

# Q1 2023 Investor Presentation

27 April 2023



Laurinda Pang, CEO

Roshan Saldanha, CFO

Thomas Heath, Chief Strategy Officer & Head of Investor Relations

SEK 28.1bn  
net sales in the  
past 12 months

SEK 9.0bn  
gross profit in the  
past 12 months

SEK 3.2bn  
Adj. EBITDA in the  
past 12 months

60+  
countries with  
local presence

## Powering meaningful conversations through the **Customer Communications Cloud**

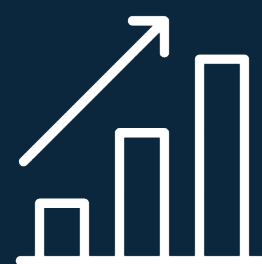
Scalable cloud communications platform  
for messaging, voice, email and video

More than 700 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

# Opening remarks



- Sinch CEO since 17 April, 2023.
- 25 years of executive leadership experience.
- Joined from recent position as President, Global Customer Success, at Lumen Technologies.

**Laurinda Pang**  
CEO



# Three priorities

01 Cost control

02 Cash flow

03 Growth



# First quarter highlights

01

## Lower costs

- Continuing to execute on SEK 300 million Cost reduction program announced Q2 2022
- Adjusted Opex in Q1 23 is 4% lower than in Q2 2022 in constant currencies excl. one-offs; 6% lower in targeted areas

02

## Profitability

- Net sales growing 6%, Gross profit 8% and Adj EBITDA 10%
- Gross margin at 33% (32%), in line with Q4 2022 and 0.6% up from Q1 2022
- Net debt/Adjusted EBITDA excl. IFRS16 leases at 2.7x.

