

Year-end report January - December 2022

October-December 2022

- Net sales increased by 41 percent to SEK 7,361m (5,207).
- Gross profit increased by 79 percent to SEK 2,416m (1,348).
- EBITDA rose by 140 percent to SEK 791m (330).
- Adjusted EBITDA¹ increased by 104 percent to SEK 960m (471).
- The loss after tax for the quarter was SEK -226m (453).
- Basic earnings per share were SEK -0.27 (0.60) and diluted earnings per share were SEK -0.27 (0.59).
- Cash flow from operating activities amounted to SEK 973m (472).

January-December 2022

- Net sales increased by 71 percent to SEK 27,722m (16,177).
- Gross profit increased by 124 percent to SEK 8,810m (3,933).
- EBITDA rose by 234 percent to SEK 2,774m (831).
- Adjusted EBITDA¹ increased by 136 percent to SEK 3,124m (1,322).
- Profit was reduced by a non-cash impairment of goodwill of SEK -5,097m and Sinch is reporting a loss after tax for the year of SEK -4,943m (908).
- Basic earnings per share were SEK -6.03 (1.29) and diluted earnings per share were SEK -5.95 (1.26).
- Cash flow from operating activities amounted to SEK 2,508m (329).

“As we sum up the year, we see marked improvements in both cost control and cash flow”

- Johan Hedberg, President and Chief Executive Officer (interim)

Significant events during the quarter

- On 14 October, Sinch announced that Sean O’Neal had been appointed as the new President of Business Unit SMB and that Brett Scorza had been appointed as the new President of Business Unit Voice. The reorganization of Business Unit Applications to focus the company’s investments on Conversational Messaging was also announced at that time.
- Also on 14 October, Sinch provided further details about the previously communicated cost reduction program. The program is to achieve total gross savings of at least SEK 300m on an annual basis by means of reduced consultancy costs, lowered non-personnel related expenses and reductions in force. About 150 people will be affected by the workforce reduction. See page 7 for more information.
- Sinch informed the market of a goodwill impairment of SEK 5,000m on 20 October and announced preliminary results for the third quarter of 2022.
- On 3 November, Business Unit SMB launched an Early Access Program to the MessageMedia product, which has been integrated with BigCommerce, a leading open ecommerce platform.
- Sinch announced on 18 November that Josh Odom would become the new President of Business Unit Developer & Email effective 1 January 2023.

Other significant events earlier in the year

- Sinch announced on 3 February that the company will be organized into business units: Enterprise & Messaging, Voice, Developer & Email, Applications and SMB. Sinch’s management team was expanded at that time.
- The board of directors decided on 10 February to execute a non-cash issue of 25,500,000 shares to the sellers of Pathwire.
- The board decided in Q2 to execute the previously communicated issue of 10,803,010 new shares to the sellers of MessageMedia and the second non-cash issue of 25,500,000 shares to the sellers of Pathwire.
- Sinch announced on 11 July that reassessment of reserves for accrued traffic costs would reduce Q2 results by SEK 162m.
- Oscar Werner stepped down from his role as CEO on 20 July and Sinch co-founder Johan Hedberg was appointed interim CEO.
- Sinch launched a cost reduction program on 21 July in conjunction with the Q2 report.
- On 29 September, Sinch informed the market that Neqst D2 and Johan Hedberg, interim CEO, had together acquired SoftBank’s stake of about 5 percent of equity in Sinch.

Important events after the end of the year

- 12 January 2023, credit facilities of SEK 6,500m and USD 110m were extended by one year. New maturity is February 2026.
- Jonas Lindeborg has chosen to leave his role as Sinch’s CTO. His duties will be distributed to other executives.

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

Comments from the CEO

Focus gives results

2022 has been an eventful year with major changes in the external macro environment and in our own business.

When I took over as CEO last summer, we opted to focus on three areas in a clear order of priority. We have since then worked determinedly to tighten our cost control, improve our cash flow and sharpen our focus on profitable growth. As we sum up the year, we see marked improvements in both cost control and cash flow but it will take longer to improve the organic growth rate.

The cost reduction program we announced in July has had a clear and positive impact on financial performance in the fourth quarter. The program has produced results faster than we initially estimated and about half of the expected gross savings of SEK 300 million has now been realized. In fixed currencies, we have reduced our total cost base by 12 percent since Q2 2022, corresponding to an underlying cost reduction of 8 percent excluding non-recurring effects in the last quarter of the year. It is encouraging to see how the business can produce quantifiable results so swiftly when guided by clear and unambiguous goals. With these efficiency improvements, we are creating scope for forward-looking investments in initiatives focused on promoting both profit and growth.

Alongside the efforts with our cost reduction program, we have increased our focus on cash flow. After the major acquisitions in late 2021, we have a more expansive and stable business, but our exposure to a number of large customers can still create some volatility between isolated quarters. If we sum up the full year, we successfully converted a full 60 percent of Adjusted EBITDA to cash flow (after investments, changes in working capital, tax and interest payments).

Growth in the fourth quarter was lower than in the third quarter and we are now seeing the effect of macroeconomic headwinds in our voice and messaging business. The seasonal increase in messaging volumes in the fourth quarter was not as definitive as we have seen in previous years and overall transaction volumes in the messaging segment declined slightly. Some customers with large voice and messaging volumes are now prioritizing profitability ahead of growth, which makes them more price-sensitive. Our email and our small business product set, saw good growth and our gross margin has improved in the Email segment following a successful switch to a new cloud infrastructure supplier.



Looking ahead in 2023, the macroeconomic outlook remains uncertain. We will continue prioritizing profitability and cash flow and do not expect any immediate improvement in the growth rate. At the same time, our cost reduction program is now creating scope for forward-looking investments. The main point here is to realize the synergies we identified in connection with the large acquisitions in 2021 – to drive cross-sales between product areas and create a more cohesive product offering that is attractive to software developers. We have more than 150,000 customers, but most of them still use only one product or communication channel.

With an industry-leading product offering and improved profitability, we are in prime position to benefit from the opportunities that arise in a rapidly changing market.

Stockholm, 16 February 2023

Johan Hedberg
President and Chief Executive Officer (interim)

Sinch overview

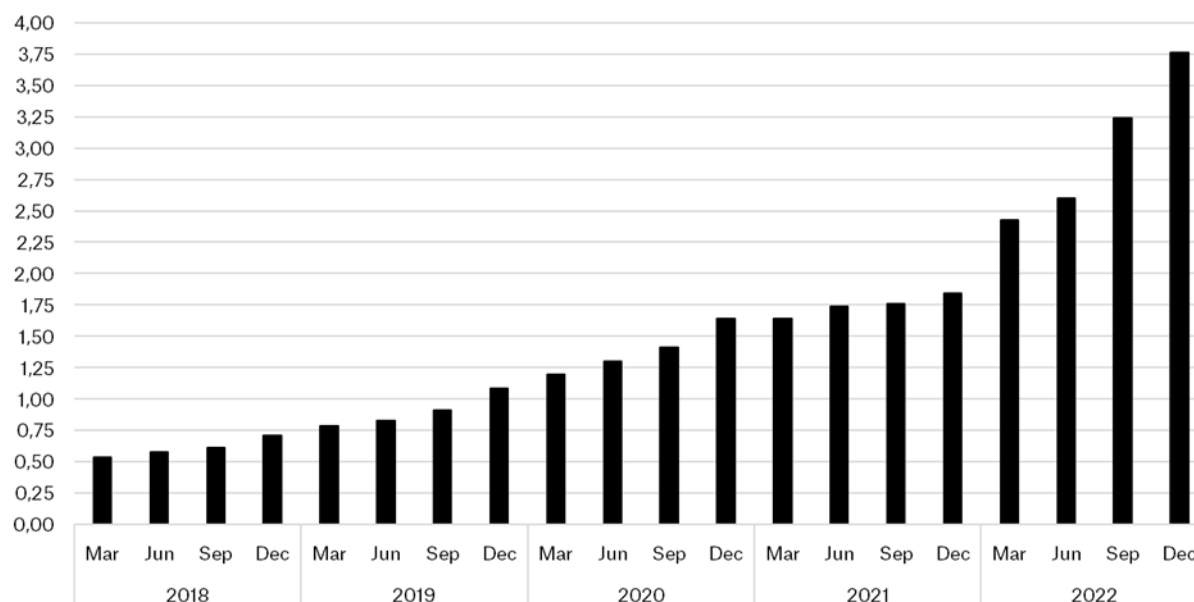
For a list and definitions of financial and operational measurements, please refer to page 33.

Sinch Group, SEKm	Q4		Q4	
	2022	2021	2022	2021
Net sales	7,361	5,207	27,722	16,177
Gross profit	2,416	1,348	8,810	3,933
Gross margin	33%	26%	32%	24%
EBITDA	791	330	2,774	831
EBITDA margin	11%	6%	10%	5%
Adjusted EBITDA ¹	960	471	3,124	1,322
Adjusted EBITDA margin	13%	9%	11%	8%
Adjusted EBITDA/gross profit	40%	35%	35%	34%
EBIT	66	-12	-4,703	158
EBIT margin	1%	-0%	-17%	1%
Adjusted EBIT ¹	919	393	2,731	1,161
Adjusted EBIT margin	12%	8%	10%	7%
Profit or loss for the period	-226	453	-4,943	908
Cash flow from (-used in) operating activities	973	472	2,508	329
Net debt (+) / Net cash (-)	9,162	10,658	9,162	10,658
Net debt/pro forma Adjusted EBITDA R12M, multiple ²	2.7	2.9	2.7	2.9
Equity ratio	60%	60%	60%	60%
Adjusted EBITDA/share, SEK	1.13	0.61	3.76	1.84
Diluted earnings per share for the period, SEK	-0.27	0.59	-5.95	1.26
Average number of employees	3,533	2,425	3,565	1,937
Average number of employees including consultants	4,239	2,989	4,287	2,364

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

2) Adjusted EBITDA R12M is measured on a pro forma basis, includes contributions from acquired entities during the past 12 months and both net debt and Adjusted EBITDA are measured excluding IFRS 16-related lease liabilities. See page 7 for comments.

