



Press Release

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## Sinch expands to India through acquisition of ACL Mobile

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Sinch AB (publ), a global leader in cloud communications for mobile customer engagement, has entered into a definitive agreement to acquire ACL Mobile Limited for a total cash consideration of INR 5,350 million. Using the current INR/SEK exchange rate of 8.17, this corresponds to SEK 655 million.

Founded in 2000, ACL Mobile is a leading provider of cloud communications services in India and Southeast Asia. Its platform enables businesses to interact with their customers through multiple channels including SMS, voice, email, IP messaging, and WhatsApp. The company serves more than 500 enterprise customers and is particularly successful in the Banking and Financial Services industry, where ACL's proprietary Axiom platform offers intelligent routing and granular access controls that specifically caters to the stringent security requirements of demanding financial institutions. Leading financial institutions who rely on ACL technology include HDFC Bank, ICICI Bank, Kotak and IndusInd Bank. Customers in other segments include a wide range of businesses such as Amway, Flipkart, MakeMyTrip and OLX. The company employs 288 people with headquarters in Delhi and overseas offices in Dubai (UAE) and Kuala Lumpur (Malaysia).

"With ACL we gain critical scale in the world's second largest mobile market. We gain customers, expertise and technology and we further strengthen our global messaging product for discerning businesses with global needs", comments Sinch CEO, Oscar Werner.

Sinch has forged a strategy to grow the company through both organic and inorganic means. A long-term focus on profitability and cash flow makes Sinch well placed to continue and execute this strategy also in times when overall macroeconomic conditions are unfavorable.

India is the world's second largest mobile market with a population exceeding 1.3 billion. It is a fast-growing, mobile-first economy that benefits from rapid digitalization and rising smartphone penetration. Economic growth and government initiatives for greater digital inclusion is also driving increased use of financial services, a development that fuels demand for transaction notifications via SMS.

Beyond exposure to a vast and expansive domestic market, the acquisition of ACL Mobile also adds further reach to Sinch's global Tier 1 Super Network. Sinch can leverage ACL's direct connections to mobile operators in India, Malaysia and UAE and offer end-to-end connectivity, without unnecessary middlemen, to demanding global businesses around the world.

"Together with Sinch we are scaling up to become one of the leading global players in our industry. I'm excited about this next chapter and the many new opportunities that we can pursue together", comments Sanjay K Goyal, Founder and CEO of ACL Mobile.

### Financials and synergies

The acquisition of ACL Mobile significantly increases Sinch's global scale and overall messaging volumes.

In the 12 months ending March 2020, ACL Mobile delivered 47 billion messages on behalf of its enterprise customers. During this period, the company recorded revenues of INR 4,959 million, gross profit of INR 1,091 million, and Adjusted EBITDA of INR 480 million. In Swedish krona, using the current 8.17 INR/SEK exchange rate, this corresponds to revenues of SEK 607 million, gross profit of SEK 134 million, and Adjusted EBITDA of SEK 59 million.

Like-for-like gross profit growth in the 12 months ending March 2020 was 13 percent. Although the long-term growth outlook is favorable, lower commercial activity in India due to the Covid-19 pandemic means that the near-term growth outlook is less predictable.

Initial integration costs are estimated at SEK 17 million. Total synergies from the combination of Sinch, ACL Mobile and SAP Digital Interconnect will be assessed upon closing of the two transactions.





## Valuation

The total price paid by Sinch implies an EV/EBITDA-multiple of 11.1x based on adjusted EBITDA for the 12-month period ending March 2020.

## Financing

The acquisition of ACL Mobile is financed using Sinch's cash at hand and available credit facilities. The total price paid is INR 5,350 million, which corresponds to SEK 655 million at the current exchange rate.

The transaction is structured in two tranches. When the transaction closes, Sinch initially acquires 82 percent of the outstanding shares in ACL Mobile. At this time, Sinch is also granted a call option to acquire the remaining 18 percent of ACL Mobile on or after December 1, 2020. The Seller has a corresponding put-option in the event Sinch does not exercise the call option.

