

Year-end report January - December 2023

October - December 2023

- Net sales increased by 2 percent to SEK 7,532m (7,361).
- Gross profit increased by 5 percent to SEK 2,526m (2,416).
- EBITDA rose by 3 percent to SEK 818m (791).
- Adjusted EBITDA¹ increased by 4 percent to SEK 996m (960).
- Profit after tax for the quarter amounted to SEK 145m (-226).
- Basic earnings per share were SEK 0.17 (-0.27) and diluted earnings per share were SEK 0.17 (-0.27).
- Cash flow from operating activities amounted to SEK 727m (973).

January - December 2023

- Net sales increased by 4 percent to SEK 28,745m (27,722).
- Gross profit increased by 8 percent to SEK 9,542m (8,810).
- EBITDA rose by 11 percent to SEK 3,074m (2,774).
- Adjusted EBITDA¹ increased by 16 percent to SEK 3,637m (3,124).
- Profit after tax for the year was SEK 42m (-4,943).
- Basic earnings per share were SEK 0.05 (-6.03) and diluted earnings per share were SEK 0.05 (-6.03).
- Cash flow from operating activities amounted to SEK 1,788m (2,508).

“The fourth quarter marks a robust end to the year with consistently healthy margins, strong cash generation and improved growth in revenue and gross profit.” – Laurinda Pang, CEO

Significant events during the quarter

- Sinch announced a new operating model to accelerate its organic growth. See the [press release](#) for more information.
- Research firm [Omdia](#) named Sinch a Leader in the Omdia Universe: CPaaS Platform Providers.
- Sinch has committed to short-term and long-term emission reductions in line with science-based net zero and the Science Based Targets initiative (SBTi). By joining SBTi, Sinch will ensure that its climate action is aligned with the latest science aimed at limiting the global temperature rise to 1.5 °C.
- Credit facilities of SEK 1,500m were extended in December by one year. The new maturity date is February 2025.

Significant events earlier this year

- In January 2023, credit facilities of SEK 6,500m and USD 110m were extended by one year and will mature in February 2026.
- Sinch launched “Operator Connect for Partners” on 23 March, which makes it possible for service providers and other partners to offer voice calling services via Microsoft Teams.
- Laurinda Pang took the helm as the new CEO on 17 April.
- Sinch was positioned as a leading CPaaS provider during the year in the [IDC MarketScape report](#) and in [Gartner’s first Magic Quadrant](#) report for CPaaS.
- The cost reduction program announced in mid-2022 achieved the stated savings targets in Q2 2023 and was completed in Q3.

Important events after the end of the year

- The new organization and management team went operational on 1 January 2024.
- In January, credit facilities that amounted to SEK 6,500m and USD 110m at the end of the year were extended by one year. The new maturity date is February 2027.

1) Adjusted EBITDA is reported to clarify performance in underlying operations. See Note 2.

Comments from the CEO

A launchpad for growth

The fourth quarter marks a robust end to the year with consistently healthy margins, strong cash generation and improved growth in revenue and gross profit. We have launched a new organization and are executing a broad set of initiatives to increase our efficiency and accelerate growth.

The sequential improvements we saw earlier in the year continued into Q4 with improved year-on-year growth rates showing most clearly in our Messaging segment. Increased volumes in marketing-related use cases and strong growth in India were two notable contributors, but we still face an adverse macroeconomic environment where many large customers are focusing more on near-term cost control than longer-term growth initiatives. The transaction volumes generated by our installed base of customers remain our most influential near-term revenue driver while the positive impact of successful new sales takes longer to affect our financials.

Our Email and SMB segments continue to perform well, with our turnkey applications attracting higher levels of interest also from mid-market and enterprise customers. Net sales in Email grew 10 percent, organically and in constant currencies, and gross profit expanded by 13 percent. SMB is improving, fueled by North America, with organic growth in both net sales and gross profit reaching 15 percent on a year-on-year basis. Growth in these segments offset the decline in our Voice segment, helping bring our overall organic sales growth back into positive territory in Q4. Organic growth in gross profit – which excludes the pass-through fees paid to telecom operators – totaled 4 percent in the quarter.

Profitability and cash flow are the bedrock of our value creation and remain a high priority. Our gross margin is rising and our EBITDA margin is stable. We paid down our debt by SEK 2.3 billion in 2023 and ended the year with a Net debt/Adjusted EBITDA ratio of 2.0x, down from 2.2x in Q3 and from 2.7x at the end of 2022.

We announced back in October that we would introduce a new operating model to increase the focus on customers, unlock cross- and upselling, and leverage our global scale in Product and R&D, all aimed at accelerating organic growth. Preparing for these changes was a key focus area during the fourth quarter and I'm tremendously pleased that we could successfully launch a new global organization by 1 January 2024.



Our customer-facing teams are now organized into three regions – the Americas, EMEA and APAC – and we have created unified, global organizations for Product, Operations, and R&D. We are drawing on the best capabilities from multiple acquired businesses and are freeing up resources that we can reinvest in growth initiatives.

We have exciting opportunities to increase our growth rate through stronger execution and increased commercial velocity. The new organization is only the first step on a journey that will see us transform our go-to-market, unify our product portfolio, and increase our operational efficiency.

Investment in tools and technology is fundamental to this transformation. We expect to invest some SEK 350 million over the coming three years to automate processes, strengthen our capabilities and streamline our CRM and ERP systems. Together with our other ongoing efficiency measures, we expect these transformation efforts to generate gross savings of SEK 300 million, on a run-rate basis, by the end of 2024. Delivering on this plan allows us to redeploy these resources into initiatives that elevate our standing with customers, strengthen our product offering, and fuel our growth.

Stockholm, 15 February 2024

Laurinda Pang
CEO

Sinch overview

For a list and definitions of financial and operational measurements, please refer to page 32.

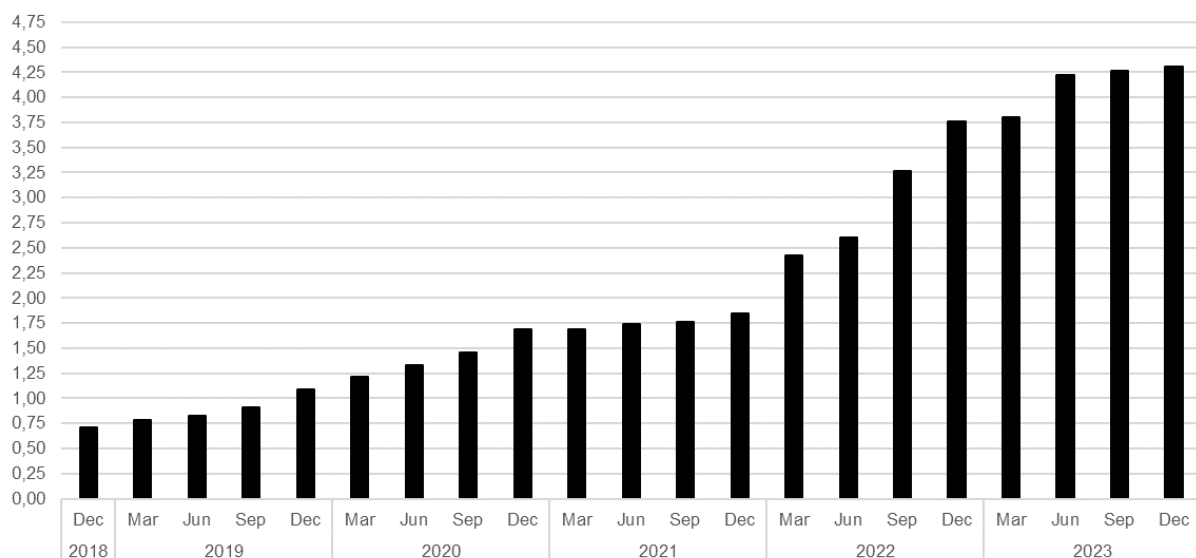
Sinch Group, SEKm	Q4	Q4	2023	2022
	2023	2022		
Net sales	7,532	7,361	28,745	27,722
Gross profit	2,526	2,416	9,542	8,810
Gross margin	34%	33%	33%	32%
EBITDA	818	791	3,074	2,774
EBITDA margin	11%	11%	11%	10%
Adjusted EBITDA ¹	996	960	3,637	3,124
Adjusted EBITDA margin	13%	13%	13%	11%
Adjusted EBITDA/gross profit	39%	40%	38%	35%
EBIT	131	66	494	-4,703
EBIT margin	2%	1%	2%	-17%
Adjusted EBIT ¹	844	919	3,122	2,731
Adjusted EBIT margin	11%	12%	11%	10%
Profit or loss for the period	145	-226	42	-4,943
Cash flow from (-used in) operating activities	727	973	1,788	2,508
Net debt (+) / Net cash (-)	7,987	9,162	7,987	9,162
Net debt/Adjusted EBITDA R12M, multiple ²	2.0	2.7	2.0	2.7
Equity ratio	63%	60%	63%	60%
Adjusted EBITDA/share, SEK	1.18	1.13	4.30	3.76
Diluted earnings per share ³ for the period, SEK	0.17	-0.27	0.05	-6.03
Average number of employees	3,707	3,533	3,643	3,565
Average number of employees including consultants	4,247	4,239	4,241	4,287

1) Adjusted EBITDA and Adjusted EBIT are reported to clarify performance in underlying operations. See Note 2.

2) In the calculation of this APM, Net debt and Adjusted EBITDA are both measured excluding IFRS 16-related lease liabilities. See page 8 for comments.

3) The dilutive effect is not taken into account when financial performance is negative and outstanding warrants/stock options are not considered when the company's average share price is below the exercise price.

Adjusted EBITDA per share⁴, R12M (SEK)



4) Sinch has a financial target decided by the board to grow Adjusted EBITDA per share by more than 20 percent per year. Adjusted EBITDA is an Alternative Performance Measure (APM) aimed at clarifying performance in underlying operations. The chart above shows the development of this APM over time.

