



**Q4 2019**

# **Investor Presentation**

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**SEK 5.0bn**  
revenue in the  
past 12 months

**SEK 574m**  
Adj. EBITDA in the  
past 12 months

**SEK 21bn**  
Market Cap

**722**  
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



Consumer penetration



Growing, global, multi-billion  
USD market



Profitable since our  
foundation in 2008



>600% gross profit growth  
since IPO in 2015

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**#Text For.  
Humanity**  
Text JOIN to (+1) 833 421-4726

## The world's first texting switchboard.

**Send a text you would love to get, to a stranger.**

To take on online negativity, we created #TextForHumanity, where you send a positive message to a stranger and receive one in return.

Why? Because although we're using our phones to communicate 24/7, we feel worse mentally – not happier.

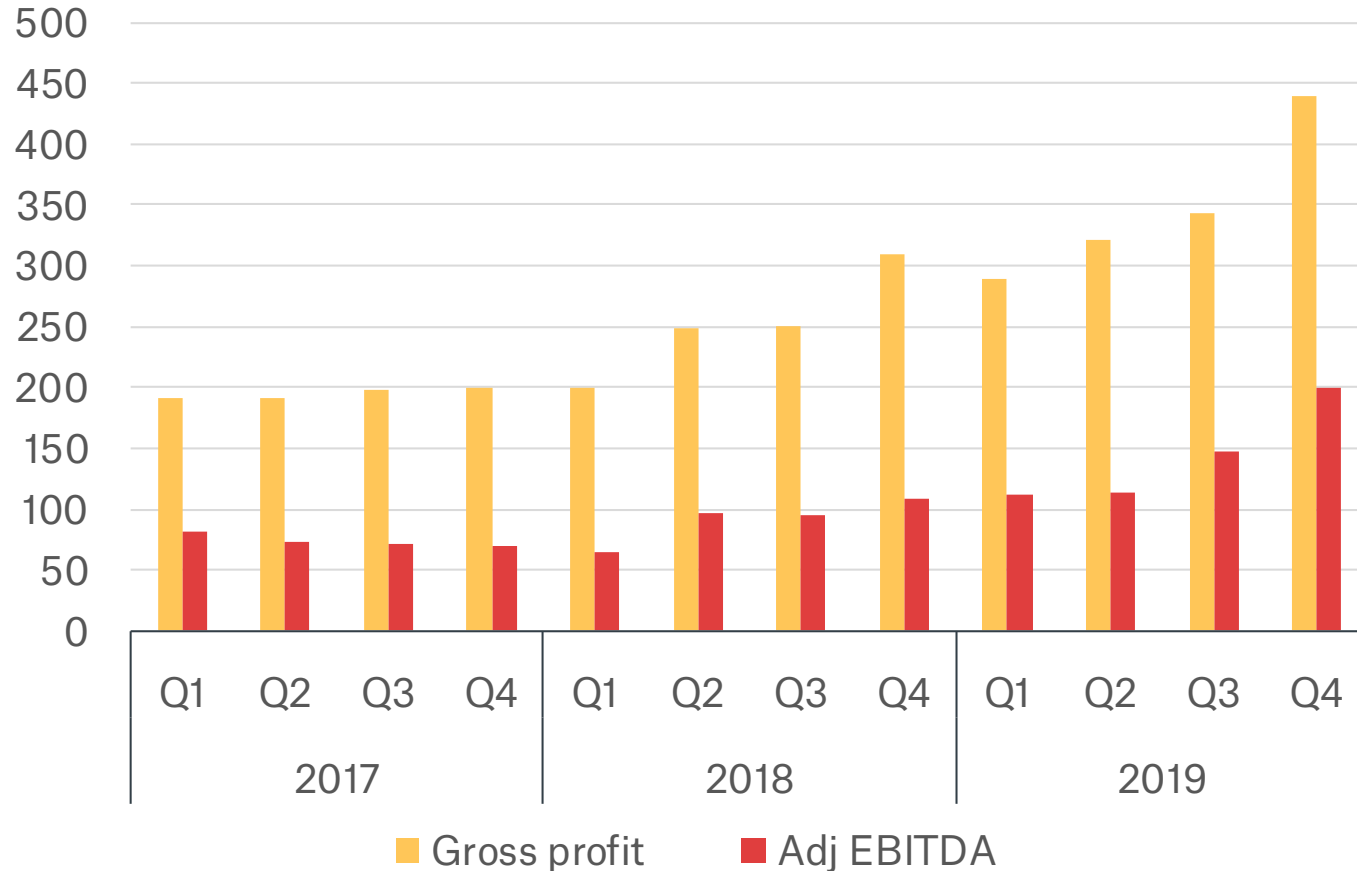
It's time for our mobile phones to love us back.

**55,092**

**Positive messages sent so far.**

# Organic and acquired growth

Sinch Gross profit and Adj EBITDA (SEKm)



- **Focus on Gross profit and EBITDA since pass-through revenues vary between geographies**
- **Track record of profitable growth**
- **42% growth in gross profit and 82% growth in EBITDA in Q4 19**



# Growth markets



## Messaging

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

- **USD 17 bn** market size (MobileSquared), other estimates vary between **USD 15-50 bn**
- **Large variation in usage between markets**
- **We foresee continued growth in volumes and gross profit**

