

Reassessment of historical Cost of Goods Sold to affect Sinch's Q2 2022 profit by SEK 162 million

Stockholm, Sweden – July 11, 2022 – Sinch AB (publ), a global leader in cloud communications and mobile customer engagement, today announces that a reassessment of Cost of Goods Sold for historical periods, which has been conducted during the second quarter, will negatively affect Gross profit, EBITDA and Adjusted EBITDA in Q2 2022 by SEK 162 million.

The reassessment of Cost of Goods Sold has been completed as part of the process to finalize financial reporting for Q2 2022. In light of the unusually strong share price movement on July 11, which followed publication of a third-party analysis discussing Sinch's financials for 2021, the company has decided to disclose this information even though remaining parts of the upcoming Q2 results have not yet been finalized. Whilst the third-party analysis does not discuss reassessment of Cost of Goods Sold, the analysis claims that revenues for 2021 are overstated, which is something that Sinch strongly opposes.

Sinch will host a conference call tomorrow, July 12, at 10:00 CEST, to answer questions. Dial-in details are attached below. During the conference call, management will also explain the accounting choices underpinning Sinch's reporting of Accounts Receivable in the Annual Report for 2021.

The full quarterly report will be published, as planned, at 07.30 CEST on [Thursday 21 July](#).

Reassessment of historical Cost of Goods Sold

Cost of Goods Sold in Sinch's Messaging business is generated by each individual message as each mobile operator charges Sinch a per-message fee to terminate SMS traffic to its subscribers. Since invoicing from mobile operators in some cases take place many months after traffic was generated, Sinch accrues for mobile messaging fees as part of its normal, day-to-day operations. During the full year 2021, Sinch recorded total Costs of Goods Sold of SEK 12.2 billion, most of which consists of costs for text messages.

The reassessment of historical COGS relates to SMS messaging costs for 2021. A detailed review of supplier invoices has concluded that aggregated received invoicing exceeds the aggregate level of COGS accruals for this period by SEK 162 million. This deviation corresponds to around 1.3 percent of COGS for the full year 2021.

The largest part of the amount mentioned above relates to invoicing from 6 specific operators. The accrual process in 2021 was affected by a complex technical setup augmented by recent large acquisitions, interlinkages between multiple legal entities, and inadequate support systems and processes. Multiple process improvements have been implemented and resources increased to minimise the risk for future deviations of this magnitude.

Conference call

Due to this information, analysts, media and investors are invited to a conference call with management on July 12 at 10:00 CEST. There will be an opportunity to ask questions and participants can call in and register before the conference starts:

Registration link : <https://register.vevent.com/register/BI84829a2733a948589f384c924934913c>

A recording of the conference call will be published after the event at investors.sinch.com.



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About Sinch

Sinch's leading cloud communications platform lets businesses reach everyone on the planet, in seconds or less, through mobile messaging, email, voice and video. More than 150,000 businesses, including many of the world's largest companies and mobile operators, use Sinch's advanced technology platform to engage with their customers. 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 60 countries. Shares are traded at NASDAQ Stockholm: XSTO:SINCH. Visit us at sinch.com.

Sinch AB (publ) is required to publish this information pursuant to the EU Market Abuse Regulation. The information was released for publication by the contact person above on July 11, 2022, at 22:30 CEST.