

## Interim Report January – June 2022

### April – June 2022

- Net sales increased by 80 percent to SEK 6,615m (3,682).
- Gross profit increased by 123 percent to SEK 1,937m (869). A reassessment of reserves for accrued traffic costs in Messaging affects gross profit negatively by SEK 162m.
- EBITDA rose by 247 percent to SEK 528m (152).
- Adjusted EBITDA<sup>1</sup> increased by 77 percent to SEK 503m (284).
- The loss after tax for the quarter was SEK -40m (47).
- Basic earnings per share were SEK -0.05 (0.07) and diluted earnings per share were SEK -0.05 (0.07).
- Cash flow from operating activities amounted to SEK 668m (-240).

### January – June 2022

- Net sales increased by 87 percent to SEK 13,164m (7,032).
- Gross profit increased by 139 percent to SEK 4,033m (1,689). A reassessment of reserves for accrued traffic costs in Messaging affects gross profit negatively by SEK 162m.
- EBITDA rose by 242 percent to SEK 1,176m (344).
- Adjusted EBITDA<sup>1</sup> increased by 129 percent to SEK 1,264m (552).
- Profit after tax for the period was SEK 48m (188).
- Basic earnings per share were SEK 0.06 (0.28) and diluted earnings per share were SEK 0.06 (0.28).
- Cash flow from operating activities amounted to SEK 809m (347).

**“To ensure that Sinch meets its financial target to grow Adjusted EBITDA per share by 20 percent per year, Sinch has initiated a cost reduction program aimed at gross savings of 10 percent gross in Messaging and central functions with full effect from Q3 2023.” – Johan Hedberg, Interim CEO**

### Significant events during the quarter

- The board of directors decided on 28 April to execute the previously communicated issue of 10,803,010 new shares in Sinch to the sellers of MessageMedia.
- The board of directors decided on 26 May to execute the previously communicated non-cash issue of 25.5 million shares to the sellers of Pathwire.
- Sinch announced on 9 June that the company had become a Microsoft Teams Operator Connect Partner, which means that the company's solutions can be used to connect outbound calls from Microsoft Teams.

### Significant events after the end of the quarter

- Sinch announced on 11 July that the reassessment of reserves for accrued traffic costs in Messaging will reduce gross profit, EBITDA and Adjusted EBITDA by SEK 162m. Links to press releases and webcasts are available at [investors.sinch.com](https://investors.sinch.com).
- Sinch published updated historical segment reporting on 18 July.
- On July 20, Sinch announced that CEO Oscar Werner steps down from his position. The board of directors has appointed Johan Hedberg as interim CEO and will now initiate the search for a new CEO. Johan Hedberg is one of the company's founders.
- Due to the short-selling report published on 11 July and other questions received, Sinch issued a fact sheet on 21 July 2022, which is available on [investors.sinch.com](https://investors.sinch.com).
- As announced in this report, Sinch is initiating a cost reduction program in Messaging and central functions. The program seeks to achieve gross savings of about 10 percent, corresponding to about SEK 300m on an annual basis. The program is expected to have full effect from Q3 2023. See page 7.

### Invitation to webcast and phone conference

Sinch will present the interim report in a webcast and phone conference on Thursday, 21 July at 14:00 CEST. Watch the presentation at [investors.sinch.com/webcast](https://investors.sinch.com/webcast) or call and register a couple of minutes in advance.

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<sup>1</sup>Adjusted EBITDA is reported to clarify performance in underlying operations. See Note 2.

## Comments from the Chairman of the board

### A new chapter for Sinch

Over the past few years, we have successfully combined organic growth and acquisitions to develop Sinch into a global leader in cloud communications and mobile customer engagement. We now have a leading product portfolio for messaging, voice and email that is used by some of the world's most demanding customers, as well as an unsurpassed offering for small and medium-sized businesses. Sinch has more than 150,000 customers across the world and employees in more than 60 countries.

Despite the company's strong market position, we are now facing several challenges. Changed macroeconomic conditions cause companies to review their costs in response to high inflation and rising interest rates. Meanwhile, the equity market is switching focus from corporate potential and growth to looking more closely at profitability, cash flow and business risks.

