

# Q1 2022 Investor Presentation

28 April 2022



Oscar Werner, CEO

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SEK 19.4bn  
net sales in the  
past 12 months

SEK 38bn  
Market Cap

SEK 1.8bn  
Adj. EBITDA in the  
past 12 months

4,294  
people

64 countries with  
local presence

a global leader in **cloud communications**  
and **mobile customer engagement**

Over 150,000  
customers

Listed on NASDAQ  
in Stockholm, Sweden

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

More than 600 billion  
engagements per year



Serving 8 of the 10 largest  
U.S. tech companies

100%

Consumer  
penetration



Growing, global, multi-billion  
USD market

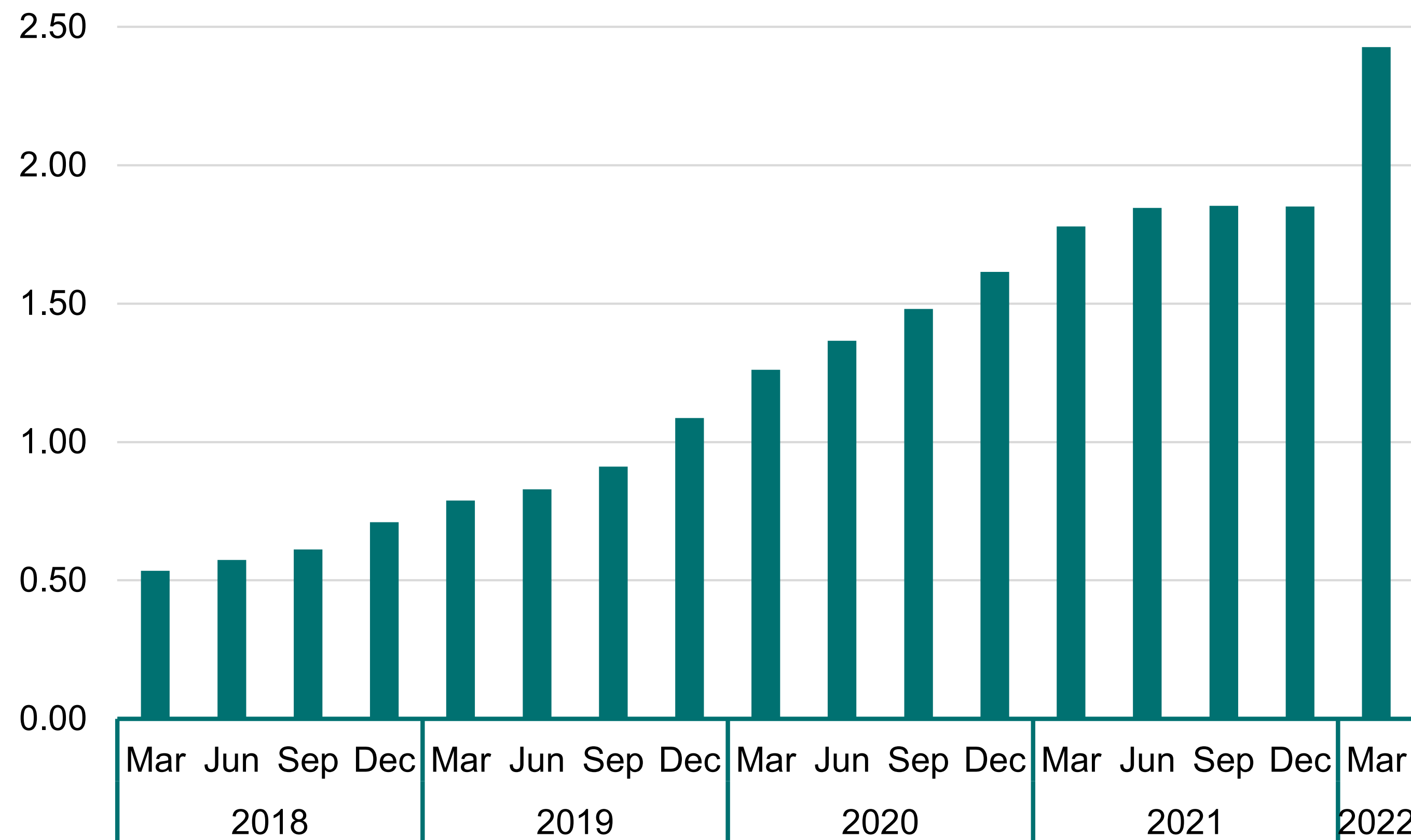


Profitable since our  
foundation in 2008



# Adjusted EBITDA per share

Adjusted EBITDA per share, rolling 12 months



- Financial target to grow Adjusted EBITDA per share > 20% per year, measured on R12M basis
- Strategy to combine organic and acquired growth
- Metric is affected by timing of share issues and consolidation of acquired Adjusted EBITDA
- 36% growth in Q1 follows closing of major transactions in late 2021



# First quarter highlights

01

## Significantly increased scope and scale

- Net sales growing 96%, Gross profit 156% and Adj EBITDA 183%
- Diversified earnings base with Adjusted EBITDA of SEK 760m
- Best-of-breed products for mobile messaging, voice calling and email
- Serving both enterprise customers, developers and SMBs
- L12M proforma Net sales at SEK 24.5bn with GP at SEK 8.0bn

02

## Higher margins following acquisitions

- Gross margin at 32% in Q1 22 vs 26% in Q4 21
- Adjusted EBITDA margin at 12% in Q1 22 vs 9% in Q4 21
- Organic revenue growth of 22% (17% proforma organic)
- Organic gross profit growth of 2% (5% proforma organic)