Quarterly summary

Adjusted EBITDA and Adjusted EBIT are reported below to clarify performance in underlying operations. See Note 2 for more information.

	Q4 2021	Q1 2022	Q2 2022	Q3 2022	Q4 2022	Q1 2023	Q2 2023	Q3 2023	Q4 2023
Net sales, SEKm									
Messaging	4,540	4,392	4,318	4,698	4,817	4,518	4,621	4,796	5,007
Voice	339	1,400	1,485	1,624	1,625	1,603	1,557	1,591	1,589
Email	81	330	358	400	422	422	436	447	468
SMB	247	427	454	474	497	472	496	532	570
Other and eliminations	-	-	-	-	-	-87	-89	-100	-101
Total	5,207	6,550	6,615	7,196	7,361	6,927	7,021	7,265	7,532
Gross profit, SEKm									
Messaging	975	896	715	1,004	1,001	891	918	1,011	1,057
Voice	162	681	685	767	781	744	753	743	745
Email	64	246	260	292	320	327	339	345	367
SMB	147	273	277	299	314	298	312	335	358
Other and eliminations	-	-	-	-	-	-	-	-	-
Total	1,348	2,096	1,937	2,361	2,416	2,260	2,322	2,433	2,526
Gross margin									
Messaging	21%	20%	17%	21%	21%	20%	20%	21%	21%
Voice	48%	49%	46%	47%	48%	46%	48%	47%	47%
Email	79%	74%	73%	73%	76%	78%	78%	77%	78%
SMB	59%	64%	61%	63%	63%	63%	63%	63%	63%
Total	26%	32%	29%	33%	33%	33%	33%	33%	34%
EBITDA, SEKm									
Messaging	434	250	86	306	311	187	209	310	373
Voice	45	335	312	378	375	381	364	338	342
Email	36	116	122	141	168	174	185	186	163
SMB	70	126	112	122	130	107	113	158	148
Other and eliminations	-255	-178	-103	-140	-194	-158	-156	-143	-208
EBITDA, total	330	648	528	808	791	692	715	848	818
EBITDA margin	6%	10%	8%	11%	11%	10%	10%	12%	11%
Adjusted EBITDA, SEKm									
Messaging	448	267	55	326	366	260	299	378	468
Voice	52	343	318	389	382	384	371	344	351
Email	36	126	131	155	169	181	189	190	205
SMB	65	137	125	148	156	137	149	167	170
Other and eliminations	-130	-112	-127	-117	-113	-129	-143	-135	-199
Adjusted EBITDA, total	471	760	503	901	960	834	865	943	996
Adjusted EBITDA margin	9%	12%	8%	13%	13%	12%	12%	13%	13%
Adjusted EBITDA/gross profit	35%	36%	26%	38%	40%	37%	37%	39%	39%
Adjusted EBITDA/share, SEK	0.61	0.96	0.61	1.07	1.13	0.98	1.03	1.12	1.18

EBITDA adjustments, SEKm (Note 2)	Q4 2021	Q1 2022	Q2 2022	Q3 2022	Q4 2022	Q1 2023	Q2 2023	Q3 2023	Q4 2023
Acquisition costs	-101	-42	1	-5	1	-3	-2	-2	-2
Restructuring costs	-	-	-	-18	-44	-6	-28	-14	0
Earnouts	-	-	-	-	-	-18	-	-	-
Integration costs	-66	-59	-66	-61	-67	-47	-47	-31	-23
Costs of share-based incentive programs	-15	-17	-27	-42	-38	-23	-33	-29	-52
Operational foreign exchange gains/losses	29	5	117	37	-25	-45	-41	-12	-63
Other adjustments	11	-	-	-3	2	0	1	-9	-37 ¹
Total EBITDA adjustments	-141	-113	25	-93	-169	-141	-149	-95	-178
Amortization of acquisition-related assets	-264	-440	-464	-497	-587	-496	-506	-526	-535
Impairment of goodwill	-	-	-	-5,000	-97	-	-	-	-
Total EBIT adjustments	-405	-553	-439	-5,590	-853	-638	-655	-621	-713

¹ The "Other adjustments" item of SEK 37m relates to onward payment to the former owners of Pathwire of a tax refund relating to the period before the acquisition.

October - December 2023

Net sales

Consolidated net sales grew in the quarter by 2 percent to SEK 7,532m (7,361), compared to the corresponding period in the preceding year. All business in Q4 2023 is classified as organic.

The currency tailwind was 2 percent for the quarter, corresponding to SEK 130m.

Organic net sales, in local currency and excluding acquisitions, increased by 1 percent compared to the same

quarter in 2022.

Gross profit

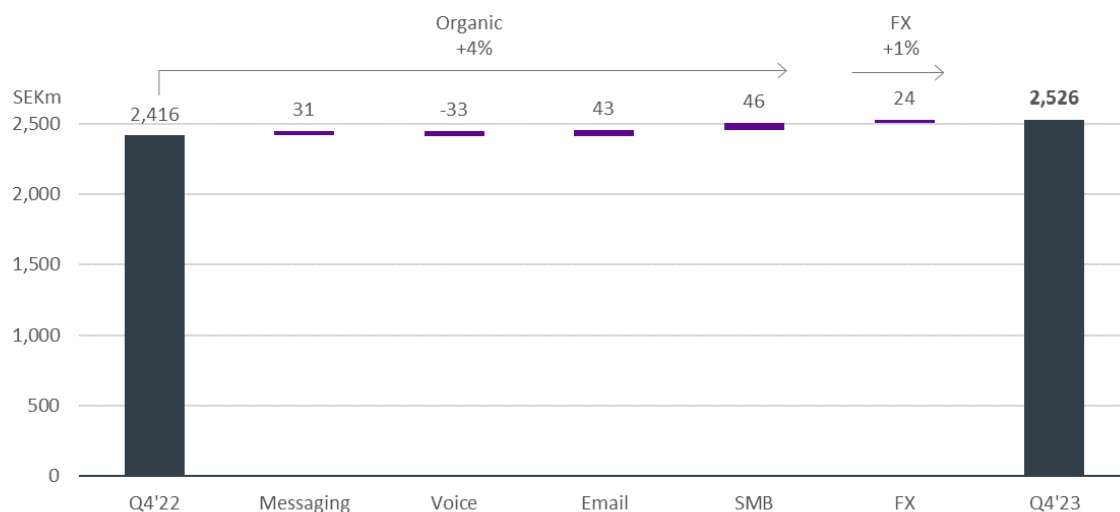
Consolidated gross profit rose during the quarter by 5 percent to SEK 2,526m (2,416).

The currency tailwind was 1 percent for the quarter, corresponding to SEK 24m.

Organic gross profit increased by 4 percent compared to the same quarter last year.

The gross margin was 34 percent (33).

Change in consolidated gross profit, Q4 2022 - Q4 2023



Operating expenses

Operating expenses, defined as the difference between gross profit and EBITDA, grew by 5 percent to SEK 1,708m (1,626) compared to the same period in 2022. The majority of the cost base is attributable to direct and indirect employee benefits expenses. The cost base increased compared to the corresponding period last year primarily due to currency effects, inflation and pay adjustments.

Adjusted operating expenses, defined as the difference between gross profit and Adjusted EBITDA, grew by 5 percent to SEK 1,531m (1,456) compared to the same period in 2022.

If exchange rates had been unchanged relative to the comparison quarter, adjusted operating expenses would have been SEK 17m lower in Q4.

EBITDA

Consolidated EBITDA increased by 3 percent to SEK 818m (791).

The consolidated EBITDA margin was 11 percent (11).

If exchange rates had been the same during the quarter as during the corresponding quarter in the preceding calendar year, EBITDA would have been SEK 3m lower.

In total, Adjusted EBITDA¹ was SEK 178m (169) higher than EBITDA for the quarter. The adjustments include operational foreign exchange gains/losses of SEK -63m (-25), costs of share-based incentive programs of SEK -52m (-38) and other adjustments of SEK -37m (2). See the quarterly summary and Note 2 for more information.

Consequently, Adjusted EBITDA amounted to SEK 996m (960), a 4 percent increase compared to the same period in the preceding year.

If exchange rates had been the same during the quarter as during the corresponding quarter in the preceding calendar year, Adjusted EBITDA would have been SEK 7m lower.

The Adjusted EBITDA margin was 13 percent (13).

¹Adjusted EBITDA is reported to clarify performance in underlying operations. See Note 2.

The Group has a financial target to achieve growth of Adjusted EBITDA per share of 20 percent on an annual basis. Adjusted EBITDA per share amounted to SEK 1.18 (1.13) in Q4.

Adjusted EBITDA/gross profit was 39 percent (40) in Q4.

EBIT

EBIT amounted to SEK 131m (66).

Acquisition-related amortization, which does not affect cash flow, reduced EBIT by SEK -535m (-587). The amortization is attributable mainly to systematic amortization of acquired customer relationships and acquired software.

Adjusted EBIT (EBIT excluding EBITDA adjustments and amortization of acquisition-related assets) amounted to SEK 844m (919). See the quarterly summary and Note 2 for specifications.

Growth acceleration plan

Sinch announced a new operating model during the quarter, aimed at accelerating the organic growth rate. See the [press release](#) for more information. An important milestone was reached on 1 January 2024 when a new organization and management team were implemented.

Harmonizing the company's IT environment to achieve efficiency is a key component of realizing the opportunities created by the new operating model. Sinch estimates the cost of IT initiatives over the next three years at about SEK 350m.

Sinch also estimates the company's total integration and restructuring costs at about SEK 300m in 2024.

These measures are expected to produce gross savings of about SEK 300m on a run-rate basis by the end of the year. Sinch intends to reinvest the majority of these savings in new initiatives to drive organic growth.

Other income and expense items

Net financial expenses were SEK -157m (-232) including net interest expense of SEK -144m (-128) and foreign exchange differences of SEK -10m (-108).

Net profit for the period amounted to SEK 145m (-226).