Sinch is well-equipped to respond to these external factors. Our products are often used to improve operational efficiency and our economies of scale set us apart from the competition. In addition, we have always been profitable, since 2008, which attests to our endurance and longevity.

As regards internal factors, the main issue is the decline in gross profit growth over the past three quarters combined with continued increases in operating costs, resulting in falling profitability.

The board of directors' overall assessment is that after the expansion of recent years the company is now entering a new phase in which we need to sharpen our focus on profitability and cash flow. Rapid growth has made our global business more complex, and we require an effective governance model with delegated responsibility in our five business units. We will continue to invest in growth but with rigorous demands for profitability.

Yesterday the board therefore announced that we are initiating the recruitment of a new CEO for Sinch. I would like to take this opportunity to thank Oscar Werner, who has led the company through four intense years characterized by strong growth and a high pace of acquisitions.

Johan Hedberg will take over immediately as acting CEO of Sinch. Johan is one of the founders of Sinch and has been CEO before. He knows the company well and we feel confident that he can take the necessary steps to strengthen our position and our business as we move into a new phase. One of the first steps is to initiate a cost reduction program, where the target is gross savings of about 10 percent in Messaging and central group functions. This corresponds to approximately SEK 300m annually and the program is expected to have full effect from the third quarter of 2023.

Profit in the second quarter of the year was similar to the first quarter but was reduced by SEK 162 million due to reassessment of reserves for accrued traffic costs. Growth



was very good overall, but organic growth was weaker.

Gross profit more than doubled to SEK 1,937 million. However, organic gross profit was somewhat lower than the same quarter last year, if we exclude the impact of the changed assessment of reserves for accrued traffic costs. Adjusted EBITDA grew by 77 percent to SEK 503 million.

Cash flow from operating activities was SEK 668 million, a strong improvement from the preceding quarter. Nevertheless, there is further potential here.

Performance in the Messaging segment is still less than satisfactory. We are delivering growth in traffic volumes and revenues, but gross profit, which was SEK 715 million for the quarter, is falling. The aforementioned changed assessment of reserves, price adjustments applied to a major customer and weak performance in Brazil is constraining gross profit.

In the Voice segment, we have a strong gross margin and EBITDA-margin but a weaker growth in gross profit. Growth is hampered by the ongoing US toll-free regulation (8YY Access Charge Reform) but expansion in Europe and cooperation with Microsoft bodes well for the future.

Organic gross profit growth in Email was 15 percent. We received our biggest Email order ever during the quarter via a multi-year agreement with a new American customer in the public sector. Organic gross profit growth in the SMB segment was 13 percent overall and 30 percent in the important US market.

We do not know how the new macroeconomic conditions will affect us, but we have a very strong position in our market. With sharper focus on costs and an effective governance model, Sinch will deliver profitable growth, both short-term and long-term.