Adjusted EBITDA per share^{3,4}, R12M (SEK)



3) Sinch has a financial target decided by the board to grow Adjusted EBITDA per share by at least 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.

4) Adjusted EBITDA per share as of September 2022 has been updated. See also page 4.

Quarterly summary

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

	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
	2020	2021	2021	2021	2021	2022	2022	2022	2022
Net sales, SEKm									
Messaging	-	3,302	3,640	3,884	4,540	4,392	4,318	4,698	4,817
Voice	-	48	42	53	339	1,400	1,485	1,624	1,625
Email	-	-	-	-	81	330	358	400	422
SMB	-	-	-	-	247	427	454	474	497
Total	2,999	3,350	3,682	3,938	5,207	6,550	6,615	7,196	7,361
Gross profit, SEKm									
Messaging	-	808	848	875	975	896	715	1,004	1,001
Voice	-	12	21	21	162	681	685	767	781
Email	-	-	-	-	64	246	260	292	320
SMB	-	-	-	-	147	273	277	299	314
Total	796	820	869	896	1,348	2,096	1,937	2,361	2,416
Gross margin									
Messaging	-	24%	23%	23%	21%	20%	17%	21%	21%
Voice	-	25%	50%	39%	48%	49%	46%	47%	48%
Email	-	-	-	-	79%	74%	73%	73%	76%
SMB	-	-	-	-	59%	64%	61%	63%	63%
Total	27%	24%	24%	23%	26%	32%	29%	33%	33%
EBITDA, SEKm									
Messaging	-	305	317	311	434	250	86	306	311
Voice	-	-6	-10	-6	45	335	312	378	375
Email	-	-	-	-	36	116	122	141	168
SMB	-	-	-	-	70	126	112	122	130
Other	-	-106	-155	-148	-255	-178	-103	-140	-194
EBITDA, total	179	192	152	157	330	648	528	808	791
EBITDA margin	6%	6%	4%	4%	6%	10%	8%	11%	11%
Adjusted EBITDA, SEKm									
Messaging	-	348	382	388	448	267	55	326	366
Voice	-	-6	-10	-6	52	343	318	389	382
Email	-	-	-	-	36	126	131	155	169
SMB	-	-	-	-	65	137	125	148	156
Other	-	-73	-89	-83	-130	-112	-127	-117	-113
Adjusted EBITDA, total	378	269	284	298	471	761	503	901	960
Adjusted EBITDA margin	13%	8%	8%	8%	9%	12%	8%	13%	13%
Adjusted EBITDA/gross profit	48%	33%	33%	33%	35%	36%	26%	38%	40%
Adjusted EBITDA/share, SEK	0.60	0.41	0.41	0.39	0.61	0.96	0.61	1.07 ¹⁾	1.13

1) The number of dilutive warrants has been updated and Adjusted EBITDA/share, SEK Q3 2022 has consequently been changed to 1.07 instead of the 1.04 reported in the Q3 report.

	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
EBITDA adjustments, SEKm (Note 2)	2020	2021	2021	2021	2021	2022	2022	2022	2022
Acquisition costs	-33	-17	-24	-24	-101	-42	1	-5	1
Restructuring costs	-	-	-	-	-	-	-	-18	-44
Adjusted earnout	-27	-	-	-	-	-	-	-	-
Integration costs	-75	-31	-75	-59	-66	-59	-66	-61	-67
Costs of share-based incentive programs	-33	-29	-18	-45	-15	-17	-27	-42	-38
Operational foreign exchange gains/losses	-19	0	-15	-14	29	5	117	37	-25
Other adjustments	-11	-1	-	-	11	-	-	-3	2
Total EBITDA adjustments	-199	-76	-132	-142	-141	-113	25	-93	-169
Amortization of acquisition-related assets	-66	-70	-75	-103	-264	-441	-464	-497	-587
Impairment of goodwill ¹⁾	-	-	-	-	-	-	-	-5,000	-97
Total EBIT adjustments	-265	-146	-207	-245	-405	-553	-439	-5,590	-853

1) Impairment charges accounted for in USD/EUR in Q3 2022 have been converted at the exchange rate in effect on 31 December 2022.

October-December 2022

Net sales

Consolidated net sales grew in the quarter by 41 percent to SEK 7,361 million (5,207), compared to the corresponding period in the preceding year.

During the quarter, acquired Inteliquent, Pathwire, MessageMedia and MessengerPeople became part of the business accounted for as organic.

Organic net sales growth, in local currency and excluding acquisitions, was -2 percent. A weaker traffic volume trend in Messaging had adverse impact on organic growth. The economic downturn also dampened volumes and sales in several segments during the quarter.

Acquired entities contributed 31 percent to net sales growth in the quarter. Acquired net sales from Inteliquent contributed SEK 1,142m, from Pathwire SEK 317m, from MessageMedia SEK 166m and from MessengerPeople SEK 6m.

Growth was positively affected during the quarter by the depreciation of the Swedish krona (SEK), primarily against USD. The Group has significant revenues in foreign currency and if exchange rates had been the same in the corresponding quarter in the preceding calendar year as in the current quarter, the revenue increase would have been about SEK 601m lower. The positive currency effect on consolidated net sales was thus 12 percent.

On a full pro forma basis, calculated as if all acquired entities were consolidated as of 1 January 2021, net sales in

Q4 changed by -1 percent in local currency compared to the same quarter in the preceding year.

Gross profit

Consolidated gross profit rose during the quarter by 79 percent to SEK 2,416m (1,348).

Organic gross profit growth, in local currency and excluding acquisitions, was 2 percent. The organic gross profit growth rate was adversely affected by the negative organic net sales growth and by the previously communicated price negotiation with one of Sinch's largest customers in Q2 2022.

Gross profit generated by acquisitions contributed 65 percent to gross profit growth. Acquired gross profit from Inteliquent contributed SEK 529m, from Pathwire SEK 240m, from MessageMedia SEK 104m and from MessengerPeople SEK 6m.

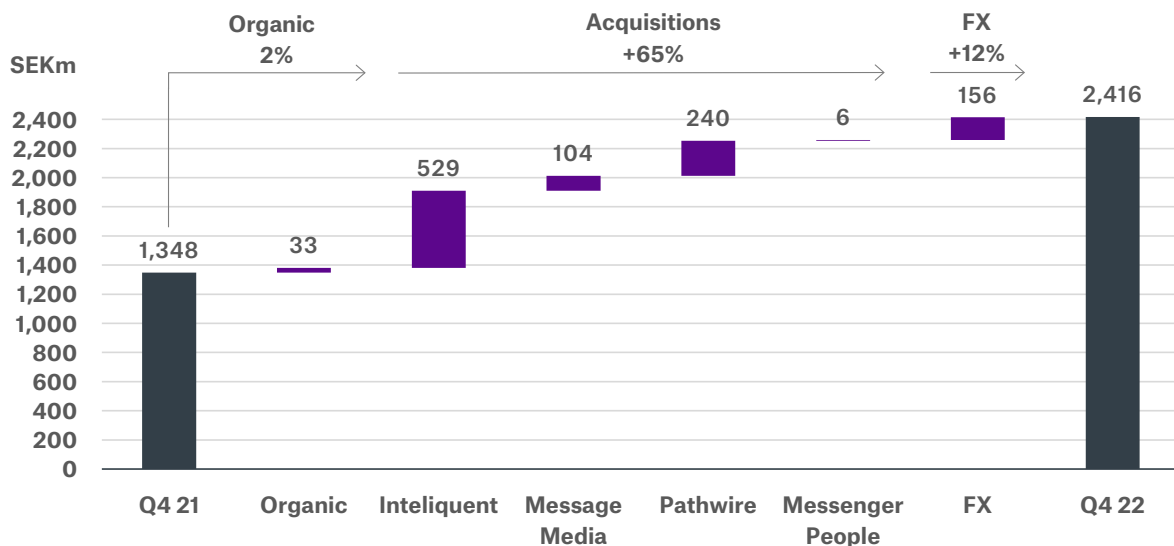
The currency tailwind was 12 percent for the quarter, corresponding to SEK 156m.

The gross margin was 33 percent (26). Acquired gross profit improved the gross margin by 6 percentage points.

Excluding acquired gross profit, the gross margin increased by 1 percentage point compared to Q4 2021.

On a pro forma basis, calculated as if all acquired entities were consolidated as of 1 January 2021, gross profit in Q4 increased by 3 percent in local currency compared to Q4 2021.

Change in consolidated gross profit, Q4 2021 - Q4 2022



EBITDA

Consolidated EBITDA increased by 140 percent to SEK 791m (330).

Compared to the same period last year, the acquisitions closed in Q4 2021 had a positive impact on EBITDA. Acquired EBITDA contributed a total of SEK 415m in Q4.

The consolidated EBITDA margin was 11 percent (6).

EBITDA was positively affected by currency movements because Sinch has revenues and costs denominated in currencies other than SEK. 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 65m lower.

Higher operating costs compared to the corresponding period in 2021 are attributable to acquisitions. Employee benefits expenses account for the largest share of these operating costs. Non-recurring effects in Q4 reduced operating costs by approximately SEK 60m. Operating costs are also affected by currency movements. If exchange rates had been unchanged relative to Q3, operating costs would have been SEK 75m lower in Q4.

EBITDA adjustments¹ are intended to clarify performance in underlying operations. In total, Adjusted EBITDA was SEK 169m (141) higher than EBITDA for the quarter. The adjustments include integration costs of SEK -67m (-66), restructuring costs of SEK -44m (-), costs of share-based incentive programs of SEK -38m (-15) and operational foreign exchange gains/losses of SEK -25m (29). See the quarterly summary and Note 2 for more information.

Consequently, Adjusted EBITDA amounted to SEK 960m (471), a 104 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 2021, Adjusted EBITDA would have been about SEK 41m lower.

