

Year-end report January–December 2021

October–December 2021

- Net sales increased by 74 percent to SEK 5,207m (2,999). Organic growth in local currency was 29 percent.
- Gross profit increased by 69 percent to SEK 1,348m (796). Organic growth in local currency was 5 percent.
- EBITDA increased by 84 percent to SEK 330m (179).
- Adjusted EBITDA¹ increased by 25 percent to SEK 471m (378).
- Profit after tax for the quarter amounted to SEK 427m (213).
- Basic earnings per share were SEK 0.57 (0.35) and diluted earnings per share were SEK 0.56 (0.34).

January–December 2021

- Net sales increased by 102 percent to SEK 16,177m (8,023). Organic growth in local currency was 37 percent.
- Gross profit increased by 80 percent to SEK 3,933m (2,183). Organic growth in local currency was 18 percent.
- EBITDA increased by 16 percent to SEK 831m (715).
- Adjusted EBITDA¹ increased by 34 percent to SEK 1,322m (989).
- Profit after tax for the period amounted to SEK 881m (446).
- Basic earnings per share were SEK 1.26 (0.76) and diluted earnings per share were SEK 1.23 (0.74).

“Acquisitions contributed strongly to our growth in the fourth quarter, where we achieved 74 percent growth in revenues and 69 percent growth in gross profit compared to the same period last year.” – Oscar Werner, CEO

Significant events during the quarter

- The extraordinary general meeting on 26 October resolved in favor of board proposals a new issues and a new incentive program.
- The acquisition of MessengerPeople closed on 1 November. Sinch paid the sellers EUR 33.6m in cash and EUR 14.4m in the form of 835,677 new shares in Sinch. The 835,677 shares were issued on the same date at a subscription price of SEK 171.78 per share. Calculated at the exchange rate in effect on the last day of the measurement period (15–28 October 2021) where EU/SEK was 9.969, the total consideration amounts to SEK 479m.
- The acquisition of MessageMedia closed on 5 November. In conjunction, Sinch paid the sellers cash consideration in AUD equivalent to USD 1.1 billion and issued 481,860 shares as a component of consideration at SEK 146.48 per share. The remaining 10,803,010 shares will be issued to the sellers of MessageMedia before 5 April.
- Sinch executed a directed issue of 21 million shares on 1 December against total subscription proceeds of approximately SEK 3.469 billion to partially finance the acquisition of Pathwire. The subscription price was SEK 164.60 per share and the new issue constituted the second part of the directed share issue of approximately 40 million shares announced on 30 September 2021.
- The acquisition of Pathwire closed on 7 December. At the close of the transaction, Sinch paid the sellers, which include funds managed by Thoma Bravo and Turn/River Capital, cash consideration of USD 925m. Sinch will also issue a total of 51 million new shares in Sinch, which will be issued and delivered to the sellers in February and May 2022.
- The acquisition of Inteliquent closed on 9 December. Sinch paid a cash consideration of USD 1,140m on a cash and debt-free basis.

Significant events after the end of the quarter

- Sinch announced on 3 February that the company will be organized into five business units: Enterprise & Messaging, Voice, Developer & Email, Applications and SMB. In conjunction, changes were made to the Sinch management team, including the addition of Inteliquent CEO Ed O'Hara, Pathwire CEO Will Conway and MessageMedia CEO Paul Perrett.
- On 10 February, Sinch announced that the board of directors, as communicated on 7 December 2021, has resolved on an in-kind share issue of 25.5 million shares to the sellers of Pathwire. The remaining 25.5 million shares will be issued in May 2022.

Invitation to webcast and phone conference

Sinch will present the interim report in a webcast conference on Thursday, 17 February at 09:00 CET. Watch the presentation at investors.sinch.com/webcast or call and register a couple of minutes in advance.

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¹ Adjusted EBITDA is reported to clarify performance in underlying operations. See Note 2.

Message from the CEO

Transformative acquisitions

At the end of 2021, we closed four transactions that fundamentally transform our business and cement our position as a global leader in cloud communications and customer engagement.

We now serve more than 150,000 customers, across all seven continents, with a broadened product offering that addresses the unique demands of both enterprise buyers, SMBs (small and medium sized businesses), and software developers. Few competitors can match the breadth and depth of our APIs and software products with best-of-breed products across messaging, voice and email.

Acquisitions contribute strongly to our growth in the fourth quarter, where we achieved 74 percent growth in revenues and 69 percent growth in gross profit compared to the same period last year. Overall profitability remains strong with EBITDA of SEK 330m and Adjusted EBITDA of SEK 471m in the quarter, which translates into a 6 percent EBITDA margin and 9 percent Adjusted EBITDA margin.

We continue to see robust growth in transaction volumes and recorded organic revenue growth of 29 percent in Q4. Despite this increase, organic gross profit grew just 5 percent, clearly below our aspirations and well below the full-year average of 18 percent.

Multiple factors affect gross profit negatively in Q4. In mid-2021, we entered into a 12 month contract with a multinational mobile operator where we receive discounted rates in exchange for a minimum committed spend over the contract period. Traffic volumes to two specific countries have since proved lower than anticipated, and provisions in Q4 reduce gross profit growth by more than 5 percentage points in the quarter. Previously highlighted price increases from mobile operators coupled with macroeconomic headwinds is causing a double-digit decline in gross profit in Brazil even though volumes and revenues are rising. Growth rates are also hampered by an unusually strong comparison period, and by price adjustments to our enterprise customers which we discussed at our Q3 results presentation.

While we expect these operational trends to improve over 2022, we are implementing stricter cost controls in the current Sinch business to ensure that we grow costs at a slower rate than gross profit.

The businesses that we acquired in late 2021 strengthen our position in the market and diversify our earnings.

MessageMedia is performing well and in the calendar year 2021, its revenues grew 25 percent with gross profit growing 28 percent in local currencies. The acquisition was completed on 5 November and continued customer wins in the US are contributing positively to its development.



Inteliquent stands out in terms of profitability and achieved an EBITDA margin of 27 percent in calendar 2021. Revenues and gross profit grew 7 percent in local currency, in line with expectations but negatively affected by large positive Covid effects in 2020. The business has been consolidated since 9 December.

With the acquisition of Pathwire, which closed on 7 December, we now have a highly competitive offering within email and a strong position with thousands of software developers. In calendar 2021, revenues in Pathwire grew 32 percent with Gross profit growing 30 percent in local currencies.

As we enter 2022, we are updating our operating model to reflect the larger scope of our business. We will organize our business into five business units, each headed by a strong commercial leader, ensuring full profit and loss responsibility for each part of Sinch.

We are very pleased with the acquisitions that we closed in late 2021. They broaden our product offering, strengthen our market position, and benefit our customers. Organic performance in the second half of the year is less satisfactory and reversing this trend will be key focus area in 2022. We address a vast and growing market, and we have a stronger offering than ever.

Stockholm, 17 February 2022

Oscar Werner
President and Chief Executive Officer

Sinch overview

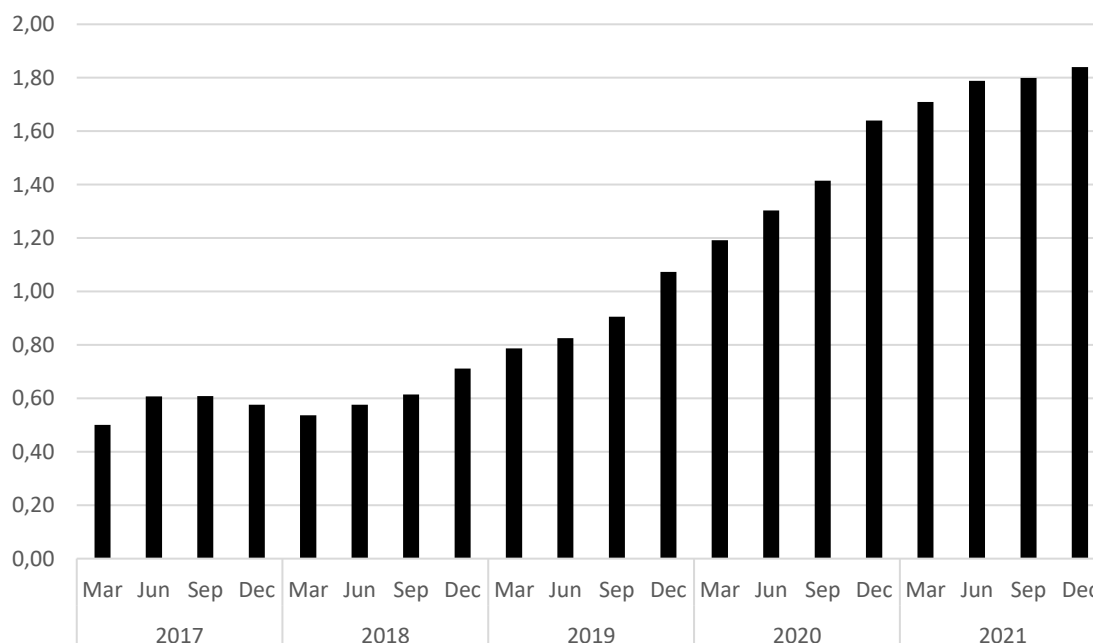
For a list and definitions of financial measurements defined or not defined under IFRS and for operational measurements, please refer to page 30.

Sinch Group, SEKm	Q4		Q4	
	2021	2020	2021	2020
Net sales	5,207	2,999	16,177	8,023
Gross profit	1,348	796	3,933	2,183
Gross margin	26%	27%	24%	27%
EBITDA	330	179	831	715
EBITDA margin	6%	6%	5%	9%
Adjusted EBITDA ¹	471	378	1,322	989
Adjusted EBITDA margin	9%	13%	8%	12%
Adjusted EBITDA/gross profit	35%	47%	34%	45%
EBIT	-12	91	158	453
EBIT margin	-0%	3%	1%	6%
Adjusted EBIT ¹	393	356	1,161	922
Adjusted EBIT margin	8%	12%	7%	11%
Profit for the period	427	213	881	446
Cash flow from operating activities	462	-52	318	454
Net debt	10,660	-1,985	10,660	-1,985
Net debt/Adjusted EBITDA R12M, multiple ²	8.1	-2.2	8.1	-2.2
Equity ratio	60%	65%	60%	65%
Adjusted EBITDA/share, SEK	0.61	0.60	1.84	1.64
Diluted earnings per share for the period, SEK	0.56	0.34	1.23	0.74
Average number of employees	2,425	1,233	1,937	858
Average number of employees including consultants	2,989	1,490	2,364	1,025

¹ Adjusted EBITDA and Adjusted EBIT are reported to clarify performance in underlying operations. See Note 2.

² See page 8 for further analysis and proforma net debt/Adjusted EBITDA.

Adjusted EBITDA per share², R12M (SEK)



² Sinch has a financial target decided by the board to grow adjusted EBITDA per share by at least 20 percent per year. Adjusted EBITDA is an Alternative Performance Measure (APM). The chart above shows the development of this APM over time. Note that the value for September has been corrected in the preparation of this report.

