Acquisition of Pathwire

30 September 2021

Oscar Werner, CEO
Roshan Saldanha, CFO
Thomas Heath, Chief Strategy Officer & Head of Investor Relations
SEK 11.8bn revenue in the past 12 months
SEK 132bn Market Cap
SEK 1.2bn Adj. EBITDA in the past 12 months
2,292 people
47 countries with local presence

Customer engagement through mobile technology

Listed on NASDAQ in Stockholm, Sweden

Scalable cloud communications platform for messaging, voice and video
170 billion B2C engagements per year
Serving 8 of the 10 largest U.S. tech companies

100% Consumer penetration
Growing, global, multi-billion USD market
Profitable since our foundation in 2008

* Consolidated figures as of Q2 2021, excluding MessageMedia, Inteliquent, MessengerPeople, and Pathwire; with ACL, SDI, and Wavy consolidated less than 12 months.
Transaction highlights

01. Leading cloud-based email communications platform
   - Empowering developers and marketeers to succeed with the world’s most-used digital communication channel

02. Proven, developer-centric go-to-market model
   - Fast setup, easy integration. Proven digital go-to-market model resulting with over 100,000 customers

03. Well-positioned in a growing market
   - Market size estimated to USD 16 billion by Technavio, with Transactional email making up more than 60% of the market

04. Highly attractive financial profile
   - Historical revenue growth consistently above 30% with gross margin close to 80% and Adjusted EBITDA margin above 35%

05. Significant cross-sales opportunities
   - Mutual cross-sales opportunities to Sinch and Pathwire customers
CPaaS throughout the customer journey

<table>
<thead>
<tr>
<th>Marketing</th>
<th>Operations</th>
<th>Customer Service</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Generate leads</td>
<td>• Use CPaaS functionality in own apps and products</td>
<td>• Handle customer support</td>
</tr>
<tr>
<td>• Add revenues</td>
<td>• Improve efficiency</td>
<td>• Improve customer experience</td>
</tr>
<tr>
<td>• Reduce churn</td>
<td>• Reduce cost</td>
<td>• Reduce contact center cost</td>
</tr>
</tbody>
</table>

- Email with personalized discount offer
- Rich SMS with dynamic mobile landing page
- Personalized video to prevent bill shock

- Appointment reminders via SMS or WhatsApp
- Password reset via email
- One Time Passwords via SMS or voice call
- Voice calling with number masking

- Bots and AI to automate conversations
- WhatsApp as complement to phone
- Click-to-chat in emails and on websites

CPaaS, for Communications-Platform-as-a-Service, is a cloud-based, multi-layered middleware that simplifies the integration of communications capabilities such as voice, messaging and video into applications, services or business processes. Read more at Gartner.com
## Strengthening our developer go-to-market

### Enterprise
- Online lead-generation
- Lead with APIs and SaaS
- Target enterprise customers and indirect channel partners
- Customers may have in-house development resources or use System Integrators
- Customers look for superior service delivery, global reach, end-to-end connectivity, compliance, and competitive pricing at high volumes

### Developer
- Online self-signup
- Lead with APIs
- Target developers, who may work for any size business
- Customers have in-house developer resources
- Customers look for intuitive UX, self-signup and self-service, SDKs, tutorials and code examples, strong documentation

### SMB*
- Online self-signup
- Lead with SaaS & integrations
- Target small and medium sized businesses: local dentists, mechanics, etc.
- Customers have limited development resources
- Customers look for ‘out-of-the-box’ solution, ease-of-use, quick time-to-value, and ability to reach wanted business objective without coding

*SMB = Small and Medium Sized businesses*
Improved margin profile and balanced product mix

**Gross margin & Adjusted EBITDA margin**

<table>
<thead>
<tr>
<th>Gross margin</th>
<th>Adj EBITDA margin</th>
</tr>
</thead>
<tbody>
<tr>
<td>L12M Q2 21</td>
<td>25%</td>
</tr>
<tr>
<td>L12M Q2 21 proforma</td>
<td>33%</td>
</tr>
<tr>
<td>L12M Q2 21 proforma + Pathwire</td>
<td>35%</td>
</tr>
<tr>
<td>L12M Q2 21 proforma</td>
<td>10%</td>
</tr>
<tr>
<td>L12M Q2 21 proforma + Pathwire</td>
<td>14%</td>
</tr>
<tr>
<td>L12M Q2 21 proforma</td>
<td>16%</td>
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</table>

