Q2 2019
Investor Presentation

19 July 2019

Oscar Werner
CEO

Roshan Saldanha
CFO

Thomas Heath
Chief Strategy Officer & Head of Investor Relations

sinch

Sinch at a glance

We deliver customer engagement through mobile technology

Scalable cloud communications platform for messaging, voice and video

100% consumer penetration

Growing, global, multi-billion dollar market

We serve 8 out of 10 of the largest US tech companies

Software for mobile operators based on the same underlying platform

We bring businesses and people closer with tools enabling personal engagement

sinch

Growth markets

Messaging

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

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

CPaaS

Communications Platform as a Service (CPaaS) allows businesses to easily integrate messaging, voice and video services into their own applications

- Juniper Research sees a **35%** growth CAGR (USD 1.1 bn in 2016 to 6.7 bn in 2022)
- Gartner expects **a 50%** growth CAGR (USD 618 m in 2016 to 4.63 bn in 2021)
- IDC forecasts a **57%** growth CAGR (USD 867 m in 2016 to 8.2 bn in 2021)

April – June 2019

- Gross profit rising 29% to SEK 321.1 million (248.6)
- Adjusted EBITDA rising 17% to SEK 114.2 million (97.4)
- Adjusted EBIT excl. acquisition-related amortization of SEK 104.1 million (91.2)
- Profit after tax of SEK 53.3 million (29.0)

- Organic Gross Profit growth of 26% in local currency
- Continued investments to capture new market growth opportunities affect our earnings before new initiatives translate into higher revenues and gross profit

Key growth drivers

1. Rising message volumes with large US tech companies
2. Growth in Personalized Video
3. New client wins in Voice and Video
4. Software to Operators

Growing both with new and existing customers

Investment areas

Operational efficiency

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

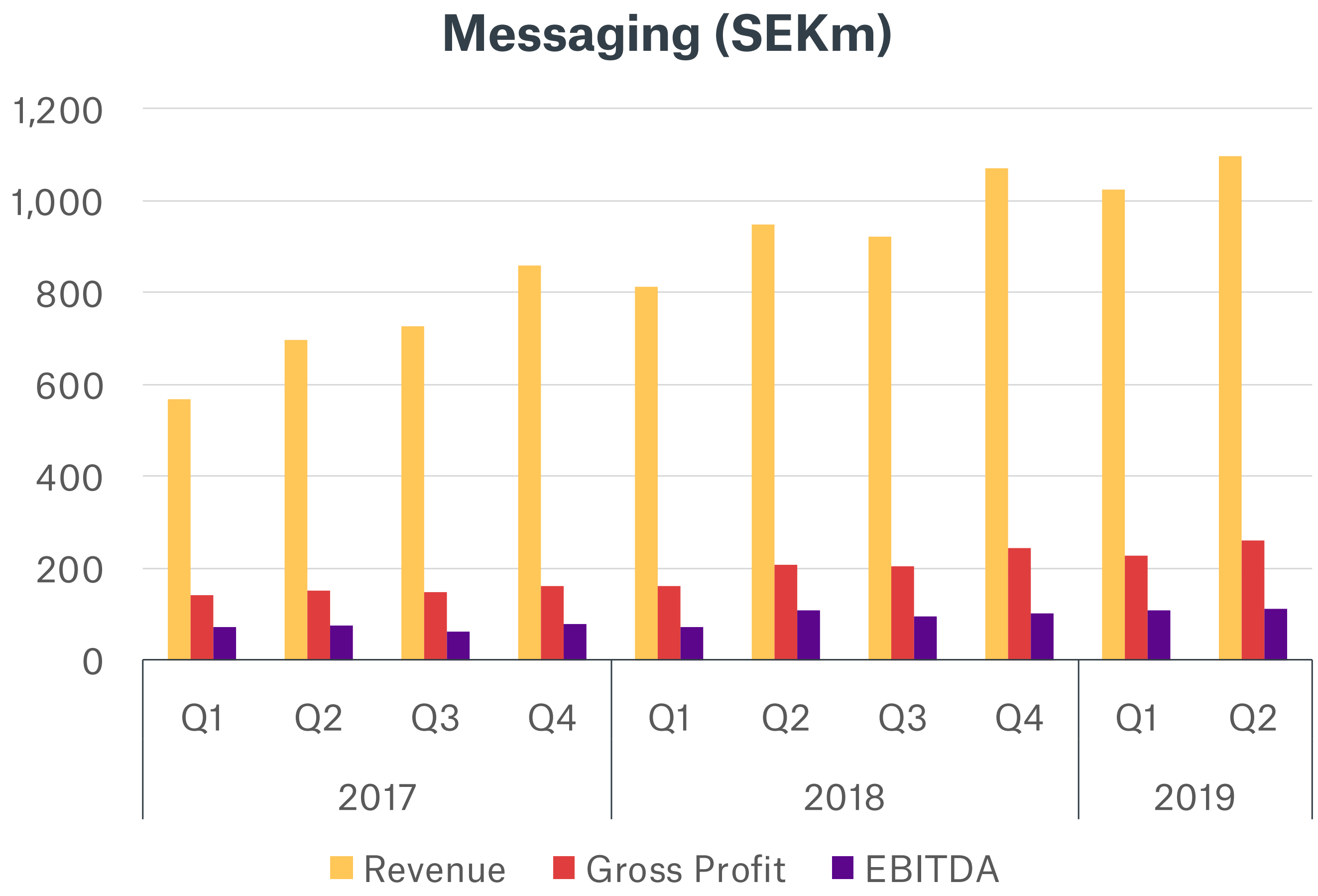
Sales and marketing

- New brand & strengthened lead generation
- International expansion of personalized video products
- Greater focus on new sales in Europe
- Geographic expansion in Asia

