

Interim Report January – September 2022

July – September 2022

- Net sales increased by 83 percent to SEK 7,196m (3,938).
- Gross profit increased by 164 percent to SEK 2,361m (896).
- EBITDA rose by 416 percent to SEK 808m (157).
- Adjusted EBITDA¹ increased by 202 percent to SEK 901m (298).
- The loss after tax for the quarter amounted to SEK -4,765m (266) and was adversely affected by a non-cash impairment of goodwill of SEK -5,000m.
- Basic earnings per share were SEK -5.69 (0.37) and diluted earnings per share were SEK -5.48 (0.36).
- Cash flow from operating activities amounted to SEK 727m (-491).

January – September 2022

- Net sales increased by 86 percent to SEK 20,361m (10,970).
- Gross profit increased by 147 percent to SEK 6,394m (2,585).
- EBITDA rose by 296 percent to SEK 1,984m (501).
- Adjusted EBITDA¹ increased by 154 percent to SEK 2,165m (851).
- The loss after tax for the period amounted to SEK -4,717m (454) and was adversely affected by a non-cash impairment of goodwill of SEK -5,000m.
- Basic earnings per share were SEK -5.81 (0.63) and diluted earnings per share were SEK -5.44 (0.62).
- Cash flow from operating activities amounted to SEK 1,535m (-143).

“I am pleased to see increased cost control now resulting in improved profitability and strengthened cash flow.”

– Johan Hedberg, Interim CEO

Significant events during the quarter

- Sinch announced on 20 July that CEO Oscar Werner was stepping down with immediate effect. The board of directors has appointed Johan Hedberg as the interim CEO and has begun the recruitment of a new CEO. Johan Hedberg is one of the founders of the company.
- Sinch announced on 31 August that Paul Perrett, President for Business Unit SMB (Small and Medium-sized Businesses), has decided to step down. Damien Tabor, CFO of Business Unit SMB, will be the interim Business Unit President until the recruitment of a permanent replacement has been completed.
- Sinch announced on 29 September that SoftBank was selling its entire stake of about 5 percent in Sinch to Neqst D2 and co-founder/Interim CEO Johan Hedberg.
- Impairment testing of goodwill resulted in a total impairment of SEK 5,000m. The impairment refers to Pathwire, a company acquired by Sinch in 2021, which has subsequently been reported in the Email segment. The impairment will reduce Sinch's profit for Q3 but does not affect cash flow.
- During the quarter, maturities have been extended to 2024 in term loans of SEK 3,000m.

Significant events after the end of the quarter

- On 14 October, Sinch announced that Sean O'Neal had been appointed as the new President of Business Unit SMB and that Brett Scorza had been appointed as President, Business Unit Voice upon the retirement of Ed O'Hara. At the same time, Sinch also communicated that Business Unit Applications would be reorganized to focus on initiatives in interactive messaging and that Business Unit President Eduardo Henrique had chosen to leave Sinch.
- Also on 14 October, Sinch provided further details about the previously communicated cost reduction program. The program is to achieve total gross savings of at least SEK 300m on an annual basis by means of reduced consultancy costs, lowered non-personnel related expenses and workforce reductions. Workforce reductions will affect about 150 people. Total restructuring costs are estimated at SEK 120m, most of which is expected to be charged to profit in Q4.
- Sinch presented preliminary financial results and the impairment of goodwill related to Q3 2022 on 20 October.

Invitation to webcast and phone conference

Sinch will present the interim report in a webcast and phone conference on Wednesday, 2 November at 14:00 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

Three priorities

Over the past few years, we have transformed Sinch from a regional contender to a global leader in our field. More than 150,000 businesses use our best-of-breed product set to engage with their customers across mobile messaging, voice and email, and we continue to invest in advanced software applications that enable a superior digital customer experience.

Despite these advances, the past year brought several setbacks both in our operating performance and the market environment. We saw costs grow faster than revenues, causing margins to erode compared to our historical performance.

This July, I stepped back into the CEO role with a clear mission to guide Sinch back to long-term, profitable growth. We should focus on three clear priorities: cost control, cash flow, and growth. I am glad that we can now report early progress across all three areas.

When reporting Q2, we announced a cost reduction plan targeting gross savings of SEK 300m in our Messaging segment and central functions. We expect this to yield results starting early 2023, but it is encouraging to see costs are already flattening in the current quarter. One part of this work has been the reorganization of our Applications business where we have identified synergies in product development, simplified our Go To Market model, and reduced overhead. General initiatives to reduce costs include thorough oversight of non-personnel expenses, reduced use of consultants and a strict C-level approval process for new hiring.

Improving our cash flow is a second key focus area. We have intensified our work with cash collection and have implemented several process improvements. Cash flow is strong with cash flow from operating activities at SEK 727m in Q3 and SEK 1,535m for the first 9 months. Our accounts receivable have decreased by more than SEK 200m compared to Q2 and healthy overall cash generation means that net debt in Q3 is lower than in Q2.

Growth is our third prioritized focus area. The acquisitions we closed in late 2021 expanded both our product and Go To Market capabilities. We now have teams covering enterprise customers, channel partners, developers and SMBs. In Q3, we signed 47 new enterprise deals in Messaging and added 4,300 SMB self sign-up customers in the US alone.



Organic performance is much better than in Q2 with 13 percent organic growth in revenues and 8 percent higher organic gross profit than the same period last year. The same is true looking at a like-for-like, pro forma basis where revenues in local currencies are 10 percent higher and gross profit is 6 percent higher than in Q3 2021.

It is also very encouraging that we again see rising Adjusted EBITDA on a pro forma basis, where all acquired units are included in both Q3 2021 and Q3 2022.

There is tremendous potential to create value in our business. Our products help businesses engage with their customers in efficient and appreciated ways, using cloud-based tools that scale to handle billions of transactions.

Our financial results show that we are making progress with higher margins and improved growth in both revenue and gross profit. We still need to deliver on our cost reduction program, and be prepared for that a tougher economic environment could weigh down performance ahead. With those caveats – and recognizing the hard work contributed by colleagues across the globe – I believe we are off to a good start.

Stockholm, 2 November 2022

Johan Hedberg
President and Chief Executive Officer (interim)

Sinch overview

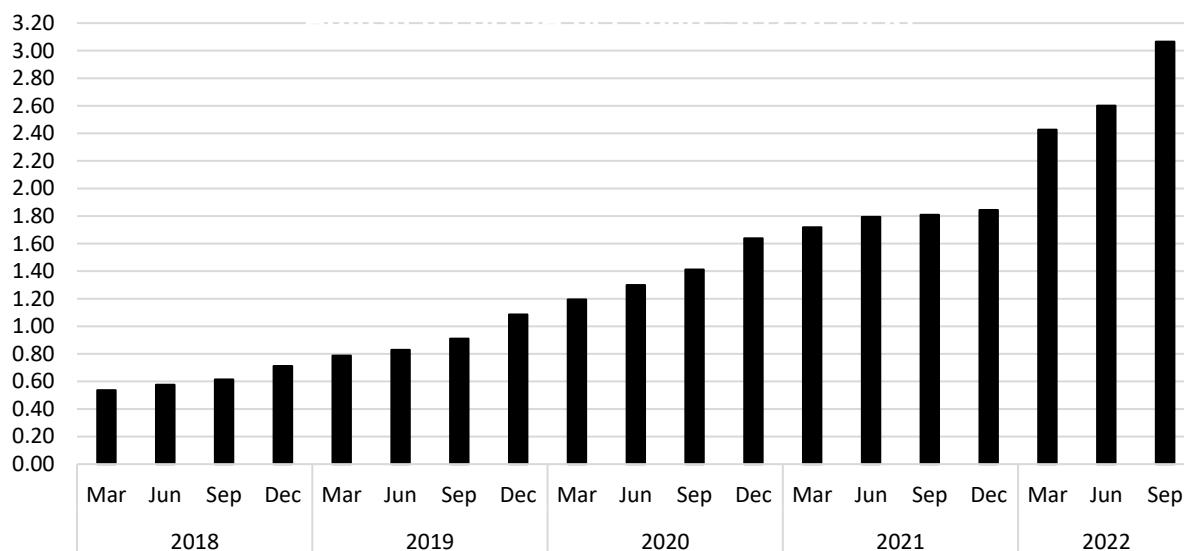
For a list and definitions of financial measurements defined or not defined under IFRS and for operational measurements, please refer to page 32.

Sinch Group, SEKm	Q3 2022	Q3 2021	Jan-Sep 2022	Jan-Sep 2021	2021	R12M
Net sales	7,196	3,938	20,361	10,970	16,177	25,568
Gross profit	2,361	896	6,394	2,585	3,933	7,742
Gross margin	33%	23%	31%	24%	24%	30%
EBITDA	808	157	1,984	501	831	2,314
EBITDA margin	11%	4%	10%	5%	5%	9%
Adjusted EBITDA ¹	901	298	2,165	851	1,322	2,636
Adjusted EBITDA margin	13%	8%	11%	8%	8%	10%
Adjusted EBITDA/gross profit	38%	33%	34%	33%	34%	34%
EBIT	-4,815	25	-4,769	170	158	-4,781
EBIT margin	-67%	1%	-23%	2%	1%	-19%
Adjusted EBIT ¹	774	270	1,811	768	1,161	2,213
Adjusted EBIT margin	11%	7%	9%	7%	7%	9%
Profit or loss for the period	-4,765	266	-4,717	454	908	-4,264
Cash flow from (-used in) operating activities	727	-491	1,535	-143	329	2,007
Net debt (+) / Net cash (-)	10,258	-10,879	10,258	-10,879	10,658	10,258
Net debt/pro forma Adjusted EBITDA R12M, multiple ²	3.2	-8.8	3.2	-8.8	2.9	3.2
Equity ratio	60%	79%	60%	79%	60%	60%
Adjusted EBITDA/share, SEK	1.04	0.39	2.50	1.16	1.84	3.07
Diluted earnings per share for the period, SEK	-5.48	0.36	-5.44	0.62	1.26	-4.96
Average number of employees	3,635	1,892	3,576	1,775	1,937	3,288
Average number of employees including consultants	4,351	2,349	4,303	2,202	2,364	3,974

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

2) Adjusted EBITDA R12M is measured on a pro forma basis, includes contributions from acquired entities during the past 12 months and excludes IFRS 16-related lease liabilities. See page 8 for comments.