03

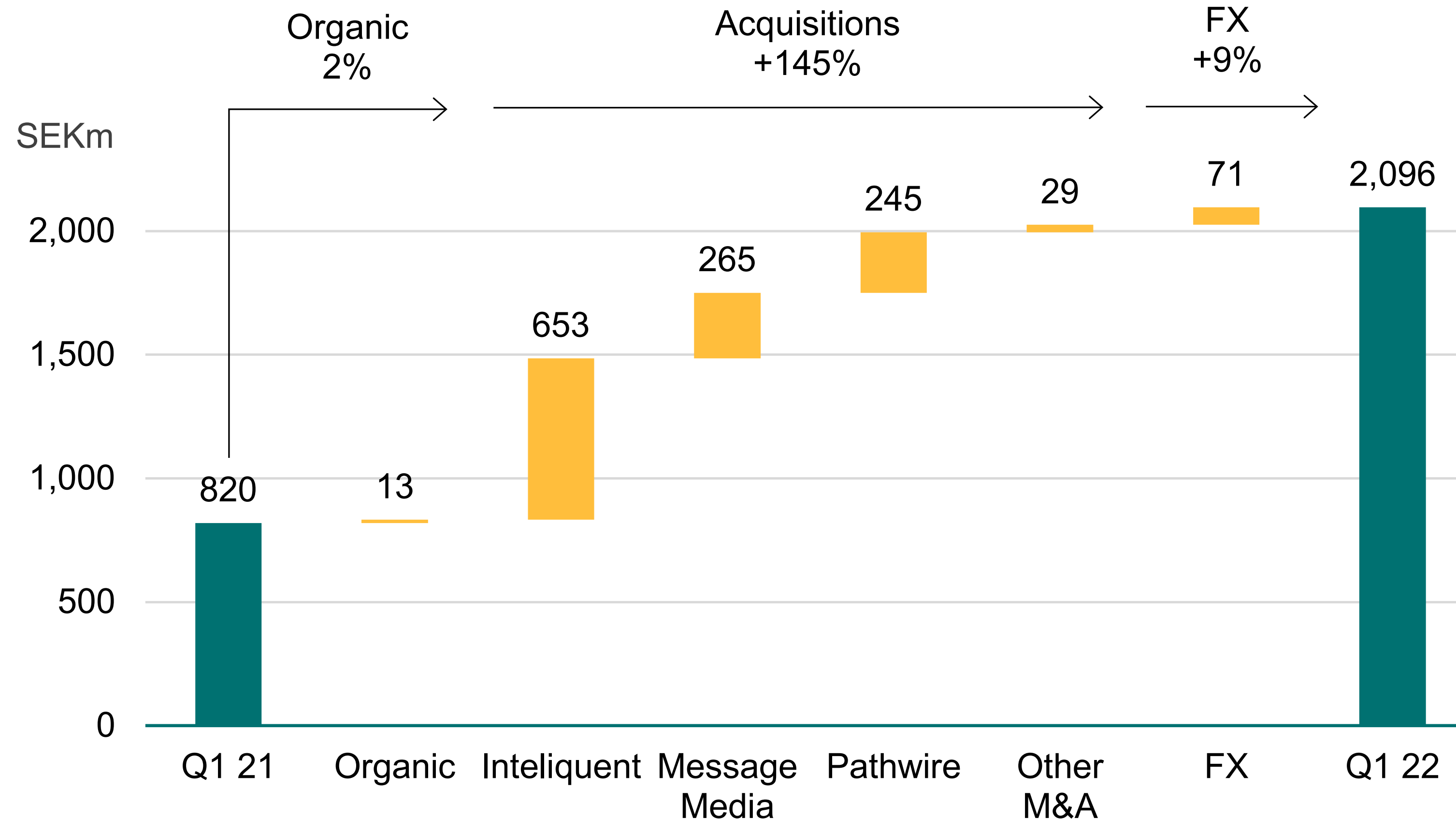
## Focus areas for 2022

- Increased organic gross profit growth
- Ensure costs grow in line with gross profit in Messaging and group functions over time
- New operating model with full P&L responsibility for Business Unit Presidents
- Cross sales of messaging, voice and email products