Quarterly summary

	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
	2019	2020	2020	2020	2020	2021	2021	2021	2021
Net sales, SEKm									
Messaging	1,444	1,534	1,562	1,718	2,768	3,083	3,380	3,568	4,436
Voice and Video	77	72	54	61	78	97	110	75	365
Email	-	-	-	-	-	-	-	-	81
Operators	44	49	39	40	189	224	269	333	356
Other and eliminations	-24	-32	-33	-41	-36	-54	-76	-38	-30
Total	1,541	1,624	1,622	1,778	2,999	3,350	3,682	3,938	5,207
	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
	2019	2020	2020	2020	2020	2021	2021	2021	2021
Gross profit, SEKm									
Messaging	364	374	412	429	668	691	724	715	946
Voice and Video	35	27	13	15	23	13	20	21	162
Email	-	-	-	-	-	-	-	-	64
Operators	41	46	35	37	82	87	104	133	129
Other and eliminations	0	0	0	0	22	28	22	26	47
Total	440	447	460	481	796	820	869	896	1,348
	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
	2019	2020	2020	2020	2020	2021	2021	2021	2021
Gross margin									
Messaging	25%	24%	26%	25%	24%	22%	21%	20%	21%
Voice and Video	45%	37%	24%	24%	29%	14%	18%	28%	44%
Email	-	-	-	-	-	-	-	-	79%
Operators	95%	93%	90%	93%	43%	39%	39%	40%	36%
Total	29%	28%	28%	27%	27%	24%	24%	23%	26%
	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
	2019	2020	2020	2020	2020	2021	2021	2021	2021
EBITDA, SEKm									
Messaging	202	174	209	234	317	259	229	230	346
Voice and Video	11	9	-9	-6	-0.2	-8	-5	-12	38
Email	-	-	-	-	-	-	-	-	36
Operators	-3	9	-6	1	20	18	38	53	55
Other and eliminations	-15	-17	-48	-15	-158	-76	-111	-114	-145
EBITDA, total	194	175	146	215	179	192	152	157	330
EBITDA margin	13%	11%	9%	12%	6%	6%	4%	4%	6%
	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
	2019	2020	2020	2020	2020	2021	2021	2021	2021
Adjusted EBITDA, SEKm									
Messaging	209	174	217	251	365	285	301	281	382
Voice and Video	12	7	-6	-6	0.1	-9	-12	-13	44
Email	-	-	-	-	-	-	-	-	36
Operators	-0	4	-5	3	25	18	41	54	54
Other and eliminations	-8	-8	-6	-15	-11	-26	-47	-23	-46
Adjusted EBITDA	213	177	200	234	378	269	284	298	471
Adjusted EBITDA margin	14%	11%	12%	13%	13%	8%	8%	8%	9%
Adjusted EBITDA/gross profit	48%	40%	43%	49%	47%	33%	33%	33%	35%
Adjusted EBITDA/share, SEK	0.39	0.32	0.33	0.39	0.60	0.41	0.41	0.39	0.61

EBITDA adjustments, SEKm (Note 2)	Q4 2019	Q1 2020	Q2 2020	Q3 2020	Q4 2020	Q1 2021	Q2 2021	Q3 2021	Q4 2021
Acquisition costs	-2	-6	-26	-69	-33	-17	-24	-24	-101
Adjusted earnout	-	-	4	61	-27	-	-	-	-
Integration costs	-3	-3	-9	-3	-75	-31	-75	-59	-66
Costs of share-based incentive programs	-4	-2	-12	-4	-33	-29	-18	-45	-15
Operational foreign exchange gains/losses	-9	10	-11	-5	-19	0	-15	-14	29
Other adjustments ¹	-	-	-	-	-11	-1	-	-	11
Total EBITDA adjustments	-19	-2	-54	-19	-199	-76	-132	-142	-141
Amortization of acquisition-related assets	-38	-41	-43	-44	-66	-70	-75	-103	-264
Total EBIT adjustments	-56	-43	-97	-64	-265	-146	-207	-245	-405

¹ Including estimated regulatory costs of SEK -3m related to the acquisition of Inteliquent.

October-December 2021

Net sales

Consolidated net sales grew in Q4 by 74 percent to SEK 5,207m (2,999).

Organic growth, in local currency and excluding acquisitions, was 29 percent. The acquisitions of SDI and Wavy, MessengerPeople, MessageMedia, Inteliquent and Pathwire contributed 43 percent. SDI contributed SEK 374m, Wavy SEK 287m, MessengerPeople SEK 10m, MessageMedia SEK 247m, Inteliquent SEK 293m and Pathwire SEK 81m. As the acquisition of SDI closed on 1 November 2021, earnings in October 2022 are regarded as acquired, while earnings in November and December are regarded as organic.

Growth was positively affected during the quarter by the depreciation of the Swedish krona (SEK), primarily against USD and GBP. The Group has significant revenues in foreign currency and if exchange rates had been the same during the quarter as in the previous year, revenues would have been lower by about SEK 33m. The positive currency effect on consolidated net sales was thus 1 percent.

On a full pro forma basis, calculated as if all acquired entities were consolidated as of 1 January 2020, net sales for the fourth quarter would have been SEK 6,539m.

Gross profit

Consolidated gross profit rose during the quarter by 69 percent to SEK 1,348m (796).

Organic growth in local currency was 5 percent. Acquisitions contributed 63 percent: SDI contributed SEK 83m, Wavy SEK 61m, Inteliquent SEK 141m, MessageMedia SEK 142m, MessengerPeople SEK 10m and Pathwire SEK 64m.

The positive effect of currency movements was 2 percent for the quarter, corresponding to SEK 15m.

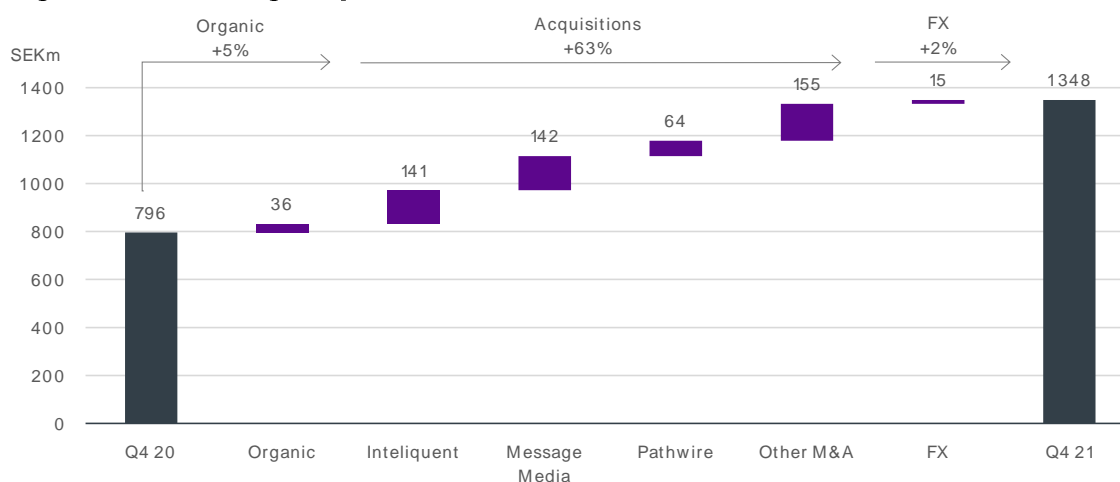
The gross margin was 26 percent (27). The acquisitions closed in the last 12 months had a positive effect of 7 percentage points on the gross margin in the quarter and thus help compensate for a weakened gross margin in the existing business.

Most of Sinch's cost of goods and services sold consists of mobile operator fees for sending messages. As operator traffic tariffs differ substantially from one country to the next, Sinch focuses mainly on gross profit and gross profit growth, rather than net sales and the gross margin. Consequently, changes in traffic patterns and the volume mix can have high impact on net sales and gross margin even though there is no effect on gross profit in absolute numbers.

Multiple factors negatively impacted the gross margin in Q4. Overall, growth in products, regions and customer groups with lower gross margins contribute with more new sales than parts of the business with a higher gross margin. Gross profit was also weighed down by several specific factors in Q4 including certain contracts with mobile operators by which we have received discounts in exchange for minimum traffic volume commitments. Volumes below forecast resulted in costs above revenues and reduced gross profit in Q4 by SEK 34m, which had negative impact on the gross margin of 1.4 percentage points. Moreover, competition was stiffened by steep price increases from mobile operators in Brazil during a period of stronger macroeconomic headwind, resulting a drop in gross profit despite a rise in revenues.

On a full pro forma basis, calculated as if all acquired entities were consolidated as of 1 January 2020, gross profit for the fourth quarter would have been SEK 2,057m, corresponding to a gross margin of 31 percent. The recently acquired businesses will be consolidated for the entire first quarter of 2022 and will consequently have additional positive impact on Sinch's reported gross margin.

Change in consolidated gross profit, Q4 2020 - Q4 2021



EBITDA

Consolidated EBITDA increased by 84 percent to SEK 330m (179).

Compared to the same period last year, the acquisitions closed in Q4 2021 had positive impact on EBITDA. The acquisitions combined contributed SEK 163m in Q4. In parallel, Sinch incurred costs in 2021 aimed at preparing the integration of acquired businesses, which increased the cost base compared to the corresponding period in 2020. Q4 was also affected by defaults on payments from one specific customer in the Voice and Video segment. The customer relationship was severed in mid-2021 and led to a non-recurring cost of SEK 37m in Q4.

The consolidated EBITDA margin was 6 percent (6). The lower margin for the organic business was offset by the margin contribution from acquired businesses.

EBITDA is affected by currency movements because Sinch has revenues and costs denominated in currencies other than SEK. If exchange rates had been the same during the quarter as in the same quarter in the preceding calendar year, EBITDA would have been about 14 percent lower, corresponding to about SEK 50m.

EBITDA adjustments¹ are intended to clarify performance in the underlying business. These adjustments fell compared to the same period last year to a total of SEK 141m (199). The adjustments include acquisition costs of SEK 101m (33), integration costs of SEK 66m (75), costs of share-based incentive programs of SEK 15m (29) and operational foreign exchange gains/losses of SEK -29m (19). See page 5 and Note 2 for further information.

Consequently, adjusted EBITDA amounted to SEK 471m (378), up 25 percent compared to the same period in the preceding year.

If exchange rates had been the same during the quarter as in the same quarter in the preceding calendar year, adjusted EBITDA would have been about 2 percent lower, corresponding to about SEK 8m.

The adjusted EBITDA margin was 9 percent (13), attributable mainly to a lower adjusted EBITDA margin in Messaging.

The Group's financial target is growth of adjusted EBITDA per share of 20 percent on an annual basis. Adjusted EBITDA per share was SEK 0.61 (0.60) for the quarter and SEK 1.84 SEK (1.64) for the rolling twelve months. Adjusted EBITDA divided by gross profit was 35 percent (48) for the quarter.

EBIT

EBIT amounted to SEK -12m (91).