Adjusted EBITDA per share³, R12M (SEK)



3) 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) aimed at clarifying performance in underlying operations. The chart above shows the development of this APM over time.

Quarterly summary

Adjusted EBITDA and Adjusted EBIT are reported below to clarify performance in underlying operations. See Note 2 for more information. Comments regarding the updated historical segment breakdown are provided on page 20.

	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
	2020	2020	2021	2021	2021	2021	2022	2022	2022
Net sales, SEKm									
Messaging	-	-	3,302	3,640	3,884	4,540	4,392	4,318	4,698
Voice	-	-	48	42	53	339	1,400	1,485	1,624
Email	-	-	-	-	-	81	330	358	400
SMB	-	-	-	-	-	247	427	454	474
Total	1,778	2,999	3,350	3,682	3,938	5,207	6,550	6,615	7,196
Gross profit, SEKm									
Messaging	-	-	808	848	875	975	896	715	1,004
Voice	-	-	12	21	21	162	681	685	767
Email	-	-	-	-	-	64	246	260	292
SMB	-	-	-	-	-	147	273	277	299
Total	481	796	820	869	896	1,348	2,096	1,937	2,361
Gross margin									
Messaging	-	-	24%	23%	23%	21%	20%	17%	21%
Voice	-	-	25%	50%	39%	48%	49%	46%	47%
Email	-	-	-	-	-	79%	74%	73%	73%
SMB	-	-	-	-	-	59%	64%	61%	63%
Total	27%	27%	24%	24%	23%	26%	32%	29%	33%
EBITDA, SEKm									
Messaging	-	-	305	317	311	434	250	86	306
Voice	-	-	-6	-10	-6	45	335	312	378
Email	-	-	-	-	-	36	116	122	141
SMB	-	-	-	-	-	70	126	112	122
Other	-	-	-106	-155	-148	-255	-178	-103	-140
EBITDA, total	215	179	192	152	157	330	648	528	808
EBITDA margin	12%	6%	6%	4%	4%	6%	10%	8%	11%
Adjusted EBITDA, SEKm									
Messaging	-	-	348	382	388	448	267	55	326
Voice	-	-	-6	-10	-6	52	343	318	389
Email	-	-	-	-	-	36	126	131	155
SMB	-	-	-	-	-	65	137	125	148
Other	-	-	-73	-89	-83	-130	-112	-127	-117
Adjusted EBITDA, total	234	378	269	284	298	471	761	503	901
Adjusted EBITDA margin	13%	13%	8%	8%	8%	9%	12%	8%	13%
Adjusted EBITDA/gross profit	49%	48%	33%	33%	33%	35%	36%	26%	38%
Adjusted EBITDA/share, SEK	0.39	0.60	0.41	0.41	0.39	0.61	0.96	0.61	1.04

	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
EBITDA adjustments, SEKm (Note 2)	2020	2020	2021	2021	2021	2021	2022	2022	2022
Acquisition costs	-69	-33	-17	-24	-24	-101	-42	1	-5
Restructuring costs	-	-	-	-	-	-	-	-	-18
Adjusted earnout	61	-27	-	-	-	-	-	-	-
Integration costs	-3	-75	-31	-75	-59	-66	-59	-66	-61
Costs of share-based incentive programs	-4	-33	-29	-18	-45	-15	-17	-27	-42
Operational foreign exchange gains/losses	-5	-19	0	-15	-14	29	5	117	37
Other adjustments	-	-11	-1	-	-	11	-	-	-3
Total EBITDA adjustments	-19	-199	-76	-132	-142	-141	-113	25	-93
Amortization of acquisition-related assets	-44	-66	-70	-75	-103	-264	-441	-464	-497
Impairment of goodwill	-	-	-	-	-	-	-	-	-5,000
Total EBIT adjustments	-64	-265	-146	-207	-245	-405	-553	-439	-5,590

July - September 2022

Net sales

Consolidated net sales grew in the quarter by 83 percent to SEK 7,196m (3,938).

Organic growth, in local currency and excluding acquisitions, was 13 percent, generated primarily in the Messaging business, as the bulk of Sinch's other business areas was acquired in Q4 2021. Overall, organic growth is showing a decrease compared to 2021, but is higher than in Q2 2022. Although price negotiations with one of Sinch's largest customers that were finalized in Q2 are still having adverse impact on growth, growth has improved in India, a region with weaker financial outcomes in previous quarters.

Inteliquent, MessageMedia, Pathwire and MessengerPeople, all acquired in 2021, contributed 61 percent to net sales growth. Inteliquent contributed SEK 1,500m, MessageMedia SEK 474m, Pathwire SEK 400m and MessengerPeople SEK 18m. Combined, acquired entities contributed 33 percent of consolidated net sales in Q3.

Growth was positively affected during the quarter by the depreciation of the Swedish krona (SEK), primarily against USD. The Group has significant revenues in foreign currency and if exchange rates had been the same in the corresponding quarter in the preceding calendar year as in the current quarter, the revenue increase would have been about SEK 368m lower. The positive currency effect on consolidated net sales was thus 9 percent.

On a pro forma basis, calculated as if all acquired entities were consolidated as of 1 January 2021, net sales in Q3 increased by 10 percent in local currency.

Gross profit

Consolidated gross profit rose during the quarter by 164 percent to SEK 2,361m (896).

Organic gross profit growth, in local currency and excluding acquisitions, was 8 percent. This is an improvement compared to Q2 2022 but a deterioration compared to Q3 in the preceding year, when organic gross profit growth was 20 percent.

The primary reasons that organic gross profit growth was lower than in Q3 2021 are lower net sales growth and a weaker gross margin following price negotiations with one of Sinch's largest customers in Q2 2022.

Profit generated by acquired businesses contributed 147 percent to gross profit growth. Inteliquent contributed SEK 705m, MessageMedia SEK 299m, Pathwire SEK 292m and MessengerPeople SEK 17m.

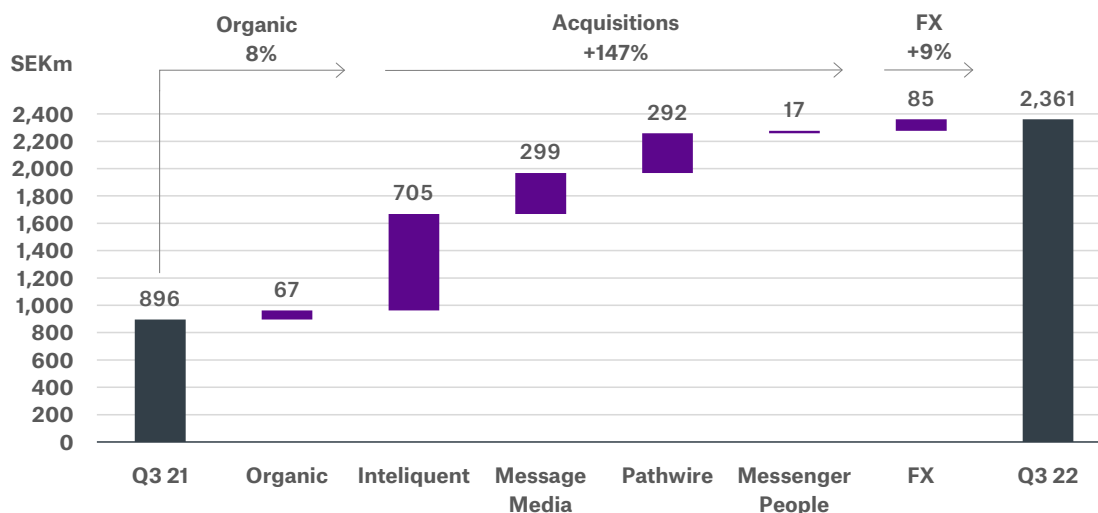
The currency tailwind was 9 percent for the quarter, corresponding to SEK 85m.

The gross margin was 33 percent (23). The acquisitions closed in the last 12 months have improved the gross margin by 11 percentage points.

Excluding the acquisitions, the gross margin fell by about 1 percentage point compared to Q3 2021. The price changes implemented for one of our larger customers in Q2 2022 continued to have negative impact on the gross margin in Q3. We are experiencing a less favorable macroeconomic environment of higher inflation and price pressure, which is having some negative impact on the gross margin in Messaging, particularly in Brazil.

On a pro forma basis, calculated as if all acquired entities were consolidated as of 1 January 2021, gross profit in Q3 increased by 6 percent in local currency compared to Q3 2021.

Change in consolidated gross profit, Q3 2021 - Q3 2022



EBITDA

Consolidated EBITDA increased by 416 percent to SEK 808m (157).

Compared to the same period last year, the acquisitions closed in Q4 2021 had positive impact on EBITDA. The acquisitions combined contributed SEK 602m in Q3.

The consolidated EBITDA margin was 11 percent (4).

EBITDA was positively 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 during the corresponding quarter in the preceding calendar year, EBITDA would have been SEK 73m lower.

Increased operating costs compared to the same period in 2021 are attributable to acquisitions. Employee benefits expenses account for the largest share of these operating costs. Costs increased compared to Q2 2022 due to a weaker Swedish krona and lower operational currency gains, while the underlying cost base in local currency has decreased slightly.

EBITDA adjustments¹ are intended to clarify performance in underlying operations. These adjustments decreased compared to the same period last year and total Adjusted EBITDA is SEK 93m (142) higher than EBITDA for the quarter. The adjustments include integration costs of SEK -61m (-59), costs of share-based incentive programs of SEK -42m (-45), restructuring costs of SEK -18m (-) and operational foreign exchange gains of SEK 37m (-14). See the quarterly summary and Note 2 for more information.

Consequently, Adjusted EBITDA amounted to SEK 901m (298), a 202 percent increase compared to the same period in the preceding year.

If exchange rates had been the same during the quarter as during the corresponding quarter in 2021, Adjusted EBITDA would have been SEK 36m lower.

The Adjusted EBITDA margin was 13 percent (8).

The Group has a financial target to achieve growth of Adjusted EBITDA per share of 20 percent on an annual basis. Adjusted EBITDA per share was SEK 1.04 (0.39) for the quarter and SEK 3.07 (1.68) for the rolling twelve months, an increase of 83 percent R12M. Adjusted EBITDA/gross profit was 38 percent (33) for the quarter.