Stockholm, 21 July 2022

Erik Fröberg  
Chairman of the board

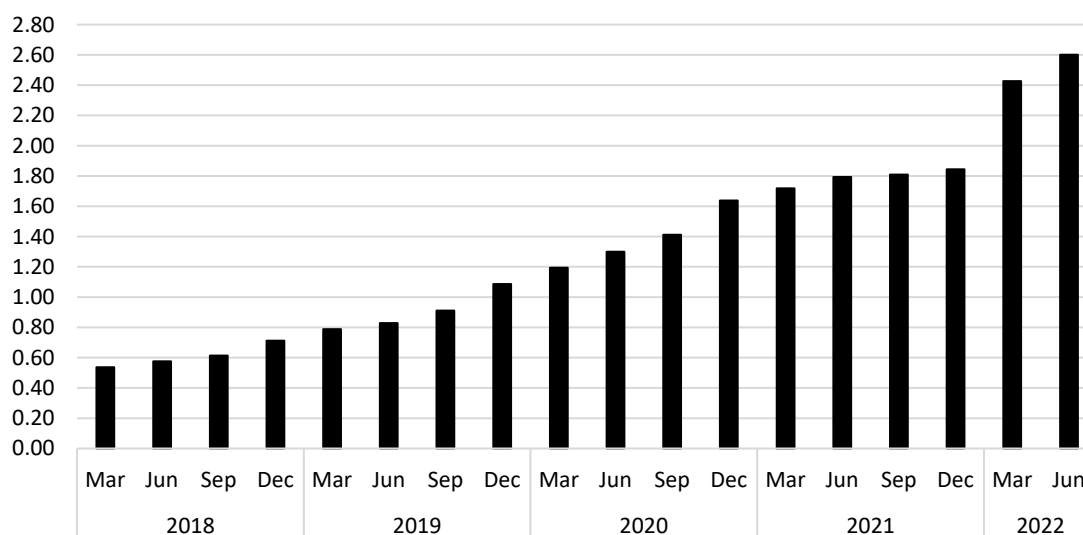
## Sinch overview

For a list and definitions of financial measurements defined or not defined under IFRS and for operational measurements, please refer to page 29.

Sinch Group, SEKm	Q2 2022	Q2 2021	Jan-Jun 2022	Jan-Jun 2021	2021	R12M
Net sales	6,615	3,682	13,164	7,032	16,177	22,310
Gross profit	1,937	869	4,033	1,689	3,933	6,276
Gross margin	29%	24%	31%	24%	24%	28%
EBITDA	528	152	1,176	344	831	1,662
EBITDA margin	8%	4%	9%	5%	5%	7%
Adjusted EBITDA <sup>1</sup>	503	284	1,264	552	1,322	2,034
Adjusted EBITDA margin	8%	8%	10%	8%	8%	9%
Adjusted EBITDA/gross profit	26%	33%	31%	33%	34%	32%
EBIT	-49	48	46	145	158	59
EBIT margin	-1%	1%	0%	2%	1%	0%
Adjusted EBIT <sup>1</sup>	390	254	1,037	498	1,161	1,709
Adjusted EBIT margin	6%	7%	8%	7%	7%	8%
Profit for the period	-40	47	48	188	908	768
Cash flow from (-used in) operating activities	668	-240	809	347	329	790
Net debt (+) / Net cash (-)	10,530	-11,191	10,530	-11,191	10,658	10,530
Net debt/pro forma Adjusted EBITDA R12M, multiple <sup>2</sup>	3.3	-4.3	3.3	-4.3	2.9	3.3
Equity ratio	62%	79%	62%	79%	60%	62%
Adjusted EBITDA/share, SEK	0.61	0.41	1.56	0.81	1.84	2.60
Diluted earnings per share for the period, SEK	-0.05	0.07	0.06	0.28	1.26	0.98
Average number of employees	3,657	1,822	3,547	1,716	1,937	2,868
Average number of employees including consultants	4,346	2,229	4,278	2,058	2,364	3,474

- Adjusted EBITDA and Adjusted EBIT are reported to clarify performance in underlying operations. See Note 2.
- Adjusted EBITDA R12M is measured on a pro forma basis and includes contributions from acquired entities during the past 12 months. Net debt is measured excluding IFRS 16-related lease liabilities. See page 8 for comments.

### Adjusted EBITDA per share<sup>3</sup>, R12M (SEK)



- 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.

## Quarterly summary

Adjusted EBITDA and Adjusted EBIT are reported below to clarify performance in underlying operations. See Note 2 for more information. 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. Periods before 2021 do not report the segment division in this way, in accordance with IFRS 36.