## 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

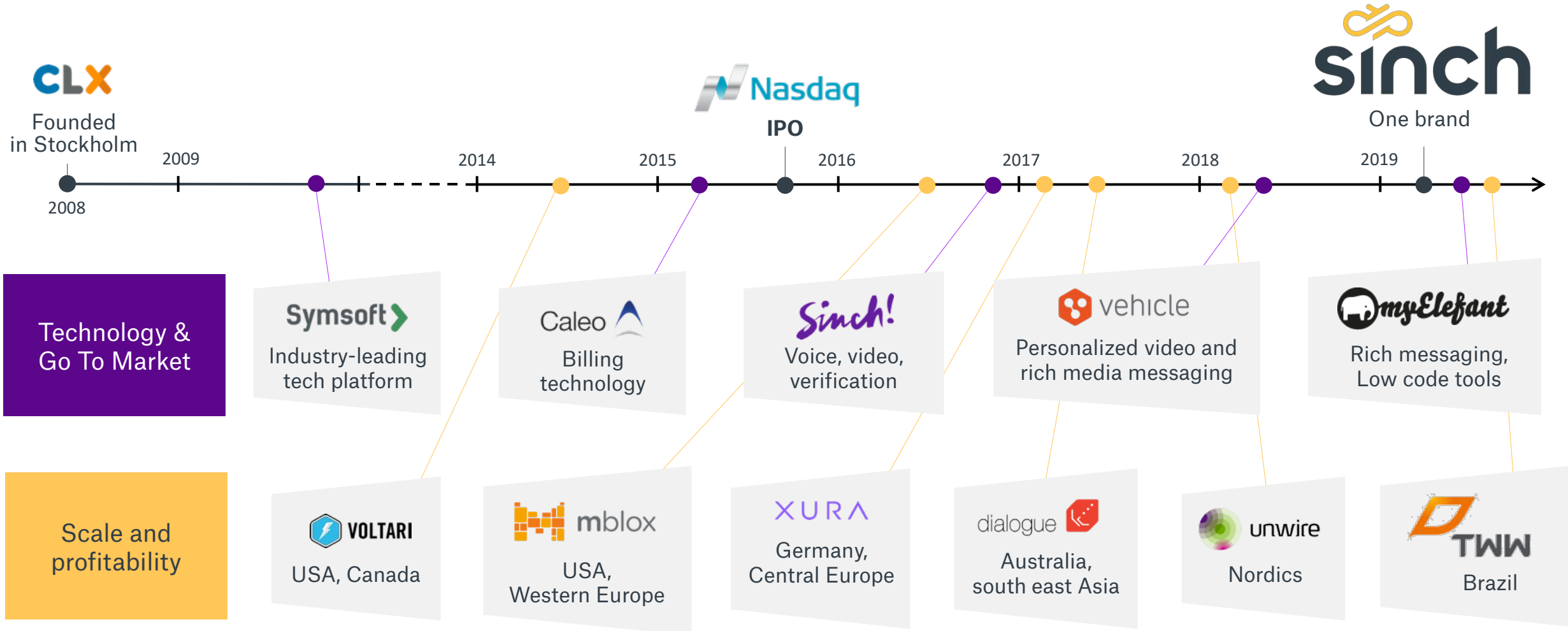
- Empower businesses to leverage rich and conversational messaging
- Increase our software value-add (CPaaS) in addition to our connectivity offering
- Increase stickiness with maintained scalability

## 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

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# Strategic acquisitions







## October – December 2019

- Gross profit rising 42% to SEK 439.9 million (309.9)
- Adjusted EBITDA rising 82% to SEK 199.5 million (109.4)
- Adjusted EBIT excl. acquisition-related amortization of SEK 185.7 million (104.1)
- Profit after tax of SEK 94.7 million (103.5)
  
- Organic Gross profit growth of 23% in local currency
- 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

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# Key growth drivers

**1.**

**Rising message volumes with large US tech companies**

**2.**

**Growth in Voice & Video**

**3.**

**Acquisition of TWW and myElefant**

**Growing both with new and existing customers**

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# Four investment areas

## Growth with existing customers

- Continuous investment in platform scalability
- Key account management

## Operational efficiency

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

## Sales and marketing

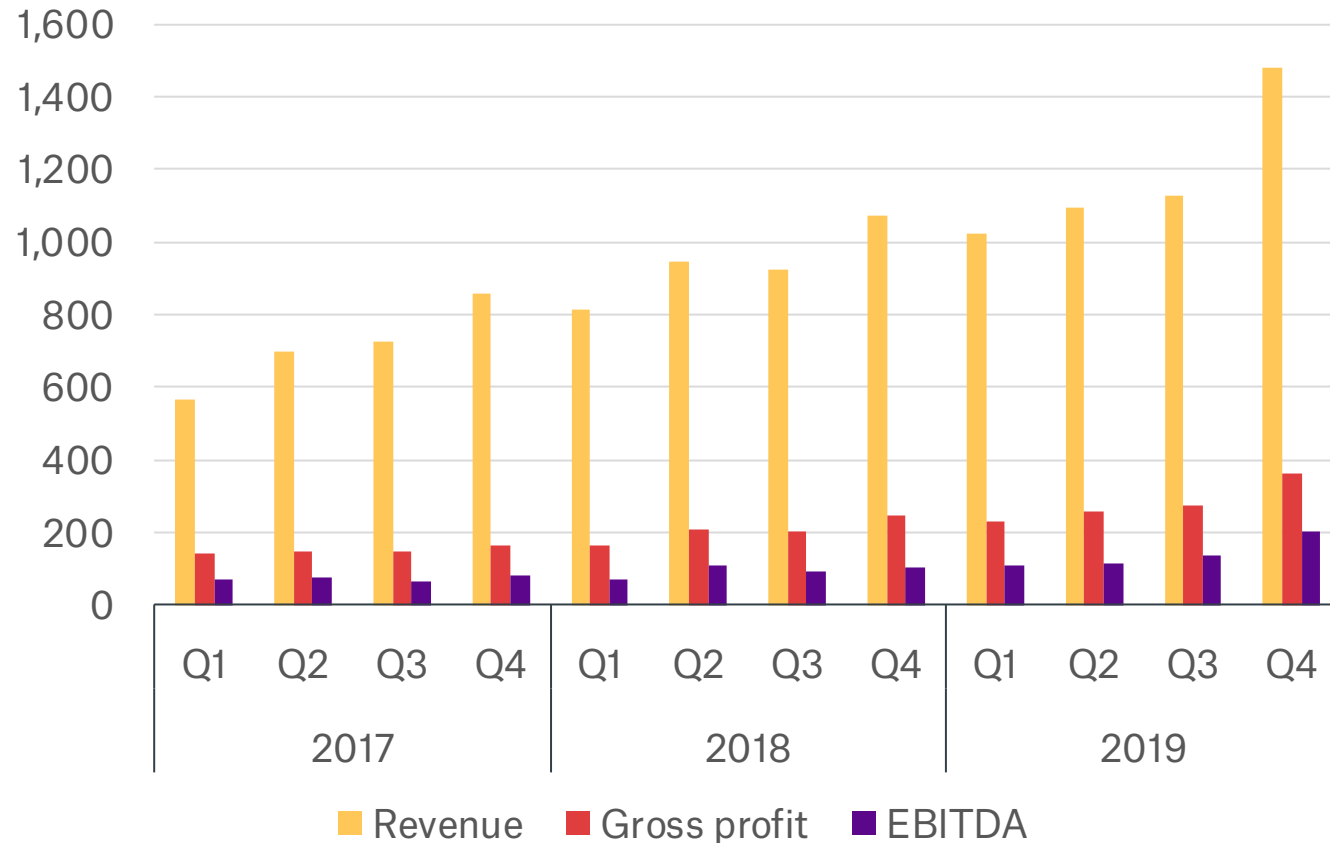
- Lead generation
- Greater focus on new sales
- International expansion of personalized video products