EBIT

EBIT amounted to SEK -4,815m (25).

Acquisition-related amortization and impairment of goodwill, which do not affect cash flow, reduced EBIT by SEK -497m (-103) and SEK -5,000m, respectively. The amortization arose mainly from systematic amortization of acquired customer relationships, trademarks, operator relationships and acquired software. See Note 5. More information about the goodwill impairment is also provided in Note 5.

Adjusted EBIT (EBIT excluding EBITDA adjustments and amortization of acquisition-related assets¹) amounted to SEK 774m (270).

Cost reduction program

Sinch communicated the cost reduction program in conjunction with the Q2 report and provided additional details in October 2022. The program was launched to safeguard financial performance and ensure that Sinch meets the financial target to grow Adjusted EBITDA per share by 20 percent per year.

The objective of the program is to reduce operating costs in the Messaging segment and central functions by about 10 percent and achieve total gross savings of at least SEK 300m on an annual basis.

Gains from the program will be realized gradually. One third of the effect is expected to be attained as of Q1 2023, with full effect expected from Q3 2023.

Savings will be achieved through a combination of reduced consultancy costs, lower non-personnel related expenses and reductions in force. The RIF will occur through natural attrition and downsizing in several geographical locations. About 150 people will be affected by the RIF.

Total restructuring costs, mainly relating to the RIF, are estimated at about SEK 120m, most of which will impact profit in Q4 as a non-recurring cost.

Restructuring costs of SEK 18m reduced profit in Q3 in the Messaging and Other segments.

Other income and expense items

Net finance income was SEK 141m (276), including interest expenses of SEK -63m (-16) and foreign exchange differences of SEK 234m (295). The net loss for the period was SEK -4,765m (266).

Investments

Net investments in property, plant and equipment and intangible assets amounted to SEK 168m (38). The increase is mainly attributable to net investments in acquired entities.

The investments include capitalized development expenditure of SEK 99m (21).

Cash flow

Cash flow before the change in working capital amounted to SEK 516m (244). Cash flow was reduced by tax paid of SEK -112m (-30) and interest expenses paid of SEK -51m (-12).

Cash flow from operating activities amounted to SEK 727m (-491) and was increased by the total change in working capital of SEK 211m (-735). Working capital was increased by the reduction in accounts receivables, which were also affected by higher sales and currency movements.

Cash used in investing activities was SEK -175m (-14) and was affected by net investments of SEK -168m (-38).

Cash used in financing activities was SEK -85m (-4) for the

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

period, where the change in borrowings contributed SEK -55m (-37). Net cash for the period amounted to SEK 467m (-510).

Employees

At the end of the quarter, the Group employed 4,328 (2,424) people, including consultants, a decrease from the end of Q2 2022, when the Group employed 4,399 people including consultants. The average number of employees and consultants for the quarter was 4,351 (2,349). The average number of employees was 3,635 (1,892), of whom 30 percent (28) women.

January - September 2022

Net sales

Consolidated net sales grew in the period by 86 percent to SEK 20,361m (10,970). Organic growth, in local currency and excluding acquisitions, was 15 percent.

Gross profit

Gross profit increased during the period by 147 percent to SEK 6,394m (2,585). Organic gross profit growth, in local currency and excluding acquisitions, was -5 percent. Excluding the reassessment in Q2 2022 of reserves for accrued traffic costs in Messaging amounting to SEK 162m, organic growth was 6 percent.

The gross margin was 31 percent (24).

EBITDA

EBITDA amounted to SEK 1,984m (501). Adjusted EBITDA amounted to SEK 2,165m (851).

EBIT

EBIT amounted to SEK -4,769m (170) and was reduced by the goodwill impairment of SEK -5,000m. See Note 5. Adjusted EBIT was SEK 1,811m (768).

Other income and expense items

Net finance income was SEK 160m (424), including interest expenses of SEK -180m (-44) and foreign exchange differences of SEK 383m (481). The Group's effective tax rate was -2 percent (24). Excluding goodwill impairment, the Group's effective tax rate is 28 percent. The loss for the period amounted to SEK -4,717m (454).

Investments

Net investments in property, plant and equipment and intangible assets amounted to SEK 459m (103). The change is primarily an effect of higher net investments in acquired companies. The investments include capitalized

development expenditure of SEK 270m (61). The change in goodwill for the year includes an impairment of SEK -5,000m and a currency effect of SEK 4,710m.

Cash flow, liquidity and financial position

Cash flow before the change in working capital amounted to SEK 1,171m (691), which was affected by tax paid of SEK -398m (-127) and interest expenses paid of SEK -160m (-34).

Cash flow from operating activities amounted to SEK 1,535m (-143) and was affected by the change in working capital of SEK 364m (-835).

Cash used in investing activities was SEK -511m (-766) and was affected by net investments of SEK -460m (-103).

Cash used in financing activities was SEK -898m (9,308) for the period where the change in borrowings contributed SEK -855m (-130).

Consolidated cash and cash equivalents as of 30 September 2022 amounted to SEK 2,012m (11,933).

Net debt amounted to SEK 10,258m (-10,879), including IFRS 16-related lease liabilities of SEK 957m (46). 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). On a pro forma basis and excluding IFRS 16-related lease liabilities, net debt in relation to pro forma Adjusted EBITDA R12M amounted to 3.2x.

As of 30 September 2022, Sinch had utilized loan and credit facilities of SEK 10,559m (270) in total. Existing credit facilities that mature in February 2025 amount to SEK 8,947m and of that amount SEK 7,559m had been utilized as of 30 September 2022. Sinch also has SEK 3,000m in utilized loans that have been extended during the quarter and are now due in 2024. In addition, issued senior unsecured bonds amounted to SEK 750m (750). Available bank overdraft facilities amounted to SEK 934m (200), of which SEK 0m (-) has been utilized as of 30 September 2022.

A non-cash issue was executed in 2022 through the issue of shares at a total quotient (par) value of SEK 618k, which refers to the acquisitions of Pathwire and MessageMedia. The acquisitions closed in 2021, and in 2022 Sinch issued 51,000,000 shares in relation to the acquisition of Pathwire and 10,803,010 shares related to the acquisition of MessageMedia as part of the consideration. See Note 6. Shares were also issued in relation to exercise of warrants under the Group's incentive programs. See Note 4.

Equity at 30 September 2022 amounted to SEK 36,558m (19,628), corresponding to an equity ratio of 60 percent (79).

Messaging

Businesses use the Sinch cloud communications platform to reach their customers directly on their phones via SMS and next-generation messaging technologies like WhatsApp and RCS. The Messaging segment also includes advanced interactive communication software and solutions for mobile operators.

Messaging, SEKm	Q3	Q3	Jan-Sep	Jan-Sep	2021	R12M
	2022	2021	2022	2021		
Net sales	4,698	3,884	13,409	10,826	15,366	17,949
Gross profit	1,004	875	2,615	2,531	3,506	3,590
Gross margin	21%	23%	19%	23%	23%	20%
EBITDA	306	311	642	933	1,367	1,076
EBITDA margin	7%	8%	5%	9%	9%	6%
Adjusted EBITDA	326	388	649	1,118	1,567	1,098
Adjusted EBITDA margin	7%	10%	5%	10%	10%	6%
Adjusted EBITDA/gross profit	32%	44%	25%	44%	45%	31%

Significant events

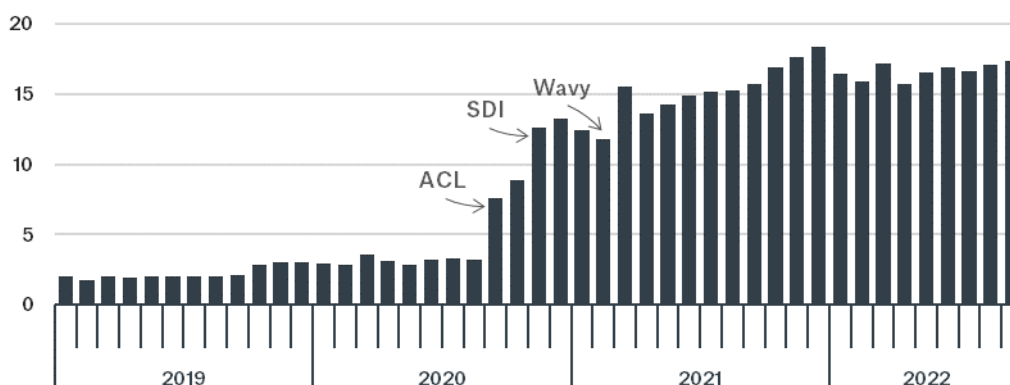
- Agreements were closed during the quarter with 47 new large business customers in the segment. The corresponding figure for the year to date is 118.
- The functionality of the Sinch Conversation API was enhanced in October to include support for KakaoTalk, the leading messaging app in South Korea with more than 53 million users. Conversation API offers businesses a single and scalable API to engage with their customers via SMS, MMS, RCS, WhatsApp, Instagram, Apple Messages for Business, Messenger, WeChat, Line, Viber, Telegram, KakaoTalk, push notifications and webchat.
- Business Unit Applications, which is included in the segment, has been reorganized within the framework of the previously communicated cost reduction program. Please visit investors.sinch.com for more information.

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 extract 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 to manage rising traffic volumes, comply with stricter regulatory standards related to data processing, add more direct connections to mobile operators and increase the degree of automation in customer and support systems.

Transaction volume

Transaction volume in Q3 rose by 11 percent compared to the same quarter last year and Sinch handled slightly over 17 billion messages in September. Growth in traffic volumes compared to the same quarter last year was affected by reduced volumes of low-margin traffic. The chart below does not include volumes to customers in the SMB segment.

Number of messages per month (billions)



Net sales

Net sales grew during the quarter by SEK 814m to SEK 4,698m (3,884), an increase of 21 percent compared to Q3 2021. Of this increase, 0 percentage points are attributable to acquisitions and 9 percentage point to currency movements. Organic growth in local currency was 11 percent. The acquired MessengerPeople contributed SEK 18m to net sales.

Operations within Messaging are oriented primarily towards large businesses and channel partners. Increased transaction volumes and new customer acquisition have positive impact on organic growth in this business while the previously communicated price changes applicable to one of Sinch's largest customers have had adverse impact on net sales.

