



# Q3 2023

---

Laurinda Pang, CEO  
Roshan Saldanha, CFO  
Thomas Heath, Chief Strategy Officer

INVESTOR PRESENTATION  
NOVEMBER 7, 2023



**150,000+**

business  
customers

**700bn+**

interactions  
per year

**60+**

countries with  
local presence

Scalable cloud communications  
platform for messaging, voice,  
email and video

# Pioneering the way the world communicates



**SEK 28.5bn**

net sales in the  
past 12 months

**SEK 9.4bn**

gross profit in the  
past 12 months

**SEK 3.6bn**

Adj. EBITDA in the  
past 12 months

# Third quarter highlights

## 01

### Stable margins

---

- Gross margin at 33.5%, up 0.4pp from Q2 2023 and up 0.7pp from Q3 2022
- Adjusted EBITDA margin of 13% and EBITDA margin of 12%
- Net debt/Adjusted EBITDA excl. IFRS16 leases at 2.2x, down from 3.2x in Q3 2022.

## 02

### Strong cash flow

---

- Operating cash flow of SEK 862 million in Q3
- Operating cash flow above SEK 2 billion over the last 12 months
- L12M cash conversion\* from Adjusted EBITDA at 38%

## 03

### New operating model

---

- Increasing our customer focus and leveraging economies of scale
- Full integration of multiple acquired entities
- Customer-facing teams organized into three regions: Americas, EMEA and APAC
- Centralized, global organizations for product, R&D, operations and support functions

\* Cash conversion calculated as Cash flow from operating activities after investments / Adjusted EBITDA.

# Recognized leadership

## Leader in CPaaS

- Sinch named Leader in Gartner's first Magic Quadrant™ for CPaaS
- Highlights ability to meet demanding enterprise requirements
- Builds on earlier recognition from IDC, Rocco, and others

### Gartner.

#### Magic Quadrant for Communications Platform as a Service

Published 18 September 2023 - ID G00784989 - 38 min read

By Analyst(s): Lisa Uden-Farboud, Daniel O'Connell, Ajit Patankar, Brian Doherty

CPaaS providers offer cloud-based platforms for developers and other users to build deeper engagement and operationalize customer experiences via APIs, SDKs and visual builders for basic, advanced and omnichannel communications. CIOs can use this Magic Quadrant to evaluate providers.

**This Magic Quadrant is related to other research:**

[View All Magic Quadrants and Critical Capabilities](#)

#### Strategic Planning Assumption

By 2026, 90% of global enterprises will leverage communications platform as a service (CPaaS) as a strategic IT skill set to maintain digital competency, up from 30% in 2022.

#### Market Definition/Description

*This Magic Quadrant for Communications Platform as a Service is the first version of this Magic Quadrant. It replaces the [Market Guide for Communications Platform as a Service](#).*

Gartner defines CPaaS as a cloud-based platform used by developers to build and integrate an array of communications-related capabilities using APIs, software development kits (SDKs), integrated development environments (IDEs) and documentation. The CPaaS tools facilitate simplified access to multiple communications channels (spanning voice, SMS, other messaging and video, along with security, such as basic authentication around the APIs). Many CPaaS vendors are now offering low-code/no-code visual builder capabilities to help nontechnical enterprise roles access CPaaS capabilities and to save developers time.

#### Minimum core capabilities

Gartner has set out a minimal set of basic core CPaaS capabilities. These include APIs to:

“The breadth of Sinch’s CPaaS offering, including more advanced features such as video and email, is rivaled by only a few other vendors.”

“Its geographic spread, both in terms of revenue and local presence in the markets it serves, bodes well for its ability to serve large and global enterprises’ full needs.”

# Innovation with AAA

## 30 million calls for roadside assistance each year

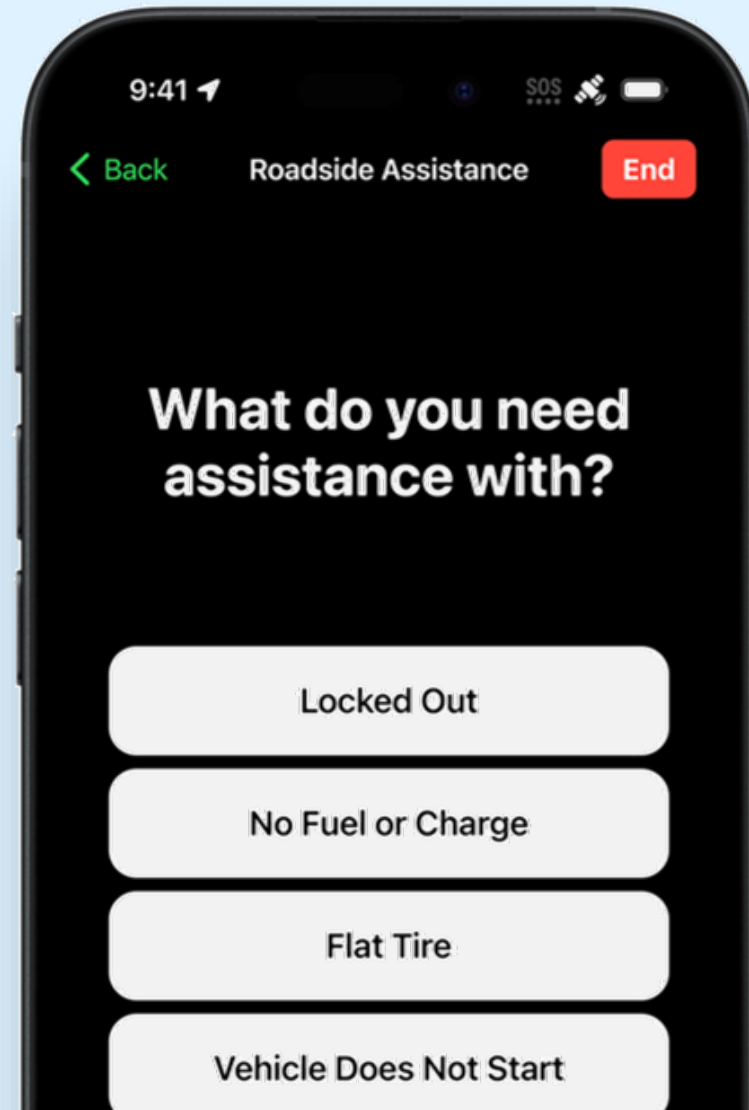
AAA, the American Automobile Association, is one of North America's largest and most trusted membership organizations and has more than 63 million members.