Investments

Net investments in property, plant and equipment and intangible assets amounted to SEK 153m (183).

The investments include capitalized development expenditure of SEK 96m (105).

Cash flow

Cash flow before the change in working capital amounted to SEK 828m (661). Cash flow was reduced by tax paid of SEK -48m (-161) and interest expenses paid of SEK -156m (-119).

Cash flow from operating activities amounted to SEK 727m (973) and was reduced by the total change in working capital of SEK -101m (312).

Cash used in investing activities was SEK -147m (-180) and was affected by net investments of SEK -153m (-183), primarily capitalized development expenditure.

Cash used in financing activities was SEK -1,135m (-610) for the period, where the change in borrowings reduced net cash by SEK -1,106m (-600). Net cash flow for the period was SEK -555m (183).

Employees

At the end of the quarter, the Group employed 4,231 (4,287) people, including consultants. The average number of employees and consultants for the quarter was 4,247 (4,239). The average number of employees was 3,707 (3,533), of whom 32 percent (31) women.

January - December 2023

Net sales

Consolidated net sales grew in the period by 4 percent to SEK 28,745 million (27,722).

All business in 2023 is classified as organic.

The currency tailwind was 6 percent for FY 2023, corresponding to SEK 1,544m. Organic net sales growth for the full year, in local currency and excluding acquisitions, was -2 percent compared to FY 2022.

Gross profit

Gross profit increased during the year by 8 percent to SEK 9,542m (8,810).

The comparison year of 2022 was adversely affected by the reassessment of reserves for accrued traffic costs in the amount of SEK 162m, which reduced both gross profit and the gross margin.

The positive effect of FX changes was SEK 448m for the full year, corresponding to 5 percent.

Organic gross profit growth was 3 percent compared to the preceding year.

Excluding the revised assessment of reserves in the comparison quarter described above, organic gross profit growth was 1 percent for the period.

The gross margin was 33 percent (32).

Operating expenses

Operating expenses, defined here as the difference between gross profit and EBITDA, grew by 7 percent to SEK 6,468m (6,036) compared to the same period in 2022. The cost base increased compared to the corresponding period last year due to currency effects, inflation and pay adjustments.

Adjusted operating expenses, defined here as the difference between gross profit and Adjusted EBITDA, grew by 4 percent to SEK 5,905m (5,686) compared to the preceding year.

If exchange rates had been unchanged relative to the

corresponding period last year, adjusted operating expenses would have been SEK 251m lower.

EBITDA

EBITDA for the year increased by 11 percent to SEK 3,074m (2,774).

The aforementioned reserves of SEK 162m had an adverse impact on EBITDA and Adjusted EBITDA in the comparison year of 2022.

The consolidated EBITDA margin was 11 percent (10).

FX movements had positive effect on EBITDA. If exchange rates had been the same as during the preceding year, EBITDA would have been SEK 191m, or 7 percent, lower.

The Group has a financial target to achieve growth of Adjusted EBITDA per share of 20 percent on an annual basis. Adjusted EBITDA per share amounted to SEK 4.30 (3.76) for FY 2023. Adjusted EBITDA/gross margin was 38 percent (35).

Total Adjusted EBITDA was SEK 563m (350) higher than EBITDA for the period. The adjustments include integration costs of SEK -148m (-252), costs of share-based incentive programs of SEK -136m (-124) and operational foreign exchange gains/losses of SEK -161m (135). See Note 2 for more information.

Adjusted EBITDA amounted to SEK 3,637m (3,124), corresponding to an increase of 16 percent compared to the preceding year. The increase was 11 percent excluding the aforementioned reserves in the comparison period.

If exchange rates had been the same as during the corresponding period in the preceding calendar year, Adjusted EBITDA would have been about SEK 197m lower.

The Adjusted EBITDA margin for the period was 13 percent (11).

EBIT

EBIT amounted to SEK 494m (-4,703). Adjusted EBIT was SEK 3,122m (2,731). The aforementioned reserves of SEK 162m had adverse impact on EBIT and Adjusted EBIT in the comparison period.

Other income and expense items

Net financial expenses were SEK -646m (-72) including net interest expense of SEK -592m (-308) and foreign exchange differences of SEK -108m (269). The Group's effective tax rate was 128 percent (-4). Excluding acquisition-related amortization, related deferred tax and reversal of reserve related to 2021 and 2022, the Group's effective tax rate was 25 percent for the period. The comparison period was affected by the impairment loss recognized in Q3 2022.

Net profit for the period amounted to SEK 42 million (-4,943).

Investments

Net investments in property, plant and equipment and intangible assets amounted to SEK 629m (643). The investments include capitalized development expenditure of SEK 383m (374).

Cash flow

Cash flow before the change in working capital amounted to SEK 2,107m (1,832) and was affected by tax paid of SEK -600m (-560) and interest expenses paid of SEK -588m (-279).

Cash flow from operating activities amounted to SEK 1,788m (2,508) and was reduced by the total change in working capital of SEK -319m (676).

Cash used in investing activities was SEK -649m (-691) and was affected by net investments of SEK -629m (-643).

Cash used from financing activities was SEK -2,342m (-1,508) for the period, where the change in borrowings reduced net cash by SEK -2,254m (-1,455).

Liquidity and financial position

Consolidated cash and cash equivalents at 31 December 2023 amounted to SEK 1,012m (2,173).

Net debt amounted to SEK 7,987 million (9,162) and includes IFRS 16-related lease liabilities of SEK 898m (872). One of Sinch's financial targets is that net debt over time shall be below 3.5 times Adjusted EBITDA (measured on a rolling twelve month basis). Excluding IFRS 16-related lease liabilities, net debt in relation to Adjusted EBITDA R12M was 2.0x.

As of 31 December, Sinch had total available credit facilities of SEK 12,610m and the company had used loans and credit facilities totaling SEK 7,363m (9,740). Breakdown, used loans and facilities:

- Loan of SEK 1,500m that matures in May 2024
- Loan of SEK 1,500m that matures in February 2025
- Loan of USD 110m that matures in February 2025
- Credit facilities of SEK 7,605m that mature in February 2026¹, of which SEK 3,258m had been used as of 31 December 2023.

In addition, senior unsecured bonds have been issued in the amount of SEK 750m (750) that will mature in November 2024. Available bank overdraft facilities amounted to SEK 901m (913m) as of 31 December 2023, of which SEK 0m (0) had been used.

Amortization of loans within the credit facilities amounted to SEK 2,250m in 2023.

In total, Sinch had cash and cash equivalents of SEK 1,012m and unused loans, credit facilities and overdraft facilities of SEK 5,247m as of 31 December.

¹ In January 2024, the maturity date was extended by one year to February 2027.

Shares were issued in relation to warrants under the Group's incentive programs. See Note 4.

Equity at 31 December 2023 amounted to SEK 33,663m (34,432), corresponding to an equity ratio of 63 percent (60).

Employees

The average number of employees and consultants for the full year was 4,241 (4,287). The average number of employees was 3,643 (3,565), of whom 31 percent (30) women.

Messaging

Businesses use the Sinch cloud communications platform to reach their customers directly on their phones via SMS and next-generation messaging technologies like WhatsApp and RCS. The Messaging segment also includes advanced interactive communication software and solutions for mobile operators. Operations are oriented primarily towards large businesses and channel partners.

Messaging, SEKm	Q4	Q4	2023	2022
	2023	2022		
Net sales	5,007	4,817	18,942	18,225
Gross profit	1,057	1,001	3,876	3,615
Gross margin	21%	21%	20%	20%
EBITDA	373	311	1,079	954
EBITDA margin	7%	6%	6%	5%
Adjusted EBITDA	468	366	1,405	1,015
Adjusted EBITDA margin	9%	8%	7%	6%
Adjusted EBITDA/gross profit	44%	37%	36%	28%

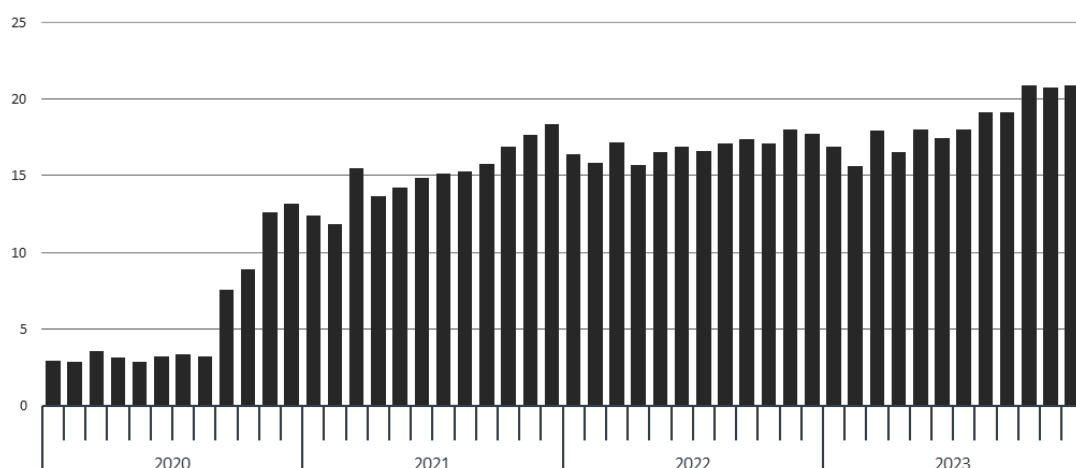
Significant events

- Agreements were closed during the quarter with 36 new large business customers in the segment.
- Sinch announced that it has closed a contract with digital services provider Beyond ONE aimed at optimizing the digital infrastructure and transforming the customer experience in the Latin American market.
- Apple announced during the quarter that it plans to support the RCS messaging standard for communication between Apple and Android-based mobile phones. The news garnered intense interest because the RCS standard offers improved functionality and support for interactive chat between businesses and their customers. Sinch is a leading provider of RCS-based customer engagement in countries including Brazil, the United Kingdom, the United States and France.