**Gross profit by product**

<table>
<thead>
<tr>
<th>Product</th>
<th>L12M Q2 21</th>
<th>L12M Q2 21 proforma</th>
<th>L12M Q2 21 proforma + Pathwire</th>
</tr>
</thead>
<tbody>
<tr>
<td>Other</td>
<td>10%</td>
<td>22%</td>
<td>19%</td>
</tr>
<tr>
<td>Operators</td>
<td>85%</td>
<td>59%</td>
<td>51%</td>
</tr>
<tr>
<td>Email</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Voice &amp; Video</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Messaging</td>
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<td></td>
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</tr>
</tbody>
</table>

*Proforma including Inteliquent, MessageMedia and Pathwire*
Establishing a global leader in CPaaS

• CPaaS tech stack as illustrated by Gartner

• Email is a key part of Level 2, “Cloud Communication APIs”

• Sinch with Pathwire is one of the very few, global CPaaS providers that can deliver leading quality at scale across all the main digital communications channels

Source: Gartner, Market Guide for CPaaS, September 2021
Leveraging M&A to meet strategic objectives

Technology & Go To Market
- Complementary technology that fits our strategic product roadmap
- Go To Market-ability in relevant products and geographies
- Increased software value-add with higher gross margin
- Future growth drivers

Scale and profitability
- Acquire sticky customer relationships
- Add direct operator connections
- Leverage shared platform assets and extract synergies
- EV/EBITDA-accretive: acquiring profit at a valuation below our own
Recent transactions

Technology & Go To Market
- Voice, video, verification
- Personalized video
- Conversational AI
- Conversational messaging
- Low code tools
- Conversational messaging
- Conversational messaging
- Conversational messaging
- Conversational messaging

Scale and profitability
- USA, Western Europe
- Germany, Central Europe
- Nordics
- Brazil
- Latin America
- India
- North America
- USA, Australia
- North America

Timeline:
- 2016
- 2017
- 2018
- 2019
- 2020
- 2021
Deal rationale: Pathwire

**Pathwire**
- Founded in 2010
- Leading developer-centric cloud-based email communications platform
- More than 100,000 paying customers using Mailgun and Mailjet products
- Headquarters in San Antonio, Texas, with around 290 employees worldwide

**Deal rationale**
- Gain leading product offering for email – the world’s most-used digital communication channel
- Dramatically strengthen developer go-to-market capabilities and differentiate vs competition
- Attractive financial profile with high growth and accretive margin profile

**Integration**
- Significant revenue synergies from mutual cross-selling of Sinch and Pathwire products to each others’ customers
- Sinch’s global footprint leveraged to accelerate international expansion and strengthen enterprise go-to-market
- Pathwire expertise in developer Go To Market leveraged across full Sinch product portfolio

**Financials**
- Sinch pays USD 925m in cash + 51m new Sinch shares; this implies an Enterprise Value of USD 1.9bn or SEK 16.6bn
- Transaction expected to close by the end of 2021. Integration cost of SEK 75 million expected over 18 months
- USD 132m revenues, USD 104m gross profit, USD 55m Adj EBITDA expected in 2021.
- Historical revenue growth consistently above 30% with gross margin close to 80% and Adjusted EBITDA above 35%
Transactional and marketing email

**Transactionable Emails**
- **Initiated by an Action**
  - Purchase
  - Payment
  - Password reset
  - Account creation
  - Shipping notifications
  - Social media updates

**Targeted Marketing Emails**
- **Personalized for Each Individual**
  - Personalized recommendations
  - Targeted offers
  - Behavior triggered promotions
  - Lead nurturing

**Broad Marketing Emails**
- **Directed at a Broad Group**
  - Promotions
  - Newsletters
  - Buy now
  - Sign up now
  - Special offers

146bn business emails sent daily¹

7.7bn email accounts worldwide¹

$16bn market size, with >60% relating to transactional email

Source: (1) Radicati Group, Email Statistics Report, 2021-2025 (2) Technavio Research, Global Transactional and Marketing Emails Market, 2021-2025
Sending email is complicated

- Sending to a mailbox is easy, but sending to the inbox is another story entirely.
- Over 90% of incoming email is blocked by inbox service providers, with only 8% of all email traffic making it to the inbox.
- **Deliverability** is the rate in which your messages are being sent to the inbox.
Mailgun: API platform for developers

- Email sending
- Email routing
- Send time optimization
- Logs analytics
- Suppression management
- Domain and IP management
- Deliverability services

- 20+ API’s, SDK’s and plugins for developers
- Fast onboarding; product is usable in <1 minute
- High performance for time-sensitive email messages
- 98% delivery rate vs 83% industry average
- Scalable, cloud-native infrastructure with 99.99% uptime
- Email delivery services for high volume senders
Mailjet: sending platform for marketeers

- Email editor
- Collaboration
- Campaign management
- Contact management
- A/B testing
- Campaign analytics