## New satellite capabilities

For AAA, Sinch has extended its Customer Communications Cloud to support satellite messaging. The solution leverages unique hardware in recent iPhones that enables messaging via satellite also in areas without cell coverage.

## Conversational AI

Successful delivery built on Sinch's long experience of multi-channel communications, investments in Conversational AI and Sinch Engage engagement suite.





# Digital transformation with Harrods

## A legacy of excellence

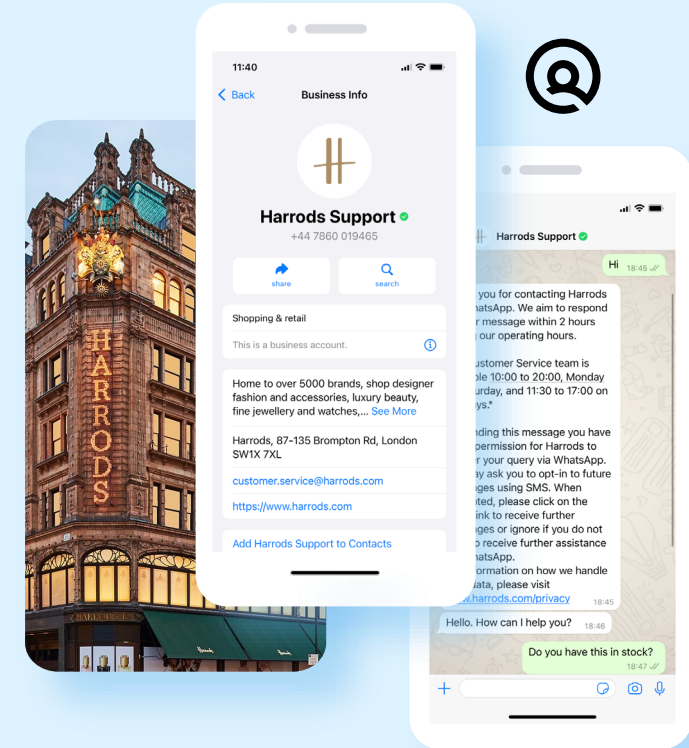
Founded in 1849, Harrod's is one of London's most recognized and prestigious department stores. Its 5-acre site makes it one of Europe's largest department stores.

## SAP partnership

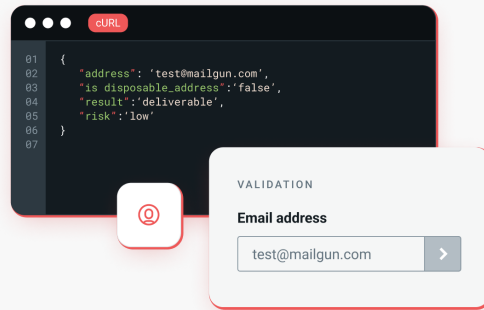
Using technology from Sinch and SAP, Harrods now has a single view of its customer and can reach, respond and retarget customer across multiple digital channels.

## True omnichannel

The solution leverages Sinch's Contact Pro software and handled 17.6k phone calls, 4.5k online chats and 11.7k resolved customer service tickets in the first 4 weeks after its launch.

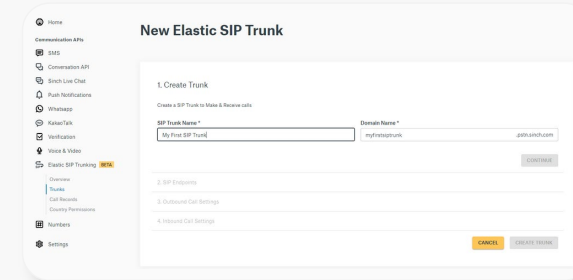


# Recent product launches



## Mailgun Optimize & Mailgun Validate

- Mailgun Optimize adds integrated deliverability tools to the Mailgun sending platform
- Mailgun Validate adds the market's fastest and most accurate address verification
- Additions remove the need to combine piecemeal third-party solutions



## Elastic SIP Trunking

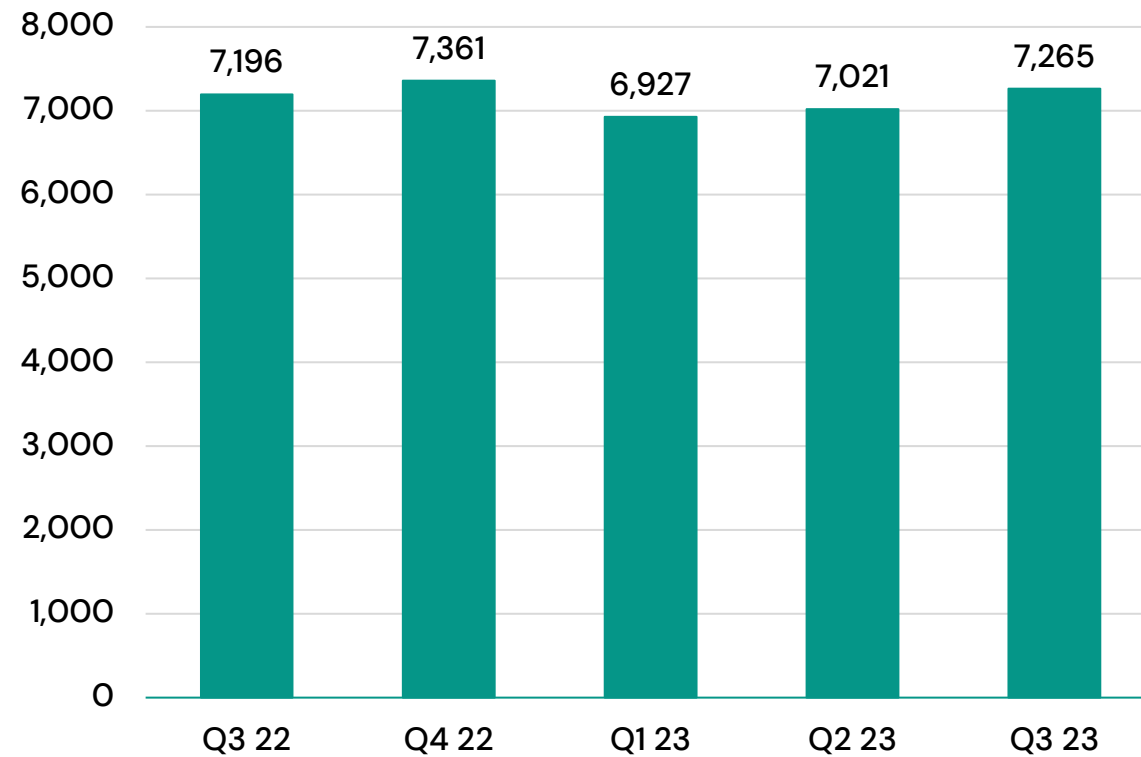
- Elastic SIP trunking expands addressable market for Sinch voice services
- Allows business customers to easily buy flexible voice capacity via sinch.com.
- In production with selected customers, general availability in Q1 2024