Transaction volume

Transaction volume in Q4 was 18 percent higher than in the corresponding quarter last year. India was the main driver of volume growth. The chart below does not include volumes from customers in the SMB segment.

Number of messages per month (billions)



Net sales

Net sales for the quarter amounted to SEK 5,007m (4,817). All business during the quarter is classified as organic.

Net sales increased by 4 percent compared to the same quarter last year. The corresponding organic growth, in local currency and excluding acquisitions, was 1 percent. Growth in net sales is lower than growth in transaction volumes since traffic in India generates lower revenue per message.

Gross profit

Gross profit for the quarter amounted to SEK 1,057m (1,001).

Gross profit increased by 6 percent compared to the same quarter last year. Organic gross profit increased by 3 percent compared to the same quarter last year.

The gross margin was 21 percent (21) for the quarter.

EBITDA

EBITDA for Q4 amounted to SEK 373m (311). The EBITDA margin was 7 percent (6) for the segment.

Adjusted EBITDA amounted to SEK 468m (366). The Adjusted EBITDA margin was 9 percent (8). The largest adjustment items in the quarter were operational foreign exchange gains/losses of SEK -61m (38) and costs of share-based incentive programs of SEK -24m (-16). See Note 2 for more information. The organic increase in Adjusted EBITDA increased by 23 percent compared to the corresponding quarter in 2022 and positive currency effects increased Adjusted EBITDA by 4 percent. An internal reallocation of product costs between Messaging and SMB in Q4 improved EBITDA and Adjusted EBITDA for Messaging by SEK -12m. The reallocation had the corresponding negative effect on SMB and thus does not affect consolidated EBITDA or Adjusted EBITDA.

Voice

Sinch services for voice communications make it possible for business customers, service providers and telecom carriers to handle large volumes of voice calls, phone numbers and emergency calls with no need for costly investments in infrastructure. The backbone of the offering is the Sinch Super Network for voice calls, which reaches 95 percent of the US population and handles more than 300 billion voice minutes per year.

Voice, SEKm	Q4	Q4	2023	2022
	2023	2022		
Net sales	1,589	1,625	6,339	6,134
Gross profit	745	781	2,985	2,915
Gross margin	47%	48%	47%	48%
EBITDA	342	375	1,425	1,399
EBITDA margin	21%	23%	22%	23%
Adjusted EBITDA	351	382	1,449	1,432
Adjusted EBITDA margin	22%	24%	23%	23%
Adjusted EBITDA/gross profit	47%	49%	49%	49%

Significant events

- Sinch enhanced its number verification product with new integrations to two US mobile operators during the quarter. Direct verification against the mobile network operator's interface offers improved capacity to verify a user's identity without requiring the user to enter a one-time password. The feature was made generally available to Sinch customers in Q4 and was launched jointly with a leading American food delivery company.
- Sinch achieved a 911-related milestone in partnership with T-Mobile through the launch of localization services statewide in Massachusetts. The launch simplifies the handling of complex localization and multimedia data for the 911 emergency call service. Sinch's 911 solutions for blue-light emergency dispatch now reach more than 40 percent of the US population in areas where Next Generation 911 (NG911) is available.

Net sales

Net sales for the quarter amounted to SEK 1,589m (1,625). All business during the quarter is classified as organic.

Net sales decreased by 2 percent compared to the same quarter last year. The corresponding organic decrease, in local currency and excluding acquisitions, was 2 percent. Growth was hampered by lower sales to operator customers and the previously communicated regulation of charges for American toll-free numbers (the 8YY Reform). However, demand remains strong for Sinch's voice-based number verification services, which offer a competitive choice for global verification of phone numbers.

Gross profit

Gross profit for the quarter amounted to SEK 745m (781).

Gross profit decreased by 5 percent compared to the same quarter last year. The corresponding organic decrease was 4 percent. Regulation of the American toll-free call market, the 8YY Reform, specifically reduced gross profit growth in Q3 by -4 percentage points. The gross margin was 47 percent (48) for the quarter and was negatively affected by the 8YY Reform and positively affected by a changed product mix.

EBITDA

EBITDA was SEK 342m (375) in Q4. The EBITDA margin was negatively affected by the decrease in gross profit and amounted to 21 percent (23). Adjusted EBITDA was SEK 351m (382) and the Adjusted EBITDA margin was 22 percent (24).

Email

The segment includes Sinch's email business, which offers industry-leading deliverability of transactional and marketing emails to more than 100,000 customers worldwide. Corporate developers of communication services are a prioritized customer group and the product set includes market-leading products including Mailgun, Mailjet and Email on Acid.

Email, SEKm	Q4 2023	Q4 2022	2023	2022
Net sales	468	422	1,773	1,511
Gross profit	367	320	1,377	1,117
Gross margin	78%	76%	78%	74%
EBITDA	163	168	709	547
EBITDA margin	35%	40%	40%	36%
Adjusted EBITDA	205	169	766	581
Adjusted EBITDA margin	44%	40%	43%	38%
Adjusted EBITDA/gross profit	56%	53%	56%	52%

Significant events

- Mailgun Image Gallery and Mailgun AI Copy Generator were launched during the quarter. Image Gallery makes it easier for customers to manage images in alignment with their brand. AI Copy Generator speeds and simplifies text production.
- Black Friday and Cyber Monday resulted in a new record for customer interactions, with more than 2 billion emails sent, up 16 percent over 2022.
- A total of 132 billion emails were sent during the quarter, an increase of 18 percent compared to the same quarter in 2022.

Net sales

Net sales for the quarter amounted to SEK 468m (422). All business during the quarter is classified as organic.

Net sales increased by 11 percent compared to the same quarter last year. The corresponding organic growth, in local currency and excluding acquisitions, was 10 percent.

Gross profit

Gross profit for the quarter amounted to SEK 367m (320).

Gross profit increased by 15 percent compared to the same quarter last year. The corresponding organic growth was 13 percent. Gross profit was increased by higher net sales and the improved gross margin. The gross margin was 78 percent (76) for the quarter.

EBITDA

EBITDA was SEK 163m (168) in Q4. Adjusted EBITDA amounted to SEK 205m (169). The EBITDA margin was 35 percent (40) and the Adjusted EBITDA margin was 44 percent (40). Other adjustments of SEK 37m, see note 2, relates to onward payment to the former owners of Pathwire of a tax refund relating to the period before the acquisition.

SMB

The segment includes easy-to-use turnkey solutions that make it a sinch for small and medium-sized businesses to use messaging services provided by well-established products including Sinch MessageMedia, SimpleTexting and ClickSend.

SMB, SEKm	Q4	Q4	2023	2022
	2023	2022		
Net sales	570	497	2,069	1,852
Gross profit	358	314	1,303	1,162
Gross margin	63%	63%	63%	63%
EBITDA	148	130	526	490
EBITDA margin	26%	26%	25%	26%
Adjusted EBITDA	170	156	623	566
Adjusted EBITDA margin	30%	31%	30%	31%
Adjusted EBITDA/gross profit	48%	50%	48%	49%

Significant events

- Sinch MessageMedia launched a new mobile application during the quarter, which generated more than 2,000 downloads.
- SMB posted record-high transaction volume ahead of Black Friday/Cyber Monday corresponding to a 16 percent increase in traffic compared to last year.

Net sales

Net sales for the quarter amounted to SEK 570m (497). All business during the quarter is classified as organic.

Net sales increased by 15 percent compared to the same quarter last year. The corresponding organic growth, in local currency and excluding acquisitions, was 15 percent. The American market continues to perform well, with strong growth for SimpleTexting, ClickSend and Sinch MessageMedia. We also saw improved performance in Australia and New Zealand in Q4.

Gross profit

Gross profit for the quarter amounted to SEK 358m (314).

Gross profit increased by 14 percent compared to the same quarter last year. The corresponding organic growth was 15 percent. The gross margin was 63 percent (63).

EBITDA

EBITDA was SEK 148m (130) in Q4. Adjusted EBITDA amounted to SEK 170m (156). The EBITDA margin was 26 percent (26) and the Adjusted EBITDA margin was 30 percent (31). An internal reallocation of product costs between Messaging and SMB reduced EBITDA and Adjusted EBITDA for SMB by SEK 12m in Q4. The reallocation had the corresponding positive effect on Messaging and thus does not affect consolidated EBITDA or Adjusted EBITDA.

Other and eliminations

Eliminations, the costs of central functions and group-wide costs are reported within "Other and eliminations." Eliminations affect only net sales and arise from internal sales between segments.

Other and eliminations, SEKm	Q4 2023	Q4 2022	2023	2022
Net sales	-101	-	-377	-
Gross profit	-	-	-	-
EBITDA	-208	-194	-665	-615
Adjusted EBITDA	-199	-113	-606	-469

Net sales

Net sales were SEK -101m (-) for the quarter and were comprised entirely of eliminations.

EBITDA

EBITDA for the quarter was SEK -208m (-194) and consisted mainly of employee benefits expenses in Finance, HR, IT and R&D, and rental costs.

Adjusted EBITDA amounted to SEK -199m (-113). See Note 2 for information about adjustments.

Income statement

Sinch Group, SEKm	Note	Q4 2023	Q4 2022	2023	2022
Net sales		7,532	7,361	28,745	27,722
Operating income		142	107	479	611
Work performed by the entity and capitalized		96	105	383	374
Cost of services sold		-5,006	-4,945	-19,204	-18,912
Other external expenses		-630	-622	-2,310	-2,400
Employee benefits expenses		-1,101	-1,072	-4,371	-4,157
Other operating expenses		-215	-143	-648	-464
EBITDA		818	791	3,074	2,774
Depreciation and amortization	5	-687	-724	-2,580	-7,478
EBIT		131	66	494	-4,703
Finance income		1,214	866	3,280	3,702
Finance expenses		-1,371	-1,098	-3,926	-3,774
Profit or loss before tax		-26	-166	-152	-4,775
Current tax		141	50	-319	-583
Deferred tax		30	-111	513	414
Profit or loss for the period		145	-226	42	-4,943
Attributable to:					
Owners of the parent		145	-226	42	-4,943
Non-controlling interests		0	-0	0	0

Earnings per share

Sinch Group, SEK	Q4 2023	Q4 2022	2023	2022
Basic	0.17	-0.27	0.05	-6.03
- Diluted ¹	0.17	-0.27	0.05	-6.03

1) The dilutive effect is not taken into account when financial performance is negative and outstanding warrants/stock options are not considered when the company's average share price is below the exercise price.