Acquisition-related amortization, which does not affect cash flow, reduced EBIT by SEK 264m (66). The amortization arose mainly from planned amortization of acquired customer relationships, trademarks, operator relationships

and acquired software. See Note 5. Adjusted EBIT (EBIT excluding items affecting comparability and amortization of acquisition-related assets¹) amounted to SEK 393m (356).

Cash flow

Cash flow before the change in working capital amounted to SEK 486m (155). The change in working capital reduced cash flow by SEK -24m (-207). Cash flow from operating activities amounted to SEK 462m (-52).

Employees

At the end of the quarter, the Group employed 4,090 (1,778) people, including consultants. The average number of employees and consultants for the quarter was 2,989 (1,490). The average number of employees was 2,425 (1,233), of whom 30 percent (24) women.

January-December 2021

Net sales

Consolidated net sales grew in the period by 102 percent to SEK 16,177m (8,023). Organic growth, in local currency and excluding acquisitions, was 37 percent.

On a full pro forma basis, calculated as if all acquired entities were consolidated as of 1 January 2020, net sales for the period would have grown 18 percent to SEK 23,148m (19,627). Growth in local currencies was 23 percent.

Gross profit

Gross profit was SEK 3,933m (2,183). Organic growth, in local currency and excluding acquisitions, was 18 percent. The negative effect of currency movements was SEK 62m, corresponding to 3 percent.

The gross margin was 24 percent (27).

On a full pro forma basis, calculated as if all acquired entities were consolidated as of 1 January 2020, gross profit would have been SEK 7,743m (7,162). This corresponds to a gross margin of 33 percent (36). Gross profit growth was 8 percent, or 13 percent in local currencies.

EBITDA and EBIT

EBITDA amounted to SEK 831m (715). Adjusted EBITDA amounted to SEK 1,322m (989).

EBIT amounted to SEK 158m (453). Adjusted EBITDA amounted to SEK 1,161m (922).

Other income and expense items

Net financial income was SEK 1,039m (-73) including interest costs of SEK -60m (-38) and foreign exchange differences of SEK 1,098m (-31). The Group's effective tax rate was 26 percent (17). Net profit for the period amounted to SEK 881m (446).

Investments

Net investments in property, plant and equipment and

¹ Specifications are provided in the table on page 5 and in Note 2.

intangible assets amounted to SEK 277m (86). The change is primarily attributable to acquisitions.

The investments include capitalized development expenditure of SEK 98m (69).

Cash flow, liquidity and financial position

Cash flow before the change in working capital amounted to SEK 1,177m (602). Changes in working capital reduced cash flow by SEK -859m (-148), due mainly to prepaid mobile operator traffic tariffs in Q3. Cash flow from operating activities amounted to SEK 318m (454). A reclassification was carried out in cash flow between net investments in property, plant and equipment and intangible assets and new issue/warrants due to the acquisition of Wavy in Q1. A reclassification was also carried out from realized to unrealized exchange rate differences. Comparability between the quarters during the year was hampered by the reclassification. Consolidated cash and cash equivalents at 31 December 2021 amounted to SEK 1,865m (3,123).

Net debt amounted to SEK 10,660m (-1,985), including IFRS 16-related lease liabilities of SEK 902m (47). Sinch's financial target is that net debt over time shall be below 3.5 times Adjusted EBITDA (measured on a rolling twelve-month basis). Adjusted EBITDA R12M in relation to net debt amounted to 8.1 (-2.2) in Q4, calculated without pro forma contributions from acquired businesses in the last 12 months. On a pro forma basis, net debt in relation to Adjusted EBITDA R12M was 3.2x.

As of 31 December, Sinch had utilized loan and credit facilities of SEK 11,589m (976) in total. Existing credit facilities that mature in November 2022 amount to SEK 1,680m and of that amount SEK 1,639m had been utilized as of 31 December 2021. In addition, issued senior unsecured bonds amounted to SEK 750m (750) and Sinch has also raised and utilized short-term financing in the amount of SEK 9,200m for the financing of contracted acquisitions. Available overdraft facilities amount to SEK 483m but had not been utilized as of 31 December (-).

A directed issue of 7,232,077 shares was executed on 24 May at a subscription price of SEK 1,300 per share (corresponding to SEK 130 per share after the share split on 17 June).

It was also announced on 30 September that Sinch had executed a directed issue of 40.1 million shares that raised total subscription proceeds of approximately SEK 6.6 billion (about USD 750m), in connection with the acquisition of Pathwire.

A directed issue of 835,677 shares was executed on 1 November in connection with the acquisition of MessengerPeople.

A directed issue of 481,860 shares was executed on 5 November in connection with the acquisition of MessageMedia.

Sinch executed a directed issue of 21 million shares on 1 December that raised total subscription proceeds of approximately SEK 3.469 billion to partially finance the acquisition of Pathwire. The new issue constituted the second part of the directed share issue of approximately 40 million shares announced on 30 September 2021. The subscribers comprised several institutional investors.

In addition to the above, shares were issued in relation to exercise of warrants under the Group's incentive program. See Note 4.

Equity at 31 December 2021 amounted to SEK 34,027m (7,513), corresponding to an equity ratio of 60 percent (65).

Messaging

Sinch's cloud communications platform lets businesses reach their customers, immediately on their mobile phones, via text messaging and next-generation technologies like WhatsApp and RCS. Enterprise buyers are served by the Sinch sales force, while small and medium-sized businesses (SMBs) are offered easy-to-use turnkey solutions online. Sinch handles more than 200 billion messages per year.

Messaging, SEKm	Q4		Q4	
	2021	2020	2021	2020
Net sales	4,436	2,768	14,467	7,582
Gross profit	946	668	3,071	1,884
Gross margin	21%	24%	21%	25%
EBITDA	346	317	1,063	934
EBITDA margin	8%	11%	7%	12%
Adjusted EBITDA	382	365	1,249	1,007
Adjusted EBITDA margin	9%	13%	9%	13%
Adjusted EBITDA/gross profit	40%	55%	41%	53%

Events during the quarter

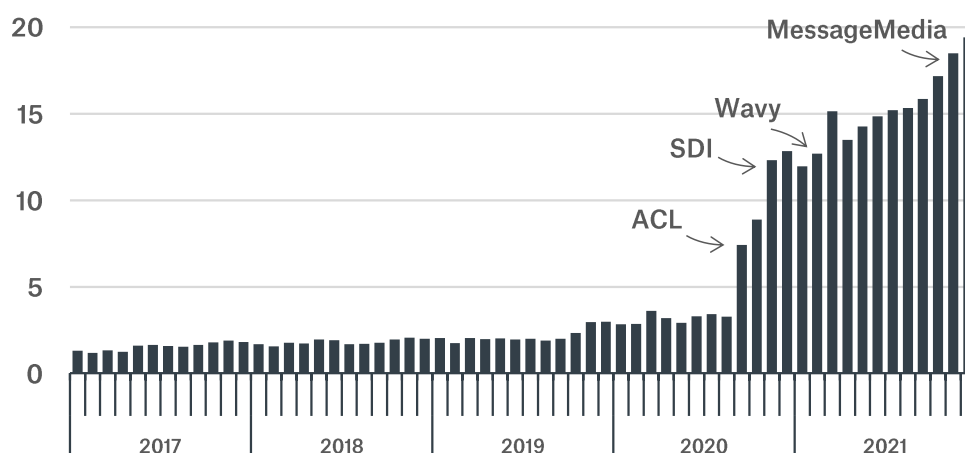
- The acquisition of MessengerPeople closed on 1 November and was accordingly consolidated in the Messaging segment.
- The acquisition of MessageMedia was completed on 5 November and is included in the Messaging segment. MessageMedia addresses small and medium-sized businesses (SMBs) using the MessageMedia, ClickSend and SimpleTexting brands.
- Seven thousand new customers began using MessageMedia's web-based software products during the quarter.
- The initial focus of the integration of MessageMedia is on migrating SMS traffic to the Sinch global infrastructure. In addition, MessageMedia's integration with the Sinch Conversation API for next-generation messaging has now begun.
- Sinch has been included in Gartner's Magic Quadrant for Enterprise Conversational AI platforms. This acknowledgement illustrates the strength of the Chatlayer offering.

A comprehensive effort to integrate the operations acquired through SAP Digital Interconnect on 1 November 2020 and Wavy on 1 February 2021 remains in progress. The aim is to generate economies of scale by migrating customers and traffic to the Sinch global technology platform and accelerate organic growth in the acquired businesses. Ongoing platform development is also continuing in order to manage rising traffic volumes, to comply with stricter regulatory standards related to data processing, to add more direct connections to mobile operators and to increase the degree of automation in customer and support systems.

Transaction volume

Transaction volume in Q4 rose by 62 percent compared to the same quarter last year and Sinch handled slightly over 19 billion messages in December. The increase in comparable units was 30 percent compared to the same quarter last year. The number of sent messages rose in Q4 due to the acquisition of MessageMedia. The effects of a selection of earlier acquisitions are illustrated in the chart below. Seasonal effects in March had positive impact on volume in India.

Number of transactions (billions per month)



Net sales

During the quarter, net sales increased compared to the corresponding period in 2020 by SEK 1,668m to SEK 4,436m (2,768), up 60 percent. Of this increase, 29 percentage points are attributable to acquisitions and 1 percentage point to currency movements. Organic growth in local currency was 31 percentage points. SDI contributed SEK 245m, Wavy SEK 287m, MessengerPeople SEK 10m and MessageMedia SEK 247m.

Sinch has closed several acquisitions in the last 12 months. Consequently, organic growth reflects only Sinch's messaging business directed at large businesses. Increased transaction volumes and higher rates in several geographies have positive impact on organic growth in this business. The organic growth in MessageMedia and Wavy is not included because they were not consolidated in Q4 2020. The acquisition of SDI closed on 1 November 2020 and SDI's organic growth is therefore included from that date.

MessageMedia's net sales for the full fourth quarter, 1 October – 31 December 2021, amounted to SEK 383m. Net sales for the full 2021 calendar year totaled SEK 1,423m (1,137). Growth in net sales for the full year 2021 in local currencies was 25 percent.

Gross profit

Gross profit increased during the quarter to SEK 946m (668), an increase of 42 percent compared to the same quarter in the preceding year. Of this increase, 36 percentage points are attributable to acquisitions and 1 percentage point to currency movements. Organic growth in local currency was 4 percent. The acquisitions contributed as follows. SDI, SEK 29m; Wavy SEK 61m; MessengerPeople SEK 10m; and MessageMedia SEK 142m.

Several factors have adverse impact on the gross margin in Messaging. Overall, growth in products, regions and customer groups with lower gross margins contribute with more new sales than parts of the business with a higher gross margin. Compared to the corresponding period in the preceding year, volume discounts for business customers with rapidly growing traffic volumes also had negative impact on the margin. The margin is also affected by changes in the customer mix and in the countries to which Sinch's business customers send messages.