## New technology

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

# Continued growth in Messaging

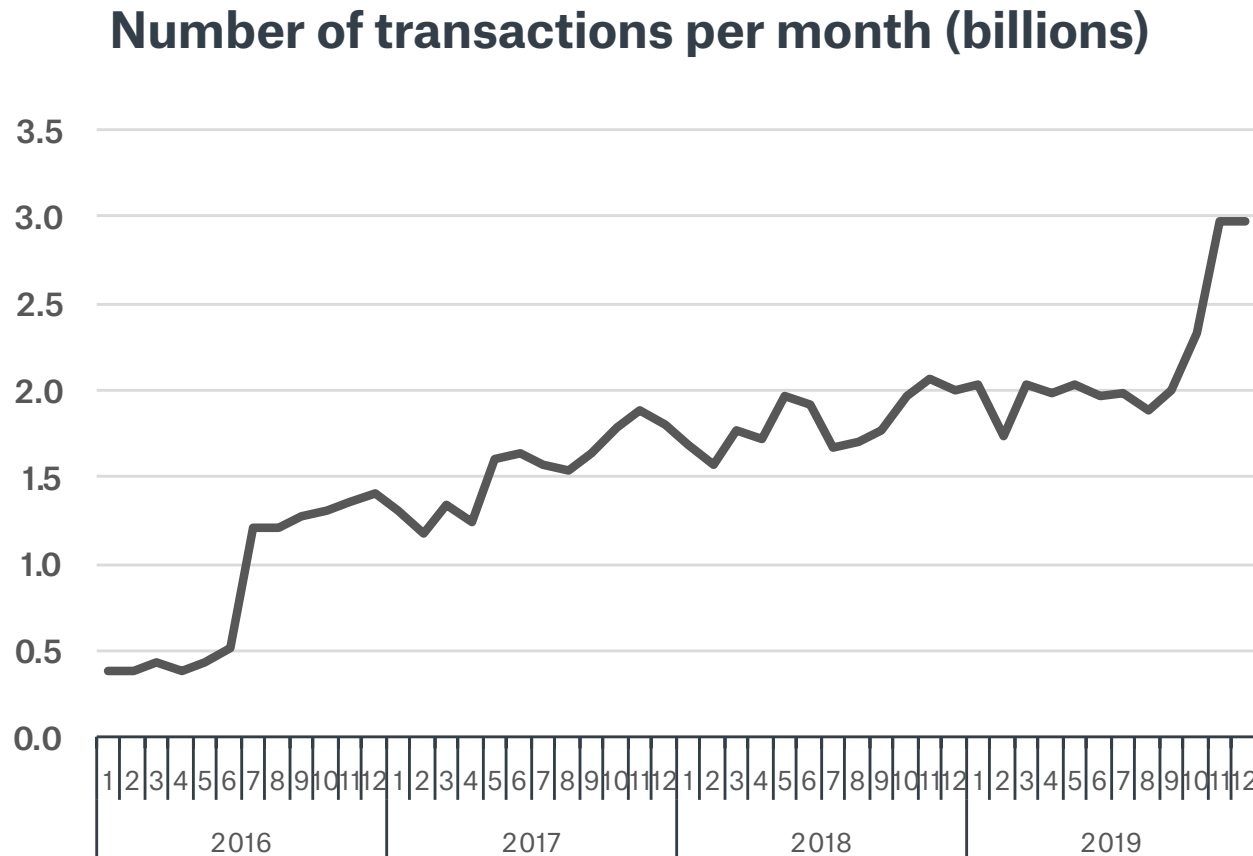
Messaging (SEKm)