Statement of comprehensive income

Sinch Group, SEKm	Q4 2023	Q4 2022	2023	2022
Profit or loss for the period	145	-226	42	-4,943
Other comprehensive income				
Items that may subsequently be reclassified to profit or loss for the period				
Translation differences	-2,013	-1,757	-863	4,593
FX changes on increased net investments	-359	-229	-138	604
Tax effect items in other comprehensive income	46	53	28	-107
Other comprehensive income or loss for the period	-2,326	-1,932	-973	5,090
Comprehensive income or loss for the period	-2,181	-2,158	-931	147
Attributable to:				
Owners of the parent	-2,181	-2,158	-931	147
Non-controlling interests	0	0	0	0

Balance sheet

Sinch Group, SEKm	Note	31 Dec 2023	31 Dec 2022
ASSETS			
Non-current assets			
Goodwill		25,160	25,838
Customer relationships		13,058	14,719
Operator relationships		177	246
Proprietary software		4,706	5,315
Other intangible assets		394	488
Property, plant and equipment		928	874
Right-of-use assets		818	859
Financial assets		72	74
Deferred tax assets		957	962
Total non-current assets		46,269	49,375
Current assets			
Accounts receivable	7	4,669	4,247
Tax assets		238	317
Other current receivables		265	340
Prepaid expenses and accrued income	8	681	833
Cash and cash equivalents		1,012	2,173
Total current assets		6,866	7,909
TOTAL ASSETS		53,134	57,284
EQUITY AND LIABILITIES			
Equity			
Share capital		8	8
Other capital contributions		32,382	32,219
Reserves		4,294	5,268
Retained earnings including profit for the year		-3,022	-3,064
Equity attributable to owners of the parent	4	33,663	34,431
Non-controlling interests		1	1
Total equity		33,663	34,432
Non-current liabilities			
Deferred tax liability		4,750	5,403
Provisions		55	49 ¹⁾
Non-current liabilities, interest-bearing		6,637	11,236
Non-current liabilities, non-interest-bearing		25	34
Total non-current liabilities		11,467	16,722
Current liabilities			
Contract liabilities/Advance payments from customers		262	260
Accounts payable		1,849	1,561
Tax liability		64	466
Other current liabilities, interest-bearing		2,362	99
Other non interest bearing current liabilities		231	344
Accrued expenses and prepaid income		3,235	3,401
Total current liabilities		8,004	6,130
TOTAL EQUITY AND LIABILITIES		53,134	57,284
Financial instruments measured at fair value			
Derivative instruments with positive value		13	-
Derivative instruments with negative value		-	15

1) Reclassification of provisions to non-current liabilities has been carried out for 31 December 2022.

Condensed statement of changes in equity

Sinch Group, SEKm	Attributable to owners of the parent					Non-controlling interests	Total equity
	Share capital	Other capital contributions	Reserves	Retained earnings	Total		
Opening balance 1 January 2022	7	31,988	178	1,879	34,053	1	34,053
Profit or loss for the period				-4,943	-4,943	0	-4,943
Other comprehensive income			5,090		5,090	-0	5,090
Share-based payments		140			140		140
Shares issued for warrants	0	99			99		99
Rights issue	1	-2			-1		-1
Issue expenses, net of tax		-6			-6		-6
Closing equity per 31 December 2022	8	32,219	5,268	-3,064	34,431	1	34,432
Opening balance 1 January 2023	8	32,219	5,268	-3,064	34,431	1	34,432
Profit or loss for the period				42	42	0	42
Other comprehensive income			-973		-973	0	-974
Warrants issue		4			4		4
Share-based payments		115			115		115
Shares issued for warrants	0	46			46		46
Rights issue					-		-
Issue expenses, net of tax		-2			-2		-2
Closing equity per 31 December 2023	8	32,382	4,294	-3,022	33,663	1	33,663

Condensed statement of cash flows

Sinch Group, SEKm	Note	Q4 2023	Q4 2022	2023	2022
Profit or loss before tax		-26	-166	-152	-4,775
Adjustment for non-cash items ¹		903	988	2,859	7,167
Income tax paid		-48	-161	-600	-560
Cash flow before changes in working capital		828	661	2,107	1,832
Change in working capital		-101	312	-319	676
Cash flow from (-used in) operating activities		727	973	1,788	2,508
Net investments in property, plant and equipment and intangible assets		-153	-183	-629	-643
Change in financial receivables		6	3	4	-3
Acquisition of Group companies	6	0	-	-24	-45
Cash flow from (-used in) investing activities		-147	-180	-649	-691
Change in borrowings		-1,106	-600	-2,254	-1,455
Amortization lease liability		-32	-18	-136	-144
New issue/warrants	4	3	8	48	91
Cash flow from (-used in) financing activities		-1,135	-610	-2,342	-1,508
Cash flow for the period		-555	183	-1,203	309
Opening balance cash and cash equivalents for the period		1,620	2,012	2,173	1,871
Exchange rate differences in cash and cash equivalents		-53	-22	42	-7
Closing balance cash and cash equivalents for the period		1,012	2,173	1,012	2,173

1) Comprised mainly of depreciation, amortization and impairments and unrealized foreign exchange gains and losses.

Other disclosures

Sinch Group, SEKm	Q4 2023	Q4 2022	2023	2022
Share information				
Basic earnings per share, SEK	0.17	-0.27	0.05	-6.03
Diluted earnings per share, SEK ¹	0.17	-0.27	0.05	-6.03
Basic weighted average number of shares	843,040,393	838,595,726	841,130,408	819,116,557
Diluted weighted average number of shares ²	846,384,859	838,595,726	845,416,837	819,116,557
Total number of shares at the end of the period	843,069,811	838,602,248	843,069,811	838,602,248
Financial position				
Equity attributable to owners of the parent	33,663	34,431	33,663	34,431
Equity ratio	63%	60%	63%	60%
Net investments in property, plant and equipment and intangible assets	-153	-183	-629	-643
Cash and cash equivalents	1,012	2,173	1,012	2,173
Net debt (+) / Net cash (-)	7,987	9,162	7,987	9,162
Net debt/Adjusted EBITDA R12M, multiple	2.0	2.7	2.0	2.7
EBIT margin	2%	1%	2%	-17%
EBITDA margin	11%	11%	11%	10%
Employee information				
Average FTEs	3,707	3,533	3,643	3,565
Average FTEs, women	1,176	1,110	1,146	1,079
Percentage female	32%	31%	31%	30%

1) The dilutive effect is not taken into account when financial performance is negative and outstanding warrants/stock options are not considered when the company's average share price is below the exercise price.

2) If financial performance had been positive, the weighted number of dilutive warrants/stock options would have been 11,773,922 for FY 2022.

Segment reporting

An operating segment is defined as a business activity that is able to generate revenues and incur costs, whose operating results are regularly reviewed by the entity's chief executive officer and for which separate financial information is available. The Group's operating segments are Messaging, Voice, Email, SMB and Other and eliminations. Items under EBITDA are not allocated to the segments.

Q4 2023, SEKm	Messaging	Voice	Email	SMB	Other and eliminations	Consolidated
Net sales	5,007	1,589	468	570	-101	7,532
Gross profit	1,057	745	367	358	-	2,526
EBITDA	373	342	163	148	-208	818
EBITDA adjustments ¹	-95	-9	-43	-23	-9	-178
Adjusted EBITDA	468	351	205	170	-199	996
Depreciation and amortization						-687
EBIT						131
Net finance income						-157
Profit or loss before tax						-26

Q4 2022, SEKm	Messaging	Voice	Email	SMB	Other and eliminations	Consolidated
Net sales	4,817	1,625	422	497	-	7,361
Gross profit	1,001	781	320	314	-	2,416
EBITDA	311	375	168	130	-194	791
EBITDA adjustments ¹	-54	-7	-1	-26	-81	-169
Adjusted EBITDA	366	382	169	156	-113	960
Depreciation and amortization						-724
EBIT						66
Net finance income						-232
Profit or loss before tax						-166

Jan-Dec 2023, SEKm	Messaging	Voice	Email	SMB	Other and eliminations	Consolidated
Net sales	18,942	6,339	1,773	2,069	-377	28,745
Gross profit	3,876	2,985	1,377	1,303	-	9,542
EBITDA	1,079	1,425	709	526	-665	3,074
EBITDA adjustments ¹	-326	-25	-57	-97	-59	-563
Adjusted EBITDA	1,405	1,449	766	623	-606	3,637
Depreciation and amortization						-2,580
EBIT						494
Net finance income						-646
Profit or loss before tax						-152

1) See specifications in Note 2.

Jan-Dec 2022, SEKm	Messaging	Voice	Email	SMB	Other and eliminations	Consolidated
Net sales	18,225	6,134	1,511	1,852	-	27,722
Gross profit	3,615	2,915	1,117	1,162	-	8,810
EBITDA	954	1,399	547	490	-615	2,774
EBITDA adjustments ¹	-61	-32	-34	-76	-146	-350
Adjusted EBITDA	1,015	1,432	581	566	-469	3,124
Depreciation and amortization						-7,478
EBIT						-4,703
Net finance income						-72
Profit or loss before tax						-4,775

1) See specifications in Note 2.