# Financials



# Net sales

Net sales, SEKm

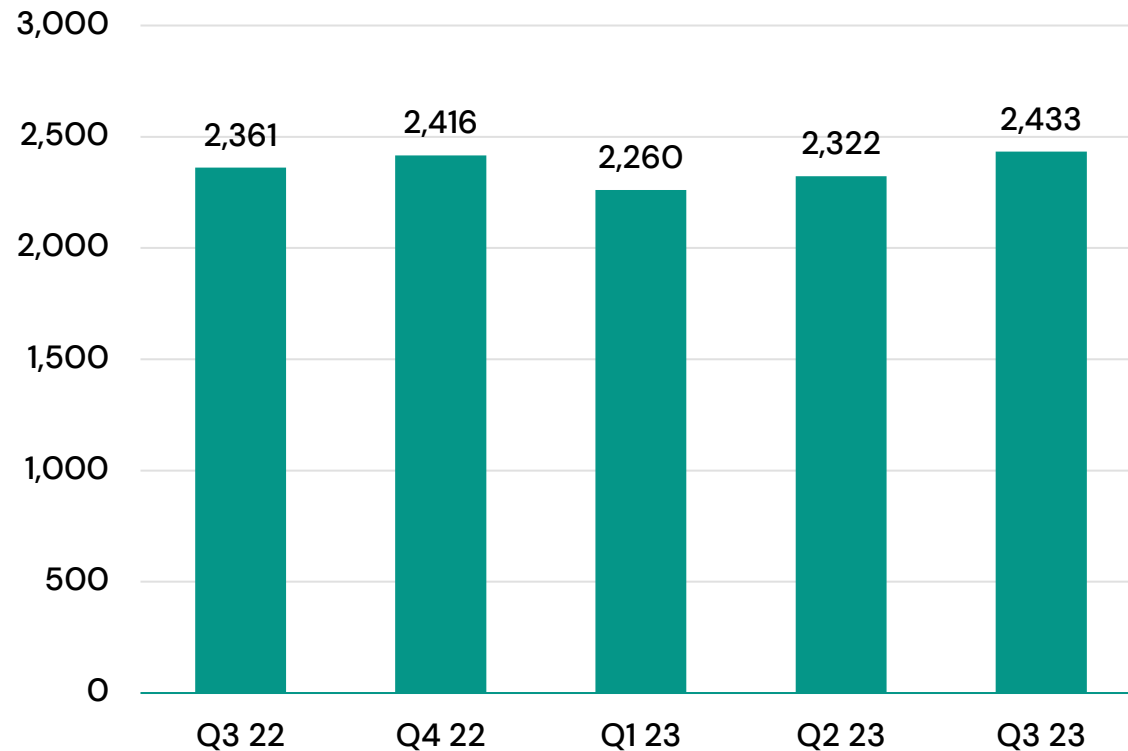


- Net sales up 1% year-on-year, helped by currency tailwind of 5%
- Organic growth in local currency at -4%

- Organic decline in Messaging (-5%) and Voice (-4%)
- Organic growth in Email (+7%) and SMB (+13%)

# Gross profit

Gross profit, SEKm

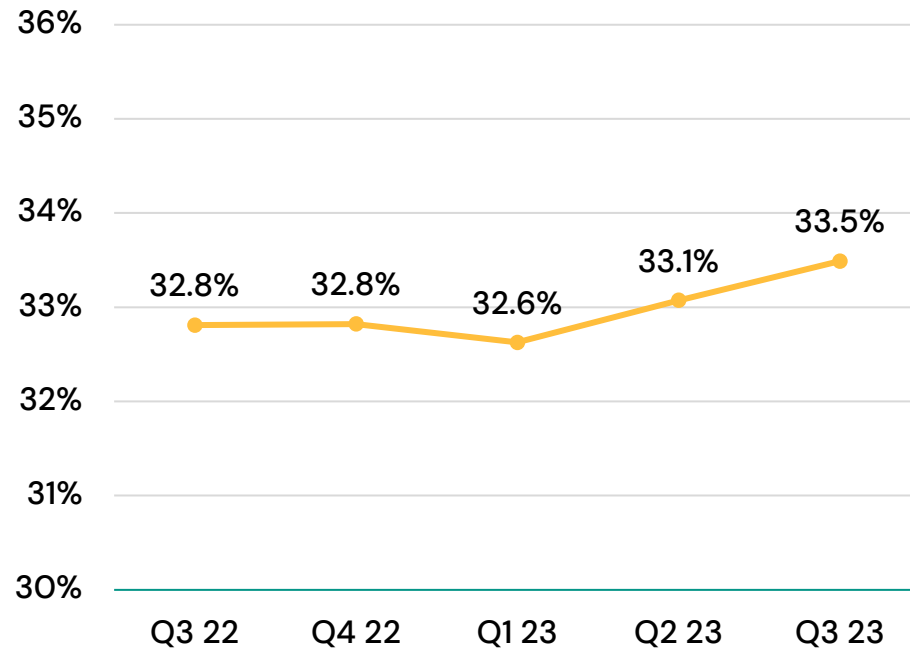


- Gross profit up 3% year-on-year, helped by currency tailwind of 5%
- Organic growth in local currency at -2%