Gross profit

Gross profit increased during the quarter to SEK 1,004m (875), an increase of 15 percent compared to the same quarter in the preceding year. Acquisitions increased gross profit by 2 percent and currency movements had positive effect of 9 percent. Organic growth in local currency was 4 percent. The acquired MessengerPeople contributed SEK 17m to gross profit.

The gross margin was 21 percent (23) for the quarter. Compared to the same period in the preceding year, the gross margin was adversely affected by price adjustments applied to one of Sinch's largest customers.

EBITDA

EBITDA in Q3 was SEK 306m (311). The acquisition of MessengerPeople contributed SEK 2m (0). The EBITDA margin was 7 percent (8) for the segment. The margin in Messaging was adversely affected by higher costs, primarily attributable to an increase in the workforce in autumn 2021 and wage inflation in spring 2022. The cost reduction program announced in July is aimed at reducing the total cost base in the segment and in central functions by 10 percent (see page 7). EBITDA in Q3 was reduced by restructuring costs of SEK -15m (0) related to the cost reduction program.

Adjusted EBITDA amounted to SEK 326m (388). MessengerPeople contributed SEK 4m. The Adjusted EBITDA margin fell for the same reasons as the EBITDA margin to 7 percent (10). See above. The largest adjustment items were operational foreign exchange gains/losses of SEK 39m (-7) and integration costs of SEK -24m (-29). See Note 2 for more information.

Voice

Sinch voice communications services make it possible for business customers, service providers and telecom operators to handle large volumes of voice calls, phone numbers and emergency calls with no need for costly investments in infrastructure. The backbone of the offering is the Sinch Super Network for voice calls, which reaches 95 percent of the US population and handles more than 300 billion voice minutes per year.

Voice, SEKm	Q3	Q3	Jan-Sep	Jan-Sep	2021	R12M
	2022	2021	2022	2021		
Net sales	1,624	53	4,509	144	483	4,847
Gross profit	767	21	2,133	54	217	2,296
Gross margin	47%	39%	47%	38%	33%	33%
EBITDA	378	-6	1,024	-23	22	1,069
EBITDA margin	23%	-12%	23%	-16%	5%	22%
Adjusted EBITDA	389	-6	1,050	-22	29	1,101
Adjusted EBITDA margin	24%	-11%	23%	-16%	6%	23%
Adjusted EBITDA/gross profit	51%	-28%	49%	-41%	13%	48%

Significant events

- As part of its global expansion plan for the Sinch Super Network, the company created the option during the quarter to offer direct numbers in France. Sinch also obtained allocated numbers in three additional European countries. Sinch can now offer voice services for two-way calls in the UK and France without relying on third-party intermediaries.
- Sinch achieved a Net Promoter Score (NPS) of 73 for its Key Accounts in this year's customer satisfaction survey. The outstanding score represents a 14 percent improvement compared to last year.
- Sinch announced after the end of the quarter that the company has launched the first end-to-end real-time text (RTT) capability available in the US at a 911 call center in Texas, in partnership with T-Mobile. The service, delivered through the company's innovative NG911 solution, makes it possible for both parties to exchange text messages.

Net sales

Net sales increased during the quarter to SEK 1,624m (53), of which Inteliquent contributed SEK 1,500m (0).

On a pro forma basis, calculated as if Inteliquent were consolidated as of 1 January 2021, net sales increased by 23 percent compared to Q3 in the preceding year. Corresponding growth in local currencies was 2 percent. Growth was hampered by the previously communicated regulation of charges for American toll-free numbers (the 8YY Access Charge Reform). A new, minor step in the reform occurred in July, which has exacerbated the negative impact compared to the preceding quarter but mitigated it compared to Q3 2021. Good demand for the Sinch offering in number verification, where voice calls are one of several products in a coordinated product set, had positive impact on growth.

Gross profit

Gross profit increased during the quarter to SEK 767m (21), of which Inteliquent contributed SEK 705m (0). The gross margin was 47 percent (39) for the quarter.

On a pro forma basis, calculated as if Inteliquent were consolidated as of 1 January 2021, gross profit growth was 25 percent in Q3 compared to the same quarter in the preceding year. Corresponding growth in local currency was 3 percent. Regulation of the American toll-free call market, the 8YY Access Charge Reform, reduced gross profit growth by -5 percent in Q3.

EBITDA

EBITDA in Q3 was SEK 378m (-6). The acquisition of Inteliquent contributed SEK 337m (0), corresponding to an EBITDA margin of 23 percent (-12).

Adjusted EBITDA was SEK 389m (-6), where the acquisition of Inteliquent contributed SEK 348m (0), corresponding to an EBITDA margin of 24 percent (-11).

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	Q3	Q3	Jan-Sep	Jan-Sep	2021	R12M
	2022	2021	2022	2021		
Net sales	400	-	1,089	-	81	1,170
Gross profit	292	-	798	-	64	861
Gross margin	73%	-	73%	-	79%	74%
EBITDA	141	-	379	-	36	415
EBITDA margin	35%	-	35%	-	44%	35%
Adjusted EBITDA	155	-	412	-	36	449
Adjusted EBITDA margin	39%	-	38%	-	45%	38%
Adjusted EBITDA/gross profit	53%	-	52%	-	57%	52%

The product set 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 swiftly and easily integrate email services in customer communications.

Significant events

- The number of emails rose during the quarter by 20 percent compared to the same quarter last year.
- Several product enhancements were launched during the quarter, including drag-and-drop functionality in Mailgun and email preview in Mailjet.
- "Email Camp," a virtual user conference held in September, attracted 3,600 participants.
- To reduce costs and increase gross margins, Email operations have switched providers of cloud infrastructure services. During the quarter, the migration to the new supplier has successfully been concluded in the US, but has not yet been completed in Europe.

Net sales

Net sales for Q3 amounted to SEK 400m (-). All revenues are attributable to the acquisition of Pathwire that closed on 7 December 2021.

On a pro forma basis, calculated as if Pathwire were consolidated as of 1 January 2021, net sales increased by 43 percent in Q3. Corresponding growth in local currencies was 22 percent. Growth is driven primarily by new customer intake and volume growth.

Gross profit

Gross profit was SEK 292m (-) for Q3. The gross margin was 73 percent (-) for the quarter.

On a pro forma basis, calculated as if Pathwire were consolidated as of 1 January 2021, gross profit increased by 37 percent in Q3. Corresponding growth in local currencies was 17 percent.

The cost of goods and services sold in the Email segment consists mainly of costs for cloud infrastructure services and employee benefits expenses. This differs from Messaging, where the cost of goods and services sold consists of termination costs to mobile operators. Investments in services and human resources aimed at reducing long-term production costs have had adverse impact on the gross margin in Email during the year.

EBITDA

EBITDA was SEK 141m (-) in Q3. Adjusted EBITDA amounted to SEK 155m (-). The EBITDA margin was 35 percent (-) and the Adjusted EBITDA margin was 39 percent (-).

SMB

The segment offers easy-to-use turnkey solutions that make it a sinch for small and medium-sized businesses to use messaging services provided by well-established brands including MessageMedia, SimpleTexting and ClickSend.

SMB, SEKm	Q3	Q3	Jan-Sep	Jan-Sep	2021	R12M
	2022	2021	2022	2021		
Net sales	474	-	1,355	-	247	1,602
Gross profit	299	-	849	-	147	995
Gross margin	63%	-	63%	-	59%	62%
EBITDA	122	-	360	-	70	430
EBITDA margin	26%	-	27%	-	28%	27%
Adjusted EBITDA	148	-	410	-	65	475
Adjusted EBITDA margin	31%	-	30%	-	26%	30%
Adjusted EBITDA/gross profit	49%	-	48%	-	45%	48%

Significant events

- Approximately 7,500 new customers began using Sinch's services during the quarter, including about 4,300 in the US.
- A program that gave business customers early access to the recently launched multi-channel inbox in the MessageMedia platform was launched in Q3. The functionality is based on the Sinch Conversation API and gives businesses the capability to engage with their customers across various channels including SMS, Facebook, Instagram, WhatsApp and Google My Business through an easy-to-use shared inbox.

A comprehensive project is ongoing to integrate SimpleTexting in MessageMedia's shared SMB platform. The project is expected to be completed around year-end 2023 or shortly thereafter.

Net sales

Net sales were SEK 474m (0) for Q3.

On a pro forma basis, calculated as if MessageMedia were consolidated as of 1 January 2021, net sales increased by 26 percent in Q3. Corresponding growth in local currencies was 9 percent, which was lower than in the preceding quarter due to soft performance in Australia and reduced traffic volumes from Covid-related use cases. Development in North America remains strong for MessageMedia, SimpleTexting and ClickSend.

Gross profit

Gross profit for the quarter was SEK 299m (0) and arose from the acquisition of MessageMedia. The gross margin was 63 percent.

On a pro forma basis, calculated as if MessageMedia were consolidated as of 1 January 2021, gross profit increased by 29 percent in Q3. Corresponding growth in local currencies was 11 percent and was higher than net sales growth due to faster growth in the US.

EBITDA

EBITDA was SEK 122m (-) for the quarter. Adjusted EBITDA amounted to SEK 148m (-). The EBITDA margin was 26 percent (-) and the Adjusted EBITDA margin was 31 percent (-).

Other

The costs of central functions and group-wide costs are reported within Other.

Other, SEKm	Q3 2022	Q3 2021	Jan-Sep 2022	Jan-Sep 2021	2021	R12M
EBITDA	-140	-148	-421	-409	-664	-677
Adjusted EBITDA	-117	-83	-356	-245	-375	-487

The segment includes certain group-wide costs formerly categorized in the Messaging segment.

EBITDA

EBITDA amounted to SEK -140m (-148) and consisted mainly of employee related expenses in Finance, HR, IT, certain parts of research and development, and rental costs.

Integration costs were the largest adjustment item at SEK -11m (-30). Restructuring costs of SEK 3m (0) related to the cost reduction program were also charged to Other. See Note 2 for more information.

Adjusted EBITDA amounted to SEK -117m (-83).