Gross profit was also weighed down by several specific factors in Q4. In mid-2021, Sinch entered a 12 month contract with a multinational mobile operator where Sinch receives discounted pricing in exchange for a commitment to compensate the operator for an agreed minimum traffic volume. Lower volumes than forecast mean that costs exceed revenues in the fourth quarter. This reduced gross profit in Messaging by SEK -18m in Q4 (and by SEK -16m in the Operators segment) and reduced the gross margin in Messaging by 1 percentage point. Moreover, steep rate hikes from mobile operators in Brazil earlier in 2021 has caused competition to intensify during a period of strong macroeconomic headwind. This causes a drop in gross profit despite a rise in revenues. In India, the gross margin was also weighed down in the second half of 2021 by the costs for Digital Ledger Technology (DLT), a government initiative to prevent unwanted or fraudulent text messages.

MessageMedia's gross profit for the full fourth quarter, 1 October – 31 December 2021, amounted to SEK 226m, corresponding to a gross margin of 59 percent. Gross profit for the full 2021 calendar year amounted to SEK 880m (691), corresponding to a gross margin of 62 percent. Gross profit growth for FY 2021 in local currencies was 28 percent.

The gross margin for Messaging was 21 percent for the quarter, down 3 percentage points compared to the same quarter in 2020.

EBITDA

EBITDA was SEK 346m (317) in Q4, increasing by SEK 29m, or 9 percent, compared to the corresponding period in 2020. Looking at the comparison period, Q4 2020, EBITDA benefited from cost-control measures due to the Covid-19 pandemic and rapidly rising gross profit. The cost base has increased since then, with initiatives during 2021 to accelerate the growth rate in acquired businesses, further strengthen Sinch's offering in next-generation messaging, and prepare the company for the closing of multiple large, upcoming acquisitions. As an effect of these future-oriented initiatives combined with lower than expected gross profit growth in Q4 2021, the EBITDA margin in the quarter fell to 8 percent (11).

Adjusted EBITDA was up 5 percent and increased by SEK 18m to SEK 382m (365). EBITDA adjustments totaled SEK 36m (48), where Integration costs were the largest adjustment item at SEK -47m (7). Other significant adjustment items include Acquisition costs and Operational foreign exchange gains/losses. See Note 2 for further disclosures. The adjusted EBITDA margin fell, for the same reasons described above, to 9 percent (13).

Currency movements had a positive effect on EBITDA of SEK 22m, corresponding to 7 percent, and on adjusted EBITDA of SEK 0m, corresponding to 0 percent.

The acquisition of MessageMedia was completed on 5 November 2021 and contributed SEK 48m to EBITDA in the quarter and SEK 58m to adjusted EBITDA. MessageMedia's EBITDA for the full fourth quarter, 1 October – 31 December 2021, was SEK -38m and adjusted EBITDA was SEK 100m. Sales-related costs reduced EBITDA, but not adjusted EBITDA, before the acquisition of MessageMedia closed on 5 November.

Voice and Video

Sinch APIs for voice communications make it possible for businesses, service providers and telecom operators to handle large volumes of voice calls, phone numbers and emergency calls without costly investments in infrastructure. Underpinning the offering is Sinch's Supernet for voice calls, which reaches 95 percent of the US population and handles more than 300 billion voice minutes per year.

Voice and Video, SEKm	Q4		Q4	
	2021	2020	2021	2020
Net sales	365	78	647	266
Gross profit	162	23	217	77
Gross margin	44%	29%	33%	29%
EBITDA	38	-0.2	13	-7
EBITDA margin	11%	-0.3%	2%	-3%
Adjusted EBITDA	44	0.1	10	-5
Adjusted EBITDA margin	12%	0.1%	2%	-2%
Adjusted EBITDA/gross profit	27%	0.3%	5%	-7%

Events during the quarter

- Inteliquent was consolidated in the Voice and Video segment from the closing date of the acquisition, 9 December.
- Coordinating sales to enterprise buyers in the US is an initial focus area for the integration.
- Inteliquent received the 2021 Visionary Spotlight Award in recognition of its work in fraud prevention and addressing unwanted robocalls.
- In partnership with Amazon Web Services, Inteliquent has implemented Amazon's AI-based noise suppressor, Amazon Voice Focus, and now offers all Inteliquent customers the option to use the feature to improve call quality.
- AT&T announced after the end of the quarter that it will be using Inteliquent's IPX to exchange end-to-end IP voice traffic with other U.S. service providers.

Net sales

Net sales for the segment grew in Q4 by SEK 287m to SEK 365m (78), to which Inteliquent contributed SEK 293m. The steep rise compared to the corresponding quarter in 2020 is due to the consolidation of Inteliquent.

Inteliquent's net sales for the full fourth quarter, 1 October – 31 December 2021, amounted to SEK 1,262m. Net sales for the full 2021 calendar year totaled SEK 4,957m (4,970). Growth in net sales for the full year 2021 in local currencies was 7 percent. Elevated traffic volumes due to the Covid-19 pandemic had positive impact on net sales during calendar 2020. The underlying growth rate, excluding Covid-related traffic and excluding certain non-recurring items affecting comparability, was 14 percent. Continued positive underlying performance in the business in 2022-2023 is expected to be materially offset by decided and known beforehand regulation of charges for American toll-free numbers (the 8YY Access Charge Reform).

Gross profit

Gross profit for the segment in Q4 amounted to SEK 162m (23). Of the total, Inteliquent contributed SEK 141m (0). The gross margin was 44 percent (29). The steep rise in the gross margin is attributable to the consolidation of Inteliquent, whose margin profile differs from other operations in the segment.

Inteliquent's gross profit for the full fourth quarter, 1 October – 31 December 2021, amounted to SEK 595m, corresponding to a gross margin of 47 percent. Gross profit for the full 2021 calendar year amounted to SEK 2,378m (2,381), corresponding to a gross margin of 48 percent. Gross profit growth for the full year 2021 in local currencies was 7 percent. Elevated traffic volumes due to the Covid-19 pandemic had positive impact on net sales during calendar 2020. The underlying gross profit growth rate, excluding Covid-related traffic and excluding certain non-recurring items affecting comparability, was 17 percent. Continued positive underlying performance in the business in 2022-2023 is expected to be materially offset by decided and known beforehand regulation of charges for American toll-free numbers (the 8YY Access Charge Reform).

EBITDA

EBITDA for the segment in Q4 was SEK 38m (-0.2). The acquisition of Inteliquent contributed SEK 76m (0). Adjusted EBITDA for the segment in Q4 was SEK 44m (0). The acquisition of Inteliquent contributed SEK 83m (0). Payment defaults by one specific customer had negative impact on EBITDA and adjusted EBITDA in Sinch's existing Voice and Video business. The customer relationship was severed in mid-2021 and led to a non-recurring cost of SEK 37m in Q4.

Inteliquent's EBITDA for the full fourth quarter, 1 October – 31 December 2021, was SEK 313m and adjusted EBITDA was SEK 325m. This corresponds to an EBITDA margin of 25 percent and an Adjusted EBITDA margin of 26 percent.

Email

The segment includes Sinch's email business, which offers industry-leading deliverability of transactional and marketing emails to more than 100,000 customers worldwide.

Email, SEKm	Q4	Q4	2021	2020
	2021	2020	2021	2020
Net sales	81	-	81	-
Gross profit	64	-	64	-
Gross margin	79%	-	79%	-
EBITDA	36	-	36	-
EBITDA margin	44%	-	44%	-
Adjusted EBITDA	36	-	36	-
Adjusted EBITDA margin	45%	-	45%	-
Adjusted EBITDA/gross profit	57%	-	57%	-

The product portfolio in the Email segment includes market-leading products like Mailgun, Mailjet and Email on Acid. Corporate developers of communication services are a prioritized customer group, who are offered the development tools, test environments and documentation required to integrate email services swiftly and easily in customer communications.

Events during the quarter

- The acquisition of Pathwire closed on 7 December and accounts for all profit in the new Email segment.
- The number of emails rose during the quarter by 41 percent and the number of Email Verifications increased by 57 percent compared to the same quarter last year.
- Pathwire launched InboxReady, an enterprise-grade deliverability suite encompassing tools to identify deliverability issues and improve email performance.
- Pathwire integrated email previews into the Mailjet product, providing customers with the ability to easily test how their emails will look in the inbox.
- The integration of the business will focus initially on coordinating Pathwire's and Sinch's sales to enterprise buyers and preparing for cross-sales of Sinch's messaging products to Pathwire's wide customer base of software developers.

Net sales

Net sales for the segment in Q4 amounted to SEK 81m (0). All revenues are attributable to the acquisition of Pathwire that closed on 7 December 2021.

Pathwire's net sales for the full fourth quarter, 1 October – 31 December 2021, amounted to SEK 303m. Net sales for the full 2021 calendar year totaled SEK 1,078m (868). Growth in net sales for FY 2021 in local currencies was 32 percent.

Gross profit

Gross profit in Q4 amounted to SEK 64m (0) and is attributable entirely to the acquisition of Pathwire.

Pathwire's gross profit for the full fourth quarter, 1 October – 31 December 2021, amounted to SEK 228m, corresponding to a gross margin of 75 percent. Gross profit for the full 2021 calendar year amounted to SEK 833m (679), corresponding to a gross margin of 77 percent. Gross profit growth for the full year 2021 in local currencies was 30 percent.

EBITDA

EBITDA was SEK 36m (0) for the fourth quarter. Adjusted EBITDA amounted to SEK 36m (0). All results of operations are attributable to the acquisition of Pathwire.

Pathwire's EBITDA for the full fourth quarter, 1 October – 31 December 2021, amounted to SEK -111m. The loss is due to acquisition-related costs and adjusted EBITDA for the same period amounted to SEK 113m.

Operators

The segment includes Sinch's mobile operator services, which simplify handling of person-to-person messaging. The segment also includes software solutions for mobile operators to provide mobile value added services (VAS), handle online charging systems (OCS) in real time, and to protect their networks and revenues.

Operators, SEKm	Q4	Q4	2021	2020
	2021	2020		
Net sales	356	189	1,182	317
Gross profit	129	82	453	200
Gross margin	36%	43%	38%	63%
EBITDA	55	20	164	25
EBITDA margin	15%	10%	14%	8%
Adjusted EBITDA	54	25	167	27
Adjusted EBITDA margin	15%	13%	14%	8%
Adjusted EBITDA/gross profit	42%	30%	37%	13%

Net sales

Net sales rose during the quarter by SEK 167m to SEK 356m (189). The acquisition of SDI contributed SEK 162m, while Sinch's existing software business grew by SEK 5m compared to the corresponding period last year.

Gross profit

Gross profit rose during the quarter by SEK 47m to SEK 129m (82). The acquisition of SDI contributed SEK 30m to the increase. The gross margin fell to 36 percent (43) because the gross margin is lower for the acquired operators business from SDI.

EBITDA

The acquisition of SDI contributed to the increase in EBITDA for the quarter by SEK 35m to SEK 55m (20). Adjusted EBITDA rose to SEK 54m (25) for the same reason. Certain contracts with mobile operators where we have granted discounts in exchange for minimum traffic volume commitments had negative impact on earnings. This business is divided between Messaging and Operators. Costs exceeded revenues due to volumes that were lower than forecast and had negative impact of SEK -16m on gross profit in Q4 in the Operators segment (and SEK -18 in the Messaging segment). This cost item reduced the gross margin in Operators by 2 percentage points.