- **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

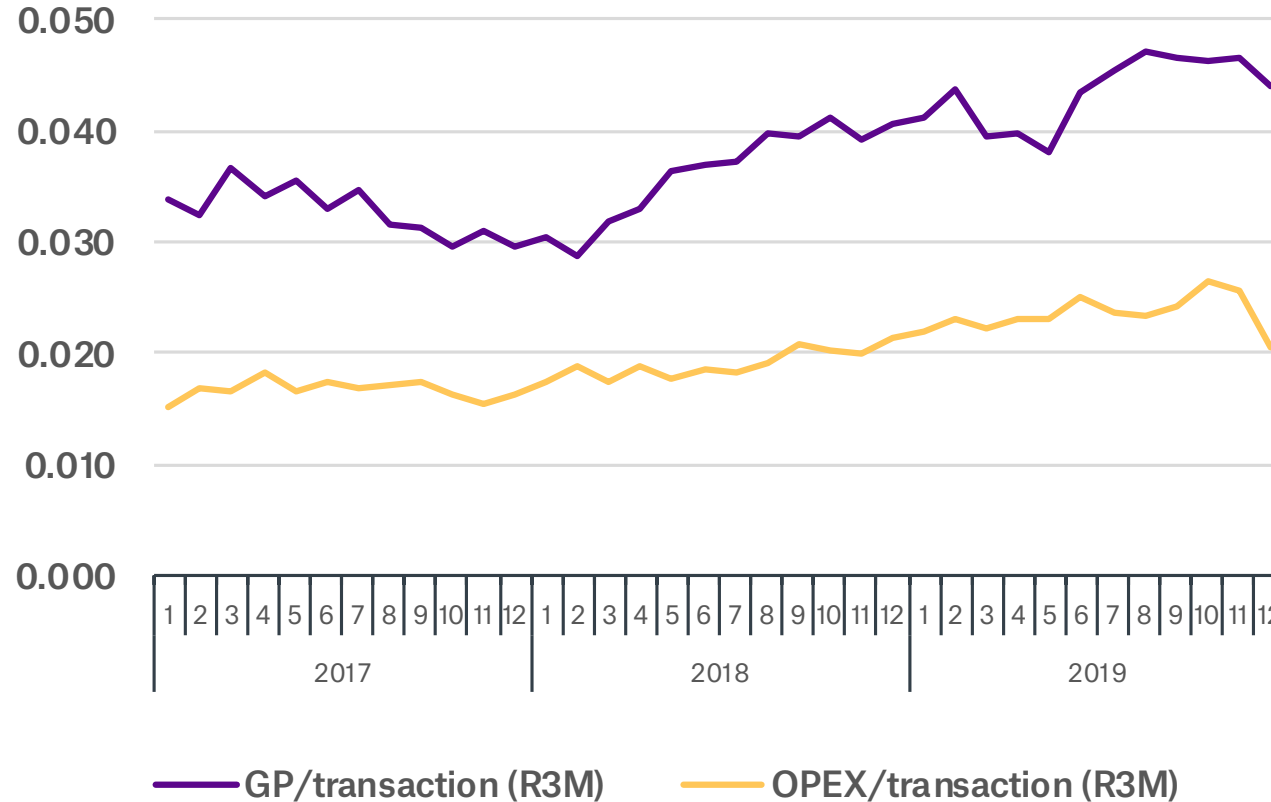


- Acquisition of TWW and myElefant adding significant volumes in October-November
- Growth from existing customers, new customers, new use cases
- Positive seasonality with more transactions in Q4 than in other quarters
- 41% growth in transactions
- 49% growth in Gross profit



# Gross profit per transaction

## OPEX/transaction & Gross profit/transaction (SEK)

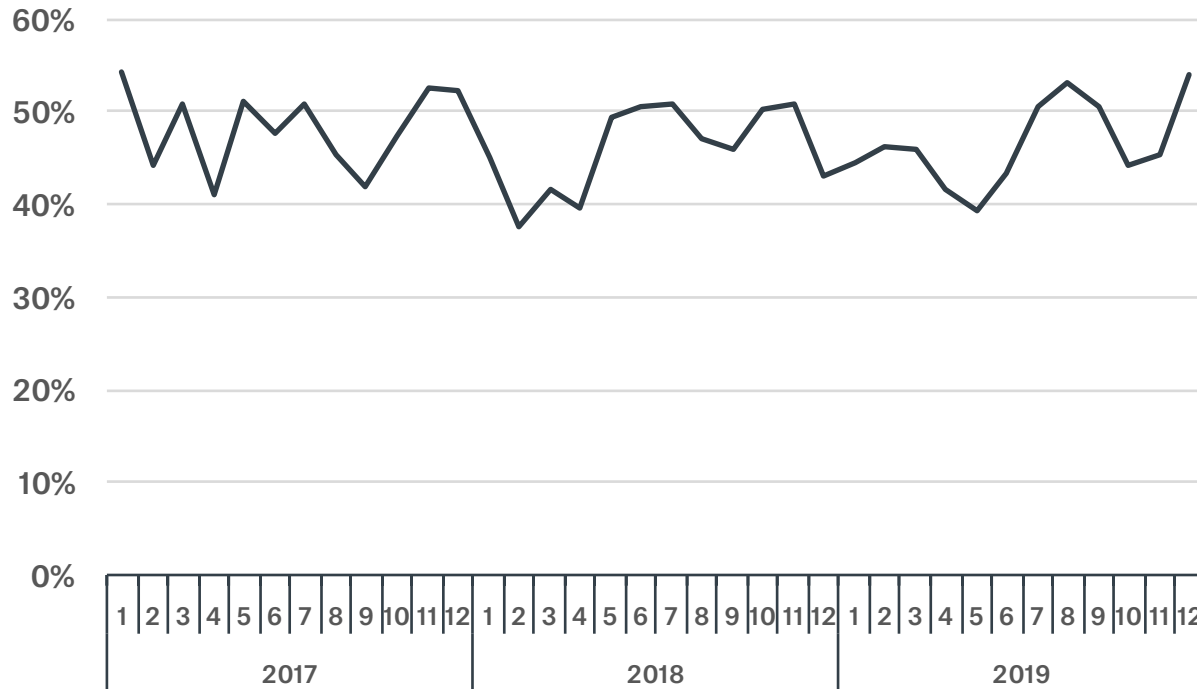


- **Gross profit is the primary bottom line driver**
- **GP/transaction decline due to inclusion of TWW**
- **Opex/transaction decline due to economies of scale & seasonal increase in volumes**