# Gross profit evolution

Gross profit, SEKm

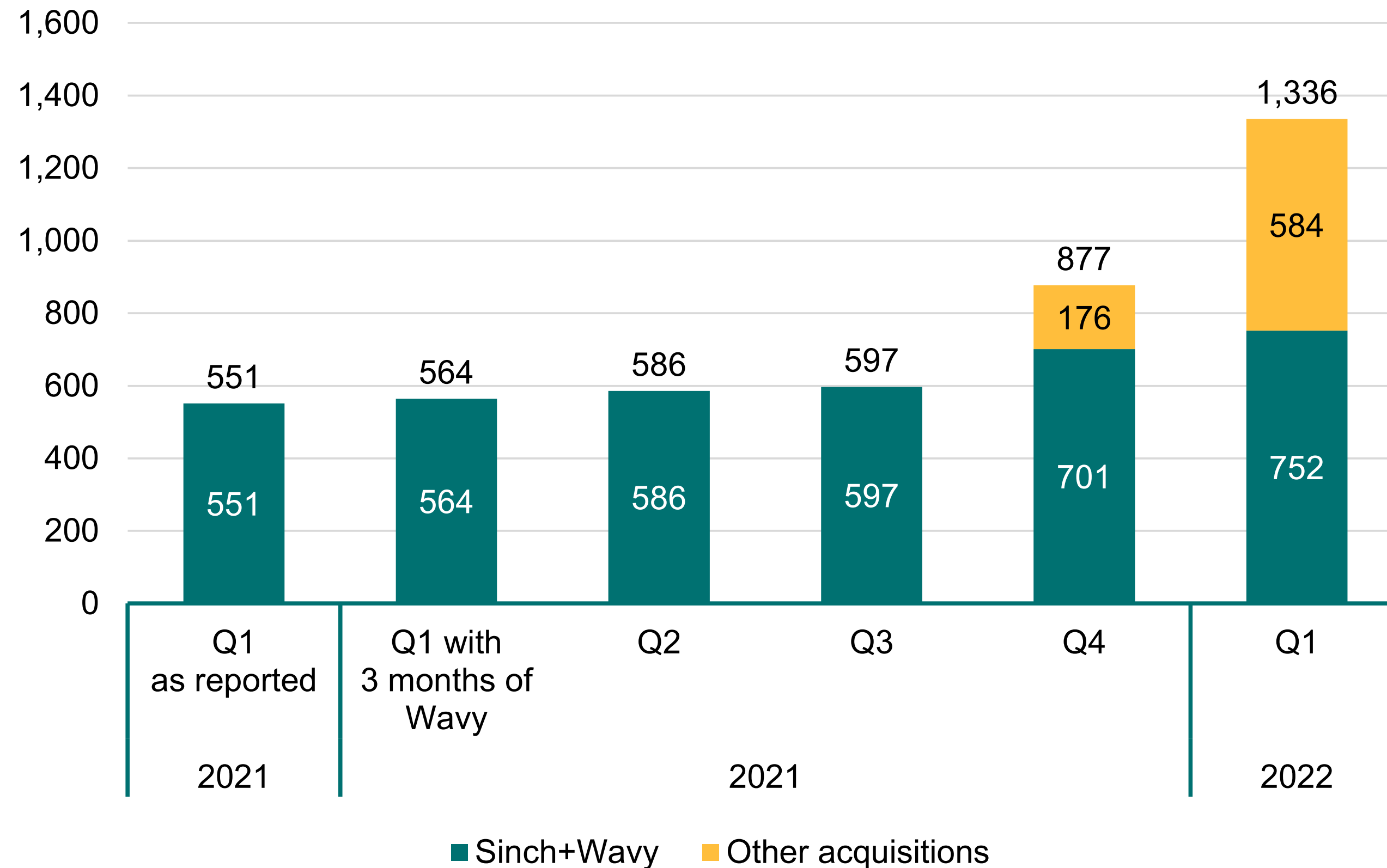


- Minimum commitment to a multinational global mobile operator signed mid-2021 causing a 2% negative impact on GP in Q1 2022
- Unable to immediately pass on full carrier price increases in Brazil and India
- Price adjustments causing new sales to contribute lower margins than existing business
- Trading environment similar to Q4 2021

# Opex development



Adjusted Opex, SEKm

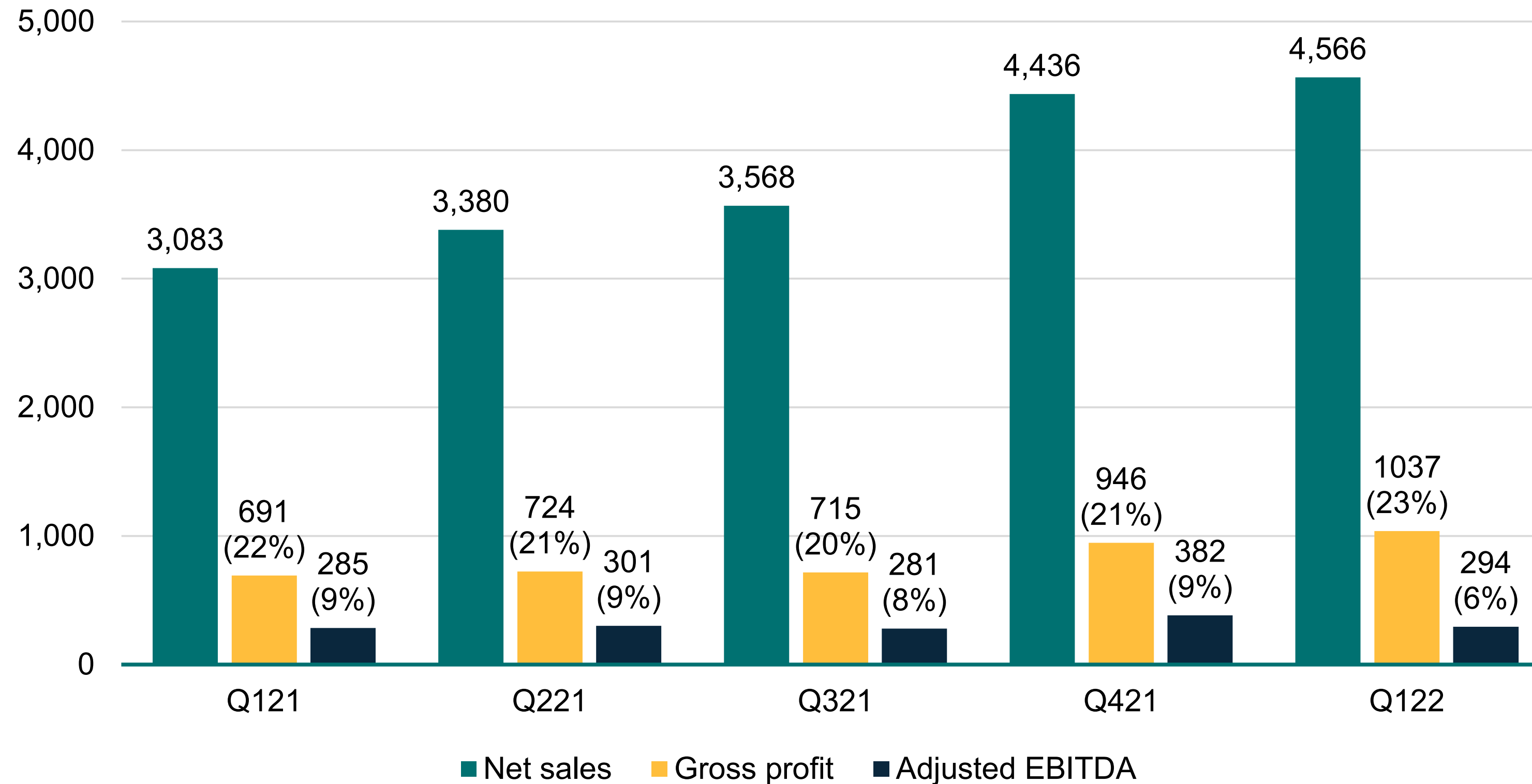


- Slower opex growth in 2020 due to Covid-19 outbreak
- Increased opex base during 2021
  - Sales & product initiatives
  - Preparations for upcoming, large acquisitions
  - Businesses acquired during 2022 adding further Opex
- 7% opex growth in Sinch+Wavy from Q4 21 to Q1 22, mostly due to currency movements



# Messaging

Net sales and profit development (SEKm)