Income statement

Sinch Group, SEKm	Note	Q3		Jan-Sep		R12M	
		2022	2021	2022	2021	2021	
Net sales		7,196	3,938	20,361	10,970	16,177	25,568
Cost of goods and services sold		-4,835	-3,042	-13,966	-8,385	-12,244	-17,826
Gross profit		2,361	896	6,394	2,585	3,933	7,742
Other operating income		226	46	505	103	192	594
Work performed by the entity and capitalized		99	21	270	61	98	306
Other external services		-591	-270	-1,779	-801	-1,306	-2,283
Employee benefits expenses		-1,144	-460	-3,085	-1,278	-1,837	-3,644
Other operating costs		-143	-77	-321	-169	-249	-401
EBITDA		808	157	1,984	501	831	2,314
Depreciation and amortization	5	-5,623	-132	-6,753	-331	-673	-7,095
EBIT		-4,815	25	-4,769	170	158	-4,781
Finance income		922	366	2,836	1,022	2,393	4,208
Finance costs		-780	-90	-2,676	-598	-1,354	-3,433
Profit or loss before tax		-4,673	301	-4,609	594	1,197	-4,006
Current tax		-236	-95	-633	-150	-378	-861
Deferred tax		144	60	525	10	89	603
Profit or loss for the period		-4,765	266	-4,717	454	908	-4,264
Attributable to:							
Owners of the parent		-4,765	266	-4,717	454	907	-4,264
Non-controlling interests		0	0	0	0	0	1

Earnings per share

Sinch Group, SEK	Q3		Jan-Sep		R12M	
	2022	2021	2022	2021	2021	
- Basic	-5.69	0.37	-5.81	0.63	1.29	-5.35
- Diluted	-5.48	0.36	-5.44	0.62	1.27	-4.96

Statement of comprehensive income

Sinch Group, SEKm	Q3		Jan-Sep		R12M	
	2022	2021	2022	2021	2021	
Profit or loss for the period	-4,765	266	-4,717	454	908	-4,264
Other comprehensive income or loss						
Items that may subsequently be reclassified to profit or loss for the period						
Translation differences	2,321	127	7,022	127	553	7,447
Hedge accounting net investment ¹	-	63	-	124	44	-80
Tax effect of items in other comprehensive income ¹	-	-13	-	-26	-19	7
Other comprehensive income or loss for the period	2,321	178	7,022	226	578	7,374
Comprehensive income or loss for the period	-2,444	444	2,305	680	1,485	3,110
Attributable to:						
Owners of the parent	-2,444	444	2,305	680	1,486	3,110
Non-controlling interests	0	0	0	0	0	-1

¹Hedge accounting with associated tax effect is reclassified for 2022 to translation differences in accordance with the definition for net investment.

Balance sheet

Sinch Group, SEKm	Note	30 Sep 2022	30 Sep 2021	31 Dec 2021
ASSETS				
Non-current assets				
Goodwill		27,130	5,546	27,143
Customer relationships		15,832	1,669	13,966
Operator relationships		297	181	285
Proprietary software		5,653	369	5,080
Other intangible assets		1,283	18	944
Property, plant and equipment		897	102	707
Right-of-use assets		943	54	900
Financial assets		81	17	62
Deferred tax assets		1,090	537	825
Total non-current assets		53,205	8,495	49,912
Current assets				
Accounts receivables	7	4,311	2,378	3,870
Tax assets		257	124	198
Other current receivables		349	215	298
Accrued income and prepaid expenses	8	902	1,695	932
Cash and cash equivalents		2,012	11,934	1,871
Total current assets		7,831	16,346	7,169
TOTAL ASSETS		61,036	24,841	57,081
EQUITY AND LIABILITIES				
Equity				
Share capital		8	6	8
Other capital contributions		32,186	18,429	31,988
Reserves		7,200	-117	178
Retained earnings including profit for the year		-2,838	1,310	1,879
Equity attributable to owners of the parent	4	36,557	19,628	34,053
Non-controlling interests		1	1	1
Total equity		36,558	19,628	34,053
Non-current liabilities				
Deferred tax liability		6,249	631	5,574
Non-current liabilities, interest-bearing		12,126	964	1,707
Non-current liabilities, non-interest-bearing		39	68	37
Total non-current liabilities		18,414	1,664	7,318
Current liabilities				
Contract liabilities/Advance payments from customers		24	36	40
Provisions		27	64	49
Accounts payable		1,218	1,098	1,424
Tax liability		624	234	325
Other current liabilities, interest-bearing		143	91	10,817
Other current liabilities, non-interest-bearing		314	258	217
Accrued expenses and prepaid income		3,713	1,768	2,837
Total current liabilities		6,064	3,549	15,709
TOTAL EQUITY AND LIABILITIES		61,036	24,841	57,081
Financial instruments measured at fair value				
Derivative instruments with positive value		0	0	19
Derivative instruments with negative value		15	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 2021 Annual Report.

Condensed statement of changes in equity

Sinch Group, SEKm	Attributable to owners of the parent					Non-controlling interests	Total equity
	Share capital	Other capital contributions	Reserves	Retained earnings	Total		
Opening balance 1 January 2021	6	6,934	-400	972	7,512	1	7,513
Profit or loss for the period				454	454		454
Other comprehensive income or loss			230		230	0	230
Share-based payments		85			85		85
Shares issued for warrants	0	92			92		92
Rights issue	1	11,279			11,280		11,280
Issue expenses, net of tax		-25			-25		-25
Closing balance 30 September 2021	7	18,364	-170	1,426	19,628	1	19,628
Opening balance 1 January 2022	7	31,988	178	1,879	34,053	1	34,053
Profit or loss for the period				-4,717	-4,717	0	-4,717
Other comprehensive income or loss			7,022		7,022	0	7,022
Share-based payments		117			117		117
Shares issued for warrants	0	91			91		91
Rights issue	1	-2 ¹			-1		-1
Issue expenses, net of tax		-8			-7		-7
Closing balance 30 September 2022	8	32,186	7,200	-2,838	36,557	1	36,558

¹Refers to adjustment related to 2021 acquisition.

Condensed statement of cash flows

Sinch Group, SEKm	Note	Q3	Q3	Jan-Sep	Jan-Sep	2021	R12M
		2022	2021	2022	2021		
Cash flow before changes in working capital		516	244	1,171	692	1,188	1,668
Change in working capital		211	-735	364	-834	-859	340
Cash flow from (-used in) operating activities		727	-491	1,535	-143	329	2,007
Net investments in property, plant and equipment and intangible assets		-168	-38	-460	-103	-178	-535
Change in financial receivables		0	1	-6	-1	-4	-9
Acquisition of Group companies	6	-7	22	-45	-661	-28,877	-28,261
Cash flow from (-used in) investing activities		-175	-14	-511	-765	-29,059	-28,805
Change in borrowings		-55	-37	-855	-130	10,533	9,808
Amortization lease liability		-43	-6	-126	-32	-55	-149
New issue/warrants	4	13	39	83	9,471	15,976	6,588
Cash flow from (-used in) financing activities		-85	-4	-898	9,308	26,454	16,248
Cash flow for the period		467	-510	126	8,400	-2,276	-10,550
Opening balance cash and cash equivalents for the period		1,470	12,264	1,871	3123	3,123	11,934
Exchange rate differences in cash and cash equivalents		75	179	15	410	1,024	628
Closing balance cash and cash equivalents for the period		2,012	11,934	2,012	11,934	1,871	2,012

*For the period Jan-Sep 2022, SEK 260 million has been reallocated between Change in borrowings and Exchange rate difference in cash and cash equivalents. The reallocation has not affected the third quarter.

Other disclosures

Sinch Group, SEKm	Q3 2022	Q3 2021	Jan-Sep 2022	Jan-Sep 2021	2021	R12M
Share information						
Basic earnings per share, SEK	-5.69	0.37	-5.81	0.63	1.29	-5.38
Diluted earnings per share, SEK	-5.48	0.36	-5.44	0.62	1.26	-4.99
Basic weighted average number of shares	838,146,468	725,603,080	812,552,149	719,607,612	700,923,800	797,605,357
Diluted weighted average number of shares	869,004,120	741,585,429	866,789,646	734,775,614	716,527,452	859,852,077
Total number of shares at the end of the period	838,452,248	727,163,370	838,452,248	727,163,370	768,568,748	838,452,248
Financial position						
Equity attributable to owners of the parent	36,557	19,627	36,557	19,627	34,053	36,557
Equity ratio	60%	79%	60%	79%	60%	60%
Net investments in property, plant and equipment and intangible assets	-168	-38	-460	-103	-178	-535
Cash and cash equivalents	2,012	11,934	2,012	11,934	1,871	2,012
Net debt (+) / Net cash (-)	10,258	-10,879	10,258	-10,879	10,658	10,258
Net debt/pro forma Adjusted EBITDA R12M, multiple	3.2	-8.8	3.2	-8.8	2.9	3.2
EBIT margin	3%	1%	1%	2%	1%	1%
EBITDA margin	12%	4%	10%	5%	5%	9%
Employee information						
Average FTEs	3,635	1,892	3,576	1,775	1,937	3,288
Average FTEs, women	1,085	530	1,068	497	551	982
Percentage female	30%	28%	30%	28%	28%	30%

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 Group's operating segments are Messaging, Voice, Email, SMB and Other. Items under EBITDA are not allocated to the segments.

From Q2 2022, the segment division reflects the new organization Sinch announced on 3 February 2022. Historical amounts according to the new segment division are presented from Q1 2021. Information for periods before 2021 is not available and is therefore not presented, in accordance with IFRS 8.29-30 In conjunction with Group's transition to the new segment reporting, the operating results of acquired entities are totaled using the cost center method of accounting, which differs somewhat from a legal view due to internal transactions.