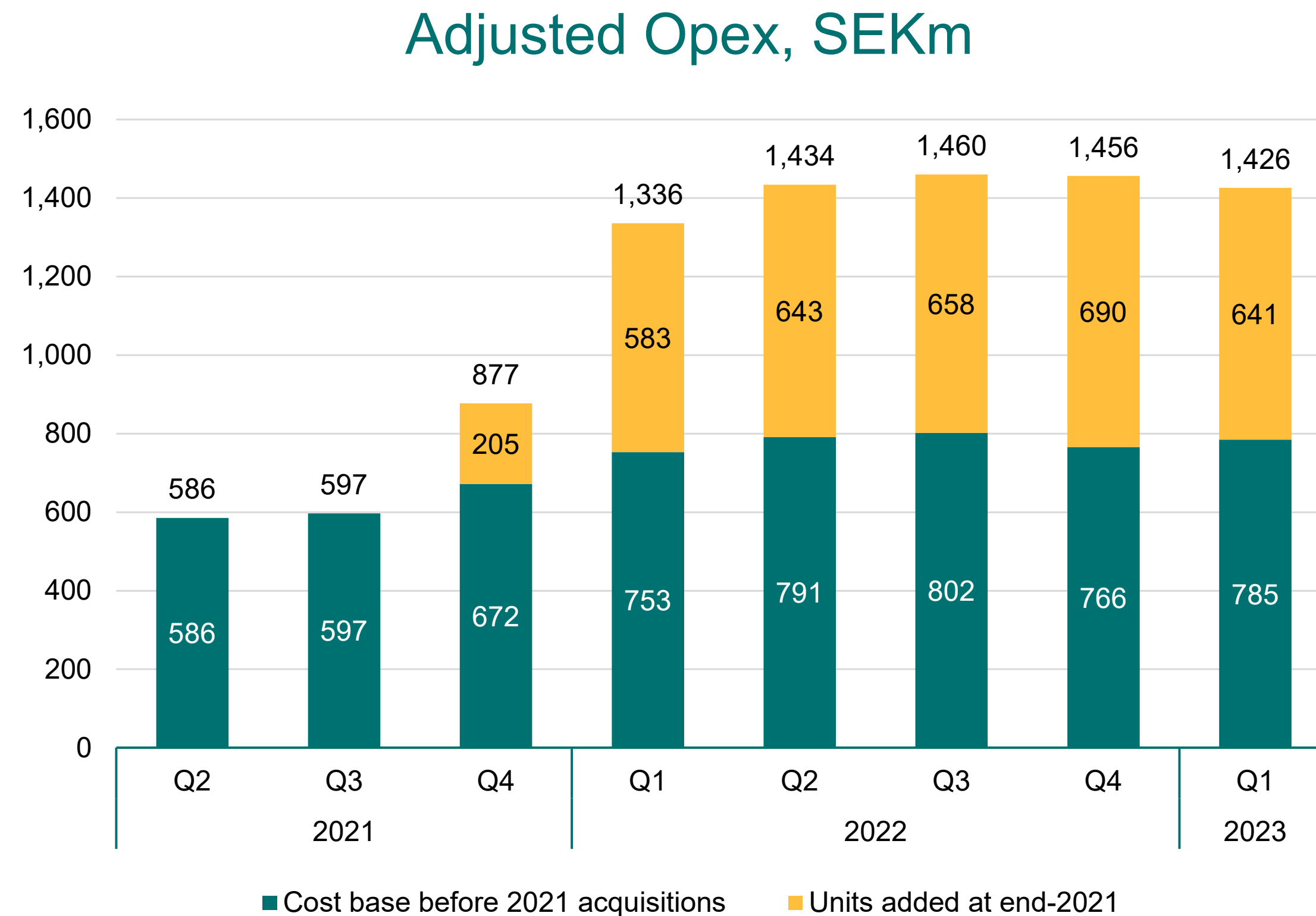
03

## Growth initiatives

- Single organization for Messaging and Email to accelerate product integration and unlock cross-sales potential across regions and customer groups.
- Launched [Sinch Engage](#), an application