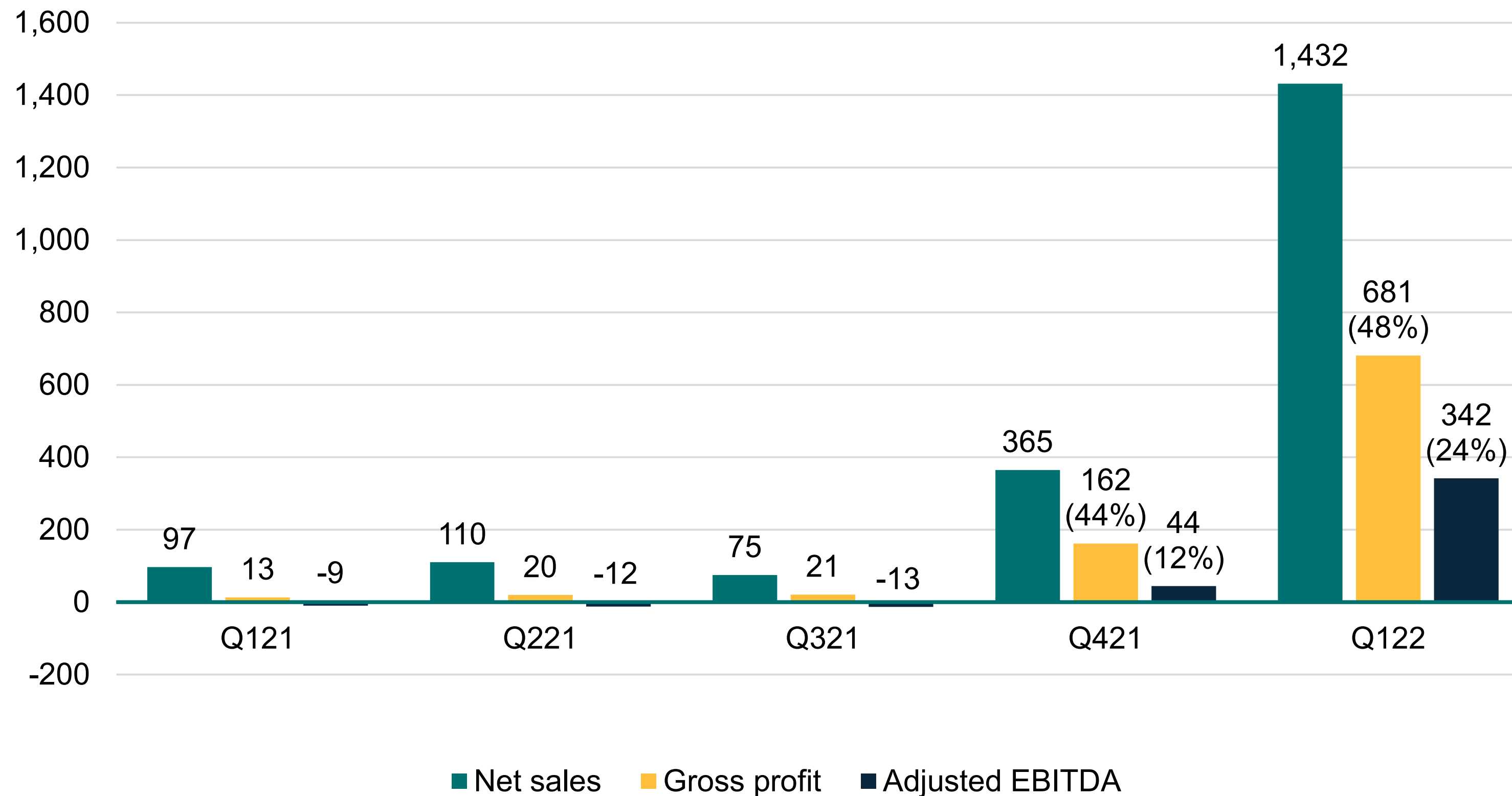


- 25% transaction growth, 23% organic net sales growth, -1% organic gross profit growth
- COGS increases, price adjustments towards large customers and volume commitments affect gross margin
- MessageMedia contribution offsets organic gross margin decline
- 8,600 new MessageMedia customers in Q1
- 29% revenue growth in local currencies and 24% GP growth in MessageMedia compared to Q1 21



# Voice & Video

## Net sales and profit development (SEKm)



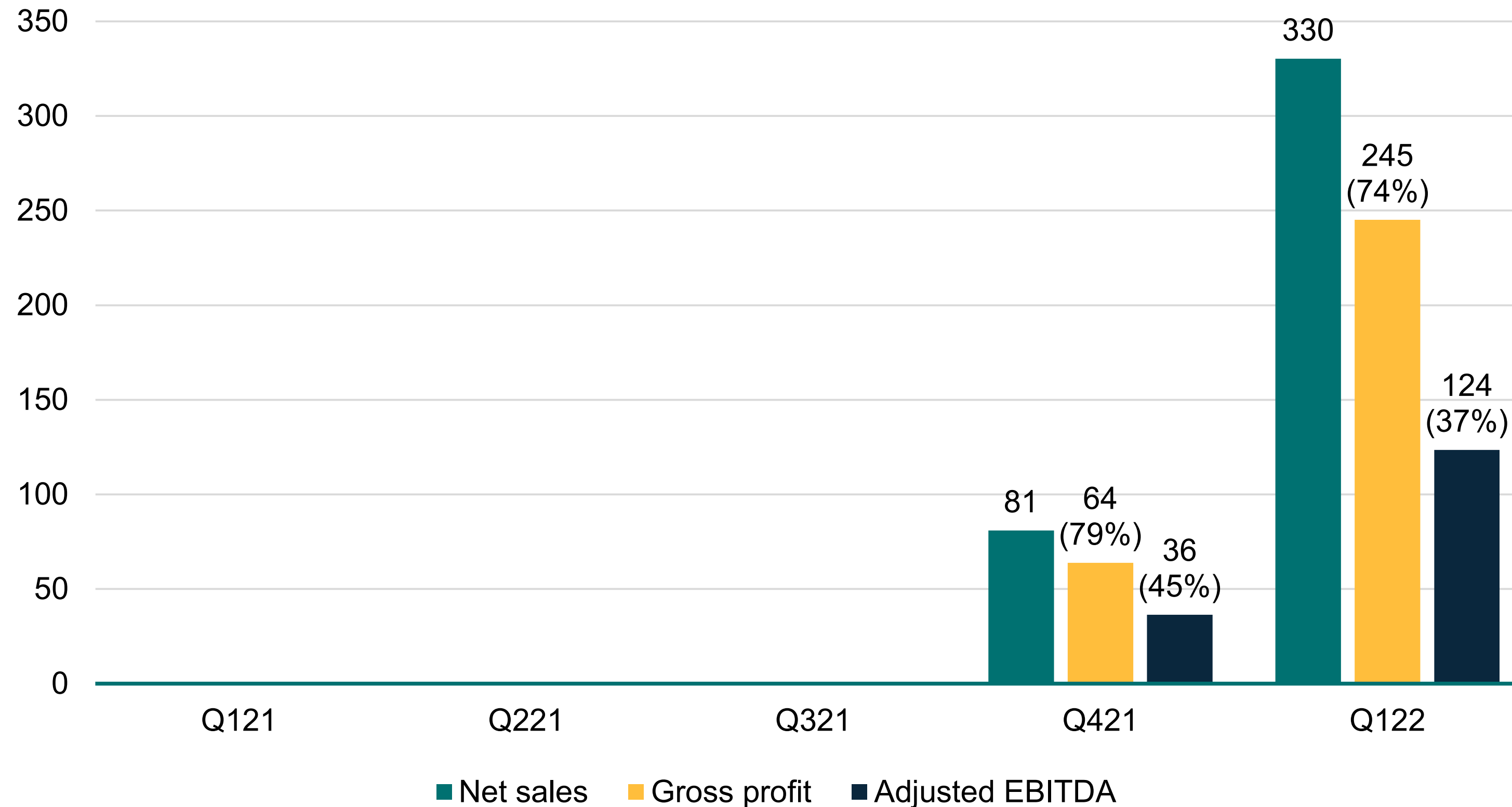
- Inteliquent contributes most of the business in Voice & Video
- 1% revenue growth in local currencies and -1% GP growth in Inteliquent compared to Q1 21
- 9% impact on gross profit growth from price regulation of US toll free calling (8YY reform)
- Sites deployed in Europe with 3 new customers in Q1
- High profitability with Adjusted EBITDA at 24% of revenues
- Organic GP growth of 84% with return to positive EBITDA