Distribution of net sales

Q4 2023, SEKm	Messaging	Voice	Email	SMB	Other and eliminations	Consolidated
Net sales by customer region						
North America	2,338	1,548	220	215	-37	4,283
EMEA ¹	1,518	27	184	53	-8	1,773
Asia-Pacific	819	13	46	302	-56	1,124
Latin America	332	1	18	1	-	352
Total	5,007	1,589	468	570	-102	7,532
Net sales by product/service						
Communication services	4,924	1,589	468	562	-102	7,442
Initial software licenses and upgrades	19	-	-	-	-	19
Support	54	-	-	-	-	54
Other	10	-	-	8	-	18
Total	5,007	1,589	468	570	-102	7,532
Net sales allocation per point in time						
Over time	873	1,442	386	31	-	2,731
At one point in time	4,133	147	83	539	-102	4,801
Total	5,007	1,589	468	570	-102	7,532

1) As of and including Q1 2023, we have replaced the Europe region with the EMEA region and in so doing eliminated the "Rest of the world" region. Historical periods have not been adjusted with regard to Europe and Rest of the World.

Notes: Net sales by customer region are based on the customer's domicile and not necessarily where traffic is generated or terminated. This means, for example, that a customer reported above within North America may generate revenues related to traffic sent from a European subsidiary to end customers in other parts of the world.

The US provides the largest contribution to North America. The largest contributing countries in EMEA are the UK and France. The largest countries in the Asia-Pacific region are India and Australia. The largest contribution to Latin America is generated in Brazil.

Q4 2022, SEKm	Messaging	Voice	Email	SMB	Consolidated
Net sales by customer region					
North America	2,062	1,564	208	174	4,008
Europe ¹	1,451	47	149	32	1,678
Asia-Pacific	743	27	38	290	1,098
Latin America	555	-	17	-	573
Rest of the world	7	-13	10	2	5
Total	4,817	1,625	422	497	7,361
Net sales by product/service					
Communication services	4,727	1,625	422	522	7,296
Initial software licenses and upgrades	13	-	-	-	13
Support	23	-	-	-	23
Other	53	-	-	-24	29
Total	4,817	1,625	422	497	7,361
Net sales allocation per point in time					
Over time	701	1,470	343	34	2,549
At one point in time	4,115	155	79	463	4,813
Total	4,817	1,625	422	497	7,361

1) As of and including Q1 2023, we have replaced the Europe region with the EMEA region and in so doing eliminated the "Rest of the world" region. Historical periods will not be adjusted as Europe and Rest of the world combined cannot be reliably determined as having only been part of EMEA.

Jan-Dec 2023, SEKm	Messaging	Voice	Email	SMB	Other and eliminations	Consolidated
Net sales by customer region						
North America	8,890	6,163	854	773	-127	16,554
EMEA ¹	5,779	113	681	182	-28	6,727
Asia-Pacific	3,011	59	170	1,112	-222	4,131
Latin America	1,261	3	68	2	-	1,333
Total	18,942	6,339	1,773	2,069	-378	28,745
Net sales by product/service						
Communication services	18,660	6,339	1,773	2,035	-378	28,429
Initial software licenses and upgrades	129	-	-	-	-	129
Support	106	-	-	-	-	106
Other	47	-	-	34	-	81
Total	18,942	6,339	1,773	2,069	-378	28,745
Net sales allocation per point in time						
Over time	2,976	5,773	1,470	146	-1	10,365
At one point in time	15,966	566	302	1,923	-377	18,380
Total	18,942	6,339	1,773	2,069	-378	28,745

1) As of and including Q1 2023, we have replaced the Europe region with the EMEA region and in so doing eliminated the "Rest of the world" region. Historical periods will not be adjusted as Europe and Rest of the world combined cannot be reliably determined as having only been part of EMEA.

Jan-Dec 2022, SEKm	Messaging	Voice	Email	SMB	Consolidated
Net sales by customer region					
North America	7,646	5,919	730	575	14,869
Europe ¹	5,679	126	536	155	6,496
Asia-Pacific	2,550	77	151	1,115	3,892
Latin America	1,519	2	56	2	1,580
Rest of the world	831	9	38	6	885
Total	18,225	6,134	1,511	1,852	27,722
Net sales by product/service					
Communication services	17,886	6,134	1,511	1,852	27,383
Initial software licenses and upgrades	97	-	-	-	97
Support	105	-	-	-	105
Other	136	-	-	-	136
Total	18,225	6,134	1,511	1,852	27,722
Net sales allocation per point in time					
Over time	2,631	5,707	1,228	126	9,691
At one point in time	15,595	427	283	1,726	18,031
Total	18,225	6,134	1,511	1,852	27,722

1) As of and including Q1 2023, we have replaced the Europe region with the EMEA region and in so doing eliminated the "Rest of the world" region. Historical periods will not be adjusted as Europe and Rest of the world combined cannot be reliably determined as having only been part of EMEA.

Parent company

Sinch AB (publ) owns and manages the shares attributable to the Sinch Group. The group's operational and strategic management functions have been centralized to the parent company. At the end of the period, the parent company had 5 (4) employees. The parent company has no external business activities and the risks are mainly related to the operations of the subsidiaries.

Parent company income statement

SEKm	Q4 2023	Q4 2022	2023	2022
Net sales	154	157	588	356
Operating income	1	1	7	6
Operating expenses				
Other external expenses	-39	-166	-336	-345
Employee benefits expenses	-8	-6	-22	-21
EBIT before other operating expenses, depreciation/amortization and impairment losses	108	-13	237	-4
Other operating expenses	-1	-4	-14	-8
Depreciation and amortization	-1	-1	-3	-5
EBITDA	107	-18	221	-16
Impairment of shares in subsidiaries	-	-90	-	-4,340
Interest income and similar profit items	1,111	696	3,445	3,923
Interest expenses and similar loss items	-1,252	-873	-3,477	-3,435
Profit after financial items	-34	-286	189	-3,868
Appropriations	-120	-252	-120	-252
Profit or loss before tax	-154	-538	69	-4,120
Tax on profit for the period	26	45	-15	-25
Profit or loss for the period	-128	-493	54	-4,145

Parent company balance sheet

SEKm	31 Dec 2023	31 Dec 2022
ASSETS		
Non-current assets		
Intangible assets	3	5
Property, plant and equipment	1	3
Financial assets		
Investments in Group companies	16,173	15,764
Non-current receivables, Group companies ¹	5,348	2,278
Total financial assets	21,521	18,041
Deferred tax assets	-	-
Total non-current assets	21,525	18,049
Current assets		
Receivables from Group companies ¹	21,767	22,276
Tax assets	31	33
Other current receivables	13	-
Prepaid expenses and accrued income	86	82
Cash and cash equivalents ¹	20	765
Total current assets	21,917	23,155
TOTAL ASSETS	43,442	41,204
EQUITY AND LIABILITIES		
Share capital	8	8
Total restricted equity	8	8
Share premium reserve	34,176	34,126
Retained earnings	-4,018	130
Profit or loss for the year	54	-4,145
Total non-restricted equity	30,213	30,111
Total equity	30,221	30,119
Untaxed reserves	94	95
Deferred tax liability	3	-
Total untaxed reserves and provisions	97	95
Non-current liabilities		
Non-current liabilities, interest-bearing	5,841	10,449
Total non-current liabilities	5,841	10,449
Current liabilities		
Accounts payable	9	3
Tax liability	-	-
Liabilities to group companies	4,973	469
Other current liabilities, interest-bearing	2,248	-
Other current liabilities	2	17
Accrued expenses and prepaid income	51	52
Total current liabilities	7,283	541
TOTAL EQUITY AND LIABILITIES	43,442	41,204

1) Intragroup receivables included in the Group cashpool have been reclassified from non-current to current receivables and cash and bank balances for 31 December 2022.

Note 1 - Accounting policies

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). The interim report has been prepared in accordance with IAS 34 Interim Financial Reporting and the applicable provisions of the Annual Accounts Act. Disclosures in accordance with IAS 34 Interim Financial Reporting are provided in notes and elsewhere in the interim report. The interim report for the parent company has been prepared in accordance with the Annual Accounts Act, which is in accordance with RFR 2 Accounting of Legal Entities. The accounting policies and estimation methods are unchanged from those applied in the 2022 annual report. The financial statements are presented in SEKm unless otherwise specified. Amounts and calculations presented in the tables are rounded off and may not precisely match the figures presented in the financial statements and notes.

There is no plan to early apply new standards or amendments adopted by the EU that become effective for annual periods subsequent to 2023. Sinch will be affected by the amendments to IAS 1 regarding accounting policies, but the change will only affect information concerning accounting policies. The Group will also be affected as regards accounting for deferred tax on leases, where the gross accounts will be presented in a note to the financial statements. Sinch has not yet determined how the Group will be affected by the amendment to IAS 1 regarding classification of liabilities. It has been determined that other forthcoming amendments will have no material impact. Risks and uncertainties relevant to Sinch are described in the 2022 Annual Report, with further comments provided below.

Fair value

The carrying amount is considered to be a reasonable estimate of the fair value of all financial assets and liabilities. The financial assets and liabilities are attributable to measurement levels 2 and 3. For information on the measurement techniques, see Note 28 in the 2022 Annual Report.

Receivables and accrued revenues

Accounts receivable (both billed and unbilled) have an unconditional right to payment. Revenues based on an unconditional right to payment must be reported as unbilled receivables if the amounts have not been billed as of the reporting date, while revenues that have been billed are shown as billed receivables on the balance sheet. Most customers are billed monthly in arrears (after services are rendered) and the unbilled receivables are converted to billed receivables a few days after the end of the reporting period.

Contract assets referring to accrued revenue have a conditional right to payment, which means for example that Sinch must first satisfy a final contractual obligation before an unconditional right to payment is established.

Impact of external factors on consolidated accounting policies

Macroeconomic trends including the weaker SEK, rising inflation, increased interest rates and slower economic growth have affected the company's finances in terms of revenues, costs and valuation. Consolidated accounting policies have not been altered in response to macroeconomic changes, but the models used have been affected. Impairment testing of goodwill, where the discount rate is a material component, is one example. See also "Risk assessment" on page 33 for more information regarding changed macroeconomic conditions.