- Organic decline in Messaging (-7%) and Voice (-5%)
- Organic growth in Email (+14%) and SMB (+13%)

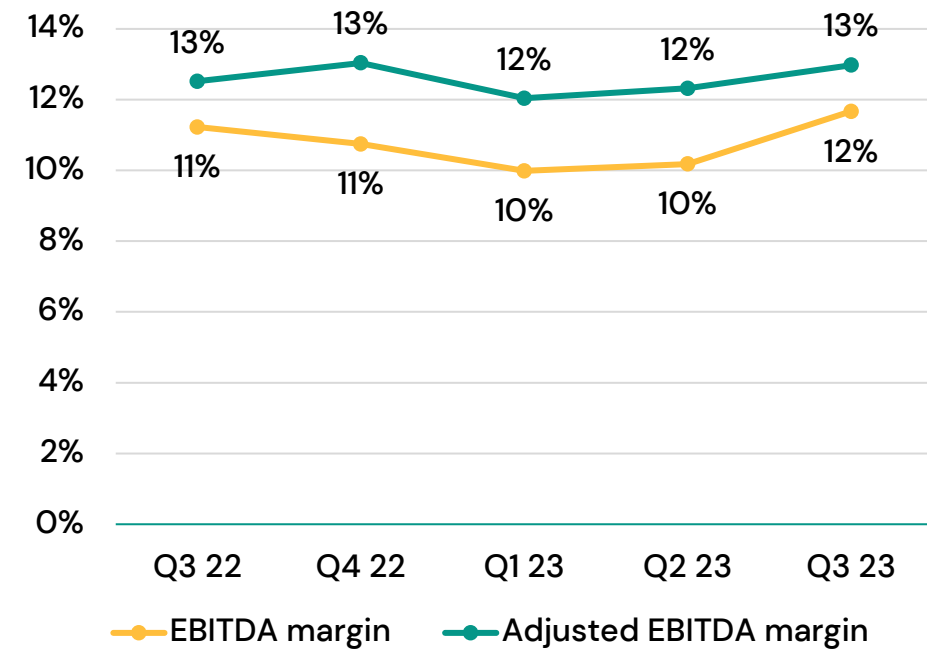
# Margin stability

## Gross margin, %



- Gross margin rising above 33%
- High-margin Email and SMB segments have higher growth rates than Messaging

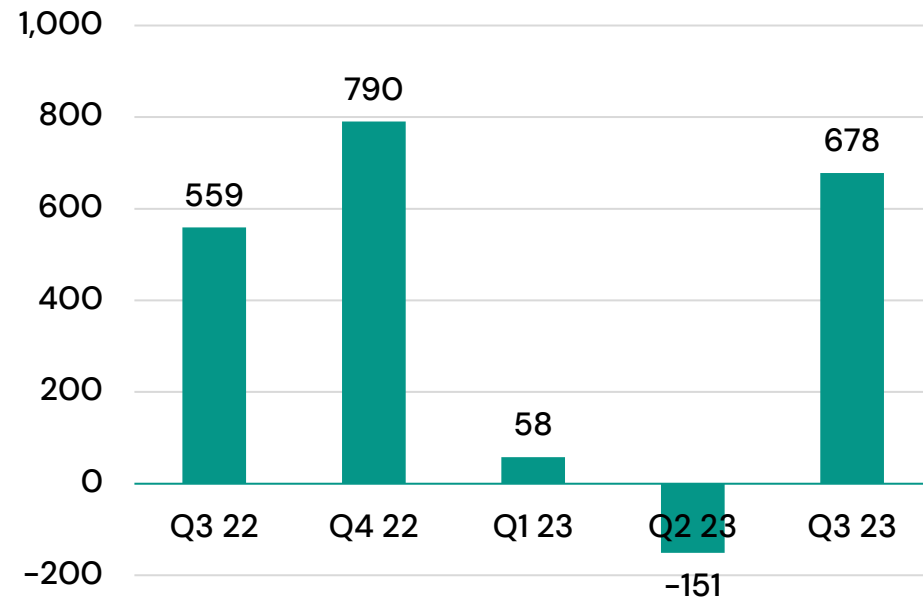
## EBITDA margin, %



- Adjustment items mainly relate to integration spend, share-based incentive programs and currency gains/losses
- Adjusted EBITDA margin of 13% in Q3

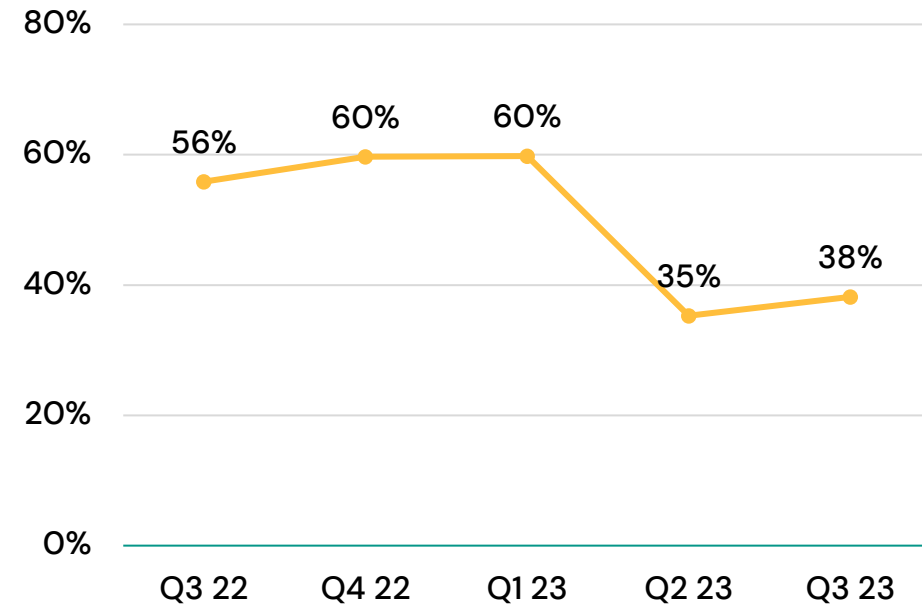
# Strong cash conversion

Cash flow, SEKm



- Chart illustrates cash flow from operating activities after investments
- NWC causes variation between individual quarters