Other and eliminations

Other and eliminations, SEKm	Q4	Q4	2021	2020
	2021	2020		
External revenue	47	22	125	22
Internal revenue	-78	-58	-325	-163
Net sales	-30	-36	-200	-141
Gross profit	47	22	123	22
EBITDA	-145	-158	-445	-237
Adjusted EBITDA	-46	-11	-141	-40

Group-wide costs and eliminations and the customer service systems business that Sinch acquired through SAP Digital Interconnect are reported in Other and eliminations.

Net sales

Net revenues from external customers increased in Q4 by SEK 25m to SEK 47m (22). The entire increase was contributed by SDI. Net sales in the segment are negative due to eliminations between operating segments.

Gross profit

Gross profit rose during the quarter by SEK 25m to SEK 47m (22). The entire increase was contributed by SDI.

EBITDA

EBITDA totaled SEK -145m (-158) and was reduced by acquisition costs of SEK -84m (-18). Adjusted EBITDA amounted to SEK -46m (-11) and is higher than EBITDA due to exclusion of the aforementioned acquisition costs and other consolidated adjustments. These are specified in greater detail in Note 2.

Condensed income statement

Sinch Group, SEKm	Q4		Q4	
	2021	2020	2021	2020
Net sales	5,207	2,999	16,177	8,023
Cost of goods sold and services	-3,860	-2,204	-12,244	-5,840
Gross profit	1,348	796	3,933	2,183
Other operating income	89	34	192	198
Work performed by the entity and capitalized	37	20	98	69
Other external costs	-504	-293	-1,306	-683
Employee benefits expenses	-559	-312	-1,837	-869
Other operating expenses	-80	-66	-249	-183
EBITDA	330	179	831	715
Depreciation and amortization	-342	-88	-673	-262
EBIT	-12	91	158	453
Net finance income/expenses	615	-34	1,039	-74
Profit before tax	603	57	1,197	379
Income tax	-176	156	-315	67
Profit for the period	427	213	882	446
Attributable to:				
Owners of the parent	427	213	881	446
Non-controlling interests	0	0	0	0

Earnings per share

Sinch Group, SEK	Q4		Q4	
	2021	2020	2021	2020
Basic	0.57	0.35	1.26	0.76
Diluted	0.56	0.34	1.23	0.74

Condensed statement of comprehensive income

Sinch Group, SEKm	Q4		Q4	
	2021	2020	2021	2020
Profit for the period	427	213	882	446
Other comprehensive income or loss				
Items that may subsequently be reclassified to profit or loss for the period				
Translation differences	427	-139	554	-362
Hedge accounting net investment	-32	-137	92	-146
Tax effect of items in other comprehensive income	7	31	-19	33
Other comprehensive income or loss for the period	401	-245	627	-475
Comprehensive income or loss for the period	828	-32	1,508	-29
Attributable to:				
Owners of the parent	829	-32	1,509	-29
Non-controlling interests	0	0	0	0

Condensed balance sheet

Sinch Group, SEKm	Note	31 Dec 2021	31 Dec 2020
ASSETS			
Goodwill		27,143	3,298
Customer relationships		13,966	1,481
Operator relationships		285	145
Proprietary software		5,080	322
Other intangible assets		944	8
Right-of-use assets		900	54
Other property, plant and equipment		707	100
Financial assets		62	14
Deferred tax assets		818	403
Total non-current assets		49,905	5,826
Tax assets		181	53
Other current receivables		5,094	2,632
Cash and cash equivalents		1,865	3,123
Total current assets		7,140	5,807
TOTAL ASSETS		57,045	11,634
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent	4	34,027	7,512
Non-controlling interests		1	1
Total equity		34,027	7,513
Deferred tax liability		5,578	508
Non-current liabilities, interest-bearing		1,689	993
Non-current liabilities, non-interest-bearing		37	86
Total non-current liabilities		7,304	1,587
Current liabilities, interest-bearing		10,837	142
Provisions		46	82
Tax liability		325	37
Other current liabilities, non-interest-bearing		4,506	2,273
Total current liabilities		15,713	2,534
TOTAL EQUITY AND LIABILITIES		57,045	11,634
Financial instruments measured at fair value			
Derivative instruments with positive value		19	0
Derivative instruments with negative value		0	0

The carrying amount is considered to be a reasonable estimate of the fair value of all financial assets and liabilities. The financial assets and liabilities are attributable to measurement levels 2 and 3. For information on the measurement techniques, see Note 28 in the 2020 Annual Report.

Condensed statement of changes in equity

Attributable to owners of the parent

Sinch Group, SEKm	Share capital	Other capital contributions	Reserves	Retained earnings	Total	Non-controlling interests	Total equity
Opening balance 1 January 2020	5	1,391	75	526	1,998	1	1,998
Profit for the period				446	446	0	446
Other comprehensive income or loss			-476		-476	0	-476
Share-based payments		15			15		15
Shares issued for warrants	0	42			42		42
Rights issue	1	5,552			2,206		2,206
Issue expenses, net of tax		-66			-26		-26
Closing balance 31 December 2020	6	6,934	-400	972	7,512	1	7,513
Opening balance 1 January 2021	6	6,934	-400	972	7,512	1	7,513
Profit for the period				881	881	0	882
Other comprehensive income or loss			627		627	0	626
Share-based payments		114			114		114
Shares issued for warrants	0	100			100		100
Rights issue	1	24,889			23,375		23,375
Issue expenses, net of tax		-97			-97		-97
Closing balance 31 December 2021	8	31,939	226	1,853	34,027	1	34,027

Condensed statement of cash flows

Sinch Group, SEKm	Note	Q4 2021	Q4 2020	2021	2020
Cash flow before changes in working capital		486	155	1,177	602
Change in working capital		-24	-207	-859	-148
Cash flow from (-used in) operating activities		462	-52	318	454
Net investments in property, plant and equipment and intangible assets		-174	-20	-277	-86
Change in financial receivables		-2	-8	-4	-2
Acquisition of Group companies	6	-28,216	-2,190	-28,877	-2,885
Cash flow from (-used in) investing activities		-28,392	-2,218	-29,158	-2,972
Changes in loans		10,662	-29	10,533	-267
Amortization lease liability		-23	-8	-55	-30
New issue/warrants	4	6,505	3,318	15,976	5,529
Cash flow from financing activities		17,144	3,280	26,454	5,231
Cash flow for (-used in) the period		-10,786	1,011	-2,386	2,713
Opening balance cash and cash equivalents for the period		11,934	2,113	3,123	466
Exchange rate differences in cash and cash equivalents		717	-1	1,128	-56
Closing balance cash and cash equivalents for the period		1,865	3,123	1,865	3,123

Other disclosures

	Q4	Q4	Jan-Dec	Jan-Dec
Sinch Group, SEKm	2021	2020	2021	2020
Share information				
Basic earnings per share, SEK	0.57	0.35	1.26	0.76
Diluted earnings per share, SEK	0.56	0.34	1.23	0.74
Basic weighted average number of shares	753,702,436	610,368,360	700,923,800	584,945,860
Diluted weighted average number of shares	768,507,383	631,632,460	716,527,452	604,135,000
Total number of shares at the end of the period	768,568,748	631,736,700	768,568,748	631,736,700
Financial position				
Equity attributable to owners of the parent	34,027	7,512	34,027	7,512
Equity ratio	60%	65%	60%	65%
Net investments in property, plant and equipment and intangible assets	174	20	277	86
Cash and cash equivalents	1,865	3,123	1,865	3,123
Net debt	10,660	-1,985	10,660	-1,985
Net debt/Adjusted EBITDA R12M, multiple	8.1	-2.2	8.1	-2.2
Employee information				
Average FTEs	2,425	1,233	1,937	858
Average FTEs, women	728	296	551	223
Percentage female	30%	24%	28%	26%
Key data				
EBIT margin	-0%	3%	1%	6%
EBITDA margin	6%	6%	5%	9%

Segment reporting

An operating segment is defined as a business activity that is able to generate revenues and incur costs, whose operating results are regularly reviewed by the entity's chief executive officer and for which separate financial information is available. The Sinch Group's operating segments are Messaging, Voice and Video, Email, Operators, and Other and eliminations. Items under EBITDA are not allocated to the segments.

Q4 2021, SEKm	Messaging	Voice and Video	Email	Operators	Other and eliminations	Group
External revenue	4,389	350	81	341	47	5,207
Internal revenue	48	16	-	15	-78	0
Net sales	4,436	365	81	356	-30	5,207
Gross profit	946	162	64	129	47	1,348
EBITDA	346	38	36	55	-145	330
EBITDA adjustments	-36	-6	-1	1	-100	-141
Adjusted EBITDA	382	44	36	54	-46	471
Depreciation and amortization						-342
EBIT						-12
Net finance income						615
Profit before tax						603

Q4 2020, SEKm	Messaging	Voice and Video	Email	Operators	Other and eliminations	Group
External revenue	2,737	59	-	181	22	2,999
Internal revenue	31	19	-	8	-58	0
Net sales	2,768	78	-	189	-36	2,999
Gross profit	668	23	-	82	22	796
EBITDA	317	0	-	20	-158	179
EBITDA adjustments	-47	0	-	-5	-146	-199
Adjusted EBITDA	365	0	-	25	-11	378
Depreciation and amortization						-88
EBIT						91
Net finance income						-33
Profit before tax						58

Jan-Dec 2021, SEKm	Messaging	Voice and Video	Email	Operators	Other and eliminations	Group
External revenue	14,335	512	81	1,124	125	16,177
Internal revenue	132	135	0	59	-325	0
Net sales	14,467	647	81	1,182	-200	16,177
Gross profit	3,076	217	64	453	123	3,933
EBITDA	1,063	13	36	164	-445	831
EBITDA adjustments	-183	2	-1	-3	-308	-491
Adjusted EBITDA	1,249	10	36	167	-141	1,322
Depreciation and amortization						-673
EBIT						158
Net finance income						1,039
Profit before tax						1,197

Jan-Dec 2020, SEKm	Messaging	Voice and Video	Email	Operators	Other and eliminations	Group
External revenue	7,466	243	-	292	22	8,023
Internal revenue	116	22	-	25	-163	0
Net sales	7,582	266	-	317	-141	8,023
Gross profit	1,884	77	-	200	22	2,183
EBITDA	935	-7	-	24	-237	715
EBITDA adjustments	-73	-1	-	-3	-197	-274
Adjusted EBITDA	1,007	-5	-	27	-40	989
Depreciation and amortization						-262
EBIT						453
Net finance income						-73
Profit before tax						379

