>74.0</td>
<td>40.2</td>
<td>223.6</td>
<td>310.9</td>
</tr>
<tr>
<td>Changes in working capital</td>
<td>56.2</td>
<td>169.7</td>
<td>81.0</td>
<td>-96.7</td>
</tr>
<tr>
<td><strong>Cash flow from operating activities</strong></td>
<td><strong>130.2</strong></td>
<td><strong>209.9</strong></td>
<td><strong>304.6</strong></td>
<td><strong>214.2</strong></td>
</tr>
<tr>
<td>and intangible assets</td>
<td>-12.0</td>
<td>-8.8</td>
<td>-28.5</td>
<td>-33.1</td>
</tr>
<tr>
<td>Change in financial receivables</td>
<td>-3.0</td>
<td>0.1</td>
<td>-20.4</td>
<td>-2.4</td>
</tr>
<tr>
<td>Acquisition of subsidiary</td>
<td>-74.4</td>
<td>-81.1</td>
<td>-321.5</td>
<td>-124.3</td>
</tr>
<tr>
<td><strong>Cash flow from investing activities</strong></td>
<td><strong>-89.4</strong></td>
<td><strong>-89.8</strong></td>
<td><strong>-370.4</strong></td>
<td><strong>-159.7</strong></td>
</tr>
<tr>
<td>New borrowing</td>
<td>-</td>
<td>-</td>
<td>722.2</td>
<td>585.4</td>
</tr>
<tr>
<td>Amortization of bank loan</td>
<td>-24.1</td>
<td>-40.6</td>
<td>-654.0</td>
<td>-629.0</td>
</tr>
<tr>
<td>Amortization lease liability</td>
<td>-6.3</td>
<td>-</td>
<td>-0.2</td>
<td>-12.6</td>
</tr>
<tr>
<td>New share issue/warrants</td>
<td>0.5</td>
<td>0.0</td>
<td>7.4</td>
<td>9.9</td>
</tr>
<tr>
<td><strong>Cash flow from financing activities</strong></td>
<td><strong>-29.9</strong></td>
<td><strong>-40.6</strong></td>
<td><strong>75.5</strong></td>
<td><strong>-46.4</strong></td>
</tr>
<tr>
<td>Cash flow for the period</td>
<td>10.9</td>
<td>79.5</td>
<td>9.8</td>
<td>8.1</td>
</tr>
</tbody>
</table>

- Net Working Capital fluctuates between quarters
- Very low bad debt
- Net debt raised by SEK 83.8 million due to implementation of IFRS16 on January 1
- Vehicle earn-out of USD 8.0 million (SEK 74.4 million)
Reconciling Cash Flow with EBITDA

<table>
<thead>
<tr>
<th>SEK million</th>
<th>Q2 2019</th>
<th>Q2 2018</th>
<th>2018</th>
<th>R12M</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adjusted EBITDA</td>
<td>114.2</td>
<td>97.3</td>
<td>367.1</td>
<td>431.1</td>
</tr>
<tr>
<td>Non-recurring items in EBITDA</td>
<td>-</td>
<td>-17.0</td>
<td>6.2</td>
<td>35.0</td>
</tr>
<tr>
<td><strong>EBITDA</strong></td>
<td>114.2</td>
<td><strong>80.3</strong></td>
<td><strong>373.3</strong></td>
<td><strong>466.2</strong></td>
</tr>
<tr>
<td>Change in provisions</td>
<td>2.3</td>
<td>-2.7</td>
<td>-9.4</td>
<td>-3.7</td>
</tr>
<tr>
<td>Net financial items</td>
<td>-7.5</td>
<td>0.5</td>
<td>-16.5</td>
<td>-15.7</td>
</tr>
<tr>
<td>Capital gains, disposal of assets</td>
<td>0.0</td>
<td>0.2</td>
<td>0.0</td>
<td>-0.1</td>
</tr>
<tr>
<td>Unrealized exchange rate differences in operating activities</td>
<td>-0.3</td>
<td>-6.0</td>
<td>-5.1</td>
<td>-0.8</td>
</tr>
<tr>
<td>Unrealized exchange rate differences on debt</td>
<td>0.1</td>
<td>-14.7</td>
<td>-45.1</td>
<td>-36.9</td>
</tr>
<tr>
<td>Earn-out and other M&amp;A costs</td>
<td>0.0</td>
<td>4.3</td>
<td>-28.1</td>
<td>-36.9</td>
</tr>
<tr>
<td>Paid taxes</td>
<td>-34.7</td>
<td>-21.3</td>
<td>-65.1</td>
<td>-75.9</td>
</tr>
<tr>
<td>Other non-cash items</td>
<td>-0.1</td>
<td>-0.3</td>
<td>19.6</td>
<td>14.7</td>
</tr>
<tr>
<td><strong>Cash flow before changes in working capital</strong></td>
<td><strong>74.0</strong></td>
<td><strong>40.2</strong></td>
<td><strong>223.6</strong></td>
<td><strong>310.9</strong></td>
</tr>
</tbody>
</table>

- Exchange rate and financing-related items affect Cash flow from operating activities
- Strong underlying cash generation
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 41% in Q2 19, measured on a rolling 12 month basis
- Net debt/EBITDA was 1.0x, measured on a rolling 12 month basis
Future growth

Strong pipeline with several US-based, global tech companies
Larger field sales organisation
Further growth in Personalized Video
Further growth in Voice and Video
Investment in rich media, conversational messaging, RCS and OTT chat apps to capture market growth potential