suite for conversational marketing and customer care. The offering combines functionality from MessengerPeople and Chatlayer and leverages Sinch's Conversation API.



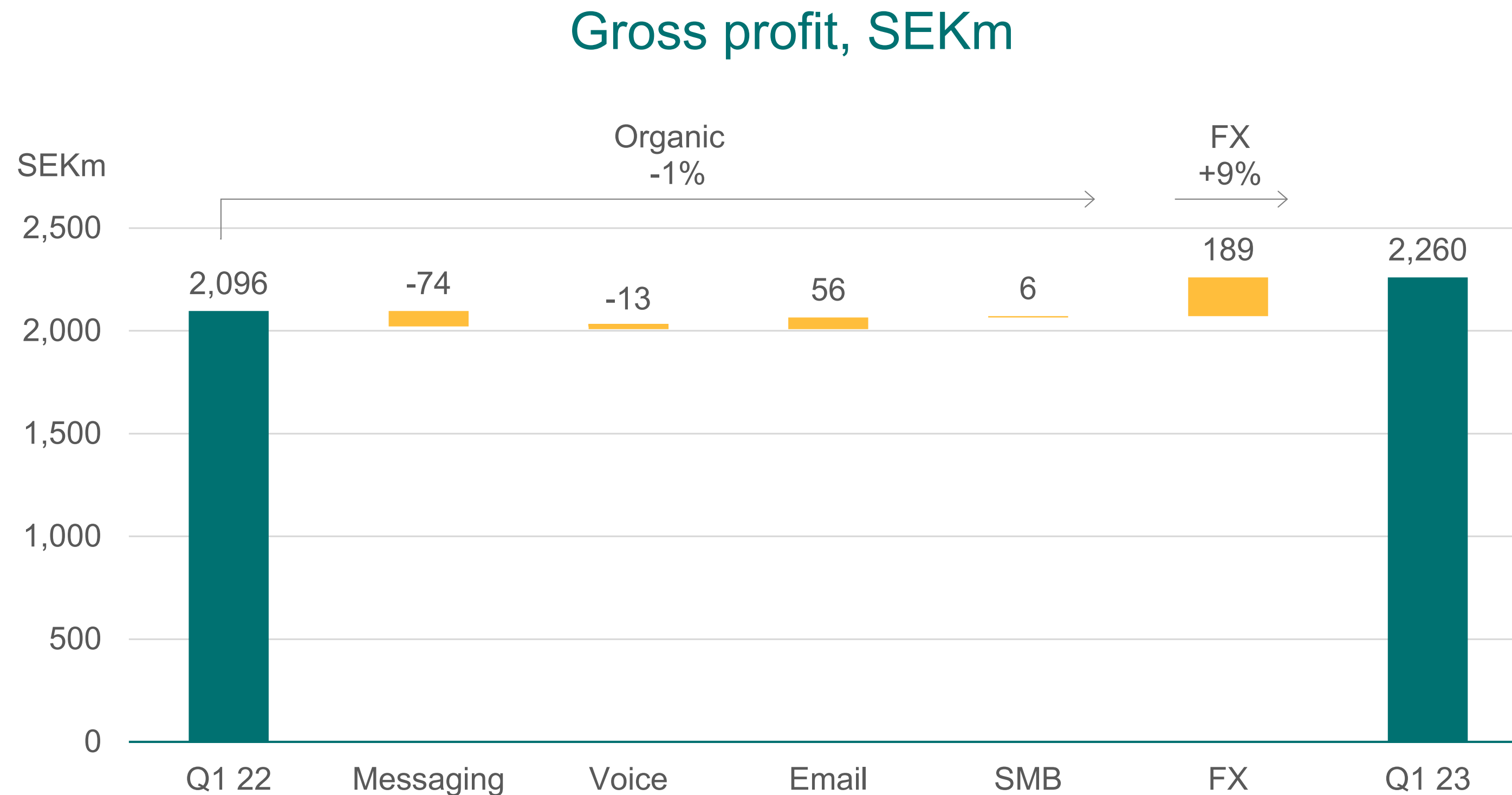
# Delivering on our cost reduction program