Distribution of external net sales

Q4 2021, SEKm	Messaging	Voice and Video	Email	Operators	Other and eliminations	Group
Net sales by customer country/region						
France	208	0	8	6	0	222
Sweden	138	1	0	8	15	161
Germany	104	3	3	6	0	116
Other EU countries	1,199	9	9	54	13	1,285
Brazil	260	0	1	-10	0	251
India	283	0	1	14	0	297
Singapore	92	9	1	1	0	103
United Kingdom	450	18	6	40	5	519
USA	1,091	334	38	30	0	1,493
Rest of the world	565	-23	13	191	14	760
Total	4,389	350	81	341	47	5,207
Net sales by product/service						
Communication services	4,212	350	81	309	18	4,969
Initial software licenses and upgrades	7	-	-	8	15	30
Support	1	-	-	24	-	26
Other	169	-	-	0.0	14	182
Total	4,389	350	81	341	47	5,207
Net sales allocation per point in time						
Over time	292	292	36	37	14	671
At one point in time	4,097	57	45	304	33	4,536
Total	4,389	350	81	341	47	5,207

Q4 2020, SEKm	Messaging	Voice and Video	Email	Operators	Other and eliminations	Group
Net sales by customer country/region						
France	160	1	-	4	0	165
Sweden	104	6	-	8	0	118
Germany	95	0	-	3	9	106
Other EU countries	165	12	-	32	12	221
Brazil	79	0	-	0	-	79
India	200	0	-	3	-	203
Singapore	74	5	-	1	-	80
United Kingdom	256	1	-	20	0	277
USA	1,413	22	-	22	-	1,458
Rest of the world	190	13	-	89	0	292
Total	2,737	59	-	181	22	2,999

Net sales by product/service						
Communication services	2,719	57	-	146	9	2,931
Initial software licenses and upgrades	5	-	-	9	14	27
Support	2	-	-	27	-	29
Other	11	2	-	-	-	23
Total	2,737	59	-	181	22	2,999

Net sales allocation per point in time						
Over time	138	-	-	36	-	174
At one point in time	2,598	59	-	1456	22	2,826
Total	2,737	59	-	181	22	2,999

Jan-Dec 2021, SEKm	Messaging	Voice and Video	Email	Operators	Other and eliminations	Group
Net sales by customer country/region						
France	665	1	8	27	0	701
Sweden	351	6	0	31	57	446
Germany	402	3	3	15	1	424
Other EU countries	2,321	60	9	196	58	2,643
Brazil	812	0	1	1	-	814
India	906	0	1	17	-	924
Singapore	403	19	1	4	-	428
United Kingdom	1,391	18	6	112	5	1,532
USA	5,422	382	38	211	0	6,054
Rest of the world	1,662	22	13	509	5	2,210
Total	14,335	512	81	1,124	125	16,177

Net sales by product/service						
Communication services	14,071	512	81	992	10	15,667
Initial software licenses and upgrades	24	-	-	38	61	122
Support	3	-	-	94	-	97
Other	237	-	-	-	54	291
Total	14,335	512	81	1,124	125	16,177

Net sales allocation per point in time						
Over time	1,015	292	36	136	54	1,533
At one point in time	13,320	220	45	988	71	14,644
Total	14,335	512	81	1,124	125	16,177

Jan-Dec 2020, SEKm	Messaging	Voice and Video	Email	Operators	Other and eliminations	Group
Net sales by customer country/region						
France	460	1	-	4	-	465
Sweden	361	11	-	29	0	402
Germany	333	2	-	5	9	349
Other EU countries	565	49	-	66	12	693
Brazil	251	0	-	0	-	252
India	260	0	-	-	-	263
Singapore	161	19	-	1	-	180
United Kingdom	806	5	-	22	0	834
USA	3,754	99	-	23	-	3,876
Rest of the world	515	56	-	139	0	711
Total	7,466	243	-	292	22	8,023
Net sales by product/service						
Communication services	7,411	242	-	146	9	7,807
Initial software licenses and upgrades	11	-	-	39	14	63
Support	6	-	-	107	-	113
Other	68	2	-	-	-	40
Total	7,466	243	-	292	22	8,023
Net sales allocation per point in time						
Over time	157	-	-	146	-	303
At one point in time	7,309	243	-	146	22	7,720
Total	7,466	243	-	292	22	8,023

Parent company

Sinch AB (publ) owns and manages the shares attributable to the Sinch Group. The group's operational and strategic management functions are centralized to the parent company. At the end of the period, the parent company had 19 (13) employees. The parent company has no external business activities and the risks are mainly related to the operations of the subsidiaries.

Condensed parent company income statement and balance sheet

SEKm	Q4		Q4	
	2021	2020	2021	2020
Operating income	113	21	179	67
Operating costs	-88	-85	-260	-222
EBITDA	26	-64	-81	-154
Depreciation and amortization	-1	-1	-5	-3
EBIT	25	-65	-86	-157
Finance income & expense	492	-77	924	-39
Profit or loss after financial items	517	-143	838	-196
Appropriations	-461	89	-461	89
Profit before tax	56	-54	378	-108
Tax on profit for the period	6	26	-89	43
Profit for the period*	62	-28	289	-65

SEKm	31 Dec 2021	31 Dec 2020
ASSETS		
Intangible assets	7	3
Property, plant and equipment (tangible assets)	5	17
Financial assets	6,074	3,009
Total non-current assets	6,086	3,029
Total current assets	36,814	5,212
TOTAL ASSETS	42,900	8,241
EQUITY AND LIABILITIES		
Restricted equity	8	6
Non-restricted equity	30,610	6,947
Total equity	30,618	6,953
Untaxed reserves	56	31
Provisions	0	1
Non-current liabilities	909	962
Current liabilities	11,317	294
TOTAL EQUITY AND LIABILITIES	42,900	8,241

Note 1 - Accounting policies

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). The interim report has been prepared in accordance with IAS 34 *Interim Financial Reporting* and applicable provisions of the Annual Accounts Act. Disclosures in accordance with IAS 34 *Interim Financial Reporting* are provided in notes and elsewhere in the interim report. The interim report for the parent company has been prepared in accordance with the Annual Accounts Act, which is in accordance with RFR 2 *Accounting of Legal Entities*. The accounting policies and estimation methods are unchanged from those applied in the 2020 annual report. There are no amendments to IFRS standards in 2021 that are expected to have material impact on the Group's results of operations and financial position.

Risks and uncertainties relevant to Sinch are described in the 2020 Annual Report. Specifically, Sinch has not had material changes in profitability so far this year due to Covid-19 that would affect the use of assets, such as deferred tax assets and intangible assets. Risk assessment is performed on an ongoing basis and impairment tests are performed if circumstances indicate that such assets may be impaired.

Note 2 - Operating profit

EBITDA and EBIT adjustments are made to clarify performance in the underlying business. The adjustments include acquisition costs, integration costs, operational foreign exchange gains/losses, costs of share-based incentive programs and non-recurring adjustments.

As of Q2 2021, the costs of incentive programs and operational foreign exchange gains and losses are also included. Operational foreign exchange gains and losses include realized and unrealized currency movements in operational liabilities and receivables, but do not

include translation differences, which are recognized in other comprehensive income. Adjusted EBITDA in earlier periods is reported according to the updated definition and has thus been restated retroactively.

Following this change, employee benefits expenses included in Adjusted EBITDA are reduced by the costs for incentive programs in accordance with IFRS 2 Share-based Payment and the provision for social insurance fees based on the fair value of the warrants at the reporting date.

Other operating income and other operating costs are reduced by realized and unrealized foreign exchange gains and losses. These operational foreign exchange gains/losses thus refer to specific items affecting comparability in Sinch's income statement. Adjusted EBITDA excludes these items but is still affected by currency movements because Sinch has revenues and costs denominated in currencies other than SEK.

The foreign exchange gains and losses that arise in operations due to temporary fluctuations in exchange rates can have relatively large effect on individual quarters, although the net cost has been negligible over time. Excluding these profit and loss items from Adjusted EBITDA provides better opportunity to understand Sinch's business and the trend in the underlying cost base.

The costs of incentive programs are clarified and divided into payroll costs and social insurance costs, where payroll costs are, in accordance with IFRS 2, an estimated cost that does not affect cash flow and social insurance costs fluctuate with Sinch's price per share. Excluding these costs from Adjusted EBITDA ensures that short-term changes in the share price do not impede analysis of the underlying business and makes it easier to relate Adjusted EBITDA to Sinch's cash flow.

Sinch's financial target is defined as growth in Adjusted EBITDA per share. The future cost of Sinch's incentive programs to existing shareholders is reflected there as dilution, through an increased number of shares. By applying the new definition of Adjusted EBITDA, we ensure that the cost to shareholders in Sinch is not counted twice. Sinch's definition of Adjusted EBITDA also becomes more directly comparable with other listed competitors.

Reconciliation items related to operating profit

EBITDA adjustments, SEKm	Q4 2021	Q4 2020	2021	2020
Acquisition costs	-101	-33	-166	-134
Adjusted earnout	0	-27	0	38
Integration costs	-66	-75	-230	-90
Costs of share-based incentive programs	-15	-33	-106	-51
Operational foreign exchange gains/losses	29	-19	0	-25
Other adjustments	11	-11	11	-11
Total EBITDA adjustments	-141	-199	-491	-274
Amortization of acquisition-related assets	-264	-66	-512	-194
Total adjustments in EBIT	-405	-265	-1,003	-468

Acquisition costs, SEKm	Q4 2021	Q4 2020	2021	2020
Messaging	-15	-15	-16	-18
Voice and Video	0	-	-	-
Email	-3	-	-3	-
Operators	-	-1	-	-1
Other and eliminations	-84	-18	-147	-116
Acquisition costs¹	-101	-34	-166	-134

1) Reported as other external costs

Adjusted earnout, SEKm	Q4 2021	Q4 2020	2021	2020
Messaging	-	-26	-	-26
Voice and Video	-	0	-	0
Email	-	0	-	0
Operators	-	-1	-	2
Other and eliminations	-	0	-	61
Cost, adjusted earnout²	-	-27	-	38

2) Reported as other external costs

	Q4 2021	Q4 2020	2021	2020
Integration costs per segment, SEKm				
Messaging	-47	7	-168	-12
Voice and Video	-3	-	-3	-
Email	-	-	-	-
Operators	-1	-1	-5	-1
Other and eliminations	-14	-81	-54	-78
Integration costs per segment³	-66	-75	-230	-90

3) Reported as other external costs and employee expenses

	Q4 2021	Q4 2020	2021	2020
Integration costs per category, SEKm				
Employee benefits expenses	-41	-11	-136	-26
External consultants	-22	-61	-81	-61
Other	-3	-3	-14	-3
Integration costs per category³	-66	-75	-230	-90

3) Reported as other external costs and employee expenses

	Q4 2021	Q4 2020	2021	2020
Costs of share-based incentive programs, SEKm				
Cost of vested warrants per IFRS 2	-30	-12	-116	-15
Social insurance costs	15	-22	10	-36
Costs of share-based incentive programs⁴	-15	-33	-106	-51

4) Reported as employee benefits expenses. Recognized in the Other and eliminations segment

	Q4 2021	Q4 2020	2021	2020
Operational foreign exchange gains/losses, SEKm				
Messaging	13	-14	-17	-18
Voice and Video	0	-2	8	-3
Email	2	-	2	0
Operators	1	-4	2	-5
Other and eliminations	13	1	4	1
Operational foreign exchange gains/losses⁵	29	-19	0	-25
Of which:				
Realized foreign exchange gains/losses	5	-19	-46	-25
Unrealized foreign exchange gains/losses	25	0	46	0
Operational foreign exchange gains/losses⁵	29	-19	0	-25

5) Reported as other operating income or other operating costs

	Q4 2021	Q4 2020	2021	2020
Other adjustments				
Messaging	13	1	13	1
Voice and Video	-3	2	-3	2
Email	-	-	-	-
Operators	1	-	1	-
Other and eliminations	-	-14	-	-14
Other adjustments⁶	11	-11	11	-11

6) Reported as other external costs

Note 3 - Pledged assets and contingent liabilities

Issued guarantees amounted to SEK 95m (39). The increase in issued guarantees during the year arises from the acquisitions of ACL and Wavy.