The Adjusted EBITDA margin was 13 percent (9).

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 was SEK 1.13 (0.61) for the quarter and SEK 3.76 (1.84) for FY 2022, an increase of 104 percent compared to FY 2021. Adjusted EBITDA/gross profit was 40 percent (35) for the quarter.

EBIT

EBIT amounted to SEK 66 million (-12).

Acquisition-related amortization and depreciation reduced EBIT by SEK -587m (-264) and non-cash goodwill impairment charges reduced EBIT by SEK -97m (-). The amortization is attributable mainly to systematic amortization of acquired customer relationships, trademarks, operator relationships and acquired software. The impairment charge of SEK 97m in Q4 is attributable to a currency adjustment of the impairment of SEK 5,000

1) For specifications see table page 5 and Note 2.

recognized in Q3. See Note 5.

Adjusted EBIT (EBIT excluding EBITDA adjustments and amortization of acquisition-related assets¹) amounted to SEK 919m (393).

Cost reduction program

Sinch communicated the cost reduction program in conjunction with the Q2 report and provided additional details in October 2022. The program was launched to safeguard financial performance and ensure that Sinch meets the financial target to grow Adjusted EBITDA per share by 20 percent per year.

The objective of the program is to reduce operating costs in the Messaging segment and central functions by about 10 percent and achieve total gross savings of at least SEK 300m on an annual basis.

Gains from the program will be realized gradually. The initial effects have been achieved faster than originally expected and about half of the effect was achieved in Q4 2022. Full effect will be achieved from Q3 2023 and forward.

Savings are being achieved through a combination of reduced consultancy costs, lower non-personnel related expenses and workforce reductions. The workforce reductions are occurring through natural attrition and downsizing in several geographical locations. About 150 people will be affected by the RIF.

Total restructuring costs, related primarily to workforce reductions, are estimated at about SEK 80m. The difference compared to the previous estimate of SEK 120m is explained mainly by the geographic distribution of workforce reductions, which differed from previous expectations, which has had significant effect on costs.

Restructuring costs totaling SEK -44m reduced profit in Q4 in the Messaging and Other segments. Restructuring costs for FY 2022 amounted to SEK -62m.

Other income and expense items

Net financial expenses were SEK -232m (614), with interest net amounting to SEK -128m (-11) and foreign exchange differences to SEK -108m (-618). The net loss for the period was SEK -226 million (453).

Investments

Net investments in property, plant and equipment and intangible assets amounted to SEK -183m (-75). The increase is mainly attributable to net investments in acquired entities.

The investments include capitalized development expenditure of SEK 105m (37).

Cash flow

Cash flow before the change in working capital amounted to SEK 661m (496). Cash flow was reduced by tax paid of SEK -161m (-109) and interest expenses paid of SEK -119m (6).

Cash flow from operating activities amounted to SEK 973m (472) and was increased by the total change in working capital of SEK 312m (-24). Working capital was positively affected by an increase in accounts payable.

Cash used in investing activities was SEK -180m (-28,294) and was affected by net investments of SEK -183m (-75).

Cash used in financing activities was SEK -610m (17,144) for the period, where the change in borrowings reduced net cash by SEK -600m (10,662). Net cash for the period amounted to SEK -183m (-10,676).

Employees

At the end of the quarter, the Group employed 4,287 (4,090) people, including consultants, a decrease from the end of Q3 2022, when the Group employed 4,328 people including consultants. The average number of employees and consultants for the quarter was 4,239 (2,989). The average number of employees was 3,533 (2,425), of whom 31 percent (30) women.

January–December 2022

Net sales

Consolidated net sales grew by 71 percent for the full year to SEK 27,722m (16,177), compared to 2021.

During the first quarter, acquired Wavy became part of the business accounted for as organic. During the fourth quarter, this also happened with acquired Inteliquent, Pathwire, MessageMedia and MessengerPeople.

Organic growth during the period, in local currency and excluding acquisitions, was 9 percent.

Acquired net sales growth generated 52 percent of total growth. Inteliquent contributed SEK 5,390m, Pathwire SEK 1,405m, MessageMedia SEK 1,521m and MessengerPeople and Wavy combined SEK 135m.

Growth was positively affected during the full year by the depreciation of the Swedish krona (SEK), primarily against USD. The Group has significant revenues in foreign currency and if exchange rates had been the same in the preceding year, the revenue increase would have been about SEK 1,558m lower. The positive currency effect on consolidated net sales was thus 10 percent.

On a full pro forma basis, calculated as if all acquired entities were consolidated as of 1 January 2021, net sales for FY 2022 increased by 8 percent in local currency compared to the preceding year.

Gross profit

Gross profit increased during the period by 124 percent to SEK 8,810m (3,933).

Organic gross profit growth, in local currency and excluding acquisitions, was -3 percent. Excluding the reassessment in Q2 of reserves for accrued traffic costs in Messaging, which amounted to SEK 162m, organic growth was 5 percent.

Gross profit generated by acquisitions contributed 117 percent to gross profit growth. Acquired gross profit from Inteliquent contributed SEK 2,539m, from Pathwire SEK 1,037m, from MessageMedia SEK 945m and from MessengerPeople and Wavy combined SEK 65m.

The currency tailwind was 10 percent for FY 2022, corresponding to SEK 402m.

The gross margin was 32 percent (24). Acquired gross profit improved the gross margin by 10 percentage points. Excluding acquired gross profit, the gross margin decreased by 2 percentage point compared to the preceding year.

On a full pro forma basis, calculated as if all acquired entities were consolidated as of 1 January 2021, gross profit for FY 2022 increased by 1 percent in local currency compared to the preceding year.

EBITDA

EBITDA increased by 234 percent to SEK 2,774m (831).

Compared to the preceding year, the acquisitions closed in 2021 had positive impact on EBITDA. In total, acquired EBITDA contributed SEK 2,115m during the period.

The consolidated EBITDA margin was 10 percent (5).

Currency movements had positive effect on EBITDA. If exchange rates had been the same as during the preceding year, EBITDA would have been SEK 276m lower.

Increased operating costs compared to the preceding year are due mainly to acquisitions and increases in the workforce in the organic business.

In total, Adjusted EBITDA was SEK 350m (492) higher than EBITDA for the period. The adjustments include integration costs of SEK -252m (-230), costs of share-based incentive programs of SEK -124m (-106) and operational foreign exchange gains/losses of SEK 135m (-). See Note 2 for more information.

Adjusted EBITDA amounted to SEK 3,124m (1,322), corresponding to an increase of 136 percent compared to the same period in the preceding year.

If exchange rates had been the same during the period as in 2021, Adjusted EBITDA would have been about SEK 141m lower.

The Adjusted EBITDA margin for 2022 was 10 percent (7).

Adjusted EBITDA per share was SEK 3.76 (1.84) for FY 2022, an increase of 104 percent compared to FY 2021. Adjusted EBITDA/gross margin was 35 percent (34).

EBIT

EBIT was adversely affected a goodwill impairment of SEK 5,097m and amounted to SEK -4,703m (158). See Note 5.

EBIT was reduced by acquisition-related amortization of SEK -1,989m (-512) and non-cash goodwill impairment charges of SEK -5,097m (-). The amortization is attributable mainly to systematic amortization of acquired customer relationships, trademarks, operator relationships and acquired software. The impairment charge originated in Pathwire and was recognized in Q3. See Note 5 for more information.

Adjusted EBIT was SEK 2,731m (1,161).

Other income and expense items

Net financial expenses were SEK -72m (1,039), with interest

net amounting to SEK -308m (-48) and foreign exchange differences to SEK 269m (1098). The Group's effective tax rate was -4 percent (24). Excluding goodwill impairment recognized in Q3, the Group's effective tax rate is 52 percent. The adjusted effective tax rate is higher than the tax rate in the preceding year due primarily to expired tax loss carryforwards, non-capitalized deferred tax assets and tax related to earlier years.

The net loss for the period was SEK -4,943 million (908).

Investments

Net investments in property, plant and equipment and intangible assets amounted to SEK -643m (-178). The change is primarily an effect of higher net investments in acquired companies. The investments include capitalized development expenditure of SEK 374m (98).

The change due to goodwill impairment for the year of SEK -5097m includes an impairment charge of SEK -5,000m in Q3 and a consequential currency effect of SEK -97m in Q4. In addition, there was a positive effect on goodwill of SEK 3,713m related to foreign exchange effects on balance sheet items.

Cash flow

Cash flow before the change in working capital amounted to SEK 1,832m (1,188) and was affected by tax paid of SEK -560m (-254) and interest expenses paid of SEK -279m (-34).

Cash flow from operating activities amounted to SEK 2,508m (329) and was affected by the change in working capital of SEK 676m (-859).

Cash used in investing activities was SEK -691m (-29,059) and was affected by net investments of SEK -643m (-178).

Cash flow from financing activities was SEK -1,508m (26,454) for the period, where the change in borrowings reduced net cash by SEK -1,455m (10,533).

Consolidated liquidity and financial position

Consolidated cash and cash equivalents at 31 December

2022 amounted to SEK 2,173m (1,871).

Net debt amounted to SEK 9,162 million (-10,658). This includes IFRS 16-related lease liabilities of SEK 872m (902). Sinch's financial target 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 2.7x.

As of 31 December Sinch had utilized loan and credit facilities of SEK 9.740m (10,839) in total. Existing credit facilities that mature in February 2025¹ amount to SEK 8,796m and of that amount SEK 6,740m had been utilized as of 31 December 2022. Sinch also has SEK 3,000m in utilized loans that will mature in 2024. In addition, issued senior unsecured bonds amounted to SEK 750m (750). Available bank overdraft facilities amounted to SEK 913m (471), of which SEK 0m (-) had been utilized as of 31 December 2022.