	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
	2020	2020	2020	2021	2021	2021	2021	2022	2022
<b>Net sales, SEKm</b>									
Messaging	-	-	-	3,302	3,640	3,884	4,540	4,392	4,318
Voice	-	-	-	48	42	53	339	1,400	1,485
Email	-	-	-	-	-	-	81	330	358
SMB	-	-	-	-	-	-	247	427	454
<b>Total</b>	<b>1,622</b>	<b>1,778</b>	<b>2,999</b>	<b>3,350</b>	<b>3,682</b>	<b>3,938</b>	<b>5,207</b>	<b>6,550</b>	<b>6,615</b>
<b>Gross profit, SEKm</b>									
Messaging	-	-	-	808	848	875	975	896	715
Voice	-	-	-	12	21	21	162	681	685
Email	-	-	-	-	-	-	64	246	260
SMB	-	-	-	-	-	-	147	273	277
<b>Total</b>	<b>460</b>	<b>481</b>	<b>796</b>	<b>820</b>	<b>869</b>	<b>896</b>	<b>1,348</b>	<b>2,096</b>	<b>1,937</b>
<b>Gross margin</b>									
Messaging	-	-	-	24%	23%	23%	21%	20%	17%
Voice	-	-	-	25%	50%	39%	48%	49%	46%
Email	-	-	-	-	-	-	79%	74%	73%
SMB	-	-	-	-	-	-	59%	64%	61%
<b>Total</b>	<b>28%</b>	<b>27%</b>	<b>27%</b>	<b>24%</b>	<b>24%</b>	<b>23%</b>	<b>26%</b>	<b>32%</b>	<b>29%</b>
<b>EBITDA, SEKm</b>									
Messaging	-	-	-	305	317	311	434	250	86
Voice	-	-	-	-6	-10	-6	45	335	312
Email	-	-	-	-	-	-	36	116	122
SMB	-	-	-	-	-	-	70	126	112
Other	-	-	-	-106	-155	-148	-255	-178	-103
<b>EBITDA, total</b>	<b>146</b>	<b>215</b>	<b>179</b>	<b>192</b>	<b>152</b>	<b>157</b>	<b>330</b>	<b>648</b>	<b>528</b>
EBITDA margin	9%	12%	6%	6%	4%	4%	6%	10%	8%
<b>Adjusted EBITDA, SEKm</b>									
Messaging	-	-	-	348	382	388	448	267	55
Voice	-	-	-	-6	-10	-6	52	343	318
Email	-	-	-	-	-	-	36	126	131
SMB	-	-	-	-	-	-	65	137	125
Other	-	-	-	-73	-89	-83	-130	-112	-127
<b>Adjusted EBITDA, total</b>	<b>200</b>	<b>234</b>	<b>378</b>	<b>269</b>	<b>284</b>	<b>298</b>	<b>471</b>	<b>761</b>	<b>503</b>
Adjusted EBITDA margin	12%	13%	13%	8%	8%	8%	9%	12%	8%
Adjusted EBITDA/gross profit	43%	49%	48%	33%	33%	33%	35%	36%	26%
Adjusted EBITDA/share, SEK	0.33	0.39	0.60	0.41	0.41	0.39	0.61	0.96	0.61

	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
EBITDA adjustments, SEKm (Note 2)	2020	2020	2020	2021	2021	2021	2021	2022	2022
Acquisition costs	-26	-69	-33	-17	-24	-24	-101	-42	1
Adjusted earnout	4	61	-27	-	-	-	-	-	-
Integration costs	-9	-3	-75	-31	-75	-59	-66	-59	-66
Costs of share-based incentive programs	-12	-4	-33	-29	-18	-45	-15	-17	-27
Operational foreign exchange gains/losses	-11	-5	-19	0	-15	-14	29	5	117
Other adjustments	-	-	-11	-1	-	-	11	-	-
<b>Total EBITDA adjustments</b>	<b>-54</b>	<b>-19</b>	<b>-199</b>	<b>-76</b>	<b>-132</b>	<b>-142</b>	<b>-141</b>	<b>-113</b>	<b>25</b>
Amortization of acquisition-related assets	-43	-44	-66	-70	-75	-103	-264	-441	-464
<b>Total EBIT adjustments</b>	<b>-97</b>	<b>-64</b>	<b>-265</b>	<b>-146</b>	<b>-207</b>	<b>-245</b>	<b>-405</b>	<b>-553</b>	<b>-439</b>

## April - June 2022

### Net sales

Consolidated net sales grew in the quarter by 80 percent to SEK 6,615m (3,682).