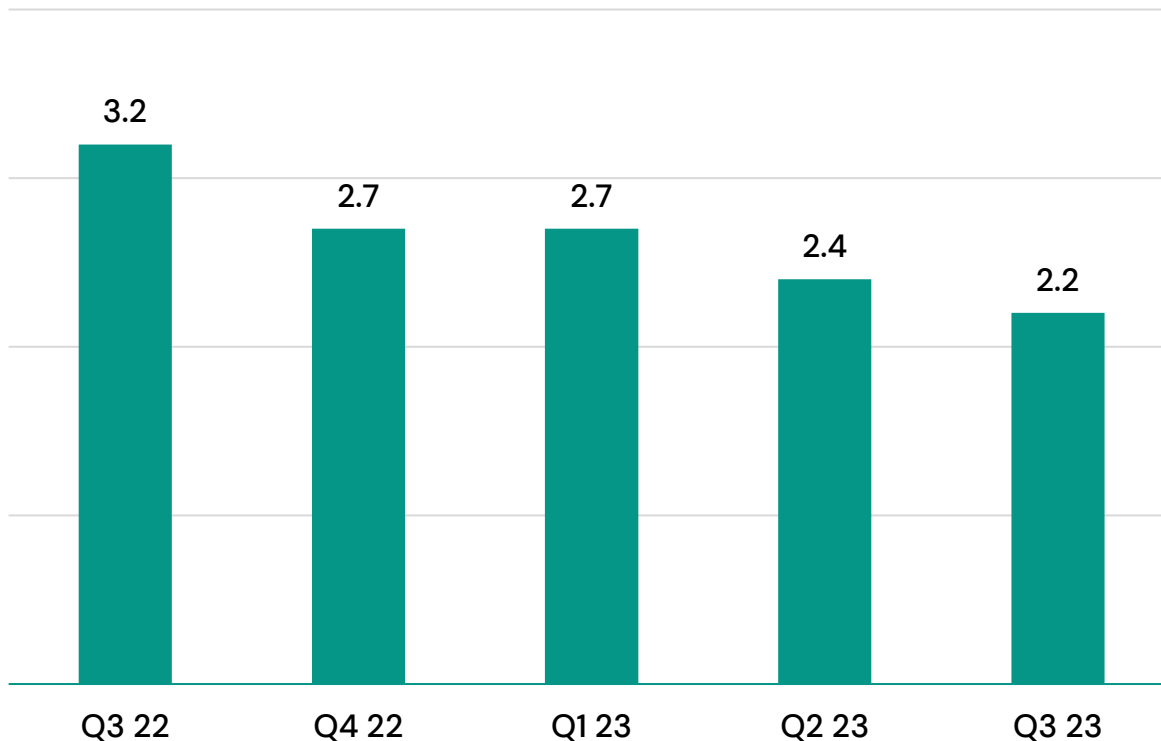
Cash conversion from Adj EBITDA, R12M



- Cash flow from operating activities after investments was SEK 1,375 million over the past 12 months
- Targeting 40-50% cash conversion over time

# Lower leverage

Net debt/Adjusted EBITDA, x

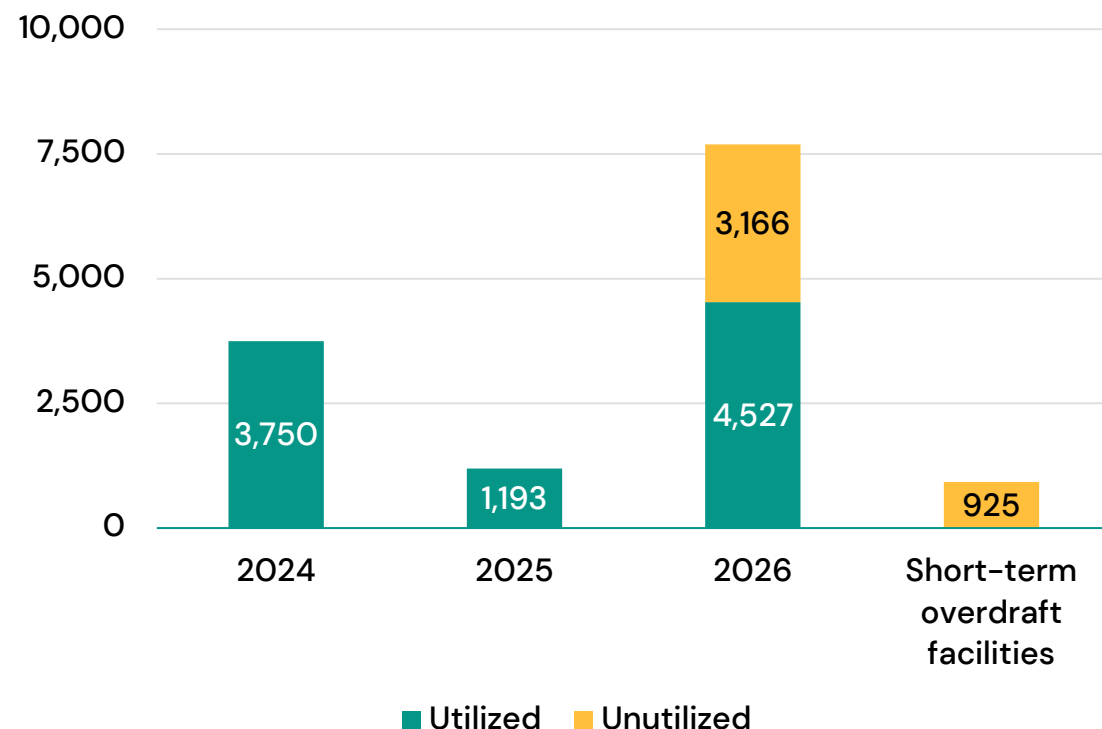


- Continued deleveraging with Net debt/EBITDA now at 2.2x
- Three components affecting Net debt/EBITDA:
  - EBITDA growth
  - Cash generation
  - Immediate currency impact on debt, but trailing impact on earnings