New technology

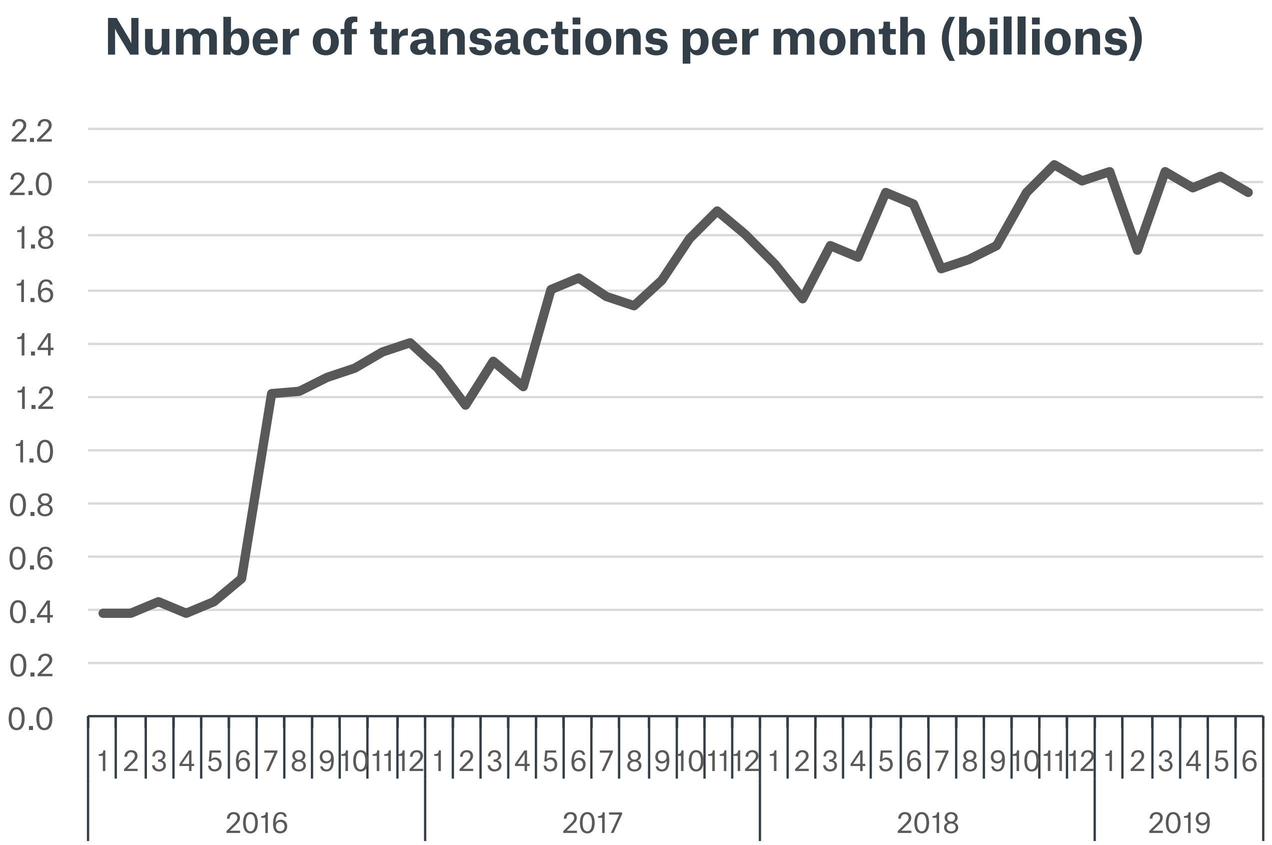
- Software for advanced, interactive messaging
- New channels like WhatsApp and RCS
- RCS-as-a-Service for mobile operators