# Email



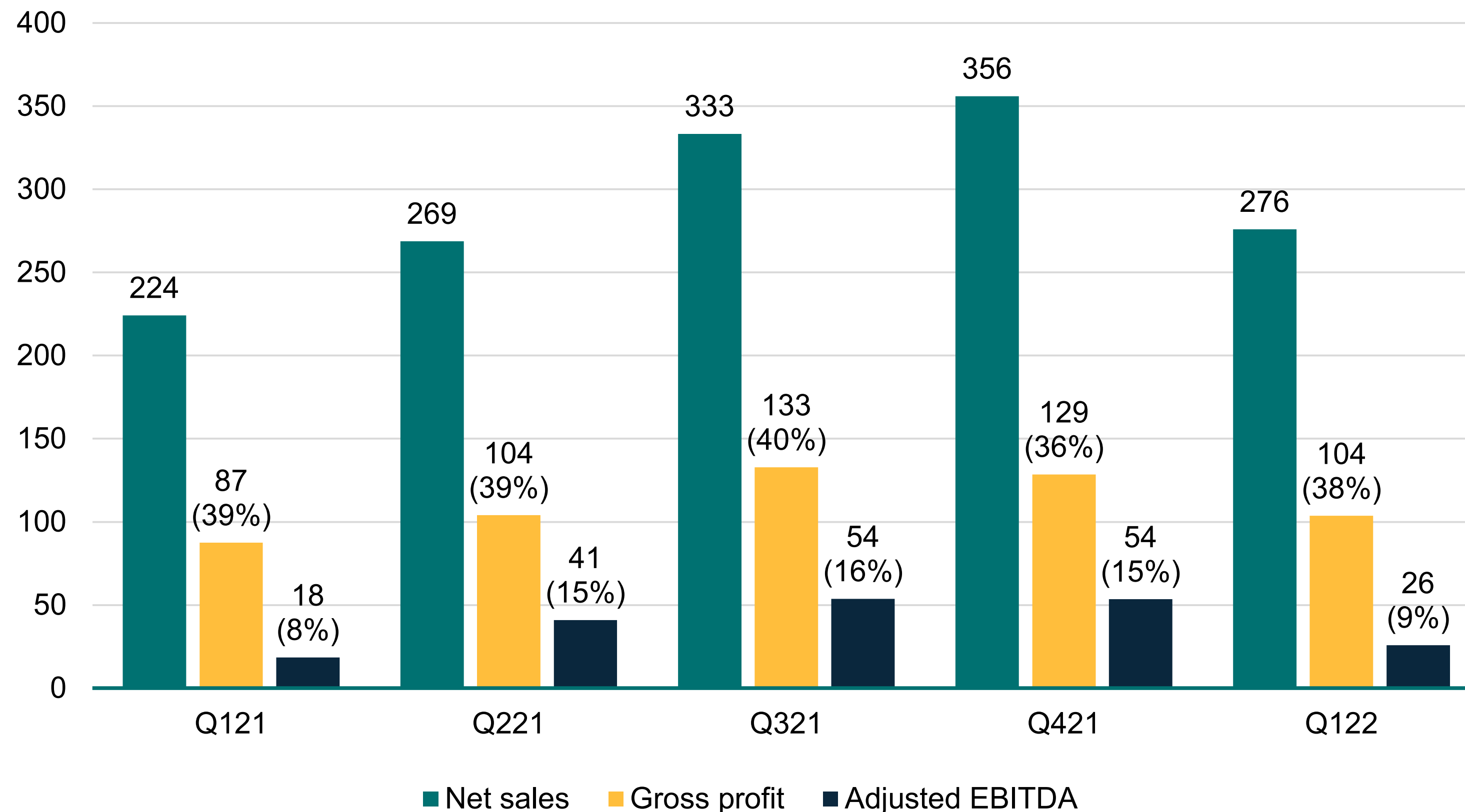
Net sales and profit development (SEKm)



- Email segment created upon closing of Pathwire acquisition
- 27% revenue growth in local currencies and 18% GP growth in Pathwire compared to Q1 21
- Gross margin affected by investment in scalability (hiring & cloud hosting vendor migration)
- High profitability with an Adjusted EBITDA margin at 37%
  
- Two cross sales contracts signed in Q1 where enterprise customers in Messaging now use Sinch Email
- Continued cross sales in Q2 including a top-10 global technology company

# Operators

Net sales and profit development (SEKm)



- 17% organic revenue growth in local currencies and 12% organic GP growth compared to Q1 21
- Strong performance in Messaging Interconnect services to mobile operators
- Adjusted EBITDA margin stable at 9% (8%) despite -7 MSEK impact from volume commitments
- Operator business will be included in Messaging segment after upcoming Sinch reorganization into Business Unit structure