Share issues were executed in 2022 through the issue of shares for a total quotient (par) value of SEK 618k related to the acquisitions of Pathwire and MessageMedia. Both acquisitions closed in 2021 and a non-cash issue of 51,000,000 shares was executed in 2022 in relation to the acquisition of Pathwire and 10,803,010 shares issued as a portion of consideration paid for the acquisition of MessageMedia. See Note 6. Shares were also issued in relation to warrants under the Group's incentive programs. See Note 4.

Equity at 31 December 2022 amounted to SEK 34,432m (34,053), corresponding to an equity ratio of 60 percent (60).

1) Of these, facilities of SEK 6,500m and USD 110m have been extended from 2025 to 2026, effective 12 January 2023.

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.

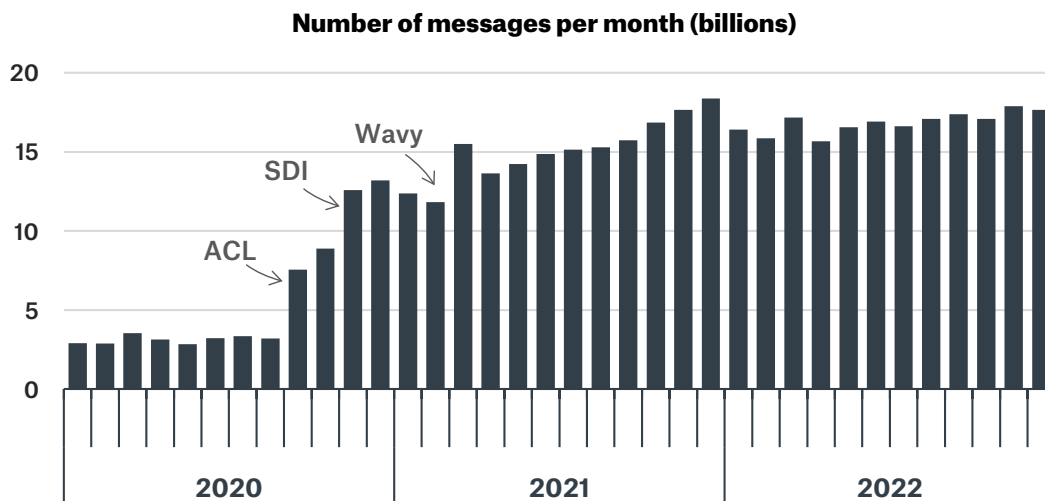
Messaging, SEKm	Q4		Q4	
	2022	2021	2022	2021
Net sales	4,817	4,540	18,225	15,366
Gross profit	1,001	975	3,615	3,506
Gross margin	21%	21%	20%	23%
EBITDA	311	434	954	1,367
EBITDA margin	6%	10%	5%	9%
Adjusted EBITDA	366	448	1,015	1,567
Adjusted EBITDA margin	8%	10%	6%	10%
Adjusted EBITDA/gross profit	37%	46%	28%	45%

Significant events

- Agreements were closed during the quarter with 50 new large business customers in the segment.
- Much of the cost reduction program has been implemented in the segment and about half of the estimated total savings was realized during the quarter.
- The majority of the customers acquired from SAP Digital Interconnect were migrated to the Sinch global messaging platform. Migration of remaining customers is expected to be completed in Q2. This will be followed by the migration of TWW and Wavy.

Transaction volume

Transaction volume in Q4 was 3 percent lower than in the corresponding quarter in the preceding year. The economic downturn has moderated traffic volumes in general, but the decrease is due mainly to lower volumes of wholesale traffic at low margins, traffic linked to one major customer and local traffic in Brazil. Volume increases in India made a positive contribution to transaction volumes. The chart below does not include volumes from customers in the SMB segment.



Net sales

Net sales in Q4 amounted to SEK 4,817m (4,540), an increase of 6 percent. The acquired MessengerPeople was included in the organic base from 1 November. Of the total during the quarter, 0 percentage points are attributable to acquisitions and 11 percentage point to currency movements. Organic growth in local currency was -5 percent.

Organic growth was adversely impacted primarily by lower volumes and the previously communicated price changes applied to one of Sinch's largest customers.

Gross profit

Gross profit increased during the quarter to SEK 1,001m (975), an increase of 3 percent compared to the same quarter in 2021. Acquisitions increased gross profit by 1 percent and currency movements had positive effect of 10 percent. Organic growth in local currency was -8 percent.

The gross margin was 21 percent (21) for the quarter. Compared to the same period in the preceding year, the gross margin was adversely affected by the previously communicated price adjustment applied to one of Sinch's largest customers and positively affected by decreased sales to low-margin customers.

Organic growth was adversely impacted primarily by lower volumes and the previously communicated price changes applied to one of Sinch's largest customers. Excluding this customer, organic gross profit growth would have been positive.

EBITDA

EBITDA for Q4 amounted to SEK 311m (434). The EBITDA margin was 6 percent (10) for the segment. The margin in Messaging was adversely affected by higher costs, primarily attributable to the increased workforce and wage inflation in spring 2022. EBITDA in Q4 was reduced by restructuring costs of SEK -45m (0) related to the previously communicated cost reduction program. See also page 7.

Adjusted EBITDA amounted to SEK 366m (448). The Adjusted EBITDA margin was 8 percent (10) and was affected by the same factors as the EBITDA margin above. The largest adjustment items in the quarter were restructuring costs of SEK -45m (0), operational foreign exchange gains/losses of SEK 38m (11) and integration costs of SEK -34m (-21). See Note 2 for more information.

Voice

Sinch services for voice communications make it possible for business customers, service providers and telecom operators 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 Supernet 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	
	2022	2021	2022	2021
Net sales	1,625	339	6,134	483
Gross profit	781	162	2,915	217
Gross margin	48%	48%	48%	33%
EBITDA	375	45	1,399	22
EBITDA margin	23%	13%	23%	5%
Adjusted EBITDA	382	52	1,432	29
Adjusted EBITDA margin	24%	15%	23%	6%
Adjusted EBITDA/gross profit	49%	32%	49%	13%

Significant events

- As an aspect of its support to industry efforts to prevent illegal robocalls, Sinch implemented novel support for advanced call analysis in its voice network in Q4. These advanced analyses are now being used to further enhance the quality of voice services provided to Sinch customers.
- Three new European countries that can now be offered direct numbers were added during the quarter as part of the global expansion of the Sinch Supernet. Sinch can now offer voice services for two-way calls in the UK, France, Germany, Ireland and Netherlands without relying on third-party intermediaries.

Net sales

Net sales increased during the quarter to SEK 1,625m (339). The acquired Inteliquent was included in the organic base as of 9 December 2022. Acquired growth was SEK 1,142m (293).

On a pro forma basis, calculated as if Inteliquent were consolidated as of 1 January 2021, net sales increased by 24 percent compared to Q4 2021. Corresponding growth in local currencies was 4 percent. Good demand for the Sinch offering in number verification, where voice calls are one of several products in a coordinated product set had positive impact on growth, while the previously communicated regulation of charges for American toll-free numbers (the 8YY Access Charge Reform) had negative impact on growth.

Gross profit

Gross profit during the quarter amounted to SEK 781m (162), of which acquired growth contributed SEK 529m (141). The gross margin was 48 percent (48) for the quarter.

On a pro forma basis, calculated as if Inteliquent were consolidated as of 1 January 2021, gross profit growth was 27 percent in Q4 compared to the same quarter in the preceding year. Corresponding growth in local currency was 6 percent. Regulation of the American toll-free call market, the 8YY Access Charge Reform, reduced gross profit growth by -5 percent in Q4.

EBITDA

EBITDA was SEK 375m (45) in Q4 and the EBITDA margin was 23 percent (13). The increases are attributable mainly to the acquired Inteliquent, whose earnings profile differs from the operations included in the corresponding quarter last year. Adjusted EBITDA was SEK 382m (52) and the Adjusted EBITDA margin was 24 percent (15).

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		Q4	
	2022	2021	2022	2021
Net sales	422	81	1,511	81
Gross profit	320	64	1,117	64
Gross margin	76%	79%	74%	79%
EBITDA	168	36	547	36
EBITDA margin	40%	44%	36%	44%
Adjusted EBITDA	169	36	581	36
Adjusted EBITDA margin	40%	45%	38%	45%
Adjusted EBITDA/gross profit	53%	57%	52%	57%

Significant events

- Portal, a new user interface (UI) was launched in the Mailgun application in early December. Portal covers Mailgun and InboxReady in the same application and facilitates cross-sales by making it easier for customers to discover the entire product set.
- Black Friday and Cyber Monday contributed to large email volumes in Q4. Compared to the preceding year, traffic increased by 14 percent during Black Friday and 19 percent during Cyber Monday. At peak, 100,000 emails were handled per second.
- A total of 105 billion emails were sent during the quarter, an increase of 11 percent compared to the same quarter in 2021.
- The migration to the new cloud infrastructure was completed in Q4 and has resulted in lower costs and higher gross margins.

Net sales

Net sales for Q4 amounted to SEK 422m (81). The sales were generated through the acquisition of Pathwire that closed on 7 December 2021 and were thus accounted for as organic as of that date. Acquired growth in the quarter was SEK 317m (81).

On a pro forma basis, calculated as if Pathwire were consolidated as of 1 January 2021, net sales increased by 39 percent in Q4. Corresponding growth in local currencies was 19 percent. Growth is driven by new customers and increased traffic volumes generated by existing customers.

Gross profit

Gross profit was SEK 320m (64) in Q4. Acquired growth was SEK 240m (64). The gross margin was 76 percent (79) for the quarter. Investments in services and human resources aimed at reducing production costs had adverse impact on the gross margin in Email in the first half of 2022. The migration to a new cloud infrastructure was a strong contributor to the 3 percent gross margin improvement compared to Q3 2022.

On a pro forma basis, calculated as if Pathwire were consolidated as of 1 January 2021, gross profit increased by 41 percent in Q4. Corresponding growth in local currencies was 20 percent.