# Rising margin in Messaging

Messaging EBITDA/Gross profit

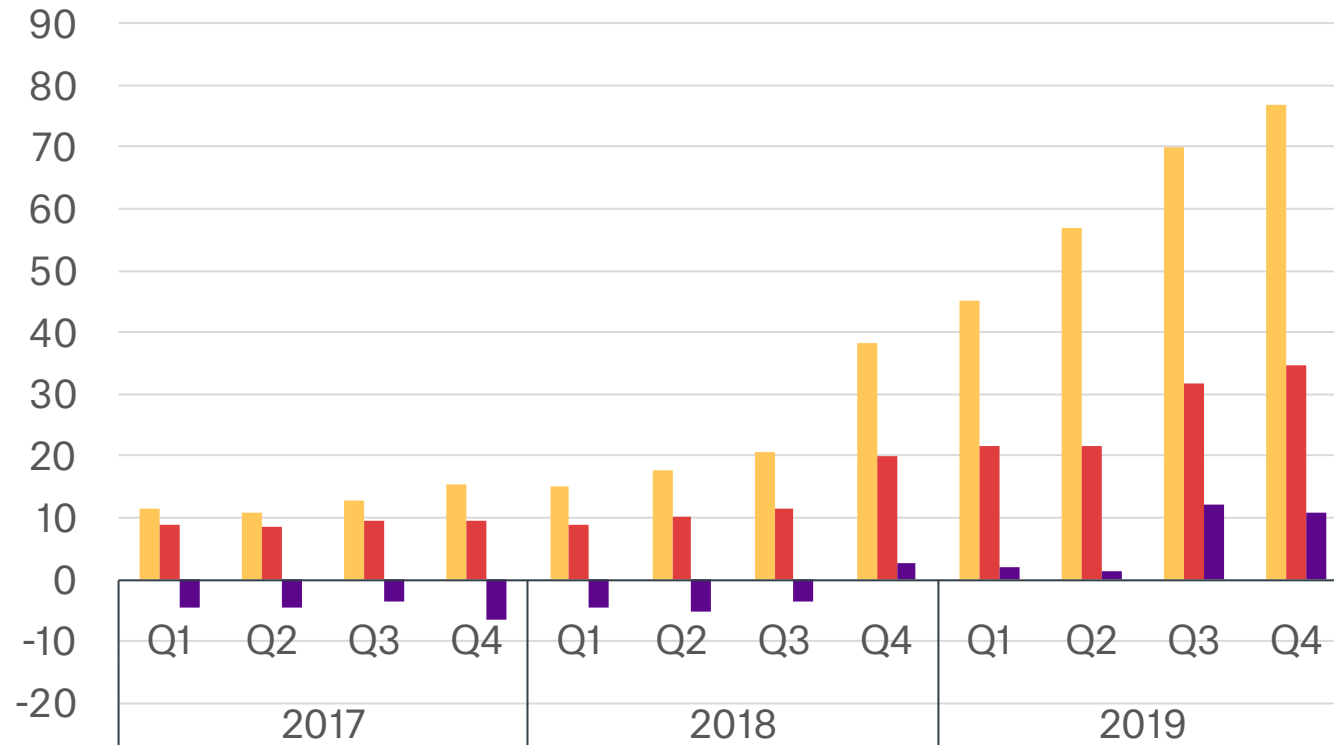


- Revenue and gross margin depend on mix of terminating markets
- EBITDA/Gross profit shows margin excluding mobile operator charges
- Adding traffic volume increases gross profit more than it increases opex
- Continued opex investments to capture growth



# Maintained growth in Voice and Video

Voice and Video (SEKm)