# New operating model

Business Unit	Enterprise & Messaging	Voice	Developer & Email	Applications	SMB
	President Anders Olin	President Ed O'Hara	President Will Conway	President Eduardo Henrique	President Paul Perrett
Financials	<ul style="list-style-type: none"> <li>46% of proforma GP*</li> <li>23% gross margin*</li> <li>17% GP growth in 2021**</li> </ul>	<ul style="list-style-type: none"> <li>32% of proforma GP</li> <li>46% gross margin*</li> <li>7% GP growth in 2021</li> </ul>	<ul style="list-style-type: none"> <li>11% of proforma GP</li> <li>77% gross margin*</li> <li>30% GP growth in 2021</li> </ul>	<ul style="list-style-type: none"> <li>Currently included in Messaging</li> </ul>	<ul style="list-style-type: none"> <li>11% of proforma GP</li> <li>62% gross margin*</li> <li>28% GP growth in 2021</li> </ul>
Focus 2022	<ul style="list-style-type: none"> <li>Gross profit growth recovery &amp; attention to gross margins</li> <li>Ensuring opex grows in line with gross profit</li> <li>Cross sales of other products to large enterprise customers</li> </ul>	<ul style="list-style-type: none"> <li>Sales efforts &amp; product development to accelerate voice sales to enterprise customers</li> <li>Cross sales of voice and messaging</li> <li>International expansion</li> <li>8YY reform</li> </ul>	<ul style="list-style-type: none"> <li>Continued focus on profitable growth</li> <li>Cross sales of Email to Sinch enterprise customers</li> <li>Cross sales of SMS to Pathwire developer community</li> </ul>	<ul style="list-style-type: none"> <li>Separation of Applications offering into separate business unit</li> <li>Includes Chatlayer, MessengerPeople, Sinch4Marketing, Contact Pro</li> <li>2022 focus on product unification and international expansion</li> </ul>	<ul style="list-style-type: none"> <li>Continued growth in the United States through new customer acquisition</li> <li>Integration of SMS backend to Sinch global platform</li> <li>Extension of omnichannel capabilities leveraging Sinch Conversation API</li> </ul>

\* Applications is currently included in Enterprise & Messaging \*\* Including Applications. Excluding ACL (India) and Wavy (Brazil)

# Financials

# Income statement

SEKm	Q1 2022	Q1 2021	2021	R12M
Net sales	6,550	3,350	16,177	19,377
Cost of goods sold and services	-4,454	-2,530	-12,244	-14,168
<b>Gross profit</b>	<b>2,096</b>	<b>820</b>	<b>3,933</b>	<b>5,209</b>
Other operating income	135	33	192	294
Work performed by the entity and capitalized	84	19	98	163
Other external costs	-590	-238	-1,306	-1,658
Employee benefits expenses	-940	-400	-1,837	-2,378
Other operating expenses	-137	-41	-249	-345
<b>EBITDA</b>	<b>648</b>	<b>192</b>	<b>831</b>	<b>1,286</b>
Depreciation and amortization	-554	-95	-673	-1,131
<b>EBIT</b>	<b>95</b>	<b>97</b>	<b>158</b>	<b>156</b>
Net finance income/expenses	16	89	1,039	967
<b>Profit before tax</b>	<b>111</b>	<b>186</b>	<b>1,197</b>	<b>1,122</b>
Income tax	-23	-45	-289	-267
<b>Profit for the period</b>	<b>88</b>	<b>141</b>	<b>908</b>	<b>855</b>
Adjusted EBITDA	760	269	1,322	1,814
Adjusted EBIT	647	243	1,161	1,564

- Adjusted EBITDA is different from EBITDA primarily due to acquisition costs, integration costs, and share-based incentive plans
- Depreciation & amortization includes non-cash amortization related to acquired entities
- Increased non-cash amortization in Q1 22 after acquisitions in Q4 21



# Reconciling Cash flow with Adjusted EBITDA

<b>SEK million</b>	<b>Q1 2022</b>	<b>Q1 2021</b>	<b>2021</b>	<b>R12M</b>
Adjusted EBITDA	760	269	1,322	1,814
Paid interest	-49	-11	-34	-63
Paid taxes	-99	-57	-253	-295
Other items	-46	25	153	73
<b>Cash flow before changes in working capital</b>	<b>566</b>	<b>226</b>	<b>1,188</b>	<b>1,528</b>
Cash flow before changes in working capital / Adjusted EBITDA	74%	84%	90%	84%

- High conversion of Adjusted EBITDA to cash flow before changes in working capital