Continued growth in Messaging



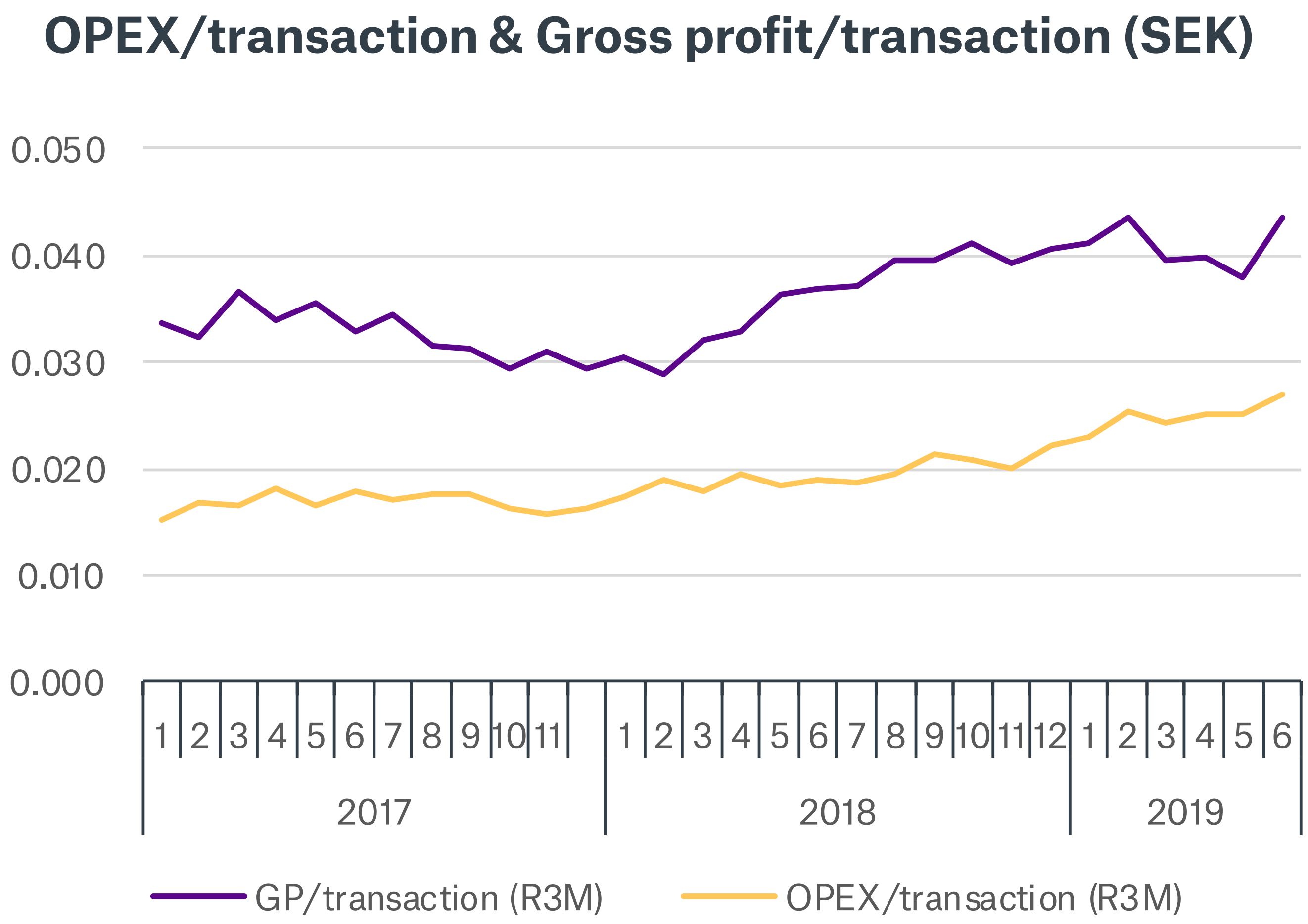
- Rising message volumes
- US tech companies fuel growth
- High demand for personalized video
- Investments in next-generation messaging