EBITDA

EBITDA was SEK 168m (36) in Q4. Adjusted EBITDA amounted to SEK 169m (36). The EBITDA margin was 40 percent (44) and the Adjusted EBITDA margin was 40 percent (45).

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 brands including MessageMedia, SimpleTexting and ClickSend.

SMB, SEKm	Q4		Q4	
	2022	2021	2022	2021
Net sales	497	247	1,852	247
Gross profit	314	147	1,162	147
Gross margin	63%	59%	63%	59%
EBITDA	130	70	490	70
EBITDA margin	26%	28%	26%	28%
Adjusted EBITDA	156	65	566	65
Adjusted EBITDA margin	31%	26%	31%	26%
Adjusted EBITDA/gross profit	50%	45%	49%	45%

Significant events

- Sinch SMB added 6,000 new business customers in the fourth quarter.
- In 2022, more than 70,000 small and medium-sized customers used products from SMB to send more than 6.8 billion messages.
- MessageMedia continued to integrate its solution with the leading CRM, ERP, Ecomm and Marketing Automation platforms during the year. BigCommerce and Zoho were added to the list in 2022, which now includes more than 75 companies including Hubspot, Oracle NetSuite, Salesforce and Shopify.

A comprehensive project is ongoing to integrate SimpleTexting in MessageMedia's shared SMB platform.

Net sales

Net sales were SEK 497m (247) for Q4. The sales were generated through the acquisition of MessageMedia that closed on 5 November 2021 and were accounted for as organic as of that date. Acquired growth in the quarter was SEK 166m (-).

On a pro forma basis, calculated as if MessageMedia were consolidated as of 1 January 2021, net sales increased by 30 percent in Q4. Corresponding growth in local currencies was 16 percent. An acquisition-related non-recurring effect in the comparison quarter improved growth by 7 percent. ClickSend and the American market showed strong growth during the quarter, while growth was held back by softer performance in Australia and lower traffic volumes from Covid-related use cases.

Gross profit

Gross profit for the quarter amounted to SEK 314m (147). Acquired growth was SEK 104m (-). The gross margin was 63 percent (59). The margin improvement is mainly attributable to changes in the product mix.

On a pro forma basis, calculated as if MessageMedia were consolidated as of 1 January 2021, gross profit increased by 36 percent in Q4. The corresponding growth in local currencies was 24 percent. An acquisition-related non-recurring effect in the comparison quarter improved growth by 12 percent.

EBITDA

EBITDA was SEK 130m (70) in Q4. Adjusted EBITDA amounted to SEK 156m (65). The EBITDA margin was 26 percent (28) and the Adjusted EBITDA margin was 31 percent (26).

Other

The costs of central functions and group-wide costs are reported within Other.

Other, SEKm	Q4	Q4	2022	2021
	2022	2021		
EBITDA	-194	-255	-615	-664
Adjusted EBITDA	-113	-130	-469	-375

EBITDA

EBITDA amounted to SEK -194m (-255) and consisted mainly of employee benefits expenses in Finance, HR, IT, research and development, and rental costs.

The largest adjustment item was operational foreign exchange gains/losses at SEK -68m (11). See Note 2 for more information.

Adjusted EBITDA amounted to SEK -113m (-130).

Income statement

Sinch Group, SEKm	Note	Q4	Q4	Jan-Dec	
		2022	2021	2022	2021
Net sales		7,361	5,207	27,722	16,177
Operating income		107	89	611	192
Work performed by the entity and capitalized		105	37	374	98
Cost of goods and services sold		-4,945	-3,860	-18,912	-12,244
Other external services		-622	-504	-2,400	-1,306
Employee benefits expenses		-1,072	-559	-4,157	-1,837
Other operating costs		-143	-80	-464	-249
EBITDA		791	330	2,774	831
Depreciation and amortization	5	-724	-342	-7,478	-673
EBIT		66	-12	-4,703	158
Finance income		866	1,371	3,702	2,393
Finance costs		-1,098	-757	-3,774	-1,354
Profit or loss before tax		-166	603	-4,775	1,197
Current tax		50	-228	-583	-378
Deferred tax		-111	78	414	89
Profit or loss for the period		-226	453	-4,943	908
Attributable to:					
Owners of the parent		-226	453	-4,943	907
Non-controlling interests		-0	0	0	0

Earnings per share

Sinch Group, SEK	Q4	Q4	Jan-Dec	
	2022	2021	2022	2021
Basic	-0.27	0.60	-6.03	1.29
Diluted	-0.27	0.59	-5.95	1.26

Statement of comprehensive income

Sinch Group, SEKm	Q4	Q4	Jan-Dec	
	2022	2021	2022	2021
Profit or loss for the period	-226	453	-4,943	908
Other comprehensive income or loss				
Items that may subsequently be reclassified to profit or loss for the period				
Translation differences ¹⁾	-1,932	352	5,090	578
Other comprehensive income or loss for the period	-1,932	352	5,090	578
Comprehensive income or loss for the period	-2,158	805	147	1,485
Attributable to:				
Owners of the parent	-2,158	805	147	1,486
Non-controlling interests	0	0	0	-0

1) Hedge accounting and associated tax effects have been reclassified as translation differences in accordance with the definition of net investment.

Balance sheet

Sinch Group, SEKm	Note	31 Dec 2022	31 Dec 2021
ASSETS			
Non-current assets			
Goodwill	9	25,655	27,143
Customer relationships	9	14,811	13,966
Operator relationships	9	268	285
Proprietary software	9	5,315	5,080
Other intangible assets	9	557	944
Property, plant and equipment		874	707
Right-of-use assets		859	900
Financial assets		74	62
Deferred tax assets		962	825
Total non-current assets		49,375	49,912
Current assets			
Accounts receivable	7	4,247	3,870
Tax assets		317	198
Other current receivables		340	298
Accrued income and prepaid expenses	8	833	932
Cash and cash equivalents		2,173	1,871
Total current assets		7,909	7,169
TOTAL ASSETS		57,284	57,081
EQUITY AND LIABILITIES			
Equity			
Share capital		8	8
Other capital contributions		32,219	31,988
Reserves		5,268	178
Retained earnings including profit for the year		-3,064	1,879
Equity attributable to owners of the parent	4	34,431	34,053
Non-controlling interests		1	1
Total equity		34,432	34,053
Non-current liabilities			
Deferred tax liability		5,403	5,573
Non-current liabilities, interest-bearing		11,236	1,707
Non-current liabilities, non-interest-bearing		34	37
Total non-current liabilities		16,673	7,318
Current liabilities			
Contract liabilities/Advance payments from customers		27	40
Provisions		49	49
Accounts payable		1,561	1,424
Tax liability		466	325
Other current liabilities, interest-bearing		99	10,817
Other current liabilities, non-interest-bearing		344	217
Accrued expenses and prepaid income		3,635	2,837
Total current liabilities		6,180	15,709
TOTAL EQUITY AND LIABILITIES		57,284	57,081
Financial instruments measured at fair value			
Derivative instruments with positive value		0	19
Derivative instruments with negative value		15	0

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 2021 Annual Report.

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 2021	6	6,934	-400	972	7,512	1	7,513
Profit or loss for the period				907	907	0	908
Other comprehensive income or loss			578		578	-0	578
Share-based payments		114			114		114
Shares issued for warrants	0	100			100		100
Rights issue	1	24,937			24,939		24,939
Issue expenses, net of tax		-97			-97		-97
Closing equity per 31 December 2021	8	31,988	178	1,879	34,053	1	34,053
Opening balance 1 January 2022	8	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 or loss			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		-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

1) Refers to adjustments related to acquisitions in 2021.

Condensed statement of cash flows

Sinch Group, SEKm	Note	Q4 2022	Q4 2021	Jan-Dec 2022	2021
Profit or loss before tax		-166	603	-4,775	1,197
Adjustment for non-cash items ¹⁾		988	2	7,167	245
Income tax paid		-161	-109	-560	-254
Cash flow before changes in working capital		661	496	1,832	1,188
Change in working capital		312	-24	676	-859
Cash flow from (-used in) operating activities		973	472	2,508	329
Net investments in property, plant and equipment and intangible assets		-183	-75	-643	-178
Change in financial receivables		3	-3	-3	-4
Acquisition of Group companies	6	-	-28,216	-45	-28,877
Cash flow from (-used in) investing activities		-180	-28,294	-691	-29,059
Change in borrowings		-600	10,662	-1,455	10,533
Amortization lease liability		-18	-23	-144	-55
New issue/warrants	4	8	6,505	91	15,976
Cash flow from (-used in) financing activities		-610	17,144	-1,508	26,454
Cash flow for the period		183	-10,676	309	-2,276
Opening balance cash and cash equivalents for the period		2,012	11,934	1,871	3,123
Exchange rate differences in cash and cash equivalents		-22	614	-7	1,024
Closing balance cash and cash equivalents for the period		2,173	1,871	2,173	1,871

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

Other disclosures

Sinch Group, SEKm	Q4 2022	Q4 2021	Jan-Dec 2022	2021
Share information				
Basic earnings per share, SEK	-0.27	0.60	-6.03	1.29
Diluted earnings per share, SEK	-0.27	0.59	-5.95	1.26
Basic weighted average number of shares	838,595,726	753,702,436	819,116,557	700,923,800
Diluted weighted average number of shares	846,606,931	768,507,383	830,890,480	716,527,452
Total number of shares at the end of the period	838,602,248	768,568,748	838,602,248	768,568,748
Financial position				
Equity attributable to owners of the parent	34,431	34,053	34,431	34,053
Equity ratio	60%	60%	60%	60%
Net investments in property, plant and equipment and intangible assets	-183	-75	-643	-178
Cash and cash equivalents	2,173	1,871	2,173	1,871
Net debt (+) / Net cash (-)	9,162	10,658	9,162	10,658
Net debt/pro forma Adjusted EBITDA R12M, multiple	2.7	2.9	2.7	2.9
EBIT margin	1%	-0%	-17%	1%
EBITDA margin	11%	6%	10%	5%
Employee information				
Average FTEs	3,533	2,425	3,565	1,937
Average FTEs, women	1,110	728	1,079	551
Percentage female	31%	30%	30%	28%

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. Items under EBITDA are not allocated to the segments.

