



Press Release

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Sinch acquires Wavy to accelerate innovation and drive growth in Latin America

Stockholm, Sweden – Sinch AB (publ) – XSTO: SINCH

Sinch AB (publ), a global leader in cloud communications for mobile customer engagement, has entered into a definitive agreement to acquire Wavy, through the two legal entities Movile Internet Móvel S.A. and Wavy Global Holdings BV, for a total cash consideration of BRL 355 million and 1,534,582 new shares in Sinch. Using yesterday's Sinch closing share price of SEK 311 and SEK/BRL exchange rate of 2.00, this corresponds to an enterprise value of SEK 1,187 million.

Wavy is part of Movile Group, an ecosystem of leading technology companies in Latin America, and has established itself as a leading business messaging provider in Latin America. The company has successfully leveraged its strong position in text messaging to build a prominent position in next-generation, conversational messaging. It is the second-largest messaging provider in Brazil and offers services in Mexico, Colombia, Peru, Chile, Argentina and Paraguay.

"Uniting Sinch and Wavy significantly strengthens our offering in next-generation messaging and expands our presence in Latin America. Our shared vision, greater scale and global outlook makes us uniquely well placed to succeed in the marketplace, innovate with our customers, and grow our business", comments Oscar Werner, Sinch CEO.

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.

Wavy has commercial agreements with more than 50 mobile operators in Latin America and currently handles more than 13 billion business messages per year. Enterprise customers relying on Wavy's SMS capabilities include financial institutions Caixa and CitiBanamex as well as Atento, the global Business Process Outsourcing provider. A strong commitment to innovation has also seen Wavy develop a leading position in next-generation, conversational messaging over WhatsApp. Customers in this segment include Latin American food delivery leader iFood, beauty group Avon and ticket sales specialist Ingresso Rápido. This high-margin innovation business is now seeing year-on-year growth above 200 percent.

After the transaction has closed and won regulatory approval, Wavy CEO Eduardo Henrique will become a member of the Sinch senior management team.

"Wavy is built on passion, innovation and a mission to make an impact on a global scale. Joining forces with Sinch lets us innovate together and truly transform how businesses engage with their customers. We are on a journey that has only just begun and look forward to the combined future of Sinch and Wavy", comments Eduardo Henrique, Wavy CEO.

Financials and synergies

In the 12 months ending March 31, 2020, Wavy is expected to record revenues of BRL 464 million, Gross Profit of BRL 130 million, and adjusted EBITDA of BRL 48 million. In SEK terms, using today's 2.00 SEK/BRL exchange rate, this corresponds to revenues of SEK 929 million, Gross Profit of SEK 261 million, and adjusted EBITDA of SEK 95 million. The business employs 260 people with 9 offices in 6 countries. In the calendar year 2020, under current trading conditions, gross profit is expected to grow by around 15 percent in local currency.

Synergies from the combination of Sinch and Wavy are expected to reach SEK 30-40 million, or BRL 15-20 million, over the coming 24 months.



Valuation

The purchase price paid by Sinch reflects separate valuation of (i) Wavy's established SMS business and (ii) Wavy's fast-growing Innovation business for conversational messaging through WhatsApp.

The SMS business is valued at 8.8x EV/EBITDA, before synergies, based on expected EBITDA for the 12 months ending March 31, 2020.

The Innovation business, which is growing more than 200 percent year-on-year and which operates at a markedly higher gross margin, is valued at 3.4x EV/Sales based on the current run rate (annualized revenues for December 2019-February 2020).

The blended EV/EBITDA multiple for the two parts corresponds to 12.5x, or 9.1x including estimated synergies at full run-rate.

Financing

The acquisition is financed through a combination of cash and debt facilities. Upon closing, Sinch will pay Movile a cash consideration of BRL 355 million and 1,534,582 new Sinch shares, issued through an issue in-kind. This implies that the number of shares in Sinch rises by around 2.8 percent and means that Sinch welcomes Brazil-based Movile as a new key shareholder. The issued shares are subject to customary lock-up undertakings, whereby 50 percent of the shares received may not be divested for 12 months, and the remaining 50 percent may not be divested for 18 months.

Sinch has a financial target to maintain net debt/adjusted EBITDA below 2.5x over time. As of Q4 2019, net debt/adjusted EBITDA was 1.7x when measured on a rolling, twelve-month basis. With the recently-announced acquisition of Chatlayer BV, this ratio rises by 0.1x to 1.8x. On a pro forma basis, which includes Adjusted EBITDA in the acquired entity over the past 12 months, Net debt/Adjusted EBITDA would have been 2.5x if the acquisition of Wavy had taken place immediately.

Sinch is continuously evaluating its capital structure and financing sources to maintain financial flexibility to continue to pursue value creating opportunities through acquisitions. Sinch has today secured an increase in the existing credit facility of SEK 600 million for M&A provided that the company meets certain pre-defined terms and conditions. After the increase, the facility will have a total commitment of SEK 1,850 million. In addition to this credit facility, the company has overdraft facilities of SEK 250 million in place.

The terms and conditions agreed with the lending banks have financial covenants that allow the company to maintain its financial leverage target. The maturity is December 2022, with the possible extension of one year.

Regulatory approval

Closing of the transaction is subject to customary closing conditions, including regulatory approval from CADE, Conselho Administrativo de Defesa Econômica, which is the competition authority in Brazil.

Timelines and conditions

The transaction is expected to close in H2 2020. Sinch has agreed to pay Movile a termination fee of BRL 30 million, or SEK 60 million based on the current exchange rate, if the transaction is not completed and certain conditions are met.

Advisor

Handelsbanken Capital Markets is acting as financial advisor to Sinch in the transaction.



Conference call and webcast

A conference call for analysts and investors will take place tomorrow, Friday March 27, at 12.00 CET. Waiting times to join by phone may be unusually long. To participate by phone, please dial in 10-15 minutes before the call to ensure that you are connected.

Room number: 637189
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The live webcast will be available at investors.sinch.com/webcast.

Presentation materials will be available at investors.sinch.com.

For further information, please contact

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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.

About Wavy

WAVY Global is a Mobile Group company focused on empowering customers to create valuable experiences for people through technology. Wavy has several solutions, some utilizing AI, that help companies strengthen their relationship with their customers using multiple conversational channels such as SMS, WhatsApp, Apple Business Chat and Google RCS. With more than 20 years of experience in the market, WAVY Global operates in six countries in Latin America, with headquarters in Brazil. The company is connected to more than 50 mobile operators, delivering more than one billion messages per month. Its clients include Avon, iFood, Caixa, Ingresso Rapido, Atento, CitiBanamex, Banco Azteca and others. WAVY Global was included among the 100 Startups to Watch in 2019, ranking carried out by the magazines "Pequenas Empresas & Grandes Negócios", "Época Negócios" and the consultants Corp.vc and EloGroup. Learn more at wavy.global.

About Mobile

Mobile Group is an ecosystem of leading technology companies in Latin America and its big dream is to make the lives of one billion people better through its apps. The company has global operations with more than 4,000 employees across iFood, PlayKids, Wavy, Sympla, Zoop and MobilePay. In 2019, Mobile created the 1Bi Foundation to support technology projects for social impact. Today, Mobile Group is the most desired technology company by Brazilian professionals, according to the Top Companies ranking from LinkedIn in Brazil. Mobile Group is majority owned by Prosus N.V., a global consumer internet group and one of the largest technology investors in the world. Find out more at mobile.com.br.

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 19:00 CET on March 26, 2020.