- Benefiting from effects of Cost reduction program launched Q2 22
- Q1 23 Adjusted Opex is 4% lower than Q2 22 in constant currencies excluding a 35m one-time item
  - Cost base before 2021 acquisitions (targeted by Cost reduction program) is down 6% over the same period
- Reduced Adjusted Opex also compared to Q4 22
- Continued delivery of cost reduction plan to safeguard investments in growth and efficiency



# Gross profit evolution

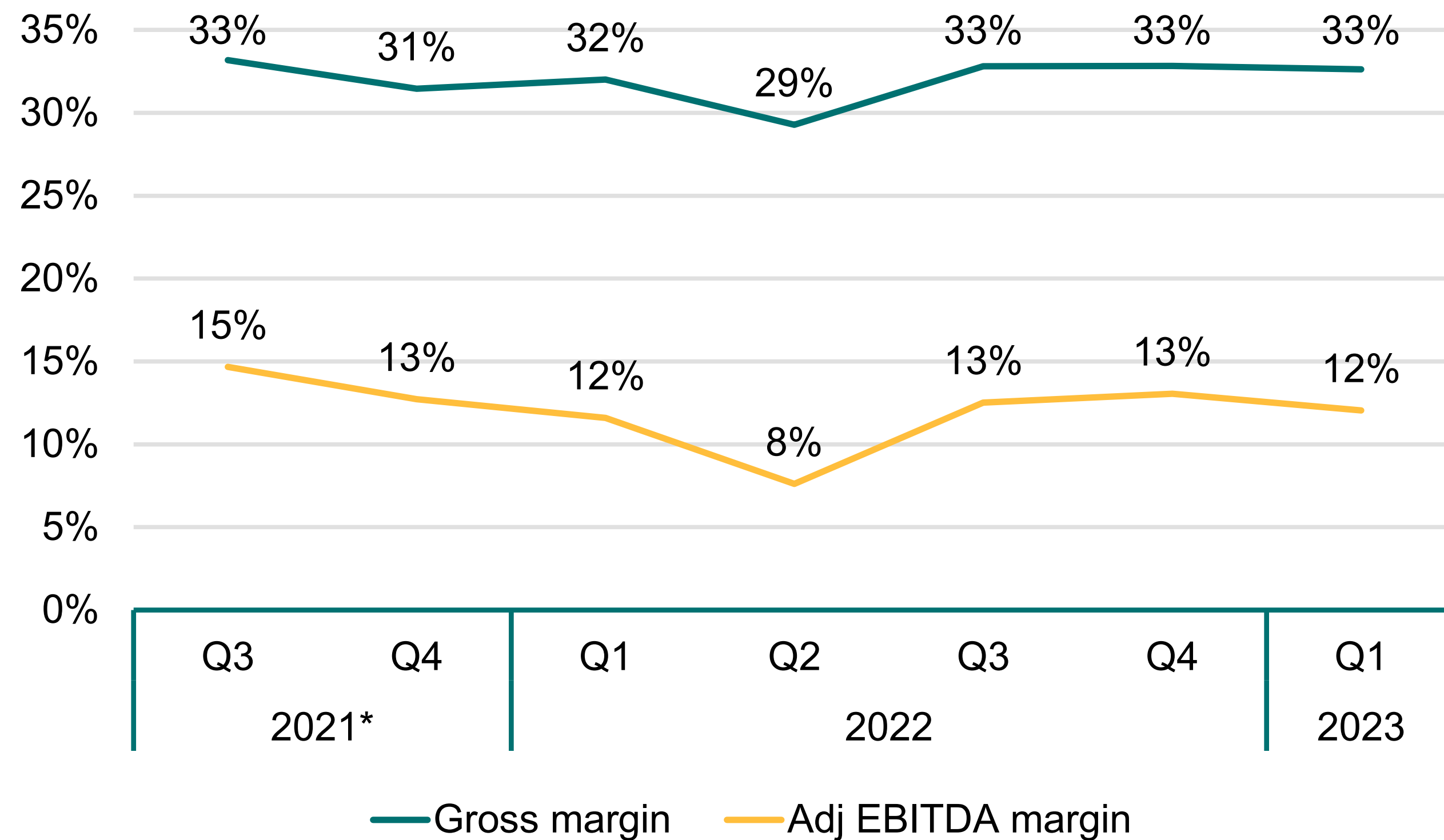


- Organic gross profit growth of -1% (in constant currency)
- Organic growth impacted by reduced Messaging volumes and the price negotiation with one of our largest Messaging customers that took place in Q2 22
- Messaging volumes up 2% year-on-year. Volume growth is impacted by macroeconomic headwind, reduced wholesale traffic, reduced volumes from a major customer, and lower volumes in Brazil.



# Margin development

## Gross margin & Adjusted EBITDA margin



- Stable gross margin compared to Q1 2022
- Q2 2022 affected by SEK 162 million reassessment of reserves for accrued traffic costs
- Some difference in seasonality between Gross profit and Opex