Q3 2022, SEKm	Messaging	Voice	Email	SMB	Other	Group
External revenue	4,698	1,624	400	474	-	7,196
Net sales	4,698	1,624	400	474	-	7,196
Gross profit	1,004	767	292	299	-	2,361
EBITDA	306	378	141	122	-140	808
EBITDA adjustments ¹	-20	-11	-14	-25	-23	-93
Adjusted EBITDA	326	389	155	148	-117	901
Depreciation and amortization						-5,623
EBIT						-4,815
Net finance income						142
Profit or loss before tax						-4,673

Q3 2021, SEKm	Messaging	Voice	Email	SMB	Other	Group
External revenue	3,884	53	-	-	-	3,938
Net sales	3,884	53	-	-	-	3,938
Gross profit	875	21	-	-	-	896
EBITDA	311	-6	-	-	-148	157
EBITDA adjustments ¹	-77	-1	-	-	-65	-142
Adjusted EBITDA	388	-6	-	-	-83	298
Depreciation and amortization						-132
EBIT						25
Net finance income						276
Profit or loss before tax						301

Jan-Sep 2022, SEKm	Messaging	Voice	Email	SMB	Other	Group
External revenue	13,409	4,509	1,089	1,355	-	20,361
Net sales	13,409	4,509	1,089	1,355	-	20,361
Gross profit	2,615	2,133	798	849	-	6,394
EBITDA	642	1,024	379	360	-421	1,984
EBITDA adjustments ¹	-7	-26	-33	-50	-65	-181
Adjusted EBITDA	649	1,050	412	410	-356	2,165
Depreciation and amortization						-6,753
EBIT						-4,769
Net finance income						160
Profit or loss before tax						-4,609

1) See specifications in Note 2.

Jan-Sep 2021, SEKm	Messaging	Voice	Email	SMB	Other	Group
External revenue	10,826	144	-	-	-	10,970
Net sales	10,826	144	-	-	-	10,970
Gross profit	2,531	54	-	-	-	2,585
EBITDA	933	-23	-	-	-409	501
EBITDA adjustments ¹	-185	-1	-	-	-164	-350
Adjusted EBITDA	1,118	-22	-	-	-245	851
Depreciation and amortization						-331
EBIT						170
Net finance income						424
Profit or loss before tax						594

1) See specifications in Note 2.

Distribution of external net sales

Q3 2022, SEKm	Messaging	Voice	Email	SMB	Group
Net sales by customer region					
North America	1,902	1,558	191	150	3,801
Europe	1,490	36	146	47	1,719
Asia-Pacific	572	27	43	274	916
Latin America	342	1	11	1	354
Rest of the world	393	2	9	1	406
Total	4,698	1,624	400	474	7,196
Net sales by product/service					
Communication services	4,601	1,624	400	449	7,074
Initial software licenses and upgrades	26	-	-	-	26
Support	31	-	-	-	31
Other	40	-	-	24	65
Total	4,698	1,624	400	474	7,196
Net sales allocation per point in time					
Over time	669	1,490	325	33	2,518
At one point in time	4,029	134	75	440	4,678
Total	4,698	1,624	400	474	7,196

Notes: Net sales by customer region are based on the customer's domicile and not necessarily where traffic is generated or terminated. This means, for example, that a customer reported above within North America may generate revenues related to traffic sent from a European subsidiary to end customers in other parts of the world.

The US provides the largest contribution to North America. The largest contributing countries in Europe are the UK and France. The largest countries in the Asia-Pacific region are India and Australia. Brazil is the largest contributor in Latin America.

Certain countries reported under "Rest of the world" in previous quarters were transferred during the quarter to the regions, North America, Europe, Asia-Pacific and Latin America. Adjusted tables for Q1 2022 and Q2 2022 according to the new distribution are included below.

Q3 2021, SEKm	Messaging	Voice	Email	SMB	Group
Net sales by customer region					
North America	1,391	28	-	-	1,419
Europe	1,391	22	-	-	1,413
Asia-Pacific	370	7	-	-	374
Latin America	243	-	-	-	243
Rest of the world	490	-	-	-	490
Total	3,884	53	-	-	3,938
Net sales by product/service					
Communication services	3,792	53	-	-	3,845
Initial software licenses and upgrades	27	-	-	-	27
Support	22	-	-	-	22
Other	43	-	-	-	43
Total	3,884	53	-	-	3,938
Net sales allocation per point in time					
Over time	264	53	-	-	317
At one point in time	3,621	-	-	-	3,621
Total	3,884	53	-	-	3,938

Jan-Sep 2022, SEKm	Messaging	Voice	Email	SMB	Group
Net sales by customer region					
North America	5,584	4,355	522	401	10,862
Europe	4,228	80	387	123	4,818
Asia-Pacific	1,807	50	113	825	2,795
Latin America	964	2	40	2	1,007
Rest of the world	825	23	28	4	879
Total	13,409	4,509	1,089	1,355	20,361
Net sales by product/service					
Communication services	13,159	4,509	1,089	1,330	20,087
Initial software licenses and upgrades	84	-	-	-	84
Support	83	-	-	-	83
Other	83	-	-	24	107
Total	13,409	4,509	1,089	1,355	20,361
Net sales allocation per point in time					
Over time	1,929	4,237	885	91	7,143
At one point in time	11,479	272	204	1,263	13,218
Total	13,409	4,509	1,089	1,355	20,361

Jan-Sep 2021, SEKm	Messaging	Voice	Email	SMB	Group
Net sales by customer region					
North America	4,459	90	-	-	4,549
Europe	3,450	34	-	-	3,484
Asia-Pacific	1,102	20	-	-	1,122
Latin America	563	-	-	-	563
Rest of the world	1,252	-	-	-	1,252
Total	10,826	144	-	-	10,970
Net sales by product/service					
Communication services	10,554	144	-	-	10,697
Initial software licenses and upgrades	92	-	-	-	92
Support	71	-	-	-	71
Other	109	-	-	-	109
Total	10,826	144	-	-	10,970
Net sales allocation per point in time					
Over time	719	144	-	-	863
At one point in time	10,107	-	-	-	10,107
Total	10,826	144	-	-	10,970

Change in historical distribution per region

From Q3, certain countries reported under "Rest of the world" in previous quarters were transferred to the regions of North America, Europe, Asia-Pacific and Latin America. Adjusted tables for Q1 2022 and Q2 2022 according to the new distribution are shown below.

Jan-Jun 2022, SEKm	Messaging	Voice	Email	SMB	Group
Net sales by customer region					
North America	3,683	2,797	331	251	7,061
Europe	2,738	44	241	76	3,099
Asia-Pacific	1,235	23	70	550	1,879
Latin America	622	1	29	1	653
Rest of the world	432	20	19	3	473
Total	8,710	2,885	688	881	13,164

Jan-Mar 2022, SEKm	Messaging	Voice	Email	SMB	Group
Net sales by customer region					
North America	1,841	1,374	157	111	3,483
Europe	1,429	10	118	39	1,596
Asia-Pacific	569	11	33	275	889
Latin America	304	-	13	-	318
Rest of the world	248	4	10	2	264
Total	4,392	1,400	330	427	6,550

Parent company

Sinch AB (publ) owns and manages the shares attributable to the Sinch Group. The group's operational and strategic management functions have been centralized to the parent company. At the end of the period, the parent company had 4 (17) employees. The parent company has no external business activities and the risks are mainly related to the operations of the subsidiaries.

Parent company income statement

SEKm	Q3 2022	Q3 2021	Jan-Sep 2022	Jan-Sep 2021	2021	R12M
Net sales	121	19	199	62	175	312
Other operating income	4	4	5	4	4	5
Other external expenses	-32	-38	-179	-134	-205	-251
Employee benefits expenses	-5	-10	-15	-26	-37	-27
Other operating costs	-2	-11	-4	-13	-18	-7
EBITDA	86	-36	6	-107	-81	32
Depreciation and amortization	-1	-1	-4	-4	-5	-5
EBIT	85	-38	2	-110	-86	27
Write-down of shares in subsidiaries	-4,250	-	-4,250	-	-	-4,250
Finance income	1,133	352	3,227	749	1,979	4,457
Finance costs	-913	-76	-2,561	-317	-1,137	-3,382
Profit after financial items	-3,945	238	-3,582	322	756	-3,148
Appropriations	-	-	-	-	-447	-447
Profit or loss before tax	-3,945	238	-3,582	322	309	-3 595
Tax on profit for the period	5	-50	-70	-113	-65	-41
Profit or loss for the period	-3,940	188	-3,652	209	243	-3,636

Parent company balance sheet

SEKm	30 Sep 2022	30 Sep 2021	31 Dec 2021
ASSETS			
Non-current assets			
Intangible assets	5	7	7
Property, plant and equipment	3	6	5
Financial assets			
Investments in Group companies	15,764	2,973	2,973
Non-current receivables, Group companies	4,613	10,535	6,567
Total financial assets	20,377	13,508	9,540
Deferred tax assets	7	4	7
Total non-current assets	20,392	13,525	9,559
Current assets			
Receivables from Group companies	21,802	89	36,627
Tax assets	-	-	31
Other current receivables	5	4	33
Accrued income and prepaid expenses	342	102	198
Cash and cash equivalents	267	4,571	-1
Total current assets	22,150	4,766	36,887
TOTAL ASSETS	42,542	18,291	46,446
EQUITY AND LIABILITIES			
Share capital	8	7	8
Total restricted equity	8	7	8
Share premium reserve	34,118	16,811	34,029
Retained earnings	128	-35	-107
Profit for the year	-3,652	209	243
Total non-restricted equity	30,594	16,985	34,165
Total equity	30,602	16,992	34,172
Untaxed reserves	43	31	43
Total untaxed reserves	43	31	43
Deferred tax liability	-	8	-
Total provisions	-	8	-
Non-current liabilities			
Liabilities to credit institutions	11,309	997	909
Total non-current liabilities	11,309	997	909
Current liabilities			
Accounts payable	7	14	105
Tax liability	26	38	-
Liabilities to Group companies	499	185	510
Liabilities to credit institutions	-	-	10,681
Other current liabilities	15	10	3
Accrued expenses and prepaid income	41	15	24
Total current liabilities	588	263	11,323
TOTAL EQUITY AND LIABILITIES	42,542	18,291	46,446

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 the 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 2021 annual report. Unless otherwise specified, the financial statements are presented in SEK millions (SEKm). Figures have been rounded off and amounts do not add up precisely in the tables and calculations presented in the financial statements and notes. There are no amendments to IFRS standards in 2022 that have had material impact on the Group's results of operations and financial position. Risks and uncertainties relevant to Sinch are described in the 2021 Annual Report, with further comments provided below.

Accounts receivable and accrued revenues

Accounts receivable (both billed and unbilled) are covered by an unconditional right to payment. Revenues based on an unconditional right to payment are reported as unbilled receivables if the amounts have not been billed as of the reporting date, while revenues that have been billed are shown as billed receivables on the balance sheet. Most customers are billed monthly in arrears (after services are rendered) and the unbilled receivables are converted to accounts receivables a few days after the close of books.