Organic net sales growth, in local currency and excluding acquisitions, was 10 percent. Organic growth primarily reflects operations in the Messaging segment, as a large part of the other business areas was acquired in Q4 2021. The lower growth rate compared to the preceding quarter is due primarily to lower growth from one of Sinch's largest customers, continued soft performance in Brazil and reduced Covid-related traffic at a low gross margin.

The acquisitions of Inteliquent, MessageMedia, Pathwire and MessengerPeople contributed 60 percent to net sales growth. Inteliquent contributed SEK 1,392m, MessageMedia SEK 454m, Pathwire SEK 358m and MessengerPeople SEK 15m. Combined, acquired entities contributed 34 percent of consolidated net sales in Q2.

Growth was positively affected during the quarter by the depreciation of the Swedish krona (SEK), primarily against USD, GBP and BRL. 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 326m lower. The positive currency effect on consolidated net sales was thus 9 percent.

On a full pro forma basis, calculated as if all acquired entities were consolidated as of 1 January 2021, net sales in Q2 increased by 9 percent in local currency.

### Gross profit

Consolidated gross profit grew during the quarter by 123 percent to SEK 1,937m (869).

Sinch reassessed reserves for accrued traffic costs in Messaging during the quarter, which reduced gross profit, EBITDA and Adjusted EBITDA by SEK 162m. See also the press release on [sinch.investors.com](https://sinch.investors.com).

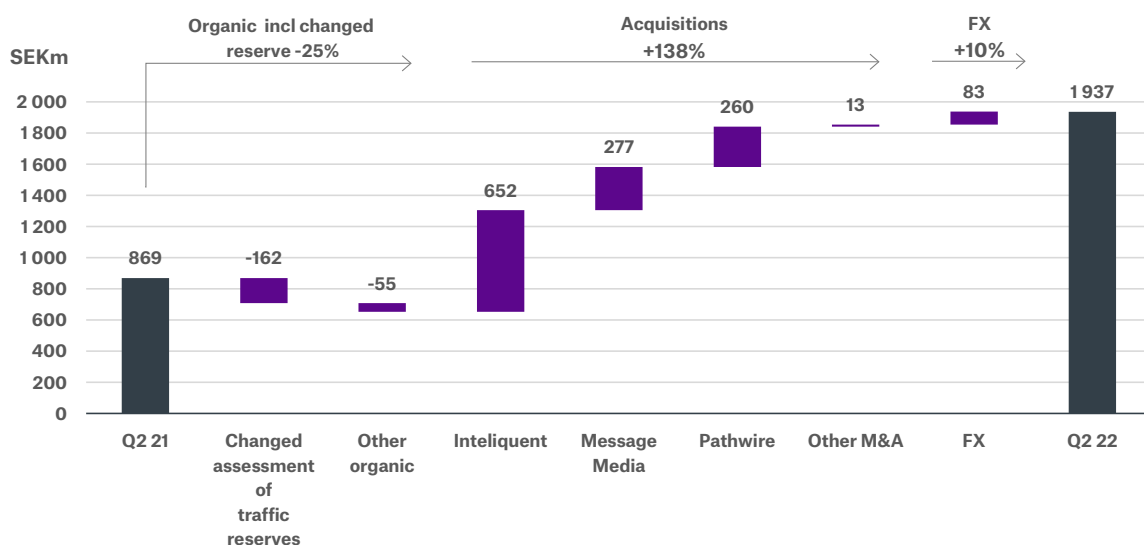
Organic gross profit growth, in local currency and excluding acquisitions, was -25 percent. Excluding the effect of the reassessment of reserves for accrued traffic costs, organic growth was -4 percent. Gross profit growth was adversely affected by lower net sales growth and a weaker gross margin compared to the corresponding quarter last year.

Profit generated by acquired businesses contributed 138 percent to gross profit growth. Inteliquent contributed SEK 652m, MessageMedia SEK 277m, Pathwire SEK 260m and MessengerPeople SEK 13m. In conjunction with implementation of new segment reporting, the financial performance of acquired entities is totaled using the cost center method of accounting, which differs somewhat from a legal view due to internal transactions.

The currency tailwind was 10 percent for the quarter, corresponding to SEK 83m.

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.