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





# Income statement

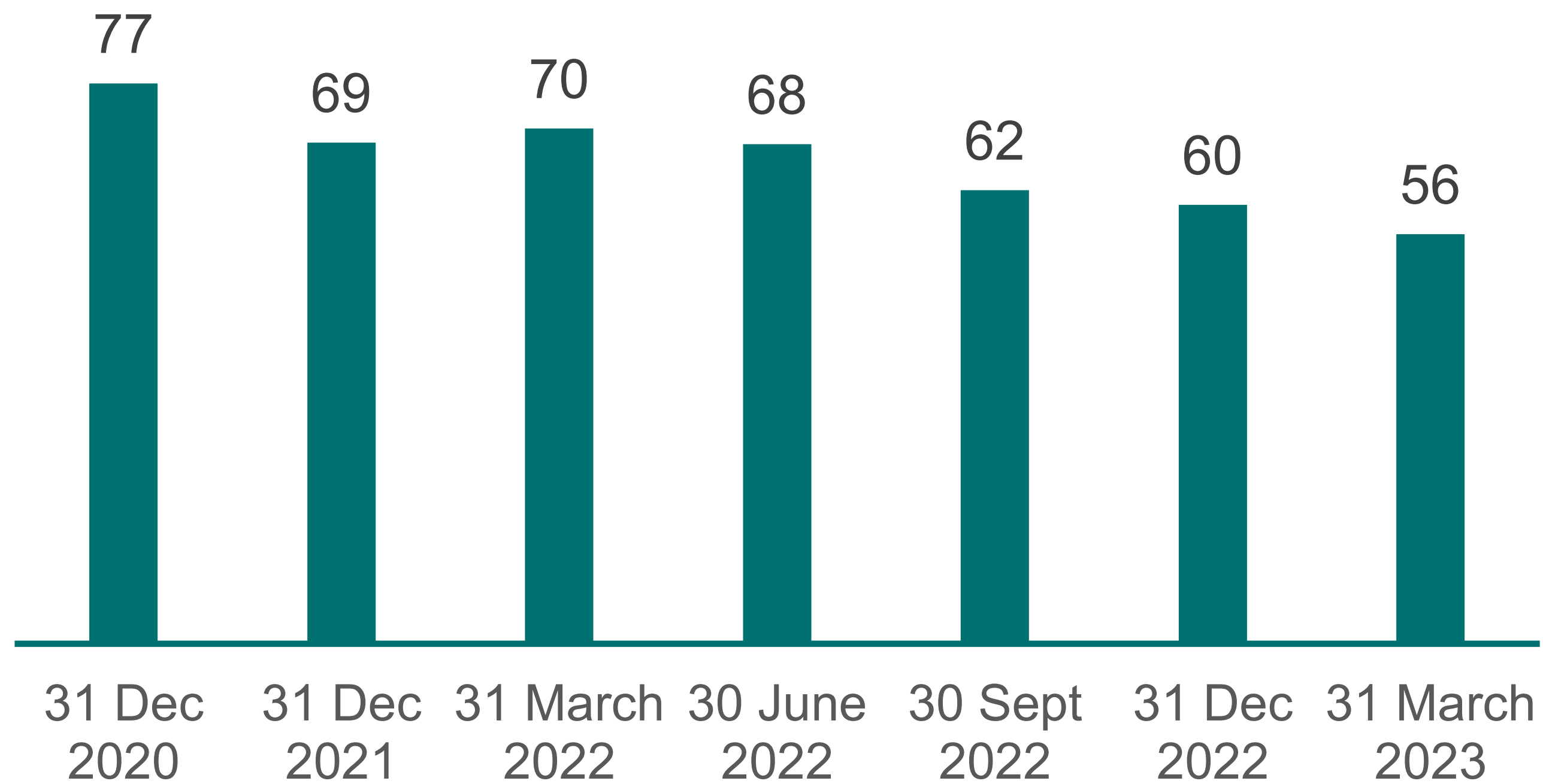
<b>SEKm</b>	<b>Q1 2023</b>	<b>Q1 2022</b>	<b>2022</b>	<b>R12M</b>
Net sales	6 927	6 550	27 722	28 099
Cost of goods sold and services	-4 667	-4 454	-18 912	-19 125
<b>Gross profit</b>	<b>2 260</b>	<b>2 096</b>	<b>8 810</b>	<b>8 974</b>
Other operating income	98	135	611	574
Work performed by the entity and capitalized	95	84	374	385
Other external costs	-548	-590	-2 400	-2 359
Employee benefits expenses	-1 070	-940	-4 157	-4 286
Other operating expenses	-143	-137	-464	-470
<b>EBITDA</b>	<b>692</b>	<b>648</b>	<b>2 774</b>	<b>2 818</b>
Depreciation and amortization	-605	-554	-7 478	-7 529
<b>EBIT</b>	<b>88</b>	<b>95</b>	<b>-4 703</b>	<b>-4 710</b>
Financial income	437	1 323	3 702	2 816
Financial expenses	-599	-1 307	-3 774	-3 067
<b>Profit before tax</b>	<b>-75</b>	<b>111</b>	<b>-4 775</b>	<b>-4 961</b>
Current tax	-145	-258	-583	-469
Deferred tax	141	235	414	320
<b>Profit for the period</b>	<b>-78</b>	<b>88</b>	<b>-4 943</b>	<b>-5 109</b>
Adjusted EBITDA	834	760	3 124	3 197
Adjusted EBIT	725	647	2 731	2 808

- Currency effects increase Net sales, Gross profit and EBITDA
- Depreciation & amortization includes non-cash amortization related to acquired entities



# Reduced DSO

Days Sales Outstanding\*



- Focused effort to reduce Accounts Receivables continues to yield results
- DSO at 56, down from 60 in Q4 22

\*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



# Cash conversion

SEKm	Q1 2023	Q1 2022	2022	R12M
<b>Adjusted EBITDA</b>	<b>834</b>	<b>760</b>	<b>3 124</b>	<b>3 197</b>
Paid interest	-127	-49	-279	-357
Paid taxes	-199	-99	-560	-659
Other items	-97	-46	-453	-504
<b>Cash flow before changes in working capital</b>	<b>410</b>	<b>566</b>	<b>1 832</b>	<b>1 676</b>
Change in working capital	-198	-426	676	904
<b>Cash flow from operating activities</b>	<b>212</b>	<b>140</b>	<b>2 508</b>	<b>2 580</b>
Net investments in property, plant and equipment and intangible assets	-154	-129	-643	-668
<b>Cash flow from operating activities after investments</b>	<b>58</b>	<b>11</b>	<b>1 865</b>	<b>1 912</b>
Cash conversion from Adjusted EBITDA	7%	1%	60%	60%

