Q1 2020
Investor Presentation
29 April 2020

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CEO
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CFO
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Chief Strategy Officer & Head of Investor Relations
SEK 5.6bn revenue in the past 12 months
SEK 646m Adj. EBITDA in the past 12 months
SEK 26bn Market Cap
766 people
33 countries with local presence

Customer engagement through mobile technology

40 billion engagements per year
Publicly listed on NASDAQ in Stockholm

Scalable cloud communications platform for messaging, voice and video

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
>600% gross profit growth since IPO in 2015
Adapting to Covid-19

“In response to uncertainty around Covid-19, Sinch management has initiated a range of precautionary initiatives to protect employees and ensure maintained service delivery in all circumstances.”
Maintaining our financial flexibility

“On 26 March, Sinch has resolved on a directed new share issue of 5,000,000 shares at a subscription price of SEK 300 per share. The directed new share issue generated a large interest and has been carried out to selected Swedish and international institutional investors. Through the directed new share issue, Sinch raised SEK 1,500 million before issue costs.”
Organic and acquired growth

- Focus on Gross profit and EBITDA since pass-through revenues vary between geographies
- Track record of profitable growth
- 54% growth in gross profit and 64% growth in EBITDA in Q1 20
Growth markets

Messaging

Application-to-Person (A2P) messaging is used across the world for ever-more use cases

- **USD 17 bn** market size for A2P SMS (MobileSquared), other estimates vary between USD 15-50 bn
- Business usage of SMS continues to grow
- >100% growth rates expected in business messaging through next-generation messaging channels like WhatsApp & RCS

CPaaS

Communications Platform as a Service (CPaaS) allows businesses to easily integrate messaging, voice and video services into their own applications

- Juniper Research sees a **35%** growth CAGR (USD 1.1 bn in 2016 to 6.7 bn in 2022)
- Gartner expects a **50%** growth CAGR (USD 618 m in 2016 to 4.63 bn in 2021)
- IDC forecasts a **57%** growth CAGR (USD 867 m in 2016 to 8.2 bn in 2021)
Playbook for profitable growth

Software-as-a-Service
- Empower businesses to leverage rich and conversational messaging
- Increase our software value-add (CPaaS) in addition to our connectivity offering
- Increase stickiness with maintained scalability

Connectivity
- Ensure leading direct global connectivity without middlemen
- Differentiate through superior quality, scale and reach
- Benefit from market growth and continue to win market share
Strategic acquisitions

- 2008: Founded as CLX Networks
- 2016: IPO
- 2017:
  - Sinch!: Voice, video, verification
  - vehicle: Personalized video
- 2018:
  - myElephant: Rich messaging, Low code tools
- 2019:
  - Chatlayer.ai: Conversational AI
- 2020:
  - WAVV Innovation: Next-generation messaging

Technology & Go To Market

Scale and profitability

- mblox: USA, Western Europe
- XURA: Germany, Central Europe
- dialogue: Australia, South East Asia
- unwire: Nordics
- TWW: Brazil
- WAVV SMS: Latin America
Deal rationale: Chatlayer

**Chatlayer**
- Founded in 2018
- Cloud-based software platform to build high-performing chat- and voicebots in multiple languages
- Custom AI for superior Natural Language Understanding
- Team of 17 people in Antwerp, Belgium

**Deal rationale**
- "Technology and Go To Market"-type acquisition to strengthen product offering and fuel growth
- Increased SaaS value-add in addition to our global connectivity offering
- Partner-based Go To Market model in line with Sinch strategy
- Future growth with cross- and upsell opportunities

**Integration**
- Integration with Sinch APIs for communications across all mobile channels
- Zero-touch onboarding for cross-channel conversational messaging
- Cross-selling to Sinch customers

**Financials**
- Sinch pays an upfront EV of EUR 6.9m
- Transaction expected to close in early April
- Chatlayer recorded revenues of EUR 0.8m, gross profit of EUR 0.7m, and EBITDA of EUR -0.9m in 2019
Welcome to KD Insurance.
Select your option:
Reply for Home insurance
Reply for Auto insurance
Reply for Life insurance
Reply for Main menu

Hi! I'm KDbot at KD Insurance!
Which city are you in?
We have two offices in Liverpool. One is on 31 Victoria Street and the other is on 74 Beresford Road.
Great, thanks!
You're welcome!
If you have any other insurance questions, you know where to find me 😊!
Deal rationale: Wavy