Rising message volumes



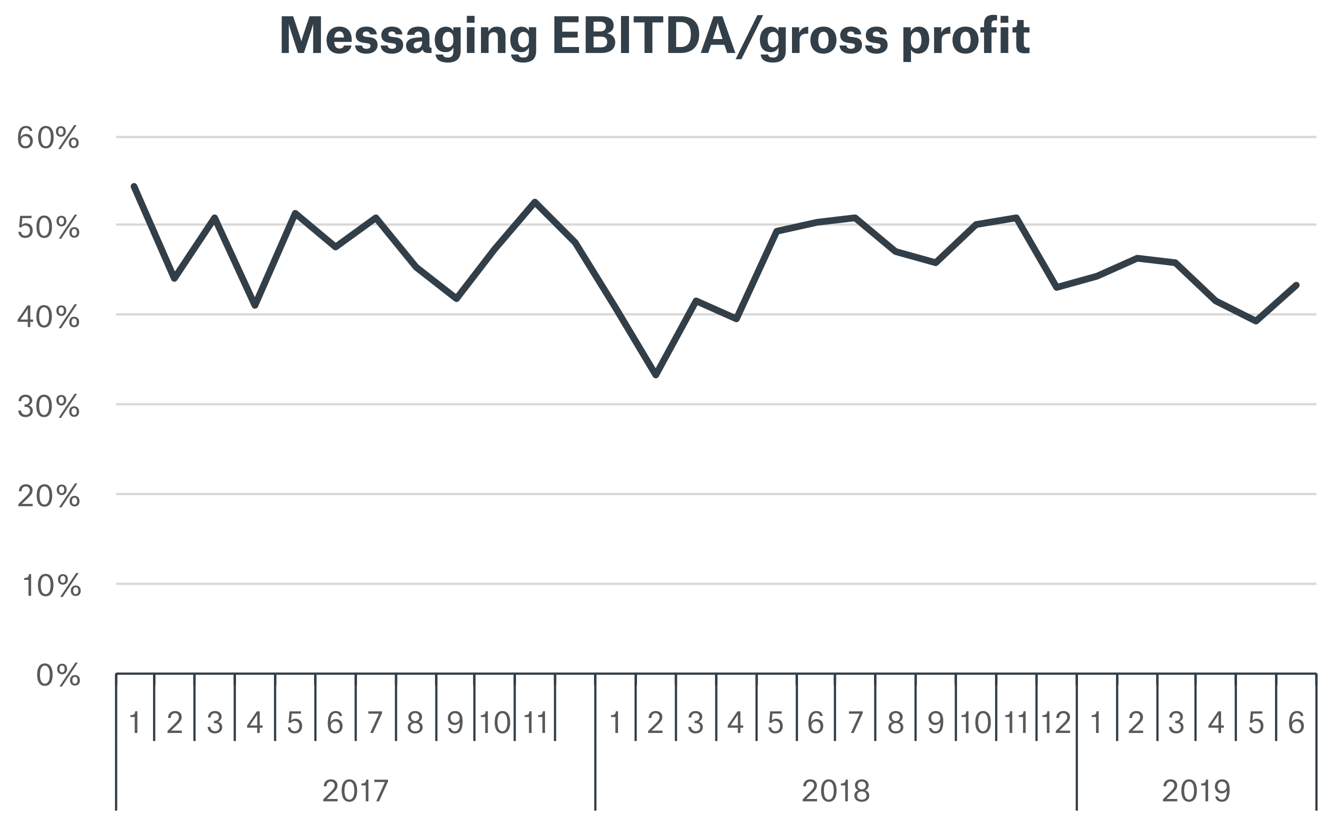
- Growth with existing customers, new customers, new use cases
- 7% organic growth in transactions
- 22% organic growth in Gross Profit

Gross profit per transaction



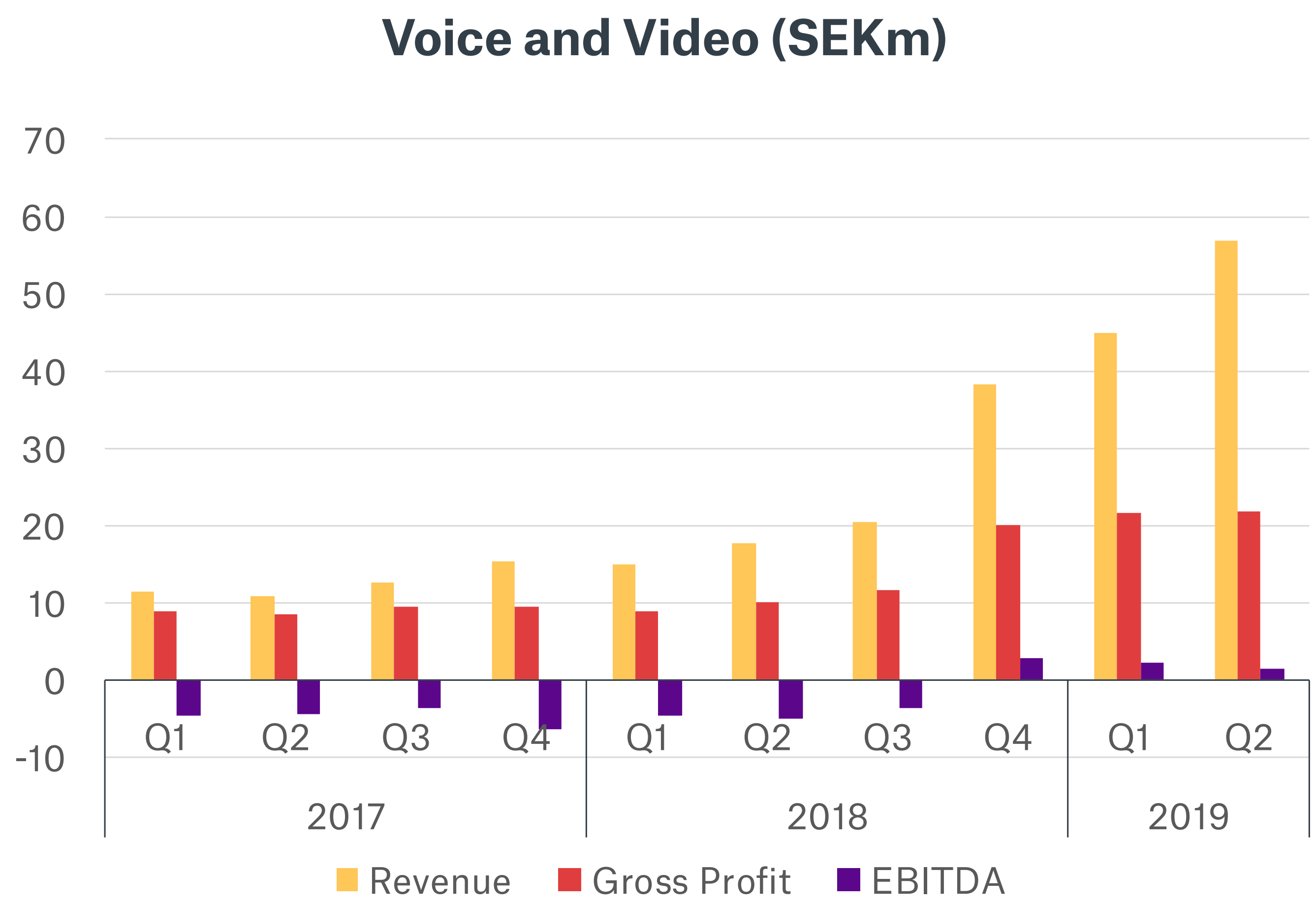
- **Gross profit is the primary bottom line driver**
- **GP/transaction rising due to personalized video, currency tailwind and increased traffic to profitable markets**