\* Net debt/Adjusted EBITDA is excludes IFRS16-related leases. For Q4 2021 to Q3 2022, Net debt/Adjusted EBITDA is measured on a pro forma basis

# Well-covered debt maturities

Maturity schedule, SEKm



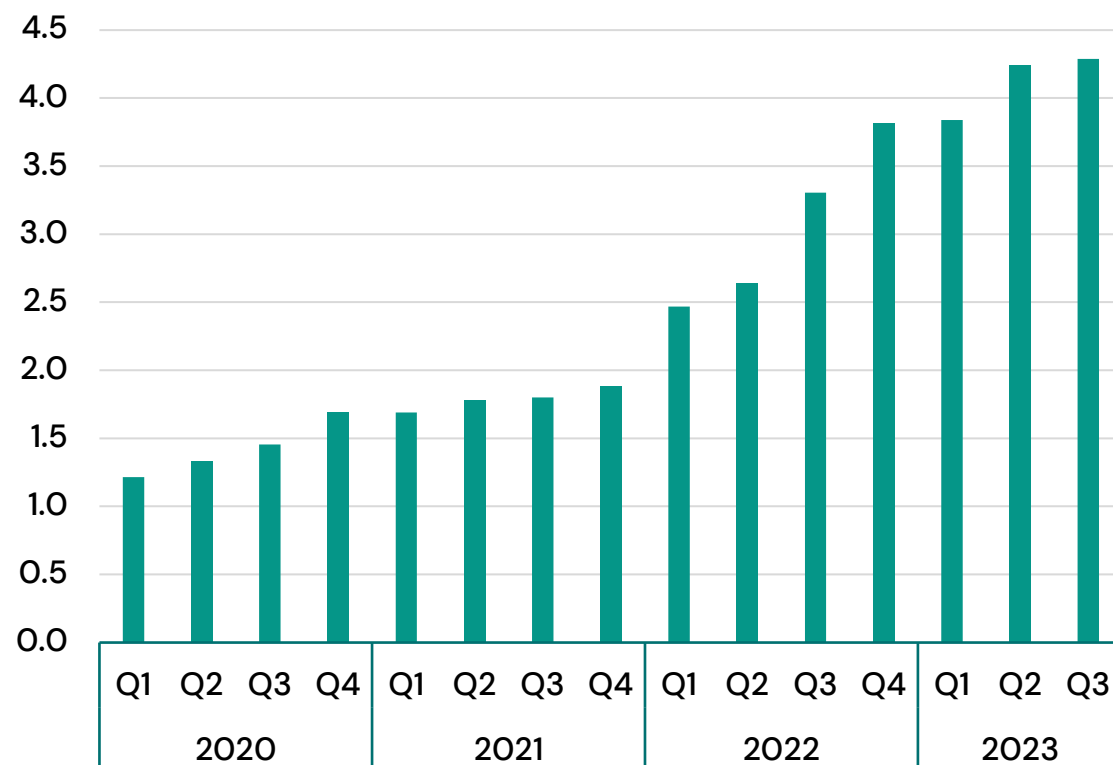
- Available cash and committed credit facilities more than exceed loans maturing in 2024
  - Cash and cash equivalents of SEK 1,620m
  - SEK 3,166m in unutilized long-term credit facilities
  - SEK 925m in unutilized overdraft facilities

- Last 12 months:
  - Generated SEK 1,375 million in Cash flow from operating activities after investments
  - Amortized SEK 1,748 million of debt