Wavy

• Leading SMS messaging provider in Latin America, second largest in Brazil
• Conversational messaging business growing >200 percent through innovation & use of new channels
• High WhatsApp volumes, customers using Apple Business Chat, RCS and Facebook Messenger
• 260 employees with operations in Brazil, Mexico, Colombia, Peru, Chile, Argentina and Paraguay

Deal rationale

• SMS business fits in “Scale and Profitability” category of earnings-accretive deals with scale benefits
• Innovation business fits in “Technology and Go To Market” category aiming to fuel organic growth
• 50 direct operator connections in Latin America strengthens Sinch’s global Super network
• Innovation leader in next-generation messaging growing >200 percent with high gross margins

Integration

• Await approval from competition authorities in Brazil
• Coordinate multiple Sinch operations across Latin America
• Ensure Sinch global customers benefit from improved connectivity to Latin America
• Leverage Wavy expertise in next-generation messaging with customers throughout the world

Financials

• Sinch pays BRL 355m in cash and 1,534,582 new shares in Sinch, implying an EV of SEK 1,170m
• Wavy is expected to record revenues of BRL 464m, gross profit of BRL 130m, and EBITDA of BRL 48m in the 12 months ending March 2020.
• Full financial details in press release. Transaction expected to close in H2 2020
Use case: Customer care through WhatsApp

Conversational messaging for Ingresso Rápido, the leading ticket sales and event management company in Brazil.

Challenge

- Large number of incoming calls to contact center with 20k tickets per month
- Very complex to scale support teams with maintained quality
- Looking to engage with customers on WhatsApp, where they already are active

Solution

- Hybrid chatbot combining scripted decision trees with AI and Natural Language Processing
- Support for multiple use cases like order status, PDF ticket delivery and event information
- Seamless handover to live customer care agents when needed

82% Tickets answered by bot
70% Satisfied users
45% Cost reduction in call center
January – March 2020

- Gross profit rising 54% to SEK 446.7 million (289.5)
- Adjusted EBITDA rising 82% to SEK 184.3 million (112.2)
- Adjusted EBIT excl. acquisition-related amortization of SEK 168.8 million (102.3)
- Profit after tax of SEK 96.4 million (57.8)

- Organic Gross profit growth of 42% in local currency
- COVID-19 causing reduced voice traffic but increased messaging volumes
- High scalability means that EBITDA grows faster than Gross profit despite increased opex to handle greater business volumes, strengthen our go to market and develop new products
Key growth drivers

1. Volume growth & new use cases with US big tech companies
2. Acquisition of TWW and myElefant
3. Project completions in Operator business

Growing both with new and existing customers
Four investment areas

**Organic growth**
- Continuous investment in platform scalability
- Supporting growth with existing customers
- Greater focus on lead gen and new sales

**Operational efficiency**
- COGS efficiency
- Internal automation for improved scalability
- Client self-service tools

**New technology**
- Software for advanced, interactive messaging
- New channels like WhatsApp and RCS
- RCS-as-a-Service and SMSF for mobile operators

**Integration**
- TWW & myElefant
- Chatlayer
- Wavy (pending regulatory approval)
Accelerating growth in Messaging

- Rising message volumes
- US tech companies continue to fuel growth
- Businesses shifting from email to mobile messaging
- myElefant & TWW included since mid-October 2019
- Investments in next-generation messaging
Rising message volumes

- Acquisition of TWW and myElefant adding significant volumes in October-November 2019
- Significant volume increase in March 2020 is likely to be partly related to Covid-19
- Growth from existing customers, new customers, new use cases
- 60% growth in transactions
- 64% growth in Gross profit
Gross profit per transaction

- Gross profit is the primary bottom line driver
- GP/transaction decline due to traffic mix and inclusion of TWW
- Opex/transaction increase due to seasonal opex pattern
Stable margin in Messaging

- Revenue and gross margin depend on mix of terminating markets
- EBITDA/Gross profit shows margin excluding mobile operator charges
- Adding traffic volume increases gross profit more than it increases opex
- Continued opex investments to capture growth
Covid-19 impact on Voice and Video

- Growth fuelled by Number Masking and Verification
- Decreased demand for Number Masking from ride hailing customers as Covid-19 reduces travelling
- Increasing OPEX to ensure quality of service and add functionality
Return to profitability in Operators