Note 2 - Operating profit

EBITDA and EBIT adjustments are intended to clarify performance in underlying operations. The adjustments include acquisition costs, integration costs, operational foreign exchange gains/losses, restructuring costs, costs of share-based incentive programs and non-recurring adjustments.

The costs of incentive programs are clarified and divided into payroll costs and social insurance costs, where payroll costs are, in accordance with IFRS 2, an estimated cost that does not affect cash flow and social insurance costs fluctuate with Sinch's price per share. Excluding these costs from Adjusted EBITDA ensures that short-term changes in the share price do not impede analysis of the underlying business and makes it easier to relate Adjusted EBITDA to Sinch's cash flow.

Sinch's financial target is defined as growth in Adjusted EBITDA per share. The future cost of Sinch's incentive programs to existing shareholders is reflected there as dilution, through an increased number of shares. By applying the new definition of Adjusted EBITDA, we ensure that the cost to shareholders in Sinch is not counted twice. Sinch's definition of Adjusted EBITDA also becomes more directly comparable with other listed competitors.

Reconciliation items related to operating profit

EBITDA adjustments, SEKm	Q4	Q4	2023	2022
	2023	2022		
Acquisition costs	-2	1	-8	-45
Restructuring costs	0	-44	-47	-62
Earnouts	-	-	-18	-
Integration costs	-23	-67	-148	-252
Costs of share-based incentive programs	-52	-38	-136	-124
Operational foreign exchange gains/losses	-63	-25	-161	135
Other adjustments	-37	2	-45	-1
Total EBITDA adjustments	-178	-169	-563	-350
Amortization of acquisition-related assets	-535	-587	-2,063	-1,987
Impairment of goodwill	-	-97	-	-5,097
Total EBIT adjustments	-713	-853	-2,627	-7,434

Acquisition costs, SEKm	Q4	Q4	2023	2022
	2023	2022		
Messaging	0	-	0	-
Voice	-	-	-	3
Email	-	-	-	-
SMB	0	-	0	-
Other and eliminations	-2	1	-8	-48
Total acquisition costs per segment¹	-2	1	-8	-45

1) Reported as other external expenses.

Restructuring costs, SEKm	Q4	Q4	2023	2022
	2023	2022		
Messaging	0	-45	-32	-61
Voice	-	-	-	-
Email	-	-	-	-
SMB	0	-	-9	-
Other and eliminations	0	1	-7	-2
Total restructuring costs per segment²	0	-44	-47	-62

2) Reported as other external expenses.

Earnout, SEKm	Q4	Q4	2023	2022
	2023	2022		
Messaging	-	2	-	-
Voice	-	-	-	-
Email	-	-	-	-
SMB	-	-	-	-
Other and eliminations	-	-	-18	-
Total earnout per segment³	-	2	-18	-

3) Reported as other external expenses.

	Q4 2023	Q4 2022	2023	2022
Integration costs				
Messaging	-10	-34	-64	-111
Voice	-1	-1	-5	-12
Email	-	3	0	-13
SMB	-11	-21	-64	-54
Other and eliminations	-1	-14	-15	-62
Total integration costs per segment⁴	-23	-67	-148	-252
Of which:				
Employee benefits expenses	-22	-50	-139	-180
External consultants	-1	-10	-6	-59
Other	0	-6	-2	-13
Total integration costs per category⁴	-23	-67	-148	-252

4) Reported as other external expenses and employee benefits expenses.

	Q4 2023	Q4 2022	2023	2022
Costs of share-based incentive programs, SEKm				
Messaging	-24	-16	-58	-52
Voice	-8	-7	-19	-22
Email	-7	-6	-24	-25
SMB	-8	-8	-25	-21
Other and eliminations	-6	-1	-10	-4
Total costs for share-based incentive programs per segment⁵	-52	-38	-136	-124
Of which:				
Cost of vested warrants per IFRS 2	-27	-23	-115	-140
Social insurance costs	-25	-14	-21	16
Total costs for share-based incentive programs per category⁵	-52	-38	-136	-124

5) Reported as employee benefits expenses.

	Q4 2023	Q4 2022	2023	2022
Operational foreign exchange gains/losses, SEKm				
Messaging	-61	38	-163	161
Voice	0	-	0	-
Email	1	2	0	5
SMB	-4	3	1	-1
Other and eliminations	0	-68	0	-30
Total operational foreign exchange gains/losses⁶	-63	-25	-161	135
Of which:				
Realized foreign exchange gains/losses	-37	-43	-70	128
Unrealized foreign exchange gains/losses	27	18	-91	7
Total operational foreign exchange gains/losses per category⁶	-63	-25	-161	135

6) Reported as other operating income or other operating expenses.

	Q4 2023	Q4 2022	2023	2022
Other adjustments				
Messaging	0	2	-9	1
Voice	0	1	-1	-
Email	-37	0	-34	-2
SMB	-	-	0	-
Other and eliminations	-	-	-1	-
Total other adjustments per segment⁷	-37⁸	2	-45	-1

7) Reported as other operating income or other operating expenses.

8) The "Other adjustments" item of SEK 37m relates to onward payment to the former owners of Pathwire of a tax refund relating to the period before the acquisition

Note 3 - Pledged assets and contingent liabilities

Pledged assets and contingent liabilities amounted to SEK 221m (247).

Note 4 - Incentive programs

Under the incentive program LTI 2023 adopted by the AGM on 17 May 2023, 6,848,099 warrants and employee stock options were subscribed for by senior executives and key employees within Sinch in 2023. The maximum number of warrants and employee stock options in LTI 2023 is 8,385,000. Participants purchase warrants at market price while employee stock options are granted against no monetary consideration. Under the incentive program LTI 2022 adopted by the AGM on 9 June 2022, 2,115,096 employee stock options were subscribed for by senior executives and key employees within Sinch in 2023. The maximum number of warrants and employee stock options in LTI 2022 is 25,000,000. Participants are granted employee stock options against no monetary consideration.

428,360 employee stock options from LTIP 2022 were exercised in Q4. Each option carried 1 share. The exercise price was SEK 14,654. Related to this, Sinch registered 135 2323 shares with the Swedish Companies Registrations Office ("Bolagsverket") in the fourth quarter 2023 and the remaining 293 037 shares were registered in January 2024. Sinch has therefore gained SEK 2m in equity through the exercise of employee stock option in Q4 while SEK 4m in equity was gained in 2024.

Total costs for the incentive programs recognized on the income statement amount to SEK 136m (124) for the period of January to December. Payroll costs for vested employee stock options are included in profit or loss in the amount of SEK 115m (140), with a corresponding increase in equity. Profit was reduced by social insurance costs of SEK 21m (-16) with a corresponding increase of provisions in the balance sheet. Payroll costs reduced profit in Q4 by SEK 27m (23) and social insurance costs reduced profit by SEK 25m (14).

Of all outstanding warrants and employee stock options, 3,344,466, or 10 percent, are considered dilutive during the quarter because the exercise price was lower than the average share price. The potential dilutive effect for the full year, as measured at the inception of the programs, is 0.5 percent (-) upon exercise of all options in all programs. See Note 7 of the 2022 annual report for further disclosures regarding the Group's incentive programs LTI 2016, LTI 2018, LTI 2019, LTI 2020, LTI II 2020, LTI 2021, LTI II 2021 and LTI 2022.

Note 5 - Depreciation, amortization and impairments

Sinch determined in Q4 2023 that no indications of impairment of goodwill exist for the cash-generating units.

Depreciation, amortization and impairments, SEKm	Q4		Q4	
	2023	2022	2023	2022
Amortization acquired customer relationships	-317	-319	-1,254	-1,200
Amortization acquired operator relationships	-14	-19	-70	-72
Amortization acquired trademarks	0	-79	-68	-121
Amortization acquired software	-204	-170	-671	-594
Impairment of goodwill	-	-97	-	-5,097
Total acquisition-related amortization	-535	-684	-2,063	-7,084
Amortization proprietary software	-65	43 ¹	-167	-60
Amortization licenses	-2	-2	-12	-6
Amortization other intangible assets	-1	-1	-1	-2
Total amortization intangible assets	-604	-643	-2,244	-7,153
Depreciation tangible fixed assets	-43	-46	-174	-181
Depreciation right-of-use assets	-37	-35	-149	-143
Impairments	-3	-0	-13	-0
Total amortization/depreciation of intangible assets and property, plant and equipment	-687	-724	-2,580	-7,478

1) Adjustment of amortization related to changes in opening balances from acquired entities in Q4 2022.

Note 6 - Acquisition of Group companies

Acquisitions in 2023

There have been no acquisitions in 2023, but a contingent earnout of SEK 24m was paid in Q1 in relation to the acquisition of TWW.

Acquisitions in 2022

A minor acquisition worth SEK 5m was carried out in 2022. A contingent earnout of EUR 750k, corresponding to SEK 7m, was paid in Q3 in relation to the 2019 acquisition of MyElefant. The earnout was paid in accordance with contract and has no impact on consolidated financial results.

Note 7 - Accounts receivable

Sinch Group, SEKm	31 Dec 2023	31 Dec 2022
Unbilled receivables	1,921	1,958
Receivables, billed	2,897	2,465
Expected credit loss allowance	-149	-176
Total accounts receivable	4,669	4,247

Note 8 - Prepaid expenses and accrued income

Sinch Group, SEKm	31 Dec 2023	31 Dec 2022
Accrued revenue from contracts with customers	36	112
Other accrued income and prepaid expenses	645	721
Total accrued income and prepaid expenses	681	833

Definitions

Financial measurements defined under IFRS:

Earnings per share, basic and diluted

Net profit for the period attributable to owners of the parent divided by the volume-weighted average number of shares outstanding in the period before/after dilution.