From Q2 2022, the segment division reflects the new organization Sinch announced on 3 February 2022. Historical amounts according to the new segment division are presented from Q1 2021. Information for periods before 2021 is not available and is therefore not presented, in accordance with IFRS 8 29-30. In conjunction with the Group's transition to new segment reporting, the operational performance of acquired entities is totaled using the cost center method of accounting, meaning that it differs somewhat from a legal view due to internal transactions.

Q4 2022, SEKm	Messaging	Voice	Email	SMB	Other	Group
External revenue	4,817	1,625	422	497	-	7,361
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						-206

Q4 2021, SEKm	Messaging	Voice	Email	SMB	Other	Group
External revenue	4,540	339	81	247	-	5,207
Net sales	4,540	339	81	247	-	5,207
Gross profit	975	162	64	147	-	1,348
EBITDA	434	45	36	70	-255	330
EBITDA adjustments ¹	-14	-7	-1	5	-125	-142
Adjusted EBITDA	448	52	36	65	-130	471
Depreciation and amortization						-342
EBIT						-12
Net finance income						615
Profit or loss before tax						603

Jan-Dec 2022, SEKm	Messaging	Voice	Email	SMB	Other	Group
External revenue	18,225	6,134	1,511	1,852	-	27,722
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.

Jan-Dec 2021, SEKm	Messaging	Voice	Email	SMB	Other	Group
External revenue	15,366	483	81	247	-	16,177
Net sales	15,366	483	81	247	-	16,177
Gross profit	3,506	217	64	147	-	3,933
EBITDA	1367	22	36	70	-664	831
EBITDA adjustments ¹	-200	-7	-1	5	-289	-492
Adjusted EBITDA	1,567	29	36	65	-375	1,322
Depreciation and amortization						-673
EBIT						158
Net finance income						1,039
Profit or loss before tax						1,197

1) See specifications in Note 2.

Distribution of external net sales

Q4 2022, SEKm	Messaging	Voice	Email	SMB	Group
Net sales by customer region					
North America	2,062	1,564	208	174	4,008
Europe	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 ³	-13 ²	10	2	5
Total	4,817	1,625	422	497	7,361

Net sales by product/service	Messaging	Voice	Email	SMB	Group
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	Messaging	Voice	Email	SMB	Group
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

2) One customer in the Voice segment was moved from Rest of the World to North America in Q4. The change corresponds to SEK 17m for FY 2022 and has affected Q4 in its entirety.

3) Customers in the Messaging segment were moved from Rest of the World to the North America, Asia-Pacific and Latin America regions in Q4. These changes correspond to SEK 10m (North America), SEK 104m (Asia-Pacific) and SEK 56m (Latin America) respectively for FY 2022 and have affected Q4 in its entirety.

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 Europe 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 2021, SEKm	Messaging	Voice	Email	SMB	Group
Net sales by customer region					
North America	1,090	316	38	61	1,505
Europe	2,255	11	27	24	2,316
Asia-Pacific	445	11	5	140	600
Latin America	250	-	1	0	251
Rest of the world	501	1	10	23	535
Total	4,540	339	81	247	5,207
Net sales by product/service					
Communication services	4,302	339	81	247	4,969
Initial software licenses and upgrades	30	-	-	-	30
Support	26	-	-	-	26
Other	182	-	-	-	182
Total	4,540	339	81	247	5,207
Net sales allocation per point in time					
Over time	337	282	36	16	671
At one point in time	4,203	57	45	232	4,536
Total	4,540	339	81	247	5,207

Jan-Dec 2022, SEKm	Messaging	Voice	Email	SMB	Group
Net sales by customer region					
North America	7,646	5,919	730	575	14,869
Europe	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

Jan-Dec 2021, SEKm	Messaging	Voice	Email	SMB	Group
Net sales by customer region					
North America	5,549	406	38	61	6,054
Europe	5,705	45	27	24	5,801
Asia-Pacific	1,547	31	5	140	1,722
Latin America	813	-	1	-	814
Rest of the world	1,753	1	10	23	1,787
Total	15,366	483	81	247	16,177
Net sales by product/service					
Communication services	14,856	483	81	247	15,667
Initial software licenses and upgrades	122	-	-	-	122
Support	97	-	-	-	97
Other	291	-	-	-	291
Total	15,366	483	81	247	16,177
Net sales allocation per point in time					
Over time	1,056	426	36	16	1,534
At one point in time	14,310	57	45	232	14,643
Total	15,366	483	81	247	16,177

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 4 (19) 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	Q4	Jan-Dec	2021
	2022	2021	2022	
Net sales	157	113	356	175
Operating income	1	0	6	4
Operating costs				
Other external expenses	-166	-71	-345	-205
Employee benefits expenses	-6	-12	-21	-37
EBIT before other operating costs, depreciation/amortization and impairment losses	-13	30	-4	-64
Other operating costs	-4	-4	-8	-18
Depreciation and amortization	-1	-1	-5	-5
Operating profit	-18	25	-16	-86
Impairment of shares in subsidiaries	-90	-	-4,340	-
Interest income and similar profit items	696	1,230	3,923	1,979
Interest expenses and similar loss items	-873	-820	-3,435	-1,137
Profit after financial items	-286	434	-3,868	756
Appropriations	-252	-447	-252	-447
Profit or loss before tax	-538	-13	-4,120	309
Tax on profit for the period	45	-29	-25	-65
Profit or loss for the period	-493	16	-4,145	243

Parent company balance sheet

SEKm	31 Dec 2022	31 Dec 2021
ASSETS		
Non-current assets		
Intangible assets	5	7
Property, plant and equipment	3	5
Financial assets		
Investments in Group companies	15,764	2,973
Non-current receivables, Group companies	3,912	6,567
Total financial assets	19,676	9,540
Deferred tax assets	0	7
Total non-current assets	19,683	9,559
Current assets		
Receivables from Group companies	21,406	36,627
Tax assets	33	31
Other current receivables	0	33
Accrued income and prepaid expenses	82	198
Cash and cash equivalents	0	-1
Total current assets	21,521	36,887
TOTAL ASSETS	41,204	46,446
EQUITY AND LIABILITIES		
Share capital	8	8
Total restricted equity	8	8
Share premium reserve	34,126	34,029
Retained earnings	130	-107
Profit for the year	-4,145	243
Total non-restricted equity	30,111	34,165
Total equity	30,119	34,172
Untaxed reserves	95	43
Total untaxed reserves	95	43
Total provisions	-	-
Non-current liabilities		
Liabilities to credit institutions	10,449	909
Total non-current liabilities	10,449	909
Current liabilities		
Accounts payable	3	105
Liabilities to Group companies	469	510
Liabilities to credit institutions	-	10,681
Other current liabilities	17	3
Accrued expenses and prepaid income	52	24
Total current liabilities	541	11,323
TOTAL EQUITY AND LIABILITIES	41,204	46,446

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 2021 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. Where applicable, the comparative figures for 2021 have been updated to agree with the Sinch Group's published Annual Report for 2021. There are no amendments to IFRS standards in 2022 that have had material impact on the Group's results of operations and financial position. Risks and uncertainties relevant to Sinch are described in the 2021 Annual Report, with further comments provided below.

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 close of books.

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 35 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.

As of Q2 2021, the costs of incentive programs and operational foreign exchange gains and losses are also included. Operational foreign exchange gains and losses include realized and unrealized currency movements in operational liabilities and receivables, but do not include translation differences, which are recognized in other comprehensive income. Adjusted EBITDA in earlier periods is reported according to the updated definition and has thus been restated retroactively.

Following this change, employee benefits expenses included in Adjusted EBITDA are reduced by the costs for incentive programs in accordance with IFRS 2 Share-based Payment and the provision for social insurance fees based on the fair value of the warrants at the reporting date.

Other operating income and other operating costs are reduced by realized and unrealized foreign exchange gains and losses. These operational foreign exchange gains/losses thus refer to specific items in Sinch's income statement. Adjusted EBITDA excludes these items but is still affected by currency movements because Sinch has revenues and costs denominated in currencies other than SEK.

The foreign exchange gains and losses that arise in operations due to temporary fluctuations in exchange rates can have relatively large effect on individual quarters, although the net cost has been negligible over time. Excluding these profit and loss items from Adjusted EBITDA provides better opportunity to understand Sinch's business and the trend in the underlying business.

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 2022	Q4 2021	2022	2021
Acquisition costs	1	-101	-45	-166
Restructuring costs	-44	-	-62	-
Adjusted earnout	-	0	-	-
Integration costs	-67	-66	-252	-230
Costs of share-based incentive programs	-38	-15	-124	-106
Operational foreign exchange gains/losses	-25	29	135	-
Other adjustments	2	11	-3	10
Total EBITDA adjustments	-169	-141	-350	-492
Amortization of acquisition-related assets	-587	-264	-1,987	-511
Impairment of goodwill	-97	-	-5,097	-
Total EBIT adjustments	-853	-405	-7,434	-1,003

Acquisition costs, SEKm	Q4 2022	Q4 2021	2022	2021
Messaging	-	-	-	-
Voice	-	-	3	-
Email	-	-3	-	-3
SMB	-	-	-	-
Other	1	-99	-48	-163
Acquisition costs¹	1	-101	-45	-166

1) Reported as other external expenses.

Restructuring costs, SEKm	Q4 2022	Q4 2021	2022	2021
Messaging	-45	-	-61	-
Voice	-	-	-	-
Email	-	-	-	-
SMB	-	-	-	-
Other	1	-	-2	-
Restructuring reserve²	-44	-	-62	-

2) Reported as other external expenses.

Adjusted earnout per segment, SEKm	Q4 2022	Q4 2021	2022	2021
Messaging	2	-	2	-
Voice	-	-	-	-
Email	-	-	-	-
SMB	-	-	-	-
Other	-	-	-	-
Integration costs per segment³	2	-	2	-

3) Reported as other external expenses.