Contract assets that refer to accrued revenue have a conditional right to payment, which for an example means that Sinch must first satisfy a final contractual obligation before an unconditional right to payment is established.

Impact of external factors on consolidated accounting policies

There have been no material changes in the situation regarding risks and uncertainties discussed in the 2021 Annual Report. The ongoing war in Ukraine has, however, had adverse impact on markets in Sweden and the rest of the world. This uncertainty will remain as long as the war continues. Sinch's business has no material direct exposure to Ukraine or the immediate effects of the war, but the business is exposed to the secondary effects of the war through the altered macroeconomic situation with rising inflation and interest rates and lower economic growth. The effects of the new situation are apparent in the description provided in Note 5 regarding the outcome of impairment testing of goodwill during the third quarter of the year. See also the description under "Risk assessment" on page 33 for more information.

Note 2 - Operating profit

EBITDA and EBIT adjustments are intended to clarify performance in underlying operations. The adjustments include acquisition costs, integration costs, operational foreign exchange gains/losses, restructuring costs, 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 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 business.

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	Q3 2022	Q3 2021	Jan-Sep 2022	Jan-Sep 2021	2021	R12M
Acquisition costs	-5	-24	-46	-65	-166	-147
Restructuring costs	-18	-	-18	-	-	-18
Adjusted earnout	-	-	-	-	-	-
Integration costs	-61	-59	-186	-164	-230	-252
Costs of share-based incentive programs	-42	-45	-87	-91	-106	-101
Operational foreign exchange gains/losses	37	-14	159	-29	-	189
Other adjustments	-3	-	-3	-1	10	8
Total EBITDA adjustments	-93	-142	-181	-350	-492	-322
Amortization of acquisition-related assets	-497	-103	-1,401	-248	-511	-1,666
Impairment of goodwill	-5,000	-	-5,000	-	-	-5,000
Total EBIT adjustments	-5,590	-245	-6,582	-598	-1,003	-6,988

	Q3 2022	Q3 2021	Jan-Sep 2022	Jan-Sep 2021	2021	R12M
Acquisition costs, SEKm						
Messaging	-	-	-	-	-	-
Voice	-	-	3	-	-	3
Email	-	-	-	-	-3	-3
SMB	-	-	-	-	-	-
Other	-5	-24	-49	-65	-163	-148
Acquisition costs¹	-5	-24	-46	-65	-166	-147

1) Reported as other external expenses.

	Q3 2022	Q3 2021	Jan-Sep 2022	Jan-Sep 2021	2021	R12M
Restructuring costs, SEKm						
Messaging	-15	-	-15	-	-	-15
Voice	-	-	-	-	-	-
Email	-	-	-	-	-	-
SMB	-	-	-	-	-	-
Other	-3	-	-3	-	-	-3
Restructuring reserve²	-18	-	-18	-	-	-18

2) Reported as other external expenses.

	Q3 2022	Q3 2021	Jan-Sep 2022	Jan-Sep 2021	2021	R12M
Integration costs per segment, SEKm						
Messaging	-24	-29	-78	-85	-106	-98
Voice	-3	-1	-11	-1	-4	-15
Email	-5	-	-16	-	-	-16
SMB	-18	-	-33	-	-	-33
Other	-11	-30	-49	-78	-120	-90
Integration costs per segment³	-61	-59	-186	-164	-230	-252

3) Reported as other external expenses and employee benefits expenses

	Q3 2022	Q3 2021	Jan-Sep 2022	Jan-Sep 2021	2021	R12M
Integration costs per category, SEKm						
Employee benefits expenses	-47	-35	-130	-95	-136	-171
External consultants	-11	-18	-49	-59	-81	-71
Other	-3	-6	-7	-11	-14	-10
Integration costs per category⁴	-61	-59	-186	-164	-230	-252

4) Reported as other external expenses and employee benefits expenses

	Q3 2022	Q3 2021	Jan-Sep 2022	Jan-Sep 2021	2021	R12M
Costs of share-based incentive programs, SEKm						
Messaging	-20	-41	-36	-84	-99	-51
Voice	-7	-	-16	-	-	-16
Email	-7	-	-19	-	-	-19
SMB	-6	-	-13	-	-	-13
Other	-2	-4	-3	-7	-7	-3
Costs of share-based incentive programs⁵	-42	-45	-87	-91	-106	-101

5) Reported as employee benefits expenses.

	Q3 2022	Q3 2021	Jan-Sep 2022	Jan-Sep 2021	2021	R12M
Costs of share-based incentive programs, SEKm						
Cost of vested warrants per IFRS 2	-44	-34	-117	-86	-116	-147
Social insurance costs	2	-11	30	-5	10	45
Costs of share-based incentive programs⁶	-42	-45	-87	-91	-106	-101

6) Reported as employee benefits expenses.

Q3 Q3 Jan-Sep Jan-Sep

Operational foreign exchange gains/losses, SEKm	2022	2021	2022	2021	2021	R12M
Messaging	40	-7	123	-15	-4	134
Voice	-	-	-	-	-	-1
Email	-	-	3	-	2	5
SMB	-1	-	-4	-	5	1
Other	-2	-7	38	-14	-3	50
Operational foreign exchange gains/losses⁵	37	-14	159	-29	0	189
Of which:						
Realized foreign exchange gains/losses	58	-21	171	-50	-46	175
Unrealized foreign exchange gains/losses	-21	7	-12	21	46	13
Operational exchange rate gains/losses⁷	37	-14	159	-29	0	189

7) Reported as other operating income or other operating costs.

Other adjustments	Q3 2022	Q3 2021	Jan-Sep 2022	Jan-Sep 2021	2021	R12M
Messaging	0	-	-1	0	9	9
Voice	-1	-	-1	-	-3	-4
Email	-2	-	-2	-	-	-2
SMB	-	-	-	-	-	-
Other	-	-	-	0	4	4
Other adjustments⁸	-3	-	-3	-1	10	8

8) Reported as other operating income or other operating costs.

Note 3 - Pledged assets and contingent liabilities

Issued guarantees amounted to SEK 217m (88). The increase in issued guarantees during the year arises from the acquisition of Pathwire.

Note 4 - Incentive programs

Under the incentive program, LTI 2022, adopted by the AGM on 9 June 2022, 17,758,266 warrants have been subscribed for by senior executives and key employees within Sinch. The maximum number of warrants in LTI 2022 is 25,000,000.

During the third quarter, 15,547 warrants from LTI 2018 were exercised at SEK 9.13 per share, and 69,995 warrants from LTI 2019 were exercised at SEK 17.41 per share. During the period of January to September, a total of 305,268 warrants from LTI 2016, 432,486 warrants from LTI 2018, 69,995 warrants from LTI 2019 and 300 warrants from LTI 2020 were exercised, where each warrant carried 10 shares. The exercise prices were, respectively, SEK 12.77, SEK 9.13, SEK 17.4 and SEK 62.40 per share. Sinch gained SEK 91m in equity through the exercise of warrants.

Total costs for the incentive programs recognized on the income statement amount to SEK 87m (91) for the period of January to September. Payroll costs for vested warrants are included in profit or loss in the amount of SEK 117m (73) with a corresponding increase in equity and social insurance costs, and improved profit by SEK 30m (-5), with a corresponding reduction of provisions in the balance sheet. Payroll costs reduced profit in Q3 by SEK 44m (34) and social insurance costs improved profit by SEK 2m (-11).

Of all outstanding warrants, 39 percent has been assessed as dilutive during the quarter because the exercise price was lower than the average share price. The potential dilutive effect, as measured at the inception of the programs, is 2.1 percent (3.1) upon exercise of all warrants in all programs.

See Note 7 of the 2021 annual report for further disclosures regarding the Group's incentive programs LTI 2016, LTI 2018, LTI 2019, LTI 2020, LTI II 2020, LTI 2021 and LTI II 2021.

Note 5 - Depreciation, amortization and impairments

Depreciation, amortization and impairments, SEKm	Q3 2022	Q3 2021	Jan-Sep 2022	Jan-Sep 2021	2021	R12M
Amortization acquired customer relationships	-313	-71	-880	-169	-316	-1,028
Amortization acquired operator relationships	-19	-7	-53	-19	-45	-79
Amortization acquired trademarks	-14	-2	-42	-7	-14	-49
Amortization acquired software	-151	-22	-425	-53	-136	-508
Impairment of goodwill	-5,000	-	-5,000	-	-	-5,000
Total acquisition-related amortization	-5,497	-103	-6,400	-248	-512	-6,664
Proprietary software	-38	-10	-103	-25	-35	-114
Licenses	-2	-1	-5	-3	-14	-15
Other intangible assets	-1	-	-2	-	-	-2
Total amortization intangible assets	-5,537	-114	-6,509	-276	-561	-6,795
Property, plant and equipment	-48	-8	-136	-26	-44	-154
Right-of-use assets	-38	-10	-108	-29	-59	-138
Impairments	-	-	-	-	-8	-8
Total amortization/depreciation intangible assets and property, plant and equipment	-5,623	-131	-6,753	-331	-673	-7,095

Goodwill is tested for impairment annually, which is described in greater detail in Note 1 of the Sinch Annual Report. Consequent upon prevailing external conditions including geopolitical uncertainty, inflation, higher interest rates and higher required rates of return, impairment testing for the entire Group was carried out in Q3. Sinch has reexamined earlier assumptions and made adjustments as deemed necessary to estimate accurate recoverable amounts. The outcome resulted in an impairment of goodwill in the Email segment of USD 450m and EUR 47m, respectively, corresponding to SEK 5,000m, as of 30 September 2022. There are no indications of impairment in other segments.

Note 6 - Acquisition of Group companies

Acquisitions in 2022

There have been no acquisitions in 2022. A contingent earnout of EUR 750k, corresponding to SEK 7m, was paid during the quarter in relation to the 2019 acquisition of MyElefant. The earnout was paid in accordance with contract and has no impact on consolidated financial result.

Acquisitions in 2021

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. The consideration was adjusted during Q1 2022 by USD 2.6m (SEK 24m). The increase is attributable to adjustments of working capital and cash reserves and has been recognized in its entirety as goodwill.