OPEX investments to capture growth



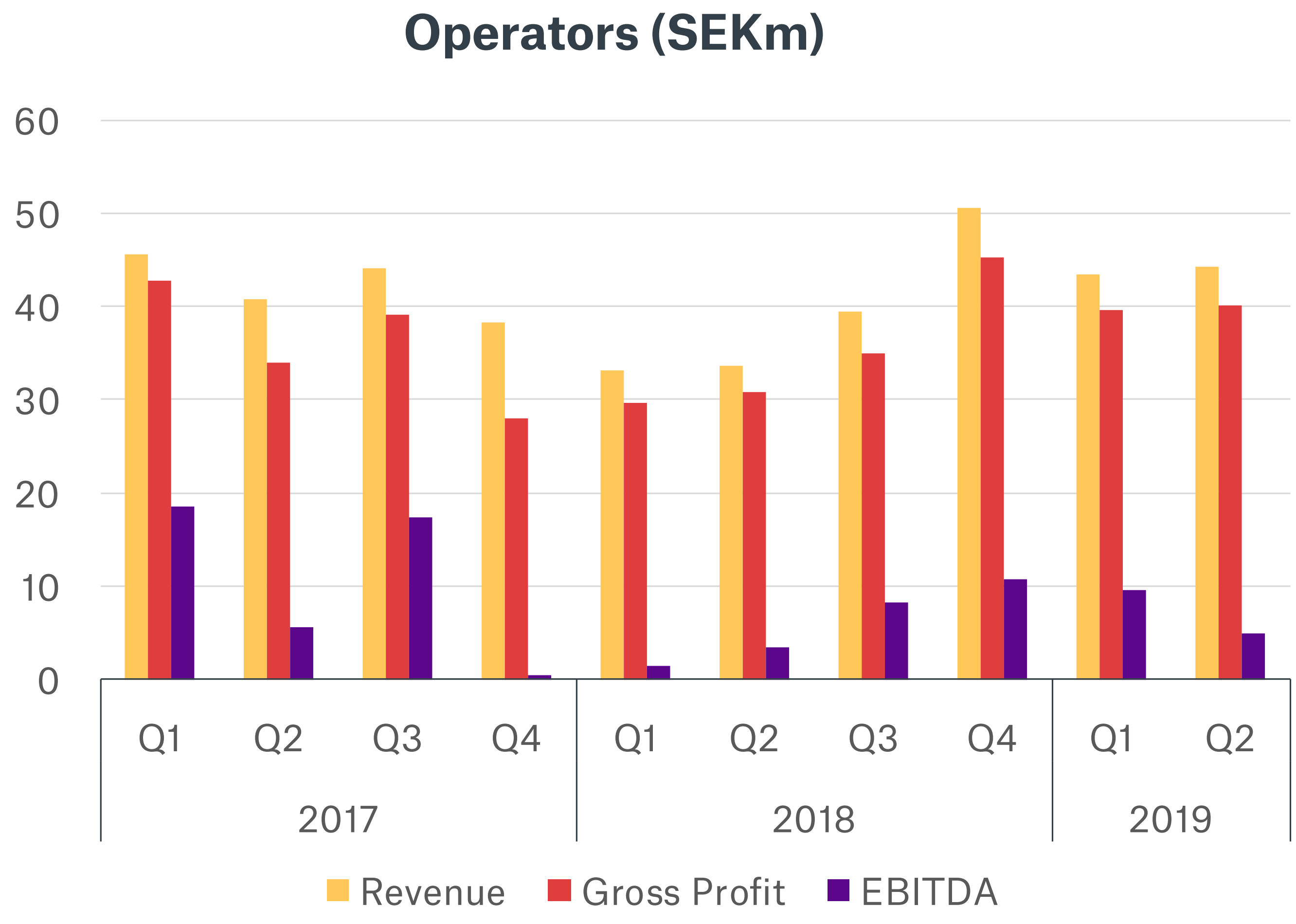
- **Revenue and gross margin depend on mix of terminating markets**
- **EBITDA/gross profit shows margin excluding mobile operator charges**
- **Growth initiatives weigh on profitability before they translate into revenue and earnings**

High growth in Voice and Video



- Growth fuelled by Number Masking and Verification
- Increased OPEX to handle new customers and rising volumes