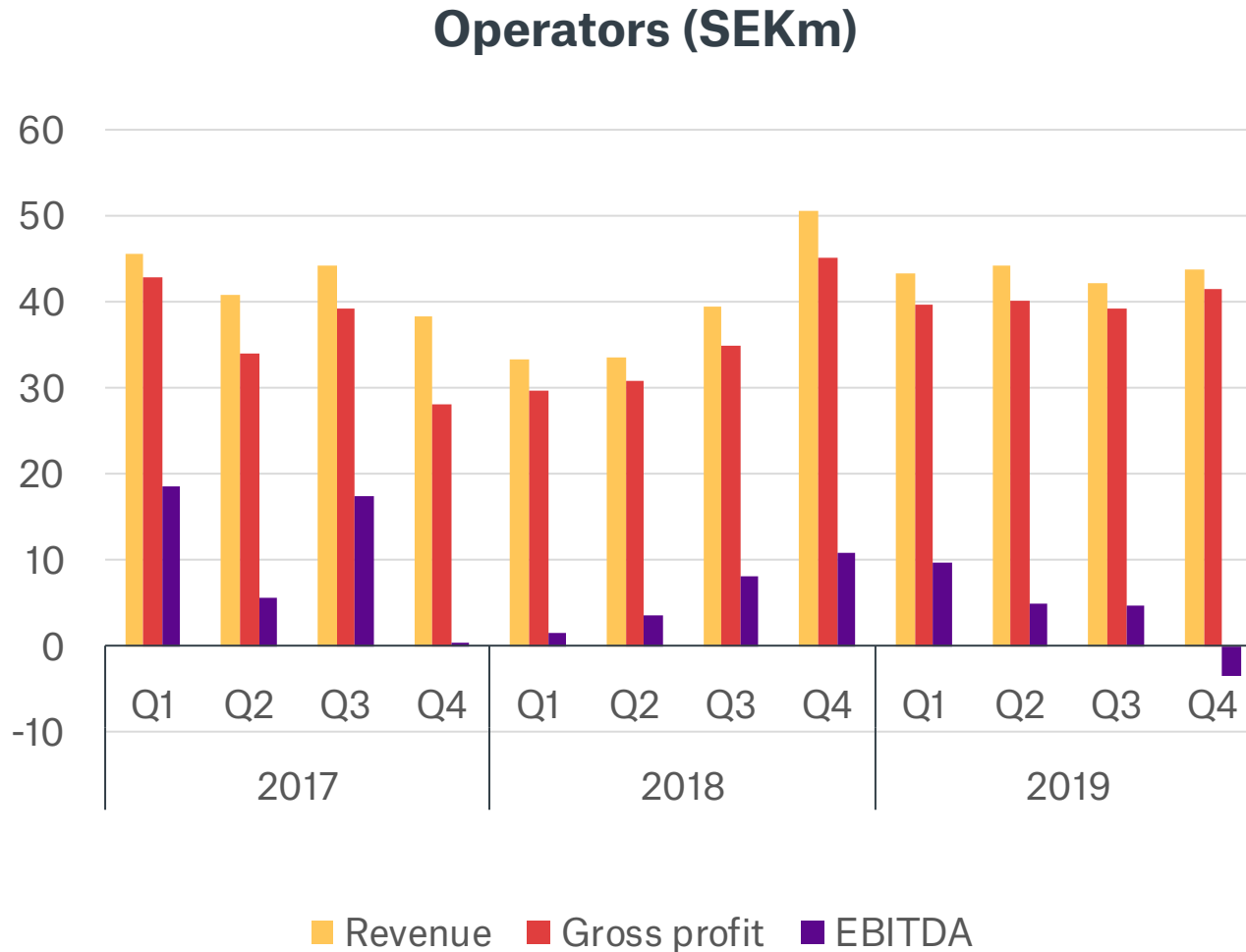
■ Revenue ■ Gross profit ■ EBITDA

- Growth fuelled by Number Masking and Verification
- Continued growth in Gross profit
- Increasing OPEX to ensure quality as volumes ramp quickly





# Project delays in Operators



- **Fluctuations in results as projects are realized**
- **Project delays and currency headwind in Q4 19**
- **Investments in RCS-as-a-Service for mobile operators**





# Q4 2019 Financials



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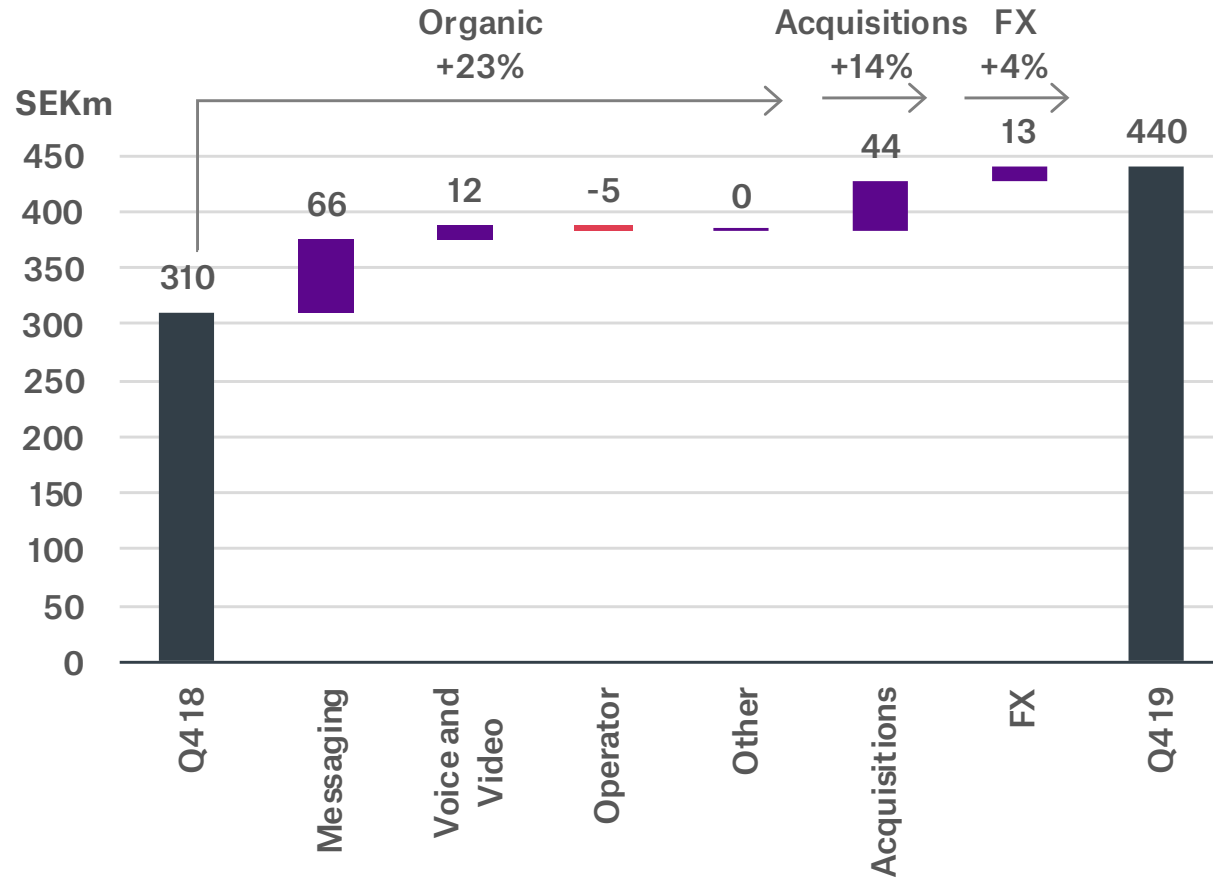
# Income statement