Note 4 - Incentive programs

Under the incentive program, LTI 2021, adopted by the AGM on 18 May 2021, 3,068,050 warrants have been subscribed for by senior executives and key employees within Sinch. The maximum number of warrants in LTI 2021 is 3,230,000.

Sinch held an extraordinary general meeting on 26 October 2021, which resolved to implement an additional long-term incentive program,

LTI II 2021. Within the framework of the incentive program 2,717,478 warrants have been subscribed for by senior executives and key employees within Sinch. The maximum number of warrants in LTI II 2021 is 3,210,000.

During the period of January to December, 326,882 warrant from LTI 2016, 432,486 warrants from LTI 2018 and 17,640 warrants from LTI 2020 were exercised, where each warrant carried 10 shares. The exercise prices were, respectively, SEK 12.77, SEK 9.13 and SEK 62.40 per share. During the fourth quarter, 1,000 warrants from LTI 2020 were exercised, where each warrant carried 10 shares. The exercise price was SEK 62.40 per share. Equity was increased by SEK 100m through the exercise of warrants.

Total costs for the incentive programs recognized on the income statement amount to SEK 106m (51) for the period of January to December. Payroll costs for vested warrants are included in profit and loss in the amount of SEK 116m (15), with a corresponding increase in equity. Social insurance costs are included improved profit by SEK 10m (-37), with a corresponding reduction of provisions in the balance sheet. Payroll costs reduced profit in Q4 by SEK 30m (12) and social insurance costs improved profit by SEK 15m (-22).

Of all outstanding warrants, 84 percent has been assessed as dilutive during the quarter because the exercise price has been lower than the average share price. The potential dilutive effect, as measured at the inception of the programs, is 5.5 percent (4.1) upon exercise of all warrants in all programs.

Please refer to Note 7 of the 2020 annual report for further disclosures regarding the Group's incentive programs LTI 2016, LTI 2018, LTI 2019, LTI 2020 and LTI II 2020.

Note 5 - Depreciation, amortization and impairments

Depreciation, amortization and impairments, SEKm	Q4		Q4	
	2021	2020	2021	2020
Amortization acquired customer relationships	-148	-45	-316	-132
Amortization acquired operator relationships	-26	-4	-45	-17
Amortization acquired trademarks	-7	-2	-14	-4
Amortization acquired software	-83	-14	-136	-41
<i>Total acquisition-related amortization</i>	<i>-264</i>	<i>-66</i>	<i>-512</i>	<i>-194</i>
Amortization proprietary software	-11	-7	-35	-20
Amortization licenses	-10	0	-14	-1
Total amortization intangible assets	-285	-74	-561	-216
Property, plant and equipment (tangible assets)	-18	-6	-44	-16
Right-of-use assets	-30	-8	-59	-30
Impairments	-8	0	-8	0
Total amortization/depreciation intangible assets and property, plant and equipment	-342	-88	-673	-262

Note 6 - Acquisition of group companies

Wavy

Sinch entered into a binding agreement on 26 March 2020 to acquire Wavy through acquisition of 100 percent of the shares in two companies, Movel Internet Móvel S.A. and Wavy Global Holdings BV. The acquisition closed on 1 February 2021. The total consideration amounted to SEK 2,675m. The acquisition was financed with a combination of existing cash reserves and debt facilities.

Wavy has commercial agreements with more than 50 mobile operators in Latin America and handles more than 13 billion messages a year. With its sharp focus on innovation, Wavy has also achieved a leading position within next-generation interactive messaging via WhatsApp. Wavy has 260 employees and nine offices in six countries. Execution of the transaction was subject to customary terms and conditions and the approval of the Brazilian competition authority CADE, Conselho Administrativo de Defesa Econômica.

The acquisition was included in the consolidated accounts from 1 February 2021. The fair value of acquired trade receivables amounted to SEK 198m. The contractual gross amount of trade receivables was SEK 198m.

The purchase consideration was adjusted by BRL 109.8m (SEK 168.8m) during Q2. The entire increase has been recognized as goodwill. The acquisition analysis may need to be revised because the consideration is preliminary and the value of trade receivables, intangible assets and deferred tax may change upon in-depth analysis.

Inteliquent

Sinch entered into a binding agreement on 17 February 2021 to acquire Inteliquent, the largest independent provider of voice services in the US. The acquisition closed on 9 December. The total consideration amounted to SEK 10,581m. In conjunction with the acquisition, Sinch repaid an external loan to Inteliquent's lenders in the amount of USD 529.1m.

Inteliquent was acquired through acquisition of 100 percent of the shares in the legal entity Onvoy Holdings Inc. The acquisition was financed with a combination of cash reserves and debt facilities. The business is headquartered in Chicago, Illinois and has more than 500 employees. Inteliquent comprises two business units that leverage the same underlying network. The CPaaS (Communications-Platform-as-a-Service) business comprises Inteliquent's enterprise-targeted API offering that lets businesses acquire phone numbers and embed voice calling in their own products or business processes. The IaaS (Infrastructure-as-a-Service) business includes a range of business-critical services to fixed and mobile telecom carriers, including services for off-net call termination and handling of calls to toll-free 1-800 numbers.

Execution of the transaction was subject to customary terms and conditions and approvals from CFIUS, FCC and US competition authorities. The remaining administrative approval is expected to be finalized within the near future.

The acquisition was included in the consolidated accounts from 9 December 2021. The fair value of acquired trade receivables amounted to SEK 534m. The contractual gross amount of trade receivables is SEK 658m. The acquisition analysis may need to be revised because acquisition occurred at the end of the period, the acquisition balance sheet and consideration are preliminary and the value of intangible assets and deferred tax may change upon in-depth analysis.

MessageMedia

Sinch entered into a binding agreement on 9 June to acquire MessageMedia, a leading provider of mobile messaging services to small and medium-sized businesses in the US, Australia, New Zealand and Europe. Headquartered in Melbourne, Australia, the business has a workforce of more than 350 people. MessageMedia was acquired through acquisition of 100 percent of the shares in the legal entity Message 4U Pty Ltd. The acquisition closed on 5 November. The total consideration amounted to SEK 10,694m. Sinch paid cash consideration in AUD equivalent to SEK 9,245m plus 11,284,870 new shares in Sinch. The sellers have received 481,860 new shares in Sinch worth SEK 60m (at SEK 125.10 per share). The remaining new shares in Sinch, 10,803,010 in total, will be issued to the sellers before the fifth of April 2022.

The acquisition was included in the consolidated accounts from 5 November 2021. The fair value of acquired trade receivables amounted to SEK 218m. The contractual gross amount of trade receivables is SEK 222m. The acquisition analysis may need to be revised because acquisition occurred at the end of the period, the acquisition balance sheet and consideration are preliminary and the value of intangible assets and deferred tax may change upon in-depth analysis.

MessengerPeople

Sinch entered into a binding agreement on 22 September 2021 to acquire MessengerPeople, a leading software-as-a-service platform for conversational messaging. The acquisition closed on 1 November. Total consideration amounted to SEK 507m, of which Sinch paid SEK 371m in cash and SEK 136m in the form of 835,677 new shares in Sinch (at SEK 162.85 per share).

MessengerPeople offers a cloud-based software solution that makes it easy for businesses to communicate with their customers via interactive messaging services like WhatsApp, Telegram and Apple Business Chat (iMessage). More than 700 companies currently use apps from MessengerPeople to interact with their customers. About 80 percent of these companies are based in the DACH region. The company has about 40 employees and is based in Munich, Germany.

The acquisition was included in the consolidated accounts from 1 November 2021. The fair value of acquired trade receivables amounts to SEK 4m. The contractual gross amount of trade receivables is SEK 4m. The acquisition analysis may need to be revised because acquisition occurred at the end of the period, the acquisition balance sheet and consideration are preliminary and the value of intangible assets and deferred tax may change upon in-depth analysis.

Pathwire

Sinch entered into a binding agreement on 30 September to acquire Pathwire, a leading cloud-based email delivery platform, including its Mailgun, Mailjet and Email on Acid products for developers and marketers. The acquisition closed on 7 December. The total consideration amounted to SEK 14,205m. Pathwire was acquired through a merger with a subsidiary of Sinch, Pegasus Corp One, incorporated in Delaware.

Cash settlement of SEK 8,776m was paid in the transaction. During February the sellers have received 25,5 million new shares worth 2,714 MSEK (at SEK 106,5 per share). The sellers will also receive 25,5 million new shares in Sinch, which will be delivered to the sellers in May 2022 and are worth SEK 2,715m (at SEK 106.5 per share).

More than 100,000 companies use Pathwire's products to interact with their customers, including major brands such as Lyft, Microsoft, Iterable, DHL and Etsy. Pathwire is headquartered in San Antonio, Texas and has about 290 employees.

The acquisition was included in the consolidated accounts from 7 December 2021. The fair value of acquired trade receivables amounts to SEK 68m. The contractual gross amount of trade receivables is SEK 83m. The acquisition analysis may need to be revised because acquisition occurred at the end of the period, the acquisition balance sheet and consideration are preliminary and the value of intangible assets and deferred tax may change upon in-depth analysis.

Previous acquisitions

The final consideration of EUR 12.3m (SEK 127.9m) for the acquisition of SDI was paid during the first quarter. The amount has been corrected from SEK 124.2m to account for a foreign exchange difference of SEK 3.7m. The acquisition analysis for SDI was revised following in-depth analysis, and the intangible assets were reallocated. The value of trade receivables was also adjusted downwards by SEK 38m. The acquisition analysis is now final.

An earnout of SEK 9m was paid during the year for the acquisition of myElefant.