# Cash flow

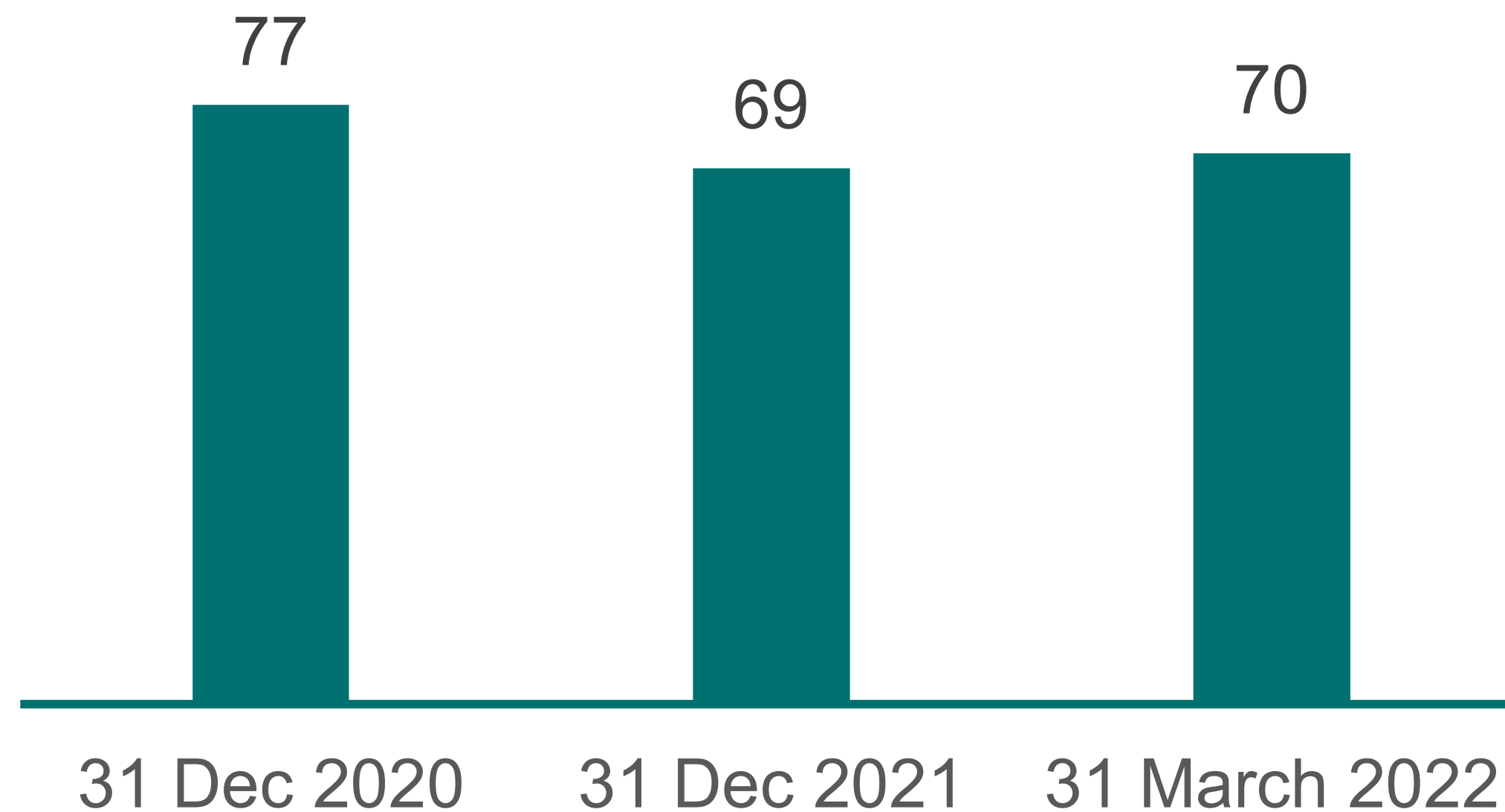
SEKm	Q1 2022	Q1 2021	2021	R12M
Cash flow before changes in working capital	566	226	1,188	1,528
Change in working capital	-426	361	-859	-1,646
<b>Cash flow from operating activities</b>	<b>140</b>	<b>587</b>	<b>329</b>	<b>-118</b>
Net investments in property, plant and equipment and intangible assets	-129	-39	-178	-268
Change in financial receivables	-6	6	-4	-16
Acquisition of Group companies	-38	-505	-28,877	-28,409
<b>Cash flow from investing activities</b>	<b>-173</b>	<b>-538</b>	<b>-29,058</b>	<b>-28,693</b>
Borrowings, bank and bond loans	8,476	0	10,846	19,321
Amortization of bank loans	-8,939	-21	-313	-9,230
Amortization lease liability	-26	-10	-55	-70
New issue/warrants	29	37	15,976	15,967
Cash flow from financing activities	-460	6	26,454	25,988
<b>Cash flow for the period</b>	<b>-493</b>	<b>55</b>	<b>-2,276</b>	<b>-2,823</b>
Opening cash and cash equivalents	1,871	3,213	3,123	3,200
Exchange rate differences	-153	22	1,024	849
<b>Closing cash and cash equivalents</b>	<b>1,226</b>	<b>3,200</b>	<b>1,871</b>	<b>1,226</b>

- Change in working capital affected by late payments from a few major customers and return to normal Accounts Payable level
- R12M change in working capital affected by ca SEK 500m addition of working capital within acquired businesses
- Strong financial profile with diversified earnings pool