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 accounts receivables amounted to SEK 534m. The contractual gross amount of accounts receivables was SEK 543m. Goodwill of SEK 5,569m is attributable mainly to complementary product offerings and growth in the customer base. The acquisition analysis may need to be revised because acquisition occurred at the end of 2021, 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 2021 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 10,657m. 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 10,803,010 shares, worth SEK 1,351m, have been issued in 2022. The

consideration was adjusted in Q1 2022 by AUD 1.6m (SEK 12m). The increase is attributable to adjustments of working capital and cash reserves and has been recognized in its entirety as goodwill.

The acquisition was included in the consolidated accounts from 5 November 2021. The fair value of acquired accounts receivables amounted to SEK 218m. The contractual gross amount of accounts receivables was SEK 222m. Goodwill of SEK 6,931m is attributable mainly to complementary product offerings and expected growth in new customer groups. The acquisition analysis may need to be revised because acquisition occurred at the end of 2021, 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 508m, 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). The consideration was adjusted in Q1 2022 by USD -0.4m (SEK -3m). The decrease is attributable to adjustments of working capital and cash reserves and has been recognized in its entirety as goodwill.

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 accounts receivables amounts to SEK 4m. The contractual gross amount of accounts receivables was SEK 4m. Goodwill of SEK 384m arises mainly from the expertise provided by MessengerPeople. The acquisition analysis may need to be revised because acquisition occurred at the end of 2021, 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. 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 closed on 7 December 2021. 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 8,775m was paid in the transaction. The sellers received 25.5 million new shares in February 2022 worth SEK 2,715m (at SEK 106.5 per share). In May 2022, the sellers received 25.5 million new shares in Sinch worth SEK 2,715m (at SEK 106.5 per share).

The acquisition was included in the consolidated accounts from 7 December 2021. The fair value of acquired accounts receivables amounts to SEK 68m. The contractual gross amount of accounts receivables was SEK 83m. Goodwill of SEK 8,529m is attributable mainly to complementary product offerings and anticipated growth in the customer base. The acquisition analysis may need to be revised because acquisition occurred at the end of 2021, the acquisition balance sheet and consideration are preliminary and the value of intangible assets and deferred tax may change upon in-depth analysis.

Fair value of acquired net assets, SEKm	MessageMedia ¹	MessengerPeople ¹	Inteliquent ¹	Pathwire ¹
Customer relationships	4,229	115	3,794	4,094
Operator relationships	17	-	-	-
Trademarks	58	2	118	751
Proprietary software	990	5	1,289	2,083
Other intangible assets	5	0	293	30
Right-of-use assets	13	3	697	77
Property, plant and equipment	7	0	568	5
Financial assets	12	0	31	19
Deferred tax assets	-	5	366	54
Accounts receivables ²	222	4	543	83
Credit loss allowance ²	-4	0	-9	-15
Tax assets	-	-	10	31
Accrued income	38	-	62	71
Other current assets	15	1	0	8
Cash and cash equivalents	91	52	437	390
Deferred tax liability	-1,520	-40	-1,715	-1,670
Non-current interest-bearing liabilities	-16	-1	-616	-66
Other non-current liabilities	-2	-2	-8	-
Accounts payable	0	0	-58	-38
Current interest-bearing liabilities	-280	-	-84	-10
Other current liabilities	-	-20	-59	-30
Tax liability	-50	-1	-7	-4
Accrued expenses and prepaid income	-89	-	-616	-187
Total acquired net assets	3,738	121	5,036	5,676

1) The acquisition analysis is preliminary.

2) A credit loss allowance of SEK -124m for Inteliquent was recognized in Q2 2022, which has been updated to SEK -9m to reflect the acquired balance in this category. The amount is settled against accounts receivables.

Purchase consideration, SEKm	MessageMedia	MessengerPeople	Inteliquent	Pathwire
Consideration paid, 2021	9,306	508	10,581	8,775
Consideration paid, 2022	1,351	-	-	5,430
Adjustment of consideration	12	-3	24	-
Total consideration	10,669	505	10,605	14,205
Fair value of acquired net assets	-3,738	-121	-5,036	-5,676
Goodwill	6,931	384	5,569	8,529

Effects of acquisitions on consolidated cash and cash equivalents, SEKm	MessageMedia	Messenger- People	Inteliquent	Pathwire	Total
Consideration paid	-12	3	-24	-	-33
Direct costs relating to acquisitions ¹⁾	0	-1	-4	-36	-41
Effects on cash and cash equivalents:	-12	2	-28	-36	-74

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

Note 7 - Accounts receivables

Sinch Group, SEKm	30 Sep 2022	30 Sep 2021	31 Dec 2021
Receivables, unbilled ¹	2,042	-	1,606
Receivables, billed	2,436	2,465	2,400
Expected credit loss allowance	-167	-87	-136
Total accounts receivables	4,311	2,378	3,870

1) The division of billed and unbilled receivables did not take effect until 31 December 2021. There is therefore no separate accounting as of 30 September 2021. For more information, see "Accounting policies" on page 24.

Note 8 - Accrued income and prepaid expenses

Sinch Group, SEKm	30 Sep 2022	30 Sep 2021	31 Dec 2021
Accrued revenue from contracts with customers	71	961	339
Other accrued income and prepaid expenses	831	734	593
Total accrued income and prepaid expenses	902	1,695	932

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).

A large share 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.

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, overdraft facilities 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/pro forma Adjusted EBITDA R12M

Net debt divided by adjusted EBITDA, past 12 months. Adjusted EBITDA R12M is measured on a pro forma basis, includes contributions from acquired entities in the last 12 months and is measured excluding IFRS 16-related lease liabilities.

Shows how many years it would take to pay off the company's

debts presuming that net debt and Adjusted 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 ratio equips the company to manage periods of economic downturn and the financial basis for growth.

EBIT

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

EBITDA

Profit for the period before finance income, finance 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.

Integration costs

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

Restructuring costs

Restructuring charges consist of direct costs related to restructuring that are not connected to the company's ongoing operations. Restructuring costs mainly include direct and indirect costs for redundancies.

Adjusted EBITDA

EBITDA after adjustments for acquisition costs, integration costs, restructuring costs, operational foreign exchange gains/losses, costs of share-based incentive programs and non-recurring adjustments.

Enables comparison of profitability over time in the underlying business.

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. Sinch's financial targets, which have been set by the board of directors, are based on growth in Adjusted EBITDA per share.

Adjusted EBITDA/gross profit

The measure shows the company's Adjusted EBITDA margin as a percentage of gross profit. The costs of goods sold are included in gross profit in addition to net sales.

Adjusted EBIT

EBIT after the same adjustments as for Adjusted EBITDA and excluding non-cash acquisition-related depreciation, amortization and impairment.

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.

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.

Acquisition-related amortization and depreciation

Amortization of acquired intangible assets/depreciation of acquired property, plant and equipment. Depreciation of property, plant and equipment and amortization of other intangible assets are included in acquisition-related amortization and depreciation, as this is a measure of the use of resources necessary to generate profit.

Operational measurements**Percentage female**

Average number of women in relation to the average total number of employees during the period, recalculated as full-time equivalents.

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. Acquisitions are considered part of organic operations after 12 months.

Total shares outstanding

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

Terms and acronyms

See the Annual Report for Sinch AB (publ) for definitions of terms and acronyms, available at investors.sinch.com.

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.

Outlook

Sinch does not publish forecasts.

Forthcoming reporting dates

Year-end report, Jan–Dec 2022	16 February
Interim report Q1, Jan–Mar 2023	27 April
Interim report Q2, Jan–Jun 2023	21 July
Interim report Q3, Jan–Sep 2023	7 November

Annual General Meeting

The Annual General Meeting will be held 17 May 2023 in Stockholm. The venue for the meeting will be communicated in connection with notice of the meeting.

Risk assessment

Sinch is, like all businesses, exposed to various types of risks in its operations. These include financial risks that could affect the company's performance and cash flow such as currency movements, changes in interest rates, financing terms and taxes. In addition, there are risks related to the business, such as technological evolution, competition, supplier price increases, fraud, dependence upon key individuals, regulation and cyber security. Risk management is an integral part of Sinch's management, and risks are described in more detail in the Annual Report. The risks described for the Group may also have an indirect impact on the parent company.

Impact of the Russian invasion of Ukraine and changed macroeconomic conditions

Russia invaded Ukraine on 24 February, which has caused massive human suffering. Although Sinch's business has no material direct exposure to Ukraine or the immediate effects of the war, Sinch is exposed to the secondary effects of the war in the form of a changed macroeconomic situation of rising inflation and interest rates and lower economic growth.

Sinch's business is well-diversified, with revenues related to a large number of geographical markets, sectors and customer groups. The company is also a leading global supplier and as such enjoys large economies of scale in its operations. In addition, Sinch's offering helps companies improve the efficiency of their businesses using digital communications, which has contributed to keeping demand up even when the economy has been weak.

In spite of the above, the changed macroeconomic outlooks have increased the risk that Sinch will be impacted by lower demand, changes in price competition and increased costs.

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, 2 November 2022

Erik Fröberg
Board Chair

Bridget Cosgrave
Director

Renée Robinson Strömberg
Director

Johan Stuart
Director

Björn Zethraeus
Director

Hudson Smith
Director

Johan Hedberg
President and Chief Executive Officer
(interim)

Note: Sinch AB (publ), is required to publish the information in this interim report pursuant to the EU Market Abuse Regulation and the Swedish Securities Market Act. The information was released for publication by the contact person above on 2 November 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.

Auditor's review report

Introduction

We have performed a review of the condensed interim financial statements (interim report) for Sinch AB (publ) as per 30 September 2022 and the nine-month period then ended. The Board of Directors and the President are responsible for the preparation and presentation of this interim report in accordance with IAS 34 and the Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

Scope of review

We conducted our review in accordance with the International Standard on Review Engagements ISRE 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review has a different focus and is substantially less in scope than an audit conducted in accordance with ISA and other generally accepted auditing practices. The procedures performed in a review do not enable us to obtain a level of assurance that would make us aware of all significant matters that might be identified in an audit. Therefore, the conclusion expressed based on a review does not give the same level of assurance as a conclusion expressed based on an audit.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim report is not, in all material respects, prepared for the group in accordance with IAS 34 and the Annual Accounts Act, and for the parent company in accordance with the Annual Accounts Act.

Stockholm, 2 November 2022
Deloitte AB

Johan Telander
Authorized Public Accountant