

## **CEO and CFO prepared remarks, Sinch AGM, 16 May 2024**

### **Slide 1: Cover page**

Good morning, it is a pleasure to meet with you all today.

### **Slide 2: Pioneering the way the world communicates**

Before we progress further, I want to introduce our business and the global scale at which we operate. Sinch is pioneering the way the world communicates. Our scalable cloud communications platform allows businesses to communicate with their customers, through a broad set of digital communications channels, including messaging, email and voice. We serve more than 150,000 business customers, throughout the entire world, and during the past year we enabled more than 800 billion customer interactions on their behalf.

Let's turn now to some of the highlights of 2023.

### **Slide 3: Highlights in 2023**

Roshan will cover the financial performance in a moment, so I will only conclude that we grew both our Net sales, Gross profit and EBITDA in Swedish krona in 2023. Currency movements contributed positively, but we also grew gross profit and EBITDA slightly in constant currencies.

Overall, I would depict our financial performance as stable – robust – but I must also conclude that we are not delivering sufficient growth in revenues and gross profit. We know that businesses are increasingly focused on customer experience and that communications are critical to deliver that experience. We have products that allow businesses to deliver personalized experiences at scale, through the communications channels that people already use and love, and we can do much more to leverage that capability.

This brings us to our Growth Acceleration Plan and the organizational changes that we announced in late 2023.

When we first met at the AGM in May 2023, I had spent about one month as CEO. You may recall that I presented two specific areas of opportunity where I saw potential to execute better and improve our performance. The first area was integration – how we bring together the different parts of our business and build a more unified, efficient company. The second area was Go-To-Market, which is about transforming how we serve our customers to ensure we offer each individual customer a solution best suited to their needs.

We have indeed worked diligently with both our product integration and a larger Go-To-Market transformation, and in addition to this, we have launched a set of initiatives around Operational Excellence. These three areas together form what we have called our Growth Acceleration Plan, and which we shared more information around in the autumn of 2023.

As we built this plan, over the course of last year, we recognized that we did not have the right structure or incentives to capture the opportunities we have identified in the market. We were not set up to extract synergies from our previous acquisitions, both in terms of revenue synergies from cross selling and cost synergies from reduced duplication. This led us to evaluate our options and settle on an organizational structure that would better enable us to execute on our strategy.

#### **Slide 4: Our next phase**

Looking back, our business has developed in different stages. We had the early and formative years just after we were founded, from 2008 up until our IPO in 2015, when we were primarily focused on SMS messaging. We had a period of exceptional M&A and organic growth, from 2016 until 2021, where we grew our business significantly and established ourselves as a global leader.

Three large acquisitions in late 2021 doubled our size and diversified our business. We acquired some truly fantastic assets -- well-performing businesses in their own right. These broadened our offering with best-of-breed capabilities in email, voice, and software applications.

As the world turned, in early 2022, we found ourselves in a very different macro environment. We no longer benefited from Covid-related tailwinds, demand slowed, and interest rates rose. Businesses turned their focus to cost containment, rather than growth, and these changes weighed on our business.

In 2022 and 2023, our natural focus, from both our board and management, was to protect our acquisitions and focus on cash flow. This focus paid off, as Roshan will highlight in a moment, as we have delivered strong cash flow, increased EBITDA, and reduced our debt.

What we were unable to achieve in our previous setup, however, was to unlock the synergies – both cost and revenue synergies – that we had identified when we completed the acquisitions of Inteliquent, MessageMedia and Pathwire in late 2021. Each large acquisition continued to run with a relatively high level of independence, in a business unit setup, and our customers would testify that when trying to purchase multiple products from Sinch, they felt like they were interacting with different and separate companies that were barely coordinated.

#### **Slide 5: New operating model**

The slide above illustrates our transition from an organization based on independent business units into the more integrated operating model that went live on 1 January this year.

We designed the new model with a set of specific design principles in mind. We wanted to focus on customers, enable distributed decision making, leverage the scale and efficiency of our global organization, and secure distributed P&L ownership.

We have pulled together our sales teams, tasked them to sell the full breadth of our portfolio, and organized ourselves in a regional structure. We want to be closer to our customers and to make it easy for them to buy multiple Sinch products.

To leverage our global scale, we have created global organizations for product, technology and support functions. This allows us to build a more integrated product

offering, facilitate better prioritization, and allows us to remove unnecessary duplication.

### **Slide 6: Sinch overview**

With these organizational changes enacted, we entered 2024 with a different structure.

As you can see overhead, we have now organized our customer-facing teams in three regions. Americas is the largest, contributing 63 percent of gross profits in 2023, followed by EMEA and APAC.