Fair value of acquired net assets, SEKm	ACL ¹	SDI	Wavy ²	Message-Media ³	Messenger-People ³	Inteliquent ³	Pathwire ³
Customer relationships	137	912	272	4,229	115	3,794	4094
Operator relationships	29	124	45	17	-	-	-
Trademarks	4	-	8	58	2	118	751
Amortization proprietary software	52	155	61	990	5	1,289	2,083
Other intangible assets	-	-	1	5	-	293	30
Right-of-use assets	1	-	9	13	3	697	77
Other property, plant and equipment	27	7	-	-	-	-	-
Financial assets	13	-	11	7	-	568	5
Deferred tax assets	-	7	0	13	-	31	19
Trade receivables	196	450	198	222	4	658	83
Credit loss allowance	-8	-38	0	-4	0	-124	-15
Tax assets	-	-	-	-	-	10	27
Accrued income	60	54	-	13	-	62	71
Deferred tax assets	-	4	42	-	-	366	8
Other current assets	46	6	101	12	1	-	-
Cash and cash equivalents	17	277	186	91	52	437	390
Deferred tax liability	-57	-293	-128	-1,519	-40	-1,708	-1,615
Non-current interest-bearing liabilities	-9	-	-9	-16	-2	-616	-47
Other interest-bearing liabilities	-	-	-	-2	0	-8	-
Trade payables	-95	-207	-55	-5	-	-280	-270
Current interest-bearing liabilities	-9	-	-	-328	-	-84	-30
Other current liabilities	-101	-263	-143	-	-20	-59	-28
Tax liability	-	-	-	-49	-1	-7	-
Accrued expenses and prepaid income	-	-	-	-173	-	-596	-189
Total acquired net assets	303	1,194	599	3,574	119	4,841	5,444

¹ There were typographical errors in the acquisition analysis in the annual report. The acquisition analysis and accounting report have not changed.

² The acquisition analysis is preliminary but has not changed since the second quarter.

³ The acquisition analysis is preliminary and will be finalized in the first quarter.

Purchase consideration, SEKm	ACL	SDI	Wavy	Message-Media	Messenger-People	Inteliquent	Pathwire
Consideration paid	636	2,515	2,675	9,245	507	10,581	8,776
Remaining consideration to be paid 31 st of December 2021	-	-	-	1,351	-	-	5,429
Total consideration	636	2,515	2,675	10,694	507	10,581	14,205
Fair value of acquired net assets	-303	-1,194	-599	-3,574	-119	-4,841	-5,444
Goodwill	333	1,321	2,076	7,120	388	5,740	8,761

Direct costs relating to acquisitions are included in the item Other external expenses on the income statement.

Investing activities 2021, SEKm	MyElefant	SDI	Wavy	Message-Media	Messenger-People	Inteliquent	Pathwire	Total
Consideration paid	9	127	714	9,245	371	10,581	8,776	29,823
Cash and cash equivalents in acquired companies	-	-	-186	-92	-52	-413	-369	-1,112
Direct costs relating to acquisitions	-	-		51	14	45	56	166
Effects on cash and cash equivalents:	9	127	528	9,204	333	10,213	8,463	28,877

Acquired companies' contribution 2021, SEKm	Wavy	Message-Media	Messenger-People	Inteliquent	Pathwire	Other Sinch companies	Total
Net sales	950	247	10	293	81	14,596	16,177
Gross profit	212	142	10	141	64	3,364	3,933
Profit after tax for the year	42	41	3	20	12	764	881

The following tables show sales and profit for the year as if the acquisitions had taken place on 1 January 2021

2021, SEKm	Wavy	Message-Media	Messenger-People	Inteliquent	Pathwire	Other Sinch companies	Total
Net sales	1,041	1,423	54	4,957	1,078	14,596	23,149
Gross profit	237	880	51	2,378	833	3,364	7,743
Profit after tax for the year ¹⁾	60	128	8	310	-363	725	868

1) Not including additional amortizations of immaterial assets as if the acquisitions had taken place on 1 January 2021

Definitions

Financial measurements defined under IFRS:

Earnings per share, basic and diluted

Net profit for the period attributable to owners of the parent divided by the volume-weighted average number of shares outstanding in the period before/after dilution.

Financial measurements not defined under IFRS:

The company presents certain financial measurements that are not defined under IFRS. The company believes that these measurements provide useful supplemental information to investors and the company's management for reasons including that they enable evaluation of the company's performance. Because not all companies calculate financial measurements in the same way, these are not always comparable to measurements used by other companies. These financial measurements should therefore not be considered a substitute for measurements defined under IFRS. Please refer to investors.sinch.com for a reconciliation of these financial measurements and organic growth.

Gross margin

Gross profit in relation to net sales.

The gross margin reflects the percentage of sales that comprises internal value creation and is not passed on to suppliers (mobile operators).

Gross profit

Net sales less the cost of goods and services sold.

Illustrates the company's internal value creation excluding costs paid to suppliers (mobile operators).

Net investments in property, plant and equipment and intangible assets

Investments in property, plant and equipment and intangible assets during the period less divested property, plant and equipment and intangible assets.

Interest-bearing liabilities

Bond loans, bank loans and lease liabilities.

Used to calculate net debt.

Net debt

Interest-bearing liabilities less cash and cash equivalents.

Used to track the debt trend and visualize the size of refinancing requirements.

Net debt/Adjusted EBITDA RTM

Net debt divided by adjusted EBITDA, past 12 months.

Shows how many years it would take to pay off the company's debts presuming that net debt and EBITDA are constant and with no consideration of other cash flows.

OPEX

Other external expenses and employee benefits expenses

Equity ratio

Equity as a percentage of total assets.

Illustrates the company's financial position. A good equity/assets ratio equips the company to manage periods of economic downturn and the financial basis for growth.

EBIT

Profit for the period before financial income, financial expenses and tax.

EBITDA

Profit for the period before financial income, financial expenses, tax and depreciation, amortization and impairment of intangible assets and property, plant and equipment.

Enables comparisons of profitability over time, regardless of the effects of the rate of depreciation and amortization of non-current assets, financing structure and the corporation tax rate.

EBITDA adjustments

Acquisition costs, integration costs, operational foreign exchange gains/losses, costs of share-based incentive programs and non-recurring adjustments.

Separate reporting of operating profit adjusted for these items clarifies performance in the underlying business.

Integration costs

Integration costs arise upon acquisition of businesses and may include adaptation of processes, branding and technical systems. Costs are non-recurring, but unlike restructuring costs, they are related to the company's ongoing and future operations.

Adjusted EBITDA

EBITDA after adjustments.

Enables comparison of profitability over time, regardless of the effects of acquisition costs, integration costs and adjustment items.

Adjusted EBITDA per share

Adjusted EBITDA divided by the volume-weighted average number of shares outstanding for the period after dilution.

Measures the earnings per share generated by the business adjusted for acquisition costs, integration costs and other adjustment items.

Adjusted EBITDA/gross profit

Adjusted EBITDA divided by gross profit.

The measurement illustrates the company's operating margin excluding the cost of goods sold (fees to mobile operators), which can partially be regarded as pass-through billing.

Adjusted EBIT

EBIT amended with the same adjustments that are applied to Adjusted EBITDA; and excluding depreciation and amortization of acquisition-related assets that do not give rise to any cash flows.

Enables comparison of profitability over time, regardless of amortization and impairment of acquisition-related intangible assets and independent of financing structure and the corporation tax rate. Depreciation of non-current assets and amortization of other intangible assets are included, as this is a measure of the use of resources necessary to generate profit.

EBIT margin/Adjusted EBIT margin

EBIT/Adjusted EBIT in relation to net sales.

EBITDA margin/Adjusted EBITDA margin

EBITDA/Adjusted EBITDA in relation to net sales.

Operational measurements

Percentage female

Average number of women in relation to the average total number of employees during the period.

Number of ordinary shares at the end of the period

Number of ordinary shares at the end of the period.

Average number of employees and consultants

Average number of employees and consultants during the period, recalculated as full-time equivalents.

Organic growth

Growth adjusted for acquisition and currency effects.

Sinch's presentation currency is SEK, while a large portion of revenues and costs are in other currencies. Growth adjusted for acquired entities and currency effects shows underlying growth.

Total shares outstanding

Total number of ordinary shares and preference shares at the end of the period.

Terms and acronyms

See page 118 of the 2020 Annual Report for Sinch AB (publ) for definitions of terms and acronyms used in this report.

About Sinch

Sinch is a global leader in cloud communications and mobile customer engagement. 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 50 countries. Shares are traded at NASDAQ Stockholm: XSTO:SINCH.

Outlook

Sinch does not publish forecasts.

Forthcoming reporting dates

Interim report Q1, Jan-Mar 2022	28 April
Interim report Q2, Jan-Jun 2022	21 July
Interim report Q3, Jan-Sep	2 November

Annual Report

The annual report for the 2021 financial year will be available on the company's website at investors.sinch.com no later than three weeks before the AGM.

Annual General Meeting

The Annual General Meeting will be held on Tuesday 31 May 2022 in Stockholm. The venue for the meeting will be communicated in connection with notice of the meeting.

Nomination Committee

The members of the Sinch AB nomination committee are:

- Jonas Fredriksson, representing Neqst D2 AB
- Andreas Hansson, representing SoftBank
- Ulrik Grönvall, representing Swedbank Robur Funds
- Tomas Risbecker, representing AMF Pension & Funds
- Erik Fröberg, Chairman of Sinch AB (publ)

Risk assessment

Sinch is, like all businesses, exposed to various types of risks in its operations. These include risks related to currency fluctuations, dependence on certain strategic partners, technological change, dependence on key personnel, pandemics, tax risks and political risks related to the multinational nature of the Group's activities. Risk management is an integral part of Sinch's management, and risks are described in more detail in the 2020 annual report. The risks described for the Group may also have an indirect impact on the parent company. Pandemics, such as the one caused by Covid-10, can have serious impact on our local and global operations.

Although we are working to institute continuity measures and ensure that we continue to meet the needs of our customers and mitigate the impact on our business, disruptions in the global economy and the businesses and operations of our customers, suppliers and partners could cause disruptions to our business and entail material impact on our operations and financial position.

Forward-looking statements

This report contains statements concerning, among other things, Sinch's financial position and earnings as well as statements regarding market conditions that may be forward-looking. Sinch believes that the expectations reflected in these forward-looking statements are based on reasonable assumptions. Forward-looking statements, however, include risks and uncertainties and actual outcomes or consequences may differ materially from those expressed. Other than as required by applicable law, forward-looking statements apply only on the day they are presented and Sinch does not undertake to update any of them in light of new information or future events.

Assurance

The board of directors and the CEO certify that the interim report gives a true and fair view of the company's and the Group's operations, position and results and describes significant risks and uncertainties faced by the company and the companies included in the Group.

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Stockholm, 17 February 2022

Erik Fröberg
Chairman of the Board

Bridget Cosgrave
Director

Renée Robinson Strömberg
Director

Johan Stuart
Director

Björn Zethraeus
Director

Luciana Carvalho
Director

Oscar Werner
President and Chief Executive Officer

Note: Sinch AB (publ) is required to publish the information in this interim report pursuant to the EU Market Abuse Regulation. The information was released for publication by the contact person above on 17 February 2022 at 07:30 CET.

This report is published in Swedish and English. In case of any differences between the English version and the Swedish original text, the Swedish version shall apply. This report has not been subject to review by the company's independent auditor.