Financial measurements not defined under IFRS:

The company presents certain financial measurements that are not defined under IFRS. The company believes that these measurements provide useful supplemental information to investors and the company's management for reasons including that they enable evaluation of the company's performance. Because not all companies calculate financial measurements in the same way, these are not always comparable to measurements used by other companies. These financial measurements should therefore not be considered a substitute for measurements defined under IFRS. Please refer to investors.sinch.com for a reconciliation of these financial measurements and organic growth.

Gross margin

Gross profit in relation to net sales.

The gross margin reflects the percentage of sales that comprises internal value creation and is not passed on to suppliers.

Gross profit

Net sales less the cost of services sold.

A large share of Sinch's cost of services sold consists of traffic fees paid to mobile operators. Operator traffic fees differ significantly from one country to the next. Consequently, changes in traffic patterns and the volume mix can have high impact on net sales and the gross margin even though there is no effect on gross profit in absolute numbers.

Net investments in property, plant and equipment and intangible assets

Investments in property, plant and equipment and intangible assets during the period less divested property, plant and equipment and intangible assets.

Interest-bearing liabilities

Bond loans, bank loans, overdraft facilities and lease liabilities.

Used to calculate net debt.

Net debt

Interest-bearing liabilities less cash and cash equivalents.

Used to track the debt trend and visualize the size of refinancing requirements.

Net debt/Adjusted EBITDA R12M

Net debt divided by adjusted EBITDA, past 12 months. Net debt and Adjusted EBITDA are both measured excluding IFRS 16-related lease liabilities.

Shows how many years it would take to pay off the company's debts presuming that net debt and Adjusted EBITDA are constant and with no consideration of other cash flows.

OPEX

Other external expenses and employee benefits expenses

Equity ratio

Equity as a percentage of total assets.

Illustrates the company's financial position. A good equity/assets ratio equips the company to manage periods of economic downturn and the financial basis for growth.

EBIT

Profit for the period before finance income, finance expenses and tax.

EBITDA

Profit for the period before finance income, finance expenses, tax and depreciation, amortization and impairment of intangible assets and property, plant and equipment.

Enables comparisons of profitability over time, regardless of the effects of the rate of depreciation and amortization of non-current assets, financing structure and the corporation tax rate.

Operating expenses

Operating expenses are defined as the difference between gross profit and EBITDA and consist of the following items: Other operating income, Work performed by the entity and capitalized, Other external services, Employee benefits expenses and Other operating expenses.

Adjusted operating expenses

Adjusted operating expenses are defined as the difference between gross profit and Adjusted EBITDA and consist of the following items: Other operating income, Work performed by the entity and capitalized, Other external services, Employee benefits expenses, Other operating expenses and EBITDA adjustments.

Integration costs

Integration costs arise upon acquisition of a business and may include adaptation of processes, trademarks and technical systems. Costs are non-recurring, but unlike restructuring costs, they are related to the company's ongoing and future operations.

Restructuring costs

Restructuring costs comprise direct costs related to restructuring and have no connection with the company's current operations. Restructuring costs include mainly the costs of laying off employees and indirect costs related to the layoffs.

Adjusted EBITDA

EBITDA excluding acquisition costs, integration costs, restructuring costs, operational foreign exchange gains/losses, costs of share-based incentive programs and non-recurring adjustments.

Enables comparison of profitability over time in underlying operations.

Adjusted EBITDA per share

Adjusted EBITDA divided by the volume-weighted average number of shares outstanding for the period after dilution.

Measures the earnings per share generated by the business adjusted for acquisition costs, integration costs and other adjustment items. Sinch's financial targets, which have been set by the board of directors, are based on growth in Adjusted EBITDA per share.

Adjusted EBITDA/gross profit

The measure shows the company's Adjusted EBITDA margin as a percentage of gross profit. In addition to net sales, the cost of services is included in gross profit.

Adjusted EBIT

EBIT after the same adjustments as for Adjusted EBITDA and excluding non-cash acquisition-related depreciation, amortization and impairment.

Enables comparison of profitability over time, regardless of amortization and impairment of acquisition-related intangible assets and independent of financing structure and the corporation tax rate.

EBIT margin/Adjusted EBIT margin

EBIT/Adjusted EBIT in relation to net sales.

EBITDA margin /Adjusted EBITDA margin

EBITDA/Adjusted EBITDA in relation to net sales,

Amortization of acquisition-related assets

Amortization of acquired intangible assets/depreciation of acquired property, plant and equipment. Depreciation of property, plant and equipment and amortization of other intangible assets are included in acquisition-related amortization and depreciation, as this is a measure of the use of resources necessary to generate profit.

Operational measurements**Percentage female**

Average number of women in relation to the average total number of employees during the period, recalculated as full-time equivalents.

Number of ordinary shares at the end of the period

Number of ordinary shares at the end of the period.

Average number of employees and consultants

Average number of employees and consultants during the period, recalculated as full-time equivalents.

Organic growth

Growth in local currency and excluding acquisitions.

Sinch's presentation currency is SEK, while a large portion of revenues and costs are in other currencies. Growth adjusted for acquired entities and currency effects shows underlying growth. Acquisitions are considered part of organic operations after 12 months.

Total shares outstanding

Total number of ordinary shares and preference shares at the end of the period.

Terms and acronyms

See the Annual Report for Sinch AB (publ) for definitions of terms and acronyms, available at investors.sinch.com.

About Sinch

Sinch powers meaningful conversations between businesses and their customers through its Customer Communications Cloud. More than 150,000 businesses – including many of the world’s largest tech companies – rely on Sinch and its global super network, which is the most secure and reliable network for messaging, voice and email. Sinch has been profitable and fast-growing since it was founded in 2008. The company is headquartered in Stockholm, Sweden and its stock is traded on Nasdaq Stockholm: XSTO:SINCH.

Related-party transactions

Transactions between the parent company and its subsidiaries, which are related parties to the company, have been eliminated on consolidation and disclosures on these transactions concerning the Group are therefore not provided. Neqst, a shareholder in Sinch and owner of the company CatalystOne has, however, entered into an agreement with Sinch regarding an IT solution for HR data. The agreement was made on market terms.

Sales to group companies comprise 100 percent of net sales in the parent company. Receivables and liabilities to other group companies are presented in the parent company balance sheet.

Forthcoming reporting dates

Interim report Q1, Jan–Mar 2024	7 May
Interim report Q2, Jan–Jun 2024	19 July
Interim report Q3, Jan–Sep 2024	6 November

Annual General Meeting

The Annual General Meeting will be held at 10:00 CEST on 16 May 2024 at Sinch headquarters, Lindhagensgatan 112, Stockholm.

The Annual Report for 2023 will be published on the company’s website during week 17, April 22-26 April.

Nominating Committee

The members of the Sinch AB nominating committee are:

- Jonas Fredriksson, representing Neqst D2 AB
- Thomas Wuolikainen, representing Fjärde AP-fonden
- Patricia Hedelius, representing AMF Pension och Fonder
- Mikael Wiberg, representing Alecta
- Erik Fröberg, Board Chair, Sinch AB

Risk assessment

Sinch is, like all businesses, exposed to various types of risks in its operations. These include financial risks that could affect the company’s performance and cash flow such as currency movements, changes in interest rates, financing terms and taxes. In addition, there are commercial risks such as technological advances, competition, supplier price increases, information security and regulations, as well as ESG-related risks such as processing of personal data, corruption and discrimination. Risk management is an

integral part of Sinch’s management, and risks are described in more detail in the Annual Report. The risks described for the Group may also have an indirect impact on the parent company.

Changed macroeconomic conditions and the impact of the Russian invasion of Ukraine

Russia invaded Ukraine on 24 February 2022, which has caused massive human suffering. Although Sinch’s business has no material direct exposure to Ukraine or the immediate effects of the war, Sinch is exposed to the secondary effects of the war in the form of a changed macroeconomic situation of rising inflation and interest rates and lower economic growth.

Sinch’s business is well-diversified, with revenues related to a large number of geographical markets, sectors and customer groups. The company is also a leading global supplier and as such enjoys large economies of scale in its operations. In addition, Sinch’s offering helps companies improve the efficiency of their businesses using digital communications, which has contributed to keeping demand up even when the economy has been weak.

Outlook

Sinch does not publish forecasts, but due to the above, the changed macroeconomic outlooks have increased the risk that Sinch will be impacted by lower demand, changes in the competitive landscape and increased costs.

Forward-looking statements

This report contains statements concerning, among other things, Sinch’s financial position and earnings as well as statements regarding market conditions that may be forward-looking. Sinch believes that the expectations reflected in these forward-looking statements are based on reasonable assumptions. Forward-looking statements, however, include risks and uncertainties and actual outcomes or consequences may differ materially from those expressed. Other than as required by applicable law, forward-looking statements apply only on the day they are presented and Sinch does not undertake to update any of them in light of new information or future events.

Assurance

The board of directors and the CEO certify that the interim report gives a true and fair view of the company’s and the Group’s operations, position and results and describes significant risks and uncertainties faced by the company and the companies included in the Group.

Headquarters

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112 51 Stockholm, Sweden
Corporate ID 556882-8908
sinch.com

Invitation to webcast and phone conference

Sinch will present the interim report in a webcast and phone conference on Thursday, 15 February at 14:00 CET. Watch the presentation at investors.sinch.com/webcast.

Follow the link below to register to participate via phone conference:

<https://conference.financialhearings.com/teleconference/?id=5009898>.

After you register, you will be given a phone number and conference ID to log into the conference.

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Stockholm, 15 February 2024

Erik Fröberg
Board Chair

Bridget Cosgrave
Director

Renée Robinson Strömberg
Director

Johan Stuart
Director

Björn Zethraeus
Director

Hudson Smith
Director

Laurinda Pang
President and CEO

Note: Sinch AB (publ) is required to publish the information in this interim report pursuant to the EU Market Abuse Regulation and the Swedish Securities Market Act. The information was released for publication by the contact person above on 15 February 2024 at 07:30 CET.

This report is published in Swedish and English. In case of any differences between the English version and the Swedish original text, the Swedish version shall apply.