As we have pulled together our product and technology resources, from each of the previous business units, we have also formed a new, Sinch-wide product strategy. This work helps inform our capital allocation and means we can direct our spend to areas with the highest potential for growth and profitability. Rather than focus on individual communications channels, like messaging, voice or email, we think about our offering in terms of capabilities and target audiences. Our API platform, which contributes 55 percent of gross profit, enables the developer community within businesses to draw on our Customer Communications Cloud from their own systems and applications. It allows them to trigger messaging, voice calls and email, at different stages of their customer journey, and to do so at scale. Our Applications offering targets a different audience, which is business users, and does not require advanced technical skills or coding. Where the API Platform offers code, the Applications offering includes a set of turnkey software applications which businesses can use to engage with their customers. Lastly, our Network Connectivity offering is primarily targeted towards telecom operators.

Finally, in the slide overhead, you can see some updated disclosures around our cost base. Sales and marketing comprise around 30 percent of our cost base, R&D almost 50 percent, with general and administrative expenses making up the remainder.

### **Slide 7: Global leadership team**

We have much work ahead and have only begun our transformation journey. One of my key focus areas has been to form the team that will lead this work, to ensure we have

the right competence and experience for executing at pace. This is a diverse team who have a terrific mix of tenure at Sinch combined with experience from scaled technology organizations.

Our regions are led by Julia Fraser in Americas, Niclas Molin in EMEA, and Wendy Johnstone in APAC. The three commercial enabling functions of product, technology and marketing are led globally by Sean O’Neal, Brett Scorza and Jonathan Bean, respectively. Finally, the supporting teams are now run as global functions to leverage scale and efficiency. You can see the leaders of those functions listed here as well.

I’m very pleased with the leaders we have assembled to take Sinch on the next phase of our journey. Thank you for your interest and support. I’ll now hand the word to Roshan.

**Slide 8: Financials cover page**

Thank you, Erik and Laurinda. Good morning everybody. I will cover the financials briefly. In 2022, we set the priorities for the business to be cost control, cash flow and then growth. I believe that during 2023, we have delivered well against these priorities showing Adjusted EBITDA and cashflow growth. We also have setup our growth acceleration plan to accelerate growth.

**Slide 9: Net sales**

Starting with our financials, we delivered 28.8 billion kronor of revenue in 2023. We have truly established Sinch as a global leader in the customer communications space over the last year, which is visualized by the growth in net sales over the last few years. Compared to 2022, revenues declined slightly due to weaker willingness from enterprises to invest in digital experiences and price pressure among our largest customers. Structurally, we also saw that the voice products sold to carriers in the US saw reduced volumes. Despite this, the business showed resiliency and our Applications product categories grew due to demand from smaller enterprises, that are also less price sensitive.

**Slide10: Gross profit**

We delivered 9.5 billion kronor of gross profit in 2023. This corresponds to a 33 percent gross margin which is up 1.4 percentage points over 2022. This margin shift is driven by stable gross margins in our products individually, and a favorable mix effect as our higher margin products are also growing more rapidly.

Gross profit advanced by 3 percent over the prior year, when measured in constant currencies. Since gross margins vary considerably between products and geographies and we have large fees to operators to terminate SMS and voice calls, we focus our efforts on growth in gross profit rather than net sales.

### **Slide 11: EBITDA**

We recorded 3.1 billion kronor of EBITDA with Adjusted EBITDA at 3.6 billion kronor. This was helped in part by strong cost control and efficiency measures which helped grow our earnings compared to 2022, despite limited gross profit growth. Going forward, we will continue to invest to grow our API platform and Applications product categories, whereas the Network Connectivity product category will be driven for profitability and cash generation.

### **Slide 12: Reduced leverage**

Turning to cash flow, which was another key focus area in 2023, we delivered Operating cash flow of 1.8 billion krona and amortized debt of 2.3 billion kronor. The business overall is well-performing and continues to be highly cash generative. We are also the only business among our larger competitors to both be profitable and cash flow generative. This has been a key strength for Sinch since it was founded in 2008. Strong cash flow has also contributed to further deleveraging, and our Net debt to Adjusted EBITDA ratio decreased considerably during the year, as it did in previous year. We intend to continue to deleverage through operational cash flow generation and EBITDA improvements.

### **Slide 13: Financial targets**

Finally, turning to financial targets, the Board has set two financial targets for the Company. One being to grow Adjusted EBITDA per share by 20 percent each year. In

2023, we delivered 14 percent against this metric, as cost control was not enough to mitigate the lack of gross profit growth. The second target is to ensure a financial leverage, as measured by Net debt to Adjusted EBITDA below 3.5x over time. We are comfortably delivering to this target, and intend to continue this journey.

With these closing remarks, I would welcome any questions.