Healthy profitability in Operators



- **Improved conversion of orders to sales**
- **Fluctuations in results as projects are realized**
- **Investments in RCS-as-a-Service for mobile operators**

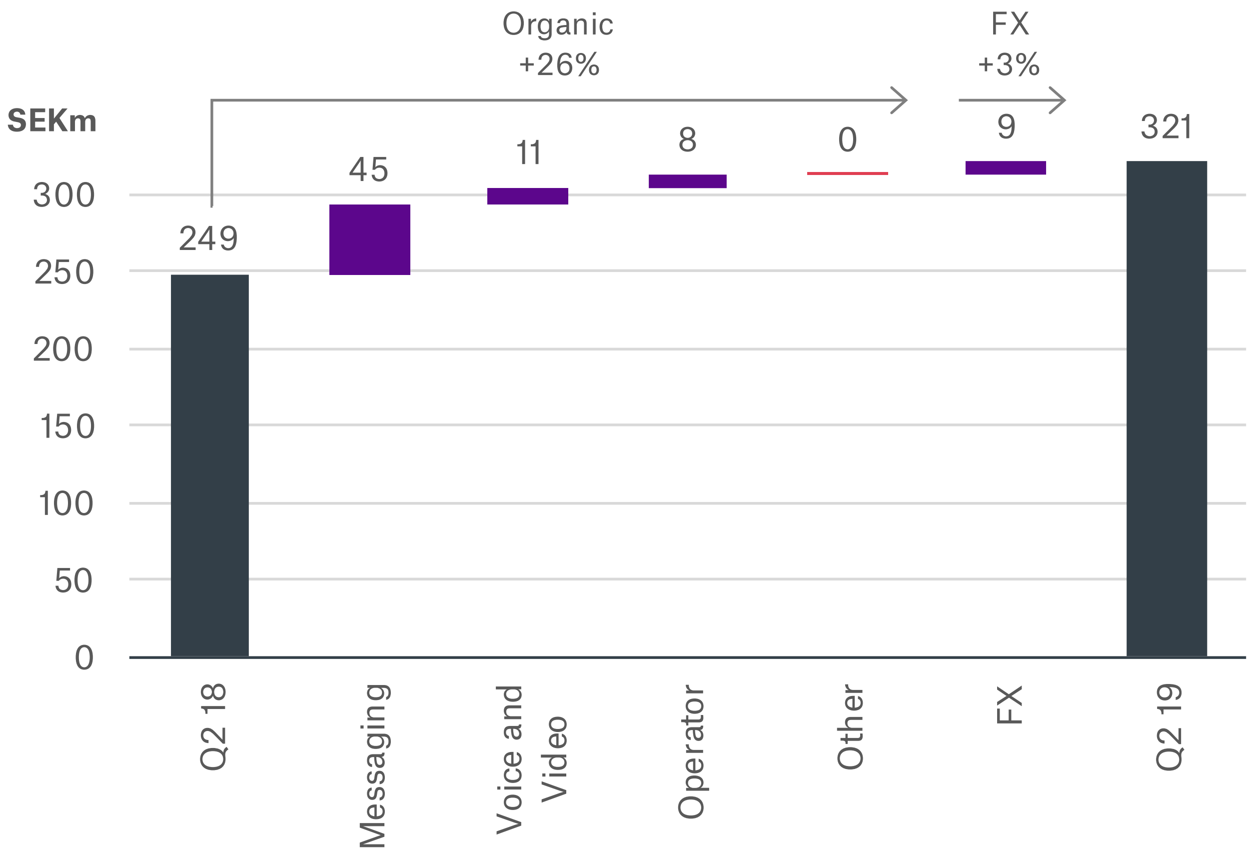
Q2 2019 Financials

Income statement

SEK million	Q2 2019	Q2 2018	2018	R12M
Net sales	1,176.7	997.4	3,986.6	4,409.0
Cost of goods sold and services	-855.6	-748.8	-2,978.2	-3,238.7
Gross profit	**321.1**	**248.6**	**1,008.4**	**1,170.4**
Other operating income	25.6	14.7	109.6	124.0
Work performed and capitalized	9.1	6.3	21.7	26.0
Other external costs	-79.6	-75.5	-280.3	-288.1
Employee benefits expenses	-132.6	-104.2	-405.1	-469.7
Other operating expenses	-29.4	-9.6	-81.1	-96.3
EBITDA	**114.2**	**80.3**	**373.3**	**466.2**
Depreciation, amort. and impairment	-41.1	-40.5	-155.5	-166.3
EBIT	**73.2**	**39.8**	**217.8**	**299.8**
Finance income	42.7	55.5	148.5	247.1
Finance expenses	-50.2	-55.1	-165.0	-262.9
Profit before tax	**65.7**	**40.3**	**201.3**	**284.1**
Current tax	-18.2	-17.7	-41.1	-45.9
Deferred tax	5.8	6.4	19.3	14.1
Profit for the period	**53.3**	**29.0**	**179.5**	**252.3**

- **No non-recurring items in EBITDA this quarter**
- **Amortization of acquisition-related assets does not affect cash flow**
- **Adjusted EBIT now excludes non-recurring items as well as amortization of acquisition-related assets**
- **Adjusted EBIT of SEK 104.1 million (91.2) in Q2 19**

Continued high Gross Profit growth



- 29% total Gross Profit growth
- 26% organic* Gross Profit growth
- Rising Gross Profit in all business units
- Big US tech companies and personalized video contribute to growth in Messaging

Growth rates in local currencies in comparable units.