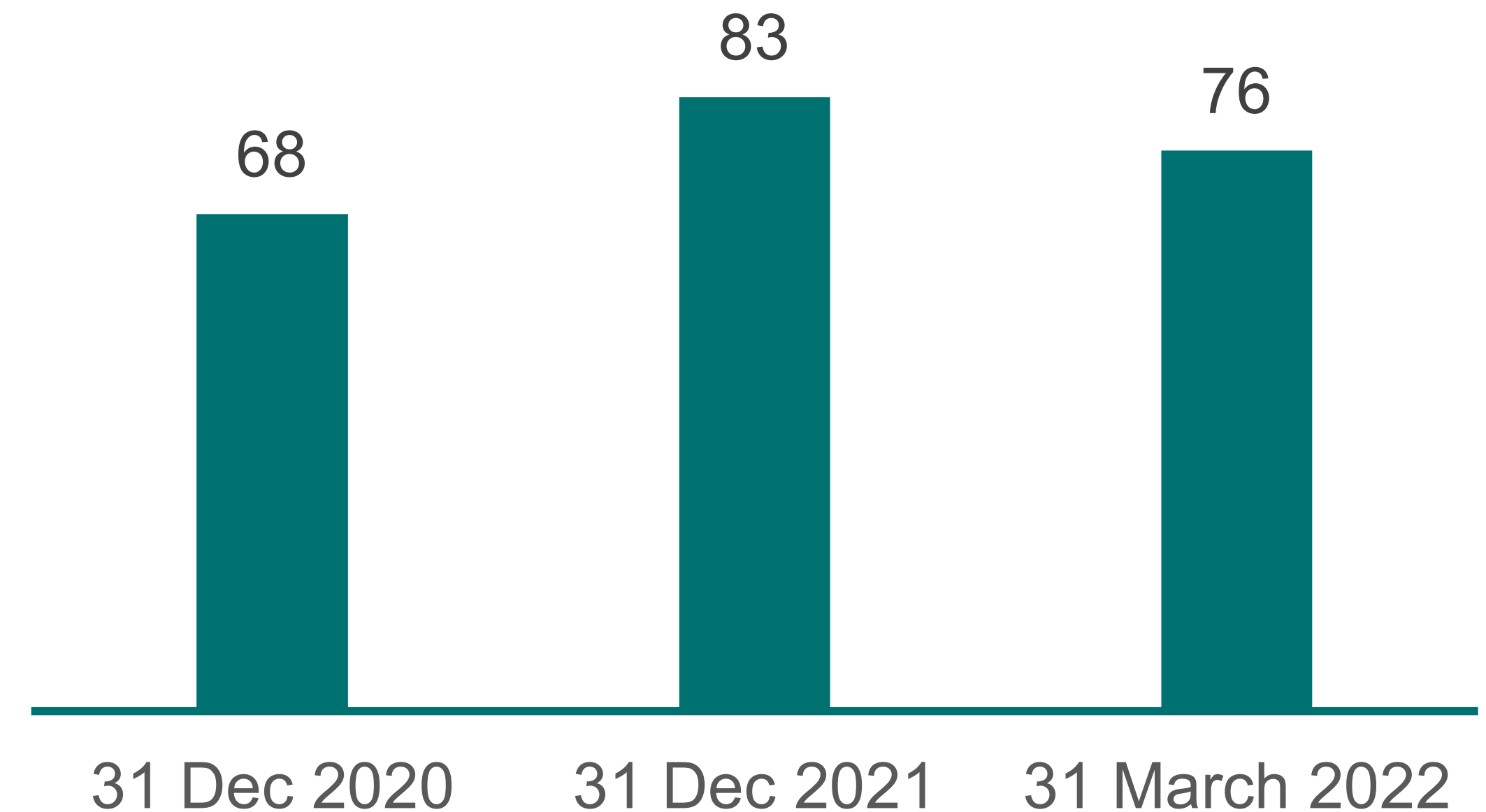


# Days outstanding

## Days Sales Outstanding



## Days Payable Outstanding



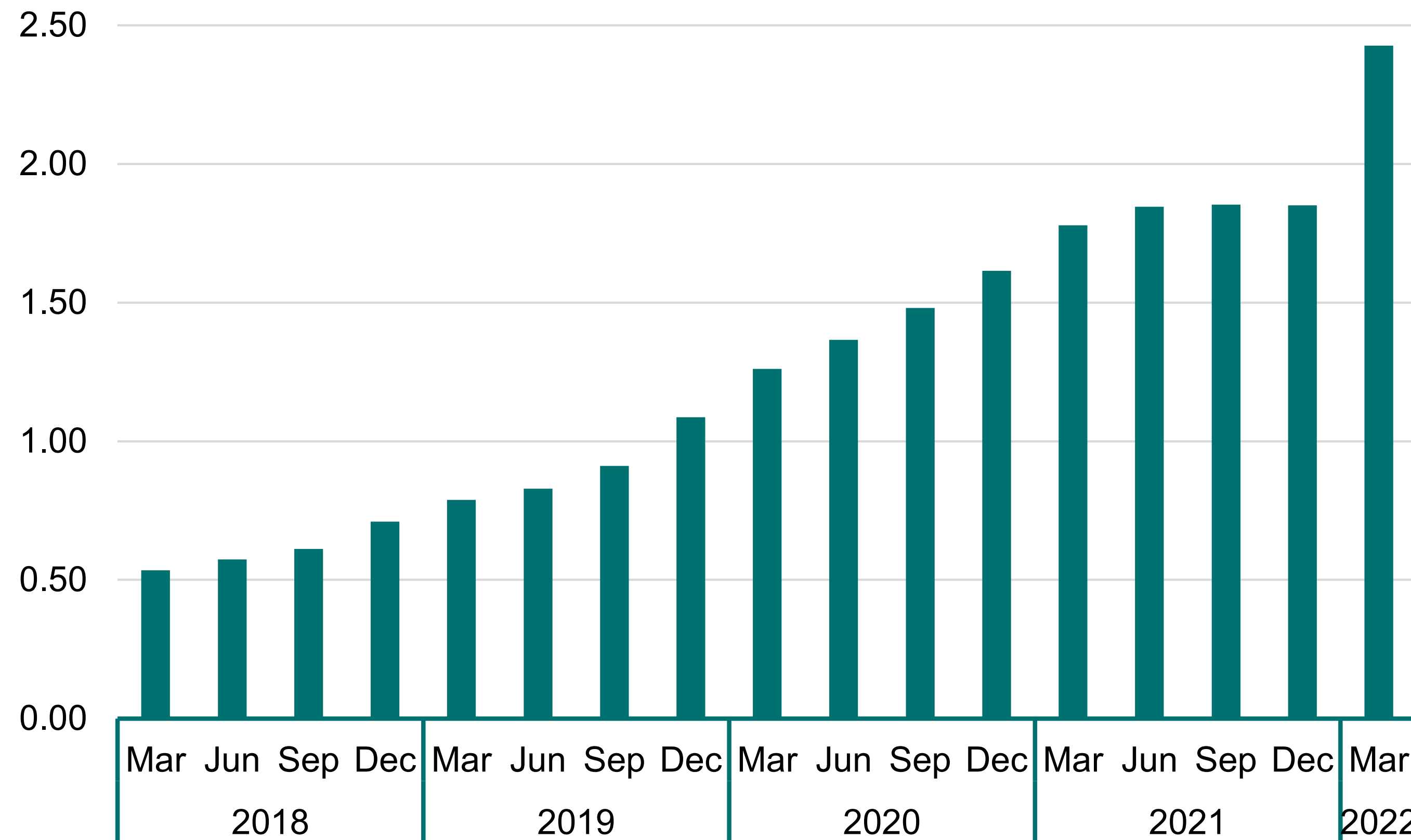
- Must relate balance sheet items to proforma L12M revenues to correctly calculate DSO and DPO

- Limited change to DSO in last year and quarter
- Decreased DPO in Q1 reflects return to normal level



# Financial targets

Adjusted EBITDA per share, rolling 12 months



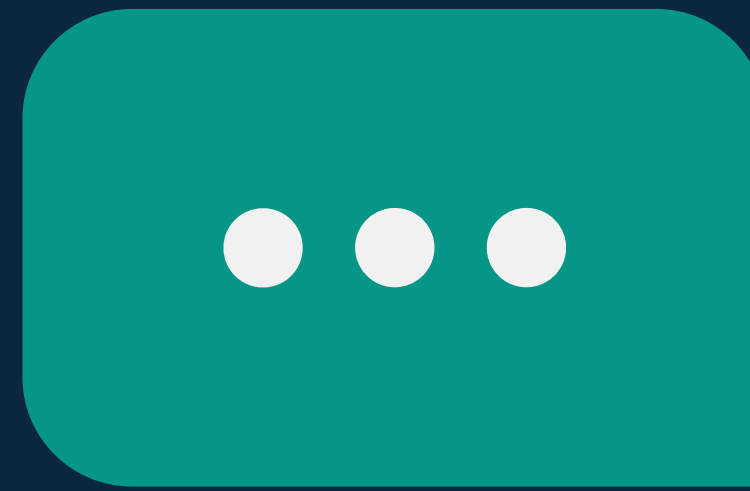
## Targets:

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

## Performance:

- Adjusted EBITDA per share grew 36% in Q1 22, measured on a rolling 12 month basis
- Proforma Net debt/EBITDA of 3.1x excl. IFRS 16-related leases

# Thank you!



To get in touch, contact:

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