- Cash conversion\* of 7%, with R12M cash conversion at 60%
- Negative working capital caused by decreased Accounts Payable
- Higher paid interest in due to increased interest rates
- Targeting 40-50% cash conversion over time

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

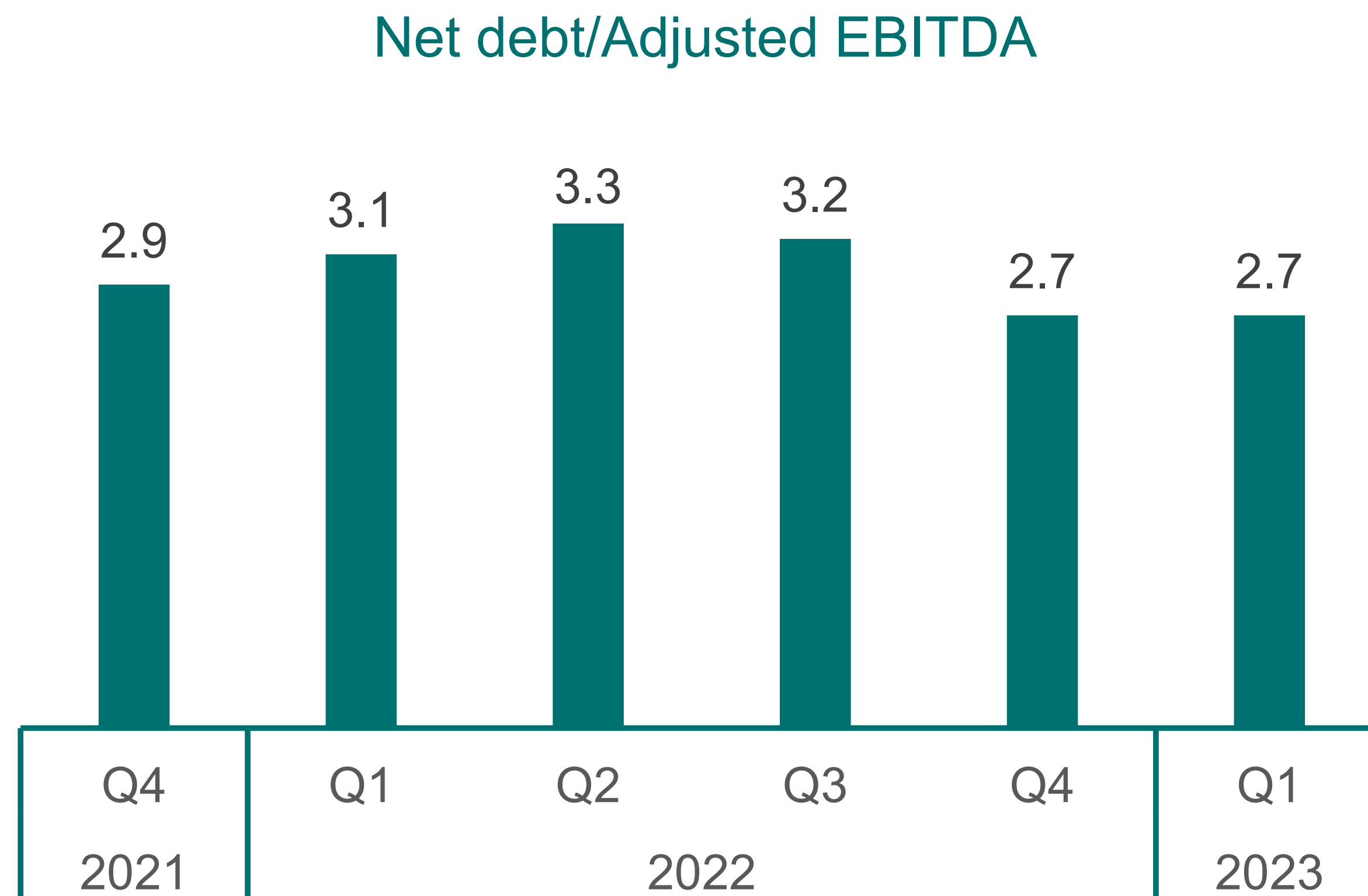
# Cash flow

SEKm	Q1 2023	Q1 2022	2022	R12M
Profit after financial items	-75	111	-4 775	-4 988
Adjustment for non-cash items	684	554	7 167	7 297
Income tax paid	-199	-99	-560	-660
<b>Cash flow before changes in working capital</b>	<b>410</b>	<b>566</b>	<b>1 832</b>	<b>1 676</b>
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equipment and intangible assets	-154	-129	-643	-668
Change in financial receivables	-5	-6	-3	-2
Acquisition of Group companies	-24	-38	-45	-31
<b>Cash flow from investing activities</b>	<b>-184</b>	<b>-173</b>	<b>-691</b>	<b>-702</b>
Changes in loans	-307	-448	-1 455	-1 314