Increasing our value-add in Messaging

7% growth

Transactions

- Gradual shift from wholesale to direct enterprise customers

13% growth

Revenues

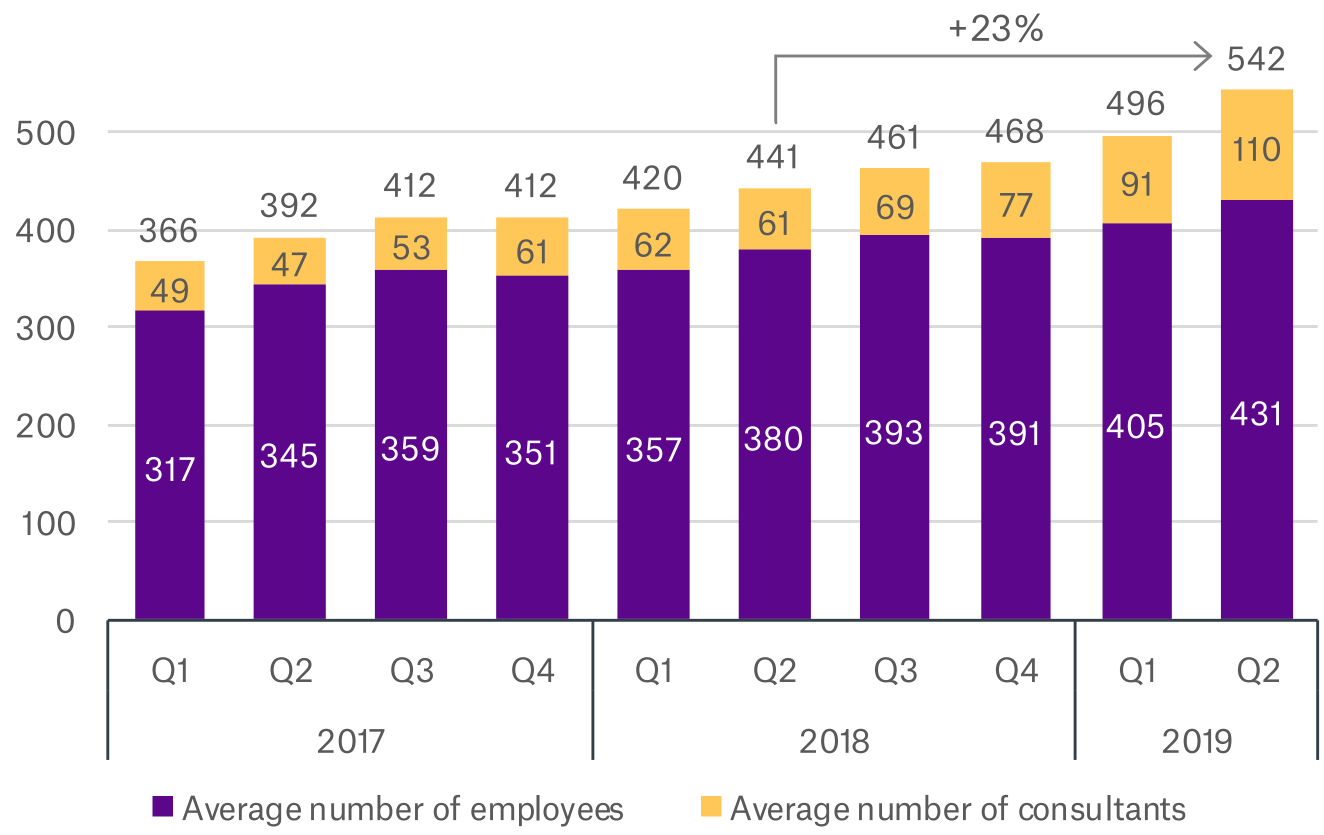
- Higher value per transaction with personalized video messaging
- Adding product differentiation, e.g. with latency-focused routing

22% growth

Gross Profit

- Serving more demanding enterprises
- Traffic to more challenging destinations

Headcount increase



- **Recruitment and company acquisitions grow our headcount**
- **Near-term negative effect on EBITDA before new initiatives translate into higher revenues and gross profit**

Cash flow

SEK million	Q2 2019	Q2 2018	2018	R12M
Cash flow before changes in working capital	74.0	40.2	223.6	310.9
Changes in working capital	56.2	169.7	81.0	-96.7
Cash flow from operating activities	**130.2**	**209.9**	**304.6**	**214.2**
and intangible assets	-12.0	-8.8	-28.5	-33.1
Change in financial receivables	-3.0	0.1	-20.4	-2.4
Acquisition of subsidiary	-74.4	-81.1	-321.5	-124.3
Cash flow from investing activities	**-89.4**	**-89.8**	**-370.4**	**-159.7**
New borrowing	-	-	722.2	585.4
Amortization of bank loan	-24.1	-40.6	-654.0	-629.0
Amortization lease liability	-6.3	-	-0.2	-12.6
New share issue/warrants	0.5	0.0	7.4	9.9
Cash flow from financing activities	**-29.9**	**-40.6**	**75.5**	**-46.4**
Cash flow for the period	**10.9**	**79.5**	**9.8**	**8.1**