Integration costs per segment, SEKm	Q4 2022	Q4 2021	2022	2021
Messaging	-34	-21	-111	-106
Voice	-1	-4	-12	-4
Email	3	-	-13	-
SMB	-21	-	-54	-
Other	-14	-42	-62	-120
Integration costs per segment⁴	-67	-66	-252	-230

4) Reported as other external expenses and employee benefits expenses

	Q4 2022	Q4 2021	2022	2021
Integration costs per category, SEKm				
Employee benefits expenses	-50	-41	-180	-136
External consultants	-10	-22	-59	-81
Other	-6	-3	-13	-14
Integration costs per category⁵	-67	-66	-252	-230

5) Reported as other external expenses and employee benefits expenses

	Q4 2022	Q4 2021	2022	2021
Costs of share-based incentive programs, SEKm				
Messaging	-16	-14	-52	-99
Voice	-7	-	-22	-
Email	-6	-	-25	-
SMB	-8	-	-21	-
Other	-1	0	-4	-7
Costs of share-based incentive programs⁶	-38	-15	-124	-106

6) Reported as employee benefits expenses.

	Q4 2022	Q4 2021	2022	2021
Costs of share-based incentive programs, SEKm				
Cost of vested warrants per IFRS 2	-23	-30	-140	-116
Social insurance costs	-14	15	16	10
Costs of share-based incentive programs⁷	-38	-15	-124	-106

7) Reported as employee benefits expenses.

	Q4 2022	Q4 2021	2022	2021
Operational foreign exchange gains/losses, SEKm				
Messaging	38	11	161	-4
Voice	-	-	-	-
Email	2	2	5	2
SMB	3	5	-1	5
Other	-68	11	-30	-3
Operational foreign exchange gains/losses⁸	-25	29	135	0
Of which:				
Realized foreign exchange gains/losses	-43	5	128	-46
Unrealized foreign exchange gains/losses	18	25	7	46
Operational foreign exchange gains/losses⁸	-25	29	135	0

8) Reported as other operating income or other operating costs.

	Q4 2022	Q4 2021	2022	2021
Other adjustments				
Messaging	2	10	1	9
Voice	1	-3	-	-3
Email	0	-	-2	-
SMB	-	-	-	-
Other	-	4	-	4
Other adjustments⁹	2	11	-1	10

9) Reported as other operating income or other operating costs.

Note 3 - Pledged assets and contingent liabilities

Issued guarantees amounted to SEK 247m (95). The increase in issued guarantees during the year arises from the acquisition of Pathwire.

Note 4 - Incentive programs

Under the incentive program, LTI 2022, adopted by the AGM on 9 June 2022, 18,461,660 warrants have been subscribed for by senior executives and key employees within Sinch. The maximum number of warrants in LTI 2022 is 25,000,000.

During the fourth quarter, 150,000 shares were registered due to exercise of 15,000 warrants from LTI 2016 where each warrant carried the right to 10 shares. The exercise price was SEK 12.77 per share. The warrants were exercised in the second quarter through Sinch's customary procedure, but the shares were registered and delivered in the fourth quarter. During the period of January to

December, a total of 320,268 warrants from LTI 2016, 432,486 warrants from LTI 2018, 69,995 warrants from LTI 2019 and 300 warrants from LTI 2020 were exercised, where each warrant carried 10 shares. The exercise prices were, respectively, SEK 12.77, SEK 9.13, SEK 17.41 and SEK 62.40 per share. Sinch gained SEK 93m in equity through the exercise of warrants.

Total costs for the incentive programs recognized on the income statement amount to SEK 124m (106) for the period of January to December. Payroll costs for vested warrants are included in profit or loss in the amount of SEK 140m (116) with a corresponding increase in equity and social insurance costs, and improved profit by SEK 16m (10), with a corresponding reduction of provisions in the balance sheet. Payroll costs reduced profit in Q4 by SEK 23m (30) and social insurance costs reduced profit by SEK 14m (+15).

Of all outstanding warrants, 23 percent has been assessed as dilutive during the quarter because the exercise price was lower than the average share price. The potential dilutive effect, as measured at the inception of the programs, is 1.4 percent (3.0) upon exercise of all warrants in all programs.

See Note 7 of the 2021 annual report for further disclosures regarding the Group's incentive programs LTI 2016, LTI 2018, LTI 2019, LTI 2020, LTI II 2020, LTI 2021 and LTI II 2021.

Note 5 - Depreciation, amortization and impairments

Depreciation, amortization and impairments, SEKm	Q4	Q4	2022	2021
	2022	2021		
Amortization acquired customer relationships	-319	-148	-1,200	-316
Amortization acquired operator relationships	-19	-26	-72	-45
Amortization acquired trademarks	-79	-7	-121	-14
Amortization acquired software	-170	-83	-594	-136
Impairment of goodwill	-97	-	-5,097	-
Total acquisition-related amortization	-684	-264	-7,084	-512
Proprietary software	43 ¹⁾	-11	-60	-35
Licenses	-2	-10	-6	-14
Other intangible assets	-1	-	-2	-
Total amortization intangible assets	-643	-285	-7,153	-561
Property, plant and equipment	-46	-18	-181	-44
Right-of-use assets	-35	-30	-143	-59
Impairments	-0	-8	-0	-8
Total amortization/depreciation of intangible assets and property, plant and equipment	-724	-342	-7,478	-673

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

Consequent upon prevailing external conditions including geopolitical uncertainty, inflation, higher interest rates and higher required rates of return, impairment testing for the entire Group was carried out in Q3. Sinch has reexamined earlier assumptions and made adjustments as deemed necessary to estimate accurate recoverable amounts. The outcome resulted in an impairment of goodwill in the Email segment of USD 450m and EUR 47m, respectively, corresponding to SEK 5,000m, as of 30 September 2022. As of 31 December 2022, USD 450m corresponds to EUR 47m and SEK 5,097m. As a result of the goodwill impairment in the Email segment in Q3, the carrying amount is equal to the recoverable amount. This means that the Email segment remains sensitive to changes in WACC and the assumptions in the long-term plan. Annual impairment testing carried out on 31 December 2022 showed that the recoverable amount exceeded the carrying amount in all cash-generating units.

Note 6 - Acquisition of Group companies

Acquisitions in 2022

There has been one minor acquisition of SEK 5m 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.

Acquisitions in 2021

Inteliquent

Sinch entered into a binding agreement on 17 February 2021 to acquire Inteliquent, the largest independent provider of voice services in the US. The acquisition closed on 9 December. The total consideration amounted to SEK 10,581m. In conjunction with the acquisition, Sinch repaid an external loan to Inteliquent's lenders in the amount of USD 529.1m. The consideration was adjusted during Q1 2022 by USD 2.6m (SEK 24m). The increase is attributable to adjustments of working capital and cash reserves and has been recognized as goodwill.

Inteliquent was acquired through acquisition of 100 percent of the shares in the legal entity Onvoy Holdings Inc. The acquisition was financed with a combination of cash reserves and debt facilities. The business is headquartered in Chicago, Illinois and has more than 500 employees. Inteliquent comprises two business units that leverage the same underlying network. The CPaaS (Communications-Platform-as-a-Service) business comprises Inteliquent's enterprise-targeted API offering that lets businesses acquire phone numbers and embed voice calling in their own products or business processes. The IaaS (Infrastructure-as-a-Service) business includes a range of business-critical services to fixed and mobile telecom carriers, including services for off-net call termination and handling of calls to toll-free 1-800 numbers. Execution of the transaction was subject to customary terms and conditions and approvals from CFIUS, FCC and US competition authorities. The remaining administrative approval is expected to be finalized within the near future.

The acquisition was included in the consolidated accounts from 9 December 2021. The fair value of acquired receivables was SEK 534m. The contractual gross amount of accounts receivable was SEK 543m. Goodwill of SEK 5,569m is attributable mainly to complementary product offerings and growth in the customer base. The acquisition analysis was finalized in Q4 2022 based on information attributable to the acquisition date. The updates that pertain to acquired net assets refer to customer relationships amounting to SEK 3,867m corresponding to a change of SEK 73m, other intangible assets of SEK 34m corresponding to a change of SEK -259m, and deferred tax of SEK 1,729m corresponding to a change of SEK -14m.

MessageMedia

Sinch entered into a binding agreement on 9 June 2021 to acquire MessageMedia, a leading provider of mobile messaging services to small and medium-sized businesses in the US, Australia, New Zealand and Europe. Headquartered in Melbourne, Australia, the business has a workforce of more than 350 people. MessageMedia was acquired through acquisition of 100 percent of the shares in the legal entity Message 4U Pty Ltd. The acquisition closed on 5 November. The total consideration amounted to SEK 10,657m. Sinch paid cash consideration in AUD equivalent to SEK 9,245m plus 11,284,870 new shares in Sinch. The sellers have received 481,860 new shares in Sinch worth SEK 60m (at SEK 125.10 per share). The remaining 10,803,010 shares, worth SEK 1,351m, have been issued in 2022. The consideration was adjusted during Q1 2022 by AUD 1.6m (SEK 12m). The increase is attributable to adjustments of working capital and cash reserves and has been recognized in its entirety as goodwill.

The acquisition was included in the consolidated accounts from 5 November 2021. The fair value of acquired accounts receivable was SEK 218m. The contractual gross amount of accounts receivable was SEK 222m. Goodwill of SEK 6,931m is attributable mainly to complementary product offerings and expected growth in new customer groups. The acquisition analysis was finalized in Q4 2022 based on information attributable to the acquisition date. The updates that pertain to acquired net assets refer to customer relationships amounting to SEK 4,192m corresponding to a change of SEK -38m, proprietary software amounting to SEK 1,142m corresponding to a change of SEK 152m and deferred tax of SEK 1,230m corresponding to a change of SEK -290m.