Amortization lease liability	-25	-26	-144	-143
New issue/warrants	-2	29	91	60
<b>Cash flow from financing activities</b>	<b>-333</b>	<b>-445</b>	<b>-1 508</b>	<b>-1 396</b>
<b>Cash flow for the period</b>	<b>-305</b>	<b>-478</b>	<b>309</b>	<b>482</b>
Opening cash and cash equivalents	2 173	1 871	1 871	1 226
Exchange rate differences	34	-167	-7	194
<b>Closing cash and cash equivalents</b>	<b>1 902</b>	<b>1 226</b>	<b>2 173</b>	<b>1 902</b>

- Cash flow from operating activities at SEK 212 million in Q1
- SEK 307 million of debt amortized during the quarter
- Strong financial profile with diversified earnings pool



# Lower Net debt/Adjusted EBITDA



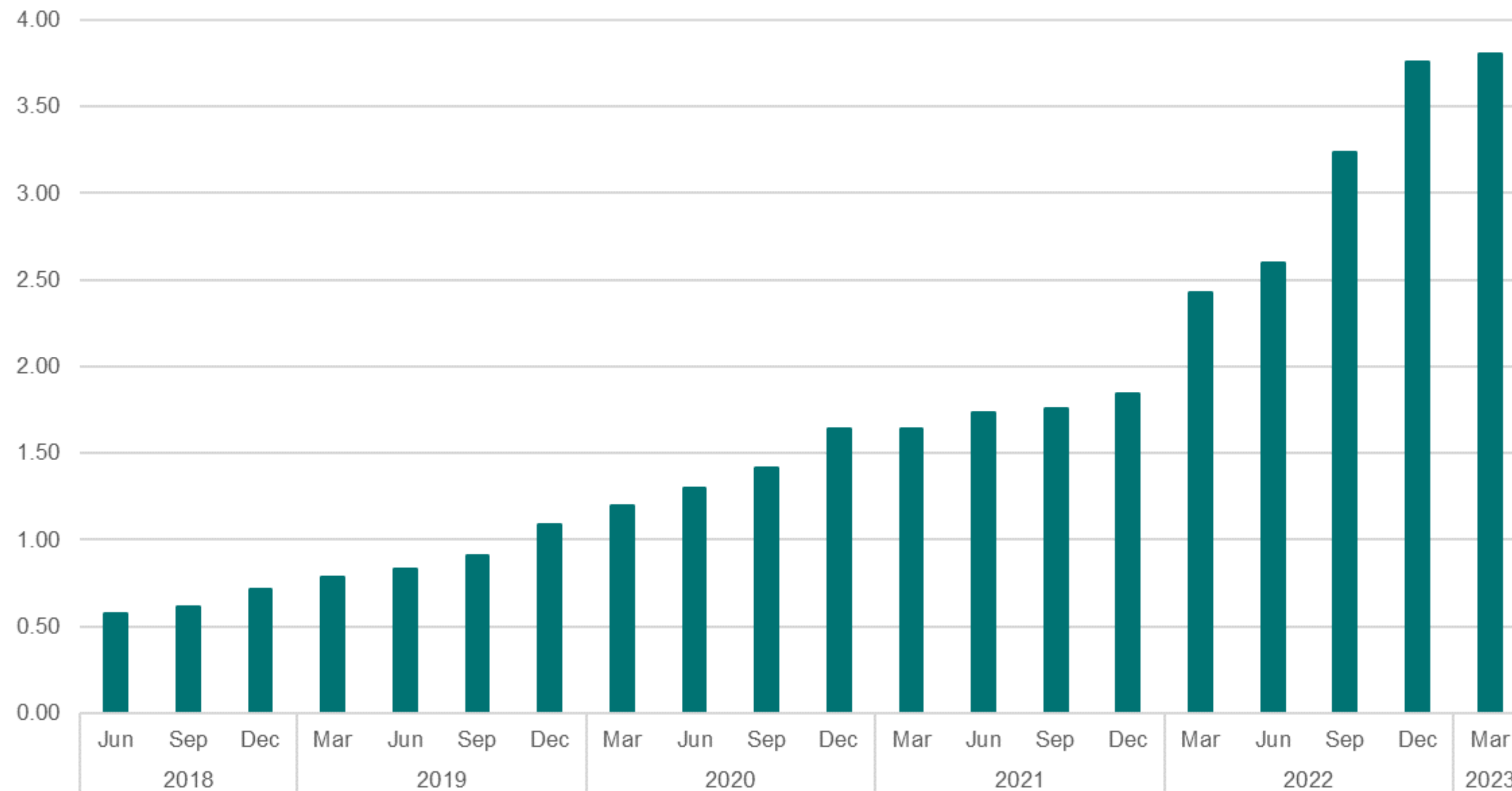
- Three components affecting Net debt/EBITDA:
  - EBITDA growth
  - Cash generation
  - Immediate currency impact on debt, but trailing impact on earnings
- Expecting continued deleveraging from earnings growth and cash generation