# Financial targets

Adjusted EBITDA per share, rolling 12 months



## Targets:

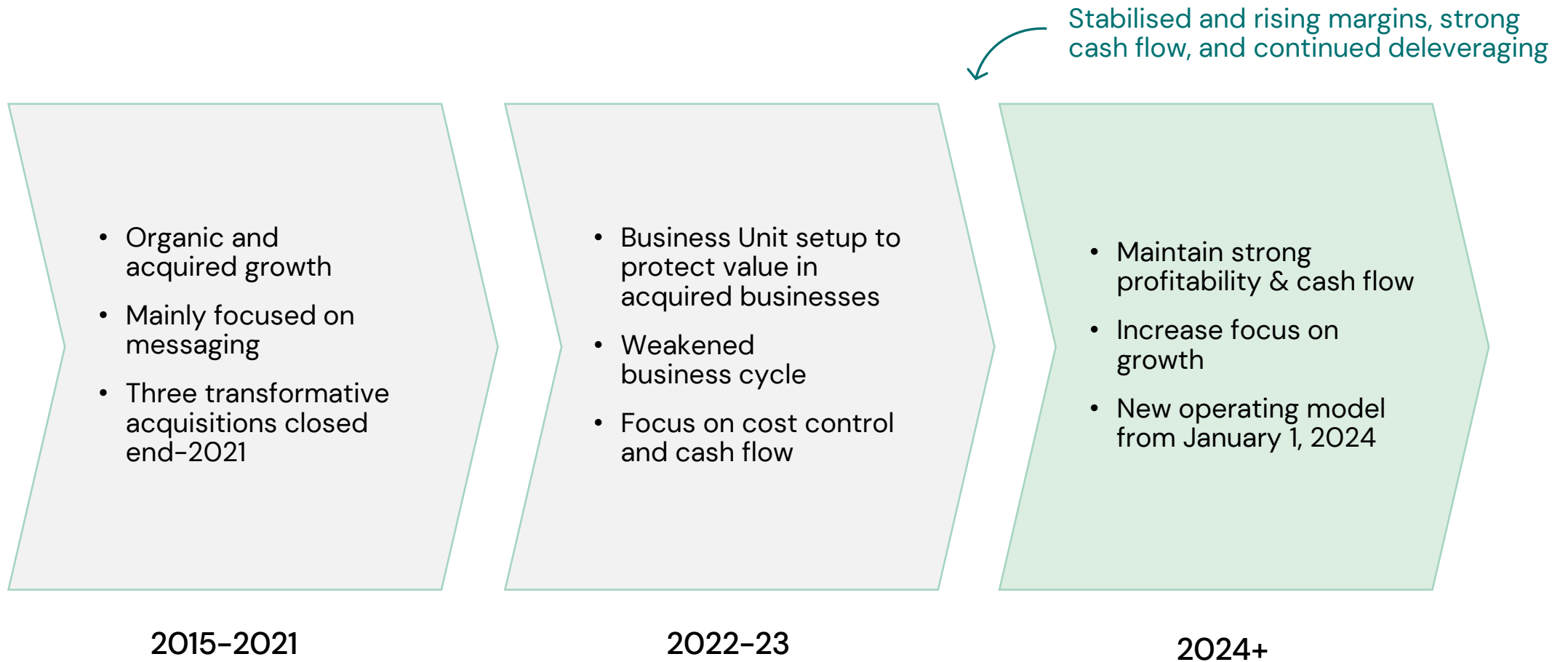
- Adjusted EBITDA per share to grow 20% per year
- Net debt < 3.5x adjusted EBITDA over time

## Performance:

- Adjusted EBITDA per share grew 31% in Q3 23, measured on a rolling 12-month basis
- Net debt/adjusted EBITDA of 2.2x excl. IFRS 16-related leases

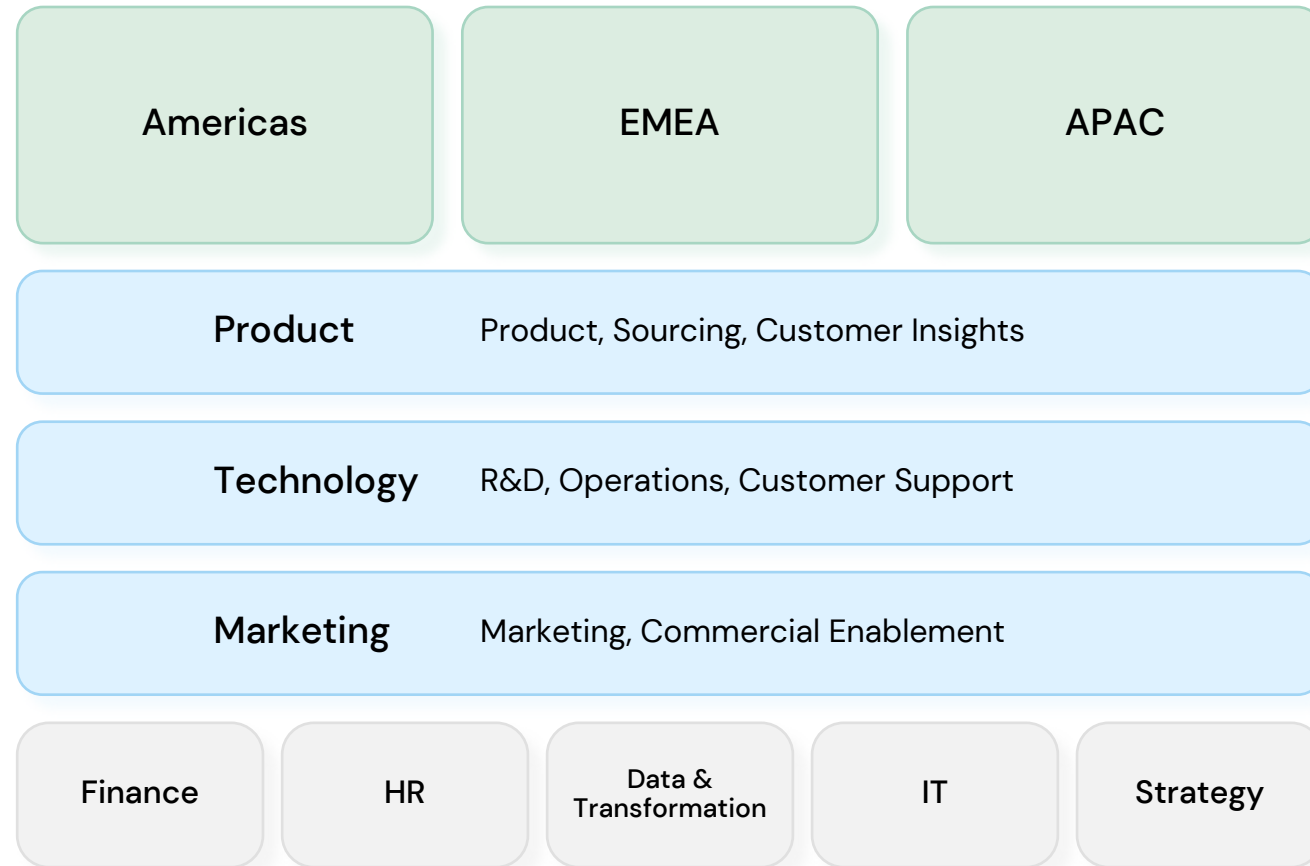
# New operating model

# Our next phase



# Organization from January 1

- Customer-facing teams organized into three regions
- Americas contributing more than 50% of Net sales and Gross profit



- Single global Product, Technology and Marketing functions supporting regional GTM
- Global self-service

- Integration of global support functions for speed and efficiency
- Savings from efficiency gains to be reinvested in growth