• One of the most advanced drag-and-drop email builders on the market
• Seamless collaboration features for designers and developers
• Advanced automation to onboard new recipients, reward action and reactivate inactive users
• Inbox preview showing how emails will render across different devices and mailbox providers
Pathwire manages the entire email lifecycle

**VALIDATE**
Collect real email addresses and clean your CRM periodically

**DEFINE**
Segment your audience to deliver personalized messages

**CREATE**
Create beautiful emails that reflect your brand

**TEST**
Ensure your email renders perfectly and optimize content to hit the inbox

**SEND**
Fast and reliable delivery ensures your emails reach your customer’s inbox

**OPTIMIZE**
Advanced analytics and campaign statistics help you make every campaign better than the last
Loved by developers, trusted by businesses

“Mailgun makes it easy to track the delivery of emails without maintaining our own email infrastructure, subscribing to spam feedback loops, or developing our own bounce detection software.”

“We use Mailgun for just about everything, including transactional, invoices, newsletters, and customer support. The email delivers super fast straight to our customer's inboxes.”

“The price is very reasonable and the reports are fantastic. I'm able to reach my target markets better when I download the reports and track who opens and "clicks" through my messages.”

“We went from a few thousand emails on Mailgun to almost 7 million emails across 140 domains and we have never encountered any reputation issues over the years we have used them.”

Props to @mjmlio for their amazing email framework - for any #Developers out there who need responsive emails this has been a wicked solution 🔥🔥

#Dev #Mjml
## Flexible pricing & packaging

**Flex**

Try us out! Get 5,000 free emails per month for 3 months, then only pay for what you send.

**Pay As You Grow**

<table>
<thead>
<tr>
<th>Plan</th>
<th>Starting At</th>
<th>Emails Included</th>
</tr>
</thead>
<tbody>
<tr>
<td>Flex</td>
<td>$35 / month</td>
<td>50,000 emails</td>
</tr>
<tr>
<td>Foundation</td>
<td>$80 / month</td>
<td>100,000 emails</td>
</tr>
<tr>
<td>Growth</td>
<td>$90 / month</td>
<td>100,000 emails</td>
</tr>
</tbody>
</table>

- Email APIs, SMTP Relay, and Webhooks
- Suppression Management
- Email Tracking and Analytics
- 99.99% Guaranteed Uptime SLA
- 5 Days of Log Retention
- Detailed Documentation
- Limited 24/7 Ticket Support

Start Sending

- Email APIs, SMTP Relay, and Webhooks
- Suppression Management
- Inbound Email Routing
- Email Tracking and Analytics
- 99.99% Guaranteed Uptime SLA
- 1 Dedicated IP (Foundation 100k and up)
- Email Address Validations
- 1,000 Email Address Validations

Start Sending

- Email APIs, SMTP Relay, and Webhooks
- Suppression Management
- Inbound Email Routing
- Email Tracking and Analytics
- 99.99% Guaranteed Uptime SLA
- 1 Dedicated IP
- Dedicated IP Pools
Track record of profitable growth

Proforma gross profit and Adjusted EBITDA

- Focus on Gross profit since pass-through revenues vary between products and geographies
- Acquisitions adding significantly to our scale and profitability
- Investing to increase growth in acquired units
- Pro forma L12M revenues of SEK 20.4 billion, gross profit of SEK 7.2 billion and Adjusted EBITDA of SEK 3.2 billion

* The acquisitions of Inteliquent, MessageMedia and Pathwire are pending regulatory approval. "Other" captures unconsolidated earnings from ACL, SDI, Wavy, and MessengerPeople.
Financial targets

Targets:
• Adjusted EBITDA per share to grow 20% per year
• Net debt < 3.5x adjusted EBITDA over time

Performance:
• Adjusted EBITDA per share grew 38% in Q2 21, measured on a rolling 12 month basis
• Net debt/EBITDA of -9.6x, measured on a rolling 12 month basis
Financial leverage

Pro forma net debt/Adjusted EBITDA

-9.6  -8.8  -0.5  2.6  2.7  0.5  2.7
Q2 21 reported  Q2 21 pro forma  + Inteliquent  + Message Media  + Messenger People  + $750m share issue  + Pathwire

• Pro forma calculation includes last 12 months of Adj EBITDA for acquired entities
• Updated financial target is to maintain Net debt < 3.5x adjusted EBITDA over time
• Pro forma Net debt/Adj EBITDA of 2.7x after payment for Inteliquent, MessageMedia, MessengerPeople and Pathwire

* The acquisitions of Inteliquent, MessageMedia, and Pathwire are pending regulatory approval.
Thank you!

To get in touch, contact:

Thomas Heath, Chief Strategy Officer & Head of Investor Relations
Ola Elmeland, Investor Relations
investors@sinch.com