- Fluctuations in results as projects are realized
- Previously delayed projects successfully completed in Q1 20
- Investments in 5G SMSF and RCS-as-a-Service for mobile operators
## Income statement

<table>
<thead>
<tr>
<th></th>
<th>Q1 2020</th>
<th>Q1 2019</th>
<th>2019</th>
<th>R12M</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>SEK million</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net sales</td>
<td>1,624.2</td>
<td>1,101.8</td>
<td>5,035.3</td>
<td>5,558.0</td>
</tr>
<tr>
<td>Cost of goods sold and services</td>
<td>-1,177.5</td>
<td>-812.3</td>
<td>-3,641.4</td>
<td>-4,006.7</td>
</tr>
<tr>
<td><strong>Gross profit</strong></td>
<td>446.7</td>
<td>289.5</td>
<td>1,394.1</td>
<td>1,551.3</td>
</tr>
<tr>
<td>Other operating income</td>
<td>32.9</td>
<td>26.0</td>
<td>103.1</td>
<td>110.1</td>
</tr>
<tr>
<td>Work performed and capitalized</td>
<td>15.2</td>
<td>6.1</td>
<td>38.6</td>
<td>47.6</td>
</tr>
<tr>
<td>Other external costs</td>
<td>-110.7</td>
<td>-69.0</td>
<td>-326.7</td>
<td>-370.4</td>
</tr>
<tr>
<td>Employee benefits expenses</td>
<td>-134.2</td>
<td>-119.6</td>
<td>-537.6</td>
<td>-602.2</td>
</tr>
<tr>
<td>Other operating expenses</td>
<td>-24.7</td>
<td>-20.8</td>
<td>-113.9</td>
<td>-117.8</td>
</tr>
<tr>
<td><strong>EBITDA</strong></td>
<td>175.2</td>
<td>112.2</td>
<td>555.5</td>
<td>618.5</td>
</tr>
<tr>
<td>Depreciation, amort. and impairment</td>
<td>-56.6</td>
<td>-43.2</td>
<td>-183.9</td>
<td>-197.3</td>
</tr>
<tr>
<td><strong>EBIT</strong></td>
<td>118.6</td>
<td>69.0</td>
<td>371.6</td>
<td>421.2</td>
</tr>
<tr>
<td>Finance income</td>
<td>24.2</td>
<td>124.7</td>
<td>18.6</td>
<td>-81.9</td>
</tr>
<tr>
<td>Finance expenses</td>
<td>-12.1</td>
<td>-120.1</td>
<td>-35.2</td>
<td>72.8</td>
</tr>
<tr>
<td><strong>Profit before tax</strong></td>
<td>130.8</td>
<td>73.7</td>
<td>355.0</td>
<td>412.0</td>
</tr>
<tr>
<td>Current tax</td>
<td>-42.0</td>
<td>-14.8</td>
<td>-83.8</td>
<td>-111.1</td>
</tr>
<tr>
<td>Deferred tax</td>
<td>7.7</td>
<td>-1.1</td>
<td>3.3</td>
<td>12.0</td>
</tr>
<tr>
<td><strong>Profit for the period</strong></td>
<td>96.4</td>
<td>57.8</td>
<td>274.5</td>
<td>313.0</td>
</tr>
</tbody>
</table>

- Non-recurring items of SEK 9.1 million in Q1 20 relate to acquisitions and integration cost
- Amortization of acquisition-related assets does not affect cash flow
- Adjusted EBIT excludes non-recurring items as well as amortization of acquisition-related assets
- Adjusted EBIT of SEK 168.8 million (102.3) in Q1 20
Accelerating Gross Profit growth

- 54% total Gross Profit growth
- 36% organic Gross Profit growth
- 15% contribution from acquisitions
- Big US tech companies and acquisitions fuelling growth
- SEK 18m positive FX effect on Adjusted EBITDA in the quarter
Headcount increase

- Headcount rising due to recruitment and acquisitions
- Near-term negative effect on EBITDA before new initiatives translate into higher revenues and gross profit
- Headcount increase in Q1 similar to Q4 excluding acquisitions
- Headcount at 766 at end of Q1
- Slowed recruitment pace at the end of the quarter due to Covid-19
Reconciling Cash Flow with EBITDA