# Accelerating growth



## Organize around customers

---

- Customer-facing teams will be organized into three regions: Americas, EMEA and APAC
- Ensure faster decision-making, closer to customers
- Sales teams will market Sinch's entire product portfolio
- Unlock cross- and upselling



## Leverage our global scale

---

- Product, R&D, Operations will be organized into global functions
- Leverage superior economies of scale
- Implies full integration of multiple acquired entities – Pathwire, Inteliquent and MessageMedia



## Accelerate growth

---

- Leverage differentiation from unified offering
- Simplify reallocation of capital to areas with higher growth
- Reinvest savings into growth initiatives



# Thanks!

---

For more information, contact:

Ola Elmeland  
Investor Relations Director  
[investors@sinch.com](mailto:investors@sinch.com)





# Income statement

SEKm	Q3 22	Q4 22	Q1 23	Q2 23	Q3 23	2022	R12M
Net sales	7,196	7,361	6,927	7,021	7,265	27,722	28,574
Cost of services sold	-4,835	-4,945	-4,667	-4,699	-4,832	-18,912	-19,143
<b>Gross profit</b>	<b>2,361</b>	<b>2,416</b>	<b>2,260</b>	<b>2,322</b>	<b>2,433</b>	<b>8,810</b>	<b>9,431</b>
Operating expenses	-1,553	-1,625	-1,568	-1,606	-1,585	-6,036	-6,384
<b>EBITDA</b>	<b>808</b>	<b>791</b>	<b>692</b>	<b>715</b>	<b>848</b>	<b>2,774</b>	<b>3,047</b>
Depreciation and amortization	-5,623	-724	-605	-624	-665	-7,478	-2,617
<b>EBIT</b>	<b>-4,815</b>	<b>66</b>	<b>88</b>	<b>92</b>	<b>184</b>	<b>-4,703</b>	<b>429</b>
Financial income	922	866	437	775	854	3,702	2,932
Financial expenses	-780	-1,098	-599	-892	-1,064	-3,774	-3,653
<b>Profit or loss before tax</b>	<b>-4,673</b>	<b>-166</b>	<b>-75</b>	<b>-25</b>	<b>-26</b>	<b>-4,775</b>	<b>-291</b>
Current tax	-236	50	-145	-201	-114	-583	-410
Deferred tax	144	-111	141	156	186	414	373
<b>Profit or loss for the period</b>	<b>-4,765</b>	<b>-226</b>	<b>-78</b>	<b>-70</b>	<b>46</b>	<b>-4,943</b>	<b>-328</b>
Adjusted EBITDA	901	960	834	865	943	3,124	3,601
Adjusted EBIT	774	919	725	747	806	2,731	3,197

# Cash flow

SEKm	Q3 22	Q4 22	Q1 23	Q2 23	Q3 23	2022	R12M
Profit or loss before tax	-4,673	-166	-75	-25	-26	-4,775	-291
Adjustment for non-cash items	5,301	988	684	633	640	7,167	2,945
Income tax paid	-112	-161	-199	-226	-127	-560	-714
<b>Cash flow before changes in working capital</b>	<b>516</b>	<b>661</b>	<b>410</b>	<b>382</b>	<b>487</b>	<b>1,832</b>	<b>1,940</b>
Change in working capital	211	312	-198	-395	375	676	94
<b>Cash flow from (-used in) operating activities</b>	<b>727</b>	<b>973</b>	<b>212</b>	<b>-13</b>	<b>862</b>	<b>2,508</b>	<b>2,034</b>
Net investments in property, plant and equipment and intangible assets	-168	-183	-154	-138	-184	-643	-659
Change in financial receivables	0	3	-5	1	2	-3	1
Acquisition of Group companies	-7	0	-24	0	0	-45	-24
<b>Cash flow from (-used in) investing activities</b>	<b>-175</b>	<b>-180</b>	<b>-184</b>	<b>-137</b>	<b>-182</b>	<b>-691</b>	<b>-682</b>
Change in borrowings	-55	-600	-307	-300	-540	-1,455	-1,748
Amortization lease liability	-43	-18	-25	-38	-42	-144	-122
New issue/warrants	13	8	-2	46	1	91	53
<b>Cash flow from (-used in) financing activities</b>	<b>-85</b>	<b>-610</b>	<b>-333</b>	<b>-292</b>	<b>-581</b>	<b>-1,508</b>	<b>-1,817</b>
<b>Cash flow for the period</b>	<b>467</b>	<b>183</b>	<b>-305</b>	<b>-442</b>	<b>99</b>	<b>309</b>	<b>-465</b>
Opening cash and cash equivalents	1,470	2,012	2,173	1,902	1,545	1,871	2,012
Exchange rate differences	75	-22	34	85	-24	-7	73
<b>Closing cash and cash equivalents</b>	<b>2,012</b>	<b>2,173</b>	<b>1,902</b>	<b>1,545</b>	<b>1,620</b>	<b>2,173</b>	<b>1,620</b>

# Cash conversion

SEKm	Q3 22	Q4 22	Q1 23	Q2 23	Q3 23	2022	R12M
Adjusted EBITDA	901	960	834	865	943	3,124	3,601
Paid interest	-51	-119	-127	-145	-159	-279	-550
Paid taxes	-112	-161	-199	-226	-127	-560	-714
Other items	-222	-18	-97	-111	-170	-453	-397
<b>Cash flow before changes in working capital</b>	<b>516</b>	<b>661</b>	<b>410</b>	<b>382</b>	<b>487</b>	<b>1,832</b>	<b>1,940</b>
Change in working capital	211	312	-198	-395	375	676	94
<b>Cash flow from operating activities</b>	<b>727</b>	<b>973</b>	<b>212</b>	<b>-13</b>	<b>862</b>	<b>2,508</b>	<b>2,034</b>
Net investments in property, plant and equipment and intangible assets	-168	-183	-154	-138	-184	-643	-659
<b>Cash flow from operating activities after investments</b>	<b>559</b>	<b>790</b>	<b>58</b>	<b>-151</b>	<b>678</b>	<b>1,865</b>	<b>1,375</b>