SEK million	Q4	Q4	2019	2018
	2019	2018		
Net sales	1,540.7	1,151.3	5,035.6	3,986.6
Cost of goods sold and services	-1,100.7	-841.5	-3,641.4	-2,978.2
<b>Gross profit</b>	<b>439.9</b>	<b>309.9</b>	<b>1,394.1</b>	<b>1,008.4</b>
Other operating income	26.6	57.6	103.1	109.6
Work performed and capitalized	15.3	5.3	38.6	21.7
Other external costs	-90.0	-86.2	-328.7	-280.3
Employee benefits expenses	-160.6	-119.2	-537.6	-405.1
Other operating expenses	-36.7	-27.0	-113.9	-81.1
<b>EBITDA</b>	<b>194.3</b>	<b>140.4</b>	<b>555.5</b>	<b>373.3</b>
Depreciation, amort. and impairment	-51.4	-32.7	-183.9	-155.5
<b>EBIT</b>	<b>142.9</b>	<b>107.7</b>	<b>371.6</b>	<b>217.8</b>
Finance income	6.0	10.3	18.6	22.6
Finance expenses	-26.2	-21.5	-35.2	-39.1
<b>Profit before tax</b>	<b>122.7</b>	<b>96.5</b>	<b>355.0</b>	<b>201.3</b>
Current tax	-25.8	0.8	-83.8	-41.1
Deferred tax	-2.2	6.2	3.3	19.3
<b>Profit for the period</b>	<b>94.7</b>	<b>103.5</b>	<b>274.5</b>	<b>179.5</b>

- Non-recurring items of SEK 5.2 million in Q4 19 relate to the acquisitions of myElefant and TWW
- Full year Adj EBITDA in 2019 rose by SEK 27.6 million due to IFRS16; no further contribution in 2020
- 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 185.7 million (104.1) in Q4 19



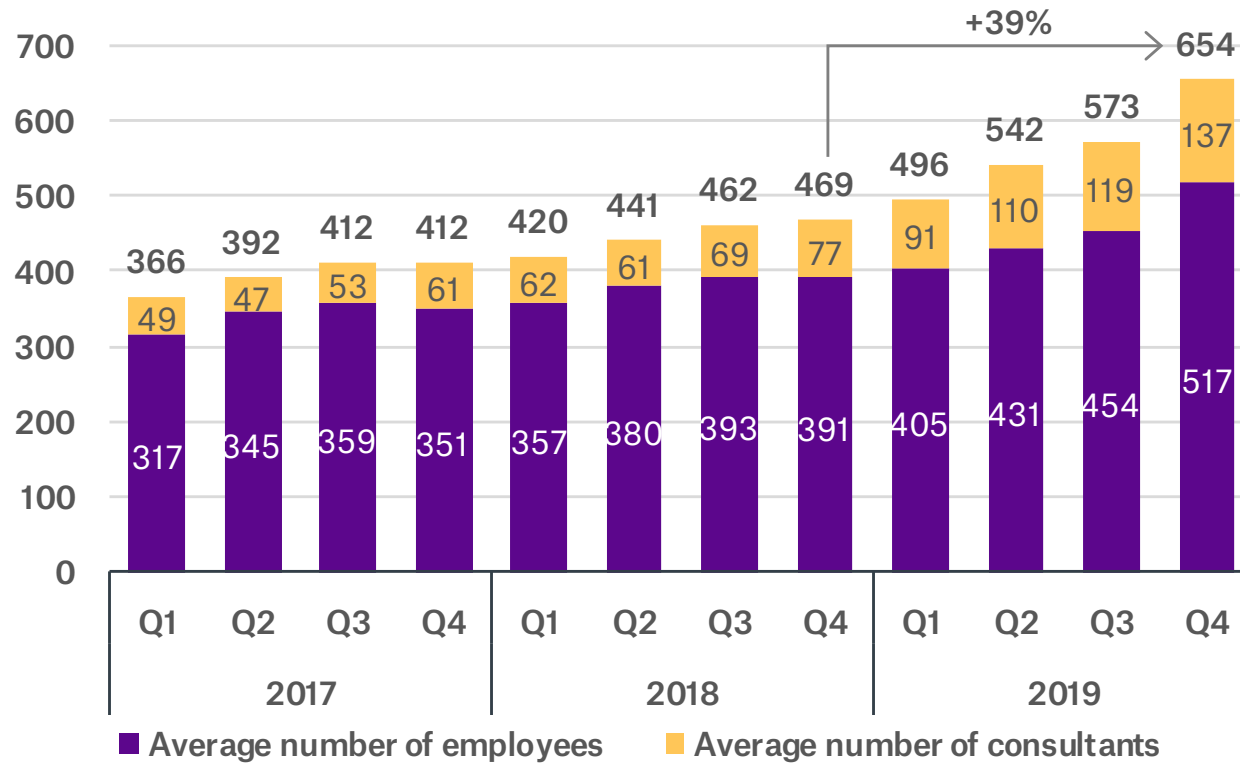
# Accelerating Gross Profit growth



- **42% total Gross Profit growth**
- **23% organic Gross Profit growth**
- **14% contribution from acquisitions**
- **Big US tech companies and acquisitions fuelling growth**
- **Limited total FX effect on Adjusted EBITDA in the quarter**