### Change in consolidated gross profit, Q2 2021 - Q2 2022



The gross margin was 29 percent (24). The acquisitions closed in the last 12 months have improved the gross margin by 13 percentage points. Excluding those acquisitions, the gross margin fell by about 7 percentage points compared to Q2 2021.

Compared to Q2 2021, several specific factors had negative impact on the organic gross margin trend. The aforementioned reassessment of the reserve for accrued traffic costs reduced gross profit by SEK 162m. This reduced the consolidated gross margin for Q2 2022 by 2.4 percentage points and the gross margin for Messaging by 3.8 percentage points. The remaining organic margin decrease is due primarily to price changes applied to one of our larger customers and a weak gross profit trend in Brazil. We also see that the poorer macroeconomic environment of higher inflation and price pressure is having some negative impact on the gross margin in Messaging.

On a full pro forma basis, calculated as if all acquired entities were consolidated as of 1 January 2021, net sales for the second quarter fell by 10 percent in local currency. Excluding the effect of the reassessment of reserves for accrued traffic costs, gross profit on a pro forma basis was unchanged compared to Q2 2021.

## EBITDA

Consolidated EBITDA increased by 247 percent to SEK 528m (152).

Compared to the same period last year, the acquisitions closed in Q4 2021 had positive impact on EBITDA. The acquisitions combined contributed SEK 528m in Q2.

The consolidated EBITDA margin was 8 percent (4).

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 164m lower.

Employee benefits expenses account for the largest share of Sinch's operating costs. Sinch reduced the hiring rate in 2022, but rising pay levels affected the cost base in Q2. Compared to Q1 2022, the cost base was also affected by a weaker Swedish krona (SEK), which explains about half of the sequential increase between the first and second quarters.

EBITDA adjustments<sup>1</sup> are intended to clarify performance in underlying operations. These adjustments decreased compared to the same period in 2021. Adjusted EBITDA for the quarter was lower than EBITDA by SEK 25m due to operational foreign exchange gains/losses of SEK 117m. Other adjustments include acquisition costs of SEK 1m (-24), integration costs of SEK -66m (-75) and costs of share-based incentive programs of SEK -27m (-18). See the quarterly summary and Note 2 for more information.

Consequently, Adjusted EBITDA amounted to SEK 503m

(284), a 77 percent increase compared to the same period in the preceding year.

If exchange rates had been the same during the quarter as in the same quarter in the preceding calendar year, Adjusted EBITDA would have been about 14 percent lower, corresponding to about SEK 40m.

The Adjusted EBITDA margin was 8 percent (8).

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 0.61 (0,41) for the quarter and SEK 2.60 SEK (1.74) for the rolling twelve months, an increase of 49 percent R12M. Adjusted EBITDA/gross profit was 26 percent (33) for the quarter.

## EBIT

EBIT amounted to SEK -49m (48).

Acquisition-related amortization, which does not affect cash flow, reduced EBIT by SEK 464m (75). The amortization arose mainly from systematic amortization of acquired customer relationships, trademarks, operator relationships and acquired software. See Note 5. Adjusted EBIT (EBIT excluding EBITDA adjustments and amortization of acquisition-related assets<sup>1</sup>) amounted to SEK 390m (254).

## Cost reduction program

While Sinch has seen persistently good growth in transaction volumes and revenues, a decreased gross margin in the Sinch Messaging business has significantly slowed organic growth in gross profit over the past three quarters. Price adjustments applied to one of our largest customers has had adverse impact on gross profit growth in 2022, while we cannot predict with any certainty how poorer macroeconomic conditions may affect 2022-2023. To respond to this development, safeguard financial performance and ensure that Sinch meets the financial target to grow Adjusted EBITDA per share by 20 percent per year, Sinch has initiated a cost reduction program. The program seeks to achieve gross savings of about 10 percent in the Messaging segment and central functions, corresponding to about SEK 300m on an annual basis. The program is expected to have full effect from Q3 2023.

## Other income and expense items

Net financial income was SEK 2m (59) after interest expenses of SEK -77m (-15) and foreign exchange differences of SEK 66m (74). The loss for the period was SEK -40m (47).