MessengerPeople

Sinch entered into a binding agreement on 22 September 2021 to acquire MessengerPeople, a leading software-as-a-service platform for conversational messaging. The acquisition closed on 1 November. Total consideration amounted to SEK 508m, of which Sinch paid SEK 371m in cash and SEK 136m in the form of 835,677 new shares in Sinch (at SEK 162.85 per share). The consideration was adjusted by USD -0.4m (SEK -3m) in Q1 2022. The decrease is attributable to adjustments of working capital and cash reserves and has been recognized in its entirety as goodwill.

MessengerPeople offers a cloud-based software solution that makes it easy for businesses to communicate with their customers via interactive messaging services like WhatsApp, Telegram and Apple Business Chat (iMessage). More than 700 companies currently use apps from MessengerPeople to interact with their customers. About 80 percent of these companies are based in the DACH region. The company has about 40 employees and is based in Munich, Germany.

The acquisition was included in the consolidated accounts from 1 November 2021. The fair value of acquired accounts receivable was SEK 4m. The contractual gross amount of accounts receivable was SEK 4m. Goodwill of SEK 384m arises mainly from the expertise provided by MessengerPeople. The acquisition analysis was finalized in Q4 2022 based on information attributable to the acquisition date. The updates that pertain to acquired net assets refer to customer relationships amounting to SEK 126m corresponding to a change of SEK 11m and deferred tax of SEK 44m corresponding to a change of SEK 4m.

Pathwire

Sinch entered into a binding agreement on 30 September 2021 to acquire Pathwire, a leading cloud-based email delivery platform, including its Mailgun, Mailjet and Email on Acid products for developers and marketers. More than 100,000 companies use Pathwire's products to interact with their customers, including major brands such as Lyft, Microsoft, Iterable, DHL and Etsy. Pathwire is headquartered in San Antonio, Texas and has about 290 employees.

The acquisition closed on 7 December 2021. The total consideration amounted to SEK 14,205m. Pathwire was acquired through a merger with a subsidiary of Sinch, Pegasus Corp One, incorporated in Delaware. Cash settlement of SEK 8,775m was paid in the transaction. The sellers received 25.5 million new shares in February 2022 worth SEK 2,715m (at SEK 106.5 per share). In May 2022, the sellers received 25.5 million new shares in Sinch worth SEK 2,715m (at SEK 106.5 per share).

The acquisition was included in the consolidated accounts from 7 December 2021. The fair value of acquired accounts receivable was SEK 68m. The contractual gross amount of accounts receivable was SEK 83m. Goodwill of SEK 8,529m is attributable mainly to complementary product offerings and anticipated growth in the customer base. The acquisition analysis was finalized in Q4 2022 based on information attributable to the acquisition date. The updates that pertain to acquired net assets refer to customer relationships

amounting to SEK 4,140m corresponding to a change of SEK 46m, trademarks amounting to SEK 322m corresponding to a change of SEK -429m, and deferred tax of SEK 1,578m corresponding to a change of SEK -92m.

Fair value of acquired net assets, SEKm	MessageMedia¹	MessengerPeople¹	Inteliquent¹	Pathwire¹
Customer relationships	4,192	126	3,867	4,140
Operator relationships	17	-	-	-
Trademarks	68	2	118	322
Proprietary software	1,142	5	1,289	2,083
Other intangible assets	5	0	34	3
Right-of-use assets	13	3	697	77
Property, plant and equipment	7	0	544	5
Financial assets	12	0	31	19
Deferred tax assets	-	5	366	54
Accounts receivable ²	111	4	543	83
Credit loss allowance ²	-4	0	-9	-15
Tax assets	-	-	1	31
Accrued revenues	13	-	62	71
Other current assets	11	1	0	8
Cash and cash equivalents	91	52	437	390
Deferred tax liability	-1,230	-44	-1,729	-1,578
Non-current interest-bearing liabilities	-16	-1	-616	-66
Other non-current liabilities	-2	-2	-8	-
Accounts payable	0	0	-58	-78
Current interest-bearing liabilities	-259	-	-84	-10
Other current liabilities	0	-20	-59	-17
Tax liability	-51	-1	-7	-4
Accrued expenses and prepaid income	-180	-	-616	-185
Total acquired net assets	3,939	130	4,803	5,333

1) The acquisition analysis is final and the most pertinent updates are provided in greater detail under each acquisition as well as minor adjustments to items regarding final acquisition balances.

2) A credit loss allowance of SEK -124m for Inteliquent was recognized in Q2 2022, which was updated in Q3 to SEK -9m to reflect the acquired balance in this category. The amount is settled against accounts receivable.

Purchase consideration, SEKm	MessageMedia	MessengerPeople	Inteliquent	Pathwire
Consideration paid, 2021	9,306	508	10,581	8,775
Consideration paid, 2022	1,351	-	-	5,430
Adjustment of consideration	12	-3	24	-
Total consideration	10,669	505	10,605	14,205
Fair value of acquired net assets	-3,939	-130	-4,803	-5,333
Goodwill	6,730	375	5,802	8,872

Effects of acquisitions on consolidated cash and cash equivalents, SEKm	MessageMedia	Messenger People	Inteliquent	Pathwire	Total
Consideration paid	-12	3	-24	-	-33
Direct costs relating to acquisitions ¹	0	-2	-6	-38	-45
Effects on cash and cash equivalents:	-12	1	-30	-38	-78

1) Direct costs relating to acquisitions are included in the item Other external expenses on the income statement.

Note 7 - Accounts receivable

Sinch Group, SEKm	31 Dec 2022	31 Dec 2021
Receivables, unbilled ¹	1,958	1,606
Receivables, billed	2,465	2,400
Expected credit loss allowance	-176	-136
Total accounts receivable	4,247	3,870

1) The division of billed and unbilled receivables did not take effect until 31 December 2021. See Accounting Policies on page 26 for more information.

NOTE 8 - Accrued income and prepaid expenses

Sinch Group, SEKm	31 Dec 2022	31 Dec 2021
Accrued revenue from contracts with customers	112	339
Other accrued income and prepaid expenses	721	593
Total accrued income and prepaid expenses	833	932

Note 9 - Changes in intangible assets and goodwill

Sinch Group, SEKm	Goodwill	Customer relationships	Operator relationships	Proprietary software	Other intangible assets
Cost on the opening date 1 Jan 2022	27,155	14,744	392	5,577	1,027
Capitalized expenditure for the year	-	-	-	374	20
Adjustment on previous acquisitions	415	71	-	-276	-415
Reclassifications and others	-352	67	25	67	13
Disposals/retirements	-	-	-	-55	-27
Translation differences	3,713	2,014	44	668	89
Accumulated cost on the closing date 31 Dec 2022	30,931	16,896	462	6,355	708
Amortization and impairment on the opening date	-13	-778	-107	-498	-83
Amortization and impairments for the year	-5,097	-1,200	-72	-655	-129
Reclassifications	-	27	-3	132	47
Disposals/retirements	-	-	-	10	25
Translation differences	-166	-134	-12	-30	-11
Accumulated cost on the closing date	-5,276	-2,084	-194	-1,040	-151
Carrying amount 31 Dec 2022	25,655	14,811	268	5,315	557

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 (mobile operators).

Gross profit

Net sales less the cost of goods and services sold.

Illustrates the company's internal value creation excluding costs paid to suppliers (mobile operators).

A large share of Sinch's cost of goods and services sold consists of mobile operator fees for sending messages. As operator traffic tariffs differ substantially from one country to the next, Sinch focuses mainly on gross profit and gross profit growth, rather than net sales and the gross margin. Consequently, changes in traffic patterns and the volume mix can have high impact on net sales and 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/pro forma Adjusted EBITDA R12M

Net debt divided by adjusted EBITDA, past 12 months. Adjusted EBITDA R12M is measured on a pro forma basis, includes contributions from acquired entities during the past 12 months and excludes lease liabilities related to IFRS 16.

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.

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. The cost of goods sold are included in gross profit in addition to net sales.

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 adjusted for acquisition and currency effects.

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 is a leading vendor of cloud communications services and digital customer communications. Powered by the Sinch cloud communications platform, enterprises can reach every person on the planet - within a second or two - via messaging, voice calls and video. More than 150,000 companies, including several of the biggest businesses in the world are using Sinch's advanced technology platform to communicate with their customers. Sinch has delivered profitable growth since it was founded in 2008. The Group is headquartered in Stockholm, Sweden, and has a presence in more than 60 countries. The share is listed on Nasdaq Stockholm: XSTO:SINCH.

Outlook

Sinch does not publish forecasts.

Forthcoming reporting dates

Interim report Q1, Jan-Mar 2023	27 April
Interim report Q2, Jan-Jun 2023	21 July
Interim report Q3, Jan-Sep 2023	7 November

Annual General Meeting

The Annual General Meeting will be held on 17 May 2023 at 10.00 CET in Stockholm. The venue for the meeting will be communicated in connection with notice of the meeting.

Nominating Committee

The members of the Sinch AB nominating committee are:

- Jonas Fredriksson - Neqst
- Thomas Wuolikainen - Fourth Swedish National Pension Fund
- Tomas Risbecker - AMF
- Oscar Bergman - Swedbank Robur
- Erik Fröberg - Board Chair, Sinch

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 risks related to the business, such as technological evolution, competition, supplier price increases, fraud, dependence upon key individuals, regulation and cyber security. 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.

In spite of 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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Invitation to webcast and phone conference

Sinch will present the interim report in a webcast conference on Thursday, 16 February 2023 at 14:00 CET. Watch the presentation at investors.sinch.com/webcast or call and register a couple of minutes in advance.

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Stockholm, 16 February 2023

Erik Fröberg
Board Chair

Bridget Cosgrave
Director

Renée Robinson Strömberg
Director

Johan Stuart
Director

Björn Zethraeus
Director

Hudson Smith
Director

Johan Hedberg
President and Chief Executive Officer
(interim)

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 16 February 2023 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. This report has not been subject to review by the company's independent auditors.