# Headcount increase



- Headcount rising due to recruitment and acquisitions
- Headcount at 722 at end of Q4
- Quarterly average of 654 would have been 614 excluding acquisitions, implying organic addition of 41 employees
- Near-term negative effect on EBITDA before new initiatives translate into higher revenues and gross profit



# Reconciling Cash Flow with EBITDA

SEK million	Q4 2019	Q4 2018	2019	2018
Adjusted EBITDA	199.5	109.4	573.5	367.1
Paid interest	-2.4	-4.8	-20.8	-19.4
Paid taxes	-54.0	1.5	-117.4	-65.1
Other	6.5	-24.4	18.2	-59.0
<b>Cash flow before changes in working capital</b>	<b>149.7</b>	<b>81.7</b>	<b>453.5</b>	<b>223.6</b>
<b>Cash flow before changes in working capital/Adjusted EBITDA</b>	<b>75%</b>	<b>75%</b>	<b>79%</b>	<b>61%</b>

- **Strong underlying cash generation**
- **Seasonally high tax paid in Q4 19, one-off tax item in Q4 18**
- **75% cash conversion from Adjusted EBITDA to Cash flow before changes in working capital in Q4 19**



# Cash flow

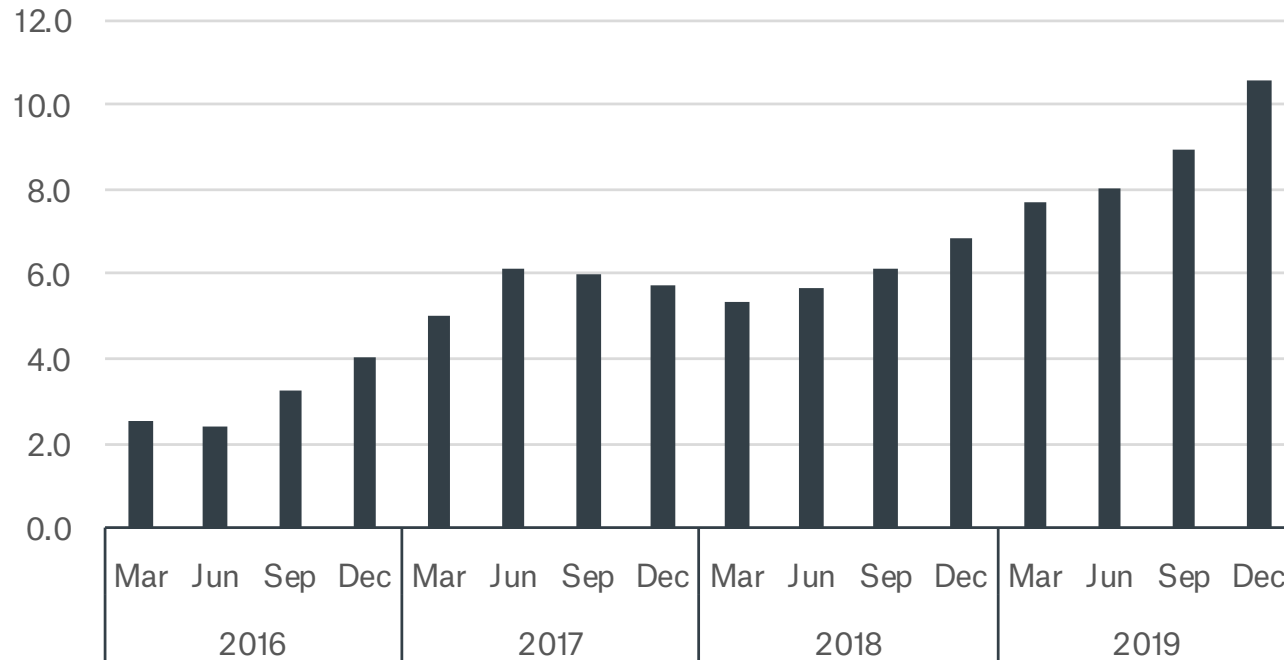
SEK million	Q4 2019	Q4 2018	2019	2018
Cash flow before changes in working capital	149.7	81.7	453.5	223.6
Changes in working capital	-13.7	10.9	-126.2	81.0
<b>Cash flow from operating activities</b>	<b>135.9</b>	<b>92.6</b>	<b>327.3</b>	<b>304.6</b>
Net investments in fixed assets and intangible assets	-22.7	-7.0	-56.0	-28.5
Change in financial receivables	11.4	-2.7	12.1	-20.4
Acquisition of subsidiary	-580.6	-0.2	-668.5	-321.5
<b>Cash flow from investing activities</b>	<b>-591.9</b>	<b>-9.9</b>	<b>-712.4</b>	<b>-370.4</b>
New borrowing	1,453.4	585.4	1,453.4	722.2
Amortization of bank loan	-683.8	-540.9	-756.7	-654.0
Amortization lease liability	-6.9	-	-25.8	-0.2
Overdraft facility	-	-79.8	-	-
New share issue/warrants	1.4	-0.7	2.1	7.4
<b>Cash flow from financing activities</b>	<b>764.1</b>	<b>-36.0</b>	<b>673.1</b>	<b>75.5</b>
<b>Cash flow for the period</b>	<b>308.1</b>	<b>46.8</b>	<b>288.0</b>	<b>9.8</b>

- **Net Working Capital fluctuates between quarters**
- **Very low bad debt**
- **Successful bond issue and refinancing of debt**
- **Net debt raised by SEK 83.8 million due to implementation of IFRS16 on January 1, 2019**



# 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 54% in Q4 19, measured on a rolling 12 month basis
- Net debt/EBITDA of 1.7x, measured on a rolling 12 month basis





# Future growth



**Strong pipeline with several US-based, global tech companies**

**Enterprises shifting from mail to messaging**

**Further growth in Voice and Video**

**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**

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**Thanks!**