\* Net debt/Adjusted EBITDA is excludes IFRS16-related leases. For Q4 2021 to Q3 2022, Net debt/Adjusted EBITDA is measured on a pro forma basis.



# 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 55% in Q1 23, measured on a rolling 12-month basis
- Net debt/adjusted EBITDA of 2.7x excl. IFRS 16-related leases



# Three priorities

01 Cost control

02 Cash flow

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# Cloud partnerships



- Sinch announced a [strategic collaboration](#) with Salesforce.
- Centered around communication services for customers with high demands for security, privacy and quality of delivery.
- Builds long-standing relationship started in 2014.



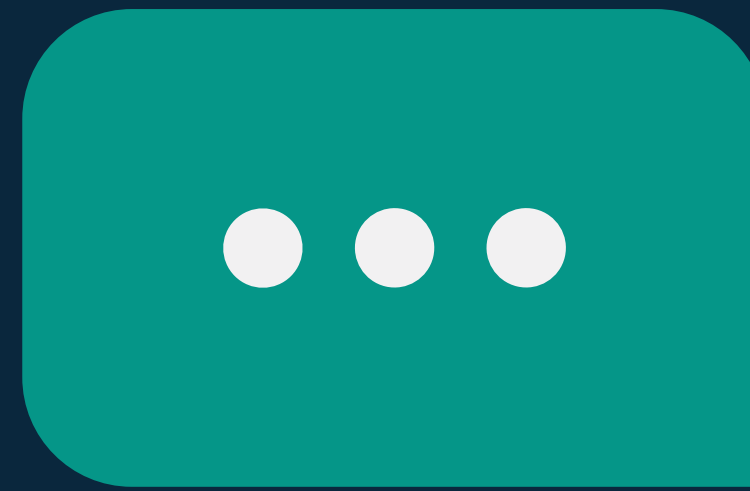
- Sinch awarded the Adobe Digital Experience Technology [Partner of the Year Award](#).
- New strengthened partnership where Adobe will begin to resell Sinch products and services.
- Builds on previous relationship with referral partner model.



- Sinch launched [Operator Connect for Partners](#), which makes it possible for service providers to provide voice calling through Microsoft Teams.
- Announced a Microsoft Teams professional and managed [services partnership](#) with Synoptek.



# Thank you!



To get in touch, contact:

Ola Elmeland, Investor Relations Director

[investors@sinch.com](mailto:investors@sinch.com)