



Press Release

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Sinch to acquire SAP Digital Interconnect to grow global cloud communications capabilities

Stockholm, Sweden – Sinch AB (publ) – XSTO: SINCH

Sinch AB (publ), a global leader in cloud communications for mobile customer engagement, has entered into a definitive agreement to acquire SAP Digital Interconnect (“SDI”), a unit within SAP SE, for a total cash consideration of EUR 225 million on a cash and debt-free basis.

SDI offers cloud-based communications products and serves more than 1,500 enterprise customers throughout the world. Its customer base includes many of the world’s most valued brands, including top technology companies, banks, payment gateways, retail brands, and mobile operators.

“Sinch and SAP both recognize the power of cloud technology to drive business transformation and deliver a superior customer experience. With SDI now becoming a part of Sinch, we build on our scale, focus and capabilities to truly redefine how businesses engage with their customers, throughout the world”, comments Oscar Werner, Sinch CEO.

Sinch has forged a strategy to grow the company through both organic and inorganic means. A long-term focus on profitability and cash flow makes Sinch well placed to continue and execute this strategy also in times when overall macroeconomic conditions are unfavorable.

“SAP Digital Interconnect is a leader in its area showing profitable growth and reaching 99 percent of the world’s mobile subscribers. Looking at Sinch’s innovation and investment strategy in the area of cloud communication platforms, we welcome them as the new owner of SDI. Sinch is perfectly positioned to unleash further growth potential we see in SDI,” says Thomas Saueressig, member of the Executive Board of SAP SE, responsible for SAP Product Engineering.

SDI consists of three segments. Programmable Communications includes SDI’s enterprise-targeted API-based offering for omnichannel customer engagement through SMS, push, email, WhatsApp, WeChat and Viber. In 2019, SDI processed over 18 billion enterprise messages, an increase of more than 17 percent over 2018. Carrier Messaging includes a range of business-critical services to mobile operators, including products for person-to-person messaging, reporting and analytics. In 2019, SDI processed more than 292 billion carrier messages. Enterprise Solutions spans products for contact center, including public cloud solutions, and critical event management.

Financials and synergies

For the twelve months ended March 31, 2020, SDI recorded revenues of EUR 340 million, Gross Profit of EUR 94 million, and adjusted EBITDA of EUR 15.4 million. The business employs ca. 330 people in 20 countries and is headquartered in San Ramon, California.

In the twelve months ended March 31, 2020, Programmable Communications accounted for 67 percent of SDI revenues, with Carrier Messaging contributing 28 percent and Enterprise Solutions contributing 5 percent. Year-on-year revenue growth over the past two years has been around 10 percent.

On a preliminary basis, net cost synergies from various sources of the combination of Sinch and SDI are expected to reach EUR 11 million, reaching full run-rate in the fiscal year 2022. One-off carve-out and integration costs of EUR 6-8 million are expected over the same period.



Valuation

The transaction values the acquired business at an EV/EBITDA multiple of 14.6x, or 8.5x including estimated synergies at full run-rate.

Financing

The acquisition is financed using Sinch's cash at hand and available credit facilities.

Sinch has a financial target to maintain net debt/adjusted EBITDA below 2.5x over time. As of Q1 2020, net debt/adjusted EBITDA was -1.0x when measured on a rolling, twelve-month basis. On a pro forma basis, which includes Adjusted EBITDA in acquired entities over the past 12 months, net debt/adjusted EBITDA was -0.9x. The acquisition of Chatlayer, which was closed on April 1, affects this ratio by 0.1x so that pro forma net debt/adjusted EBITDA is approximately -0.8x.

If the acquisition of SDI had already been completed, pro forma net debt/adjusted EBITDA would have been 2.2x. Moreover, the recently announced acquisition of Wavy is awaiting regulatory approval, and is expected to close in H2 2020. Had the acquisition of Wavy also been completed, pro forma net debt/adjusted EBITDA would have been 2.7x.

Regulatory approval

Closing of the transaction is subject to customary closing conditions, including regulatory approval from competition authorities in multiple jurisdictions.

Timelines and conditions

The transaction is expected to close in H2 2020. Sinch has agreed to pay SAP a termination fee of EUR 11 million if the transaction is not completed and certain conditions are met.

Advisors

Handelsbanken Capital Markets is acting as financial advisor and K&L Gates LLP as legal advisor to Sinch in the transaction.

Conference call and webcast

A conference call for analysts and investors will take place today, Tuesday May 5, at 09.00 CET. Waiting times to join by phone may be unusually long. To participate by phone, please dial in 10 minutes before the call to ensure that you are connected.

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The live webcast will be available at investors.sinch.com/webcast.

Presentation materials will be available at investors.sinch.com.

For further information, please contact

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About Sinch

Sinch brings businesses and people closer with tools enabling personal engagement. Its leading cloud communications platform lets businesses reach every mobile phone on the planet, in seconds or less, through mobile messaging, voice and video. Sinch is a trusted software provider to mobile operators, and its platform powers business-critical communications for many of the world's largest companies. Sinch has been profitable and fast-growing since its foundation in 2008. It is headquartered in Stockholm, Sweden, and has local presence in more than 30 countries. Shares are traded at NASDAQ Stockholm: XSTO:SINCH. Visit us at sinch.com.

About SAP Digital Interconnect

SAP Digital Interconnect (SDI) enables enterprises to cover the "last mile" with their customers and connect businesses, people, and things in the digital economy. This is being done using SMS, e-mail, push notification, and social network channels. SDI provides cloud-based, API-driven engagement services that help mobile network operators, enterprises and developers drive digital transformation with intelligent, interconnected, multichannel engagements. SDI has a strong customer base of blue-chip customers, including 1,500+ enterprise customers and 500 mobile operators, spanning 190 countries. For more information, visit [SDI](#) through the SAP home page or the [SDI community site](#).

About SAP

As the Experience Company powered by the Intelligent Enterprise, SAP is the market leader in enterprise application software, helping companies of all sizes and in all industries run at their best: 77% of the world's transaction revenue touches an SAP system. Our machine learning, Internet of Things (IoT), and advanced analytics technologies help turn customers' businesses into intelligent enterprises. SAP helps give people and organizations deep business insight and fosters collaboration that helps them stay ahead of their competition. SAP simplifies technology for companies so they can consume our software the way they want —without disruption. Our end-to-end suite of applications and services enables more than 440,000 business and public customers to operate profitably, adapt continuously, and make a difference. With a global network of customers, partners, employees, and thought leaders, SAP helps the world run better and improve people's lives. For more information, visit www.sap.com.

Important information

This communication may contain certain forward-looking statements. Such statements are all statements that do not relate to historical facts and include expressions such as "believe", "estimate", "anticipate", "expect", "assume", "predict", "intend", "may", "presuppose", "should" or similar. The forward-looking statements in this release are based on various estimates and assumptions that in several cases are based on additional assumptions. Although Sinch believes these assumptions were reasonable when made, such forward-looking statements are subject to known and unknown risks, uncertainties and other important factors that are difficult or impossible to predict and that are beyond Sinch's control. Such risks, uncertainties and important factors could cause the actual results to differ materially from the results expressly or implicitly indicated in this communication through the forward-looking statements. The information, perceptions and the forward-looking statements in this release apply only as of the date of this release and may change without notice.

This information is information that Sinch AB (publ) is obliged to make public pursuant to the EU Market Abuse Regulation. The information was submitted for publication, through the contact person set out above, at 06:00 CET on May 5, 2020.