Sinch has a financial target to maintain net debt/adjusted EBITDA below 2.5x over time. As of Q1 2020, net debt/adjusted EBITDA was -1.0x when measured on a rolling, twelve-month basis. Beyond the acquisition of ACL Mobile, several recently announced transactions will affect this ratio in coming periods:

- On April 1, Sinch closed the acquisition of Chatlayer for a total cash consideration of EUR 6.9 million. This corresponds to SEK 73 million at the current exchange rate.
- On March 26, Sinch announced the acquisition of Wavy for a cash consideration of BRL 355 million and 1,534,582 new shares in Sinch. The cash component corresponds to SEK 663 million at the current exchange rate. The transaction is subject to regulatory approval and is expected to close in H2 2020.
- On May 5, Sinch announced the acquisition of SAP Digital Interconnect ("SDI") for a total cash consideration of EUR 225 million. This corresponds to SEK 2,366 million at the current exchange rate. The transaction is subject to regulatory approval and is expected to close in H2 2020.

Assuming that the acquisitions of Chatlayer, Wavy, SDI and ACL Mobile had already been completed in Q1 2020, proforma net debt/adjusted EBITDA would have been 3.2x. This calculation includes Adjusted EBITDA in all acquired entities over the past 12 months. Whereas 3.2x momentarily exceeds Sinch's targeted 2.5x, continued earnings growth and underlying cash generation means that the ratio is expected to decline over coming periods.

Moreover, Sinch is continuously evaluating its capital structure and financing sources to maintain financial flexibility to continue to pursue value creating opportunities through acquisitions.

## Timelines and conditions

The acquisition of ACL Mobile is expected to close in Q3 2020. Closing of the transaction is subject to customary closing conditions.

## Advisors

Handelsbanken Capital Markets is acting as financial advisor and Trilegal as legal advisor to Sinch in the transaction. EY has advised ACL Mobile.

## Conference call and webcast

A conference call for analysts and investors will take place today, Monday 15 June, at 09.00 CEST. Please dial in a few minutes before the call to ensure that you are connected.

Access code: 76671371#

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The live webcast will be available at [investors.sinch.com/webcast](https://investors.sinch.com/webcast).  
Presentation materials will be available at [investors.sinch.com](https://investors.sinch.com).

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**About Sinch**

Sinch brings businesses and people closer with tools enabling personal engagement. Its leading cloud communications platform lets businesses reach every mobile phone on the planet, in seconds or less, through mobile messaging, voice and video. Sinch is a trusted software provider to mobile operators, and its platform powers business-critical communications for many of the world's largest companies. 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 30 countries. Shares are traded at NASDAQ Stockholm: XSTO:SINCH. Visit us at [sinch.com](http://sinch.com).

**About ACL Mobile**

ACL Mobile is a leading communications platform provider to businesses in Southeast Asia. Our platform enables large and leading enterprises to engage their customers over multiple channels including SMS, voice, email, IP messaging and WhatsApp. Since the inception in 2000, we have been developing our technical infrastructure to help businesses reach their customers swiftly, securely and cost-effectively. Our communications platforms boast the lowest latency in the industry and handles billions of interactions each month.

**Important information**

This communication may contain certain forward-looking statements. Such statements are all statements that do not relate to historical facts and include expressions such as "believe", "estimate", "anticipate", "expect", "assume", "predict", "intend", "may", "presuppose", "should" or similar. The forward-looking statements in this release are based on various estimates and assumptions that in several cases are based on additional assumptions. Although Sinch believes these assumptions were reasonable when made, such forward-looking statements are subject to known and unknown risks, uncertainties and other important factors that are difficult or impossible to predict and that are beyond Sinch's control. Such risks, uncertainties and important factors could cause the actual results to differ materially from the results expressly or implicitly indicated in this communication through the forward-looking statements. The information, perceptions and the forward-looking statements in this release apply only as of the date of this release and may change without notice.

This information is information that Sinch AB (publ) is obliged to make public pursuant to the EU Market Abuse Regulation. The information was submitted for publication, through the contact person set out above, at 07:30 CEST on June 15, 2020.