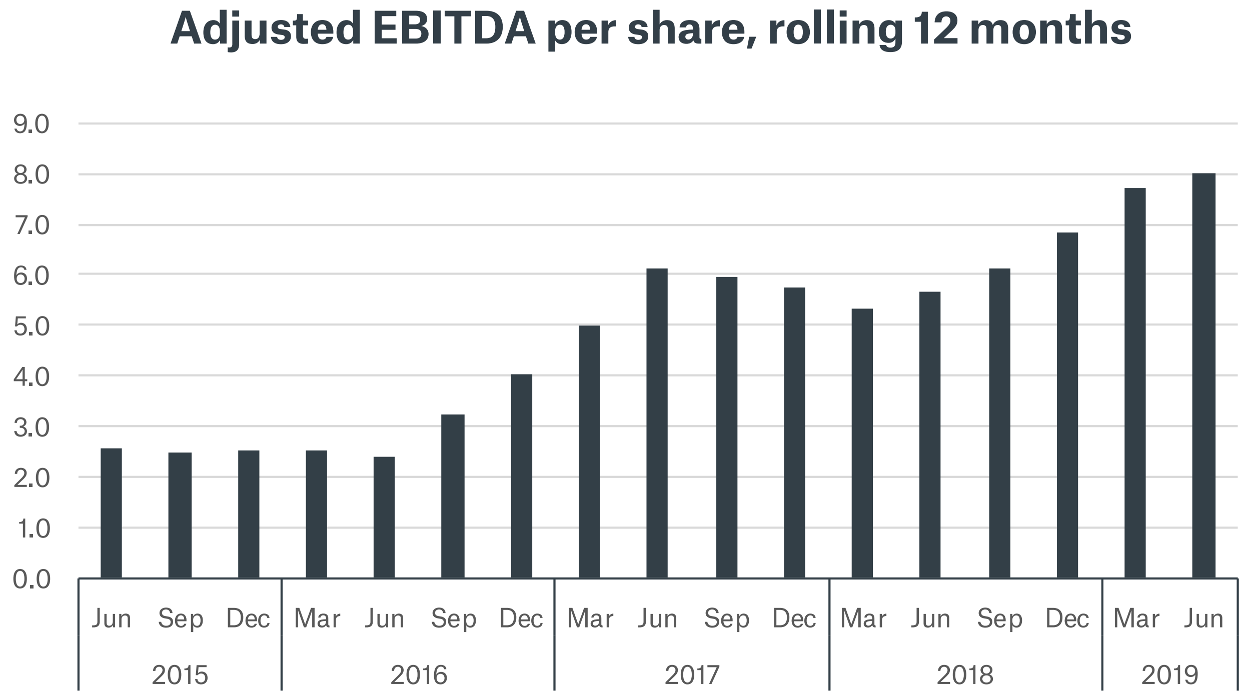
- **Net Working Capital fluctuates between quarters**
- **Very low bad debt**
- **Net debt raised by SEK 83.8 million due to implementation of IFRS16 on January 1**
- **Vehicle earn-out of USD 8.0 million (SEK 74.4 million)**

Reconciling Cash Flow with EBITDA

SEK million	Q2 2019	Q2 2018	2018	R12M
Adjusted EBITDA	114.2	97.3	367.1	431.1
Non-recurring items in EBITDA	-	-17.0	6.2	35.0
EBITDA	**114.2**	**80.3**	**373.3**	**466.2**
Change in provisions	2.3	-2.7	-9.4	-3.7
Net financial items	-7.5	0.5	-16.5	-15.7
Capital gains, disposal of assets	0.0	0.2	0.0	-0.1
Unrealized exchange rate differences in operating activities	-0.3	-6.0	-5.1	-0.8
Unrealized exchange rate differences on debt	0.1	-14.7	-45.1	-36.9
Earn-out and other M&A costs	0.0	4.3	-28.1	-36.9
Paid taxes	-34.7	-21.3	-65.1	-75.9
Other non-cash items	-0.1	-0.3	19.6	14.7
Cash flow before changes in working capital	**74.0**	**40.2**	**223.6**	**310.9**

- **Exchange rate and financing-related items affect Cash flow from operating activities**
- **Strong underlying cash generation**

Financial targets



Targets:

- Adjusted EBITDA per share to grow 20% per year
- Net debt < 2.5x adjusted EBITDA over time

Performance:

- Adjusted EBITDA per share grew 41% in Q2 19, measured on a rolling 12 month basis
- Net debt/EBITDA was 1.0x, measured on a rolling 12 month basis

Future growth

Strong pipeline with several US-based, global tech companies

Larger field sales organisation

Further growth in Personalized Video

Further growth in Voice and Video

Investment in rich media, conversational messaging, RCS and OTT chat apps to capture market growth potential

Thanks!