<table>
<thead>
<tr>
<th>SEK million</th>
<th>Q1 2020</th>
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<th>2019</th>
<th>R12M</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adjusted EBITDA</td>
<td>184.3</td>
<td>112.2</td>
<td>5/3.5</td>
<td>645.6</td>
</tr>
<tr>
<td>Paid interest</td>
<td>-6.9</td>
<td>-6.6</td>
<td>-20.8</td>
<td>-21.1</td>
</tr>
<tr>
<td>Paid taxes</td>
<td>-3.0</td>
<td>-20.6</td>
<td>-117.4</td>
<td>-99.9</td>
</tr>
<tr>
<td>Other</td>
<td>1.1</td>
<td>0.8</td>
<td>18.2</td>
<td>18.5</td>
</tr>
<tr>
<td><strong>Cash flow before changes in</strong></td>
<td><strong>175.6</strong></td>
<td><strong>85.9</strong></td>
<td><strong>453.5</strong></td>
<td><strong>543.2</strong></td>
</tr>
<tr>
<td><strong>working capital</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash flow before changes in</td>
<td>95%</td>
<td>77%</td>
<td>79%</td>
<td>84%</td>
</tr>
<tr>
<td><strong>working capital/Adjusted EBITDA</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

- Strong underlying cash generation
- 95% cash conversion from Adjusted EBITDA to Cash flow before changes in working capital in Q1 20
## Cash flow

<table>
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<tr>
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<th>Q1 2020</th>
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</thead>
<tbody>
<tr>
<td>Cash flow before changes in</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>working capital</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Changes in working capital</td>
<td>-40.9</td>
<td>-47.8</td>
<td>-126.2</td>
<td>-119.3</td>
</tr>
<tr>
<td>Cash flow from operating activities</td>
<td>134.7</td>
<td>38.0</td>
<td>327.3</td>
<td>423.9</td>
</tr>
<tr>
<td>Net investments in fixed assets</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>and intangible assets</td>
<td>-20.0</td>
<td>-7.6</td>
<td>-56.0</td>
<td>-68.4</td>
</tr>
<tr>
<td>Change in financial receivables</td>
<td>-0.9</td>
<td>1.4</td>
<td>12.1</td>
<td>9.9</td>
</tr>
<tr>
<td>Acquisition of subsidiary</td>
<td>-44.3</td>
<td>-11.3</td>
<td>-668.5</td>
<td>-/0’.5</td>
</tr>
<tr>
<td>Cash flow from investing activities</td>
<td>-65.1</td>
<td>-17.5</td>
<td>-712.4</td>
<td>-760.0</td>
</tr>
<tr>
<td>New borrowing</td>
<td>-</td>
<td>-</td>
<td>1,453.4</td>
<td>1,453.4</td>
</tr>
<tr>
<td>Amortization of bank loan</td>
<td>-1.4</td>
<td>-24.1</td>
<td>-756.7</td>
<td>-733.9</td>
</tr>
<tr>
<td>Amortization lease liability</td>
<td>-6.9</td>
<td>-6.1</td>
<td>-25.8</td>
<td>-26.5</td>
</tr>
<tr>
<td>New share issue/warrants</td>
<td>1,511.2</td>
<td>1.9</td>
<td>2.1</td>
<td>1,511.4</td>
</tr>
<tr>
<td>Cash flow from financing activities</td>
<td>1,502.9</td>
<td>-28.3</td>
<td>673.1</td>
<td>2,204.4</td>
</tr>
<tr>
<td>Cash flow for the period</td>
<td>1,572.5</td>
<td>-7.8</td>
<td>288.0</td>
<td>1,368.3</td>
</tr>
</tbody>
</table>

- Net Working Capital fluctuates between quarters
- Very low bad debt
- Successful directed new share issue and refinancing of debt
Financial targets

Adjusted EBITDA per share, rolling 12 months

Targets:
- Adjusted EBITDA per share to grow 20% per year
- Net debt < 2.5x adjusted EBITDA over time

Performance:
- Adjusted EBITDA per share grew 52% in Q1 20, measured on a rolling 12 month basis
- Net debt/EBITDA of -1.0x, measured on a rolling 12 month basis
Future growth

Strong pipeline with several US-based, global tech companies
Enterprises shifting from mail to messaging
Larger Sinch field sales organisation, strengthened marketing
M&A

Continued strengthening of our connectivity offering
Increased SaaS value-add through investment in software, RCS, OTT chat apps, etc