## Investments

Net investments in property, plant and equipment and intangible assets amounted to SEK 163m (26). The increase is mainly attributable to net investments in acquired entities. The investments include capitalized development expenditure of SEK 87m (21).

## Cash flow

Cash flow between net investments in property, plant and

<sup>1</sup> Specifications in alltsåtable on page 5 and in Note 2.

equipment and intangible assets and new issues/warrants was reclassified in Q3 2021 due to the acquisition of Wavy. A reclassification was also carried out from realized to unrealized exchange rate differences. This affected cash flow for the first two quarters of 2021 and the comparison period in this report reflects the reclassified amounts.

Cash flow before the change in working capital amounted to SEK 89m (221). A realized currency effect of financial items has reduced this cash flow by SEK 248m.

The change in working capital increased cash flow by SEK 579m (-461). Higher trade payables and lower trade receivables had positive effect on working capital. Cash flow from operating activities amounted to SEK 668m (-240).

Cash used in investing activities was SEK -162m (-213) and cash used in financing activities was SEK -93m (9,308) for the period. Net debt decreased by SEK 326m during the period.

Net cash for the period amounted to SEK 413m (8,855).

### Employees

At the end of the quarter, the Group employed 4,399 (2,292) people, including consultants. The average number of employees and consultants for the quarter was 4,346 (2,229). The average number of employees was 3,657 (1,822) of whom 30 percent (29) women.

## January - June 2022

### Net sales

Consolidated net sales grew in the period by 87 percent to SEK 13,164m (7,032). Organic growth, in local currency and excluding acquisitions, was 16 percent.

### Gross profit

Gross profit increased during the period by 139 percent to SEK 4,033m (1,689). Organic gross profit growth, in local currency and excluding acquisitions, was -12 percent. Excluding the communicated reassessment of reserves for accrued traffic costs in Messaging of SEK 162m, organic growth was 2 percent.

The gross margin was 31 percent (24).

### EBITDA

EBITDA amounted to SEK 1,176 m (344). Adjusted EBITDA was SEK 1,264m (552).

### EBIT

EBIT amounted to SEK 46m (145). Adjusted EBITDA was

SEK 1,037m (498).

### Other income and expense items

Net financial income was SEK 19m (148) after interest expenses of SEK -129m (-27) and foreign exchange differences of SEK 149m (186). The Group's effective tax rate was 25 percent (23). Net profit for the period amounted to SEK 48m (188).

### Investments

Net investments in property, plant and equipment and intangible assets amounted to SEK 291m (65). The change is primarily an effect of higher net investments in acquired assets. The investments include capitalized development expenditure of SEK 171m (40).

### Cash flow, liquidity and financial position

Cash flow before the change in working capital amounted to SEK 655m (447). The change in working capital affected cash flow by SEK 153m (-100). Cash flow from operating activities amounted to SEK 809m (347). Consolidated cash and cash equivalents at 30 June 2022 amounted to SEK 1,470m (12,264).

Net debt amounted to SEK 10,530m (-11,191), including IFRS 16-related lease liabilities of SEK 917m (51). 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). On a pro forma basis and excluding IFRS 16-related lease liabilities, net debt in relation to pro forma Adjusted EBITDA RTM amounted to 3.3x.

As of 30 June 2022, Sinch had utilized loan and credit facilities of SEK 10,325m (9,970) in total. Existing credit facilities that mature in February 2025 amount to SEK 8,748m and of that amount SEK 7,321m had been utilized as of 30 June 2022. In addition, issued senior unsecured bonds amounted to SEK 750m (750) and Sinch has also utilized short-term financing that matures in 2023 in the amount of SEK 3,000m for the financing of contracted acquisitions. Available bank overdraft facilities amounted to SEK 907m (200), of which SEK 0m (-) has been utilized.

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

Equity at 30 June 2022 amounted to SEK 38,876m (19,290), corresponding to an equity ratio of 62 percent (79).



## 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.

Messaging, SEKm	Q2	Q2	Jan-Jun	Jan-Jun	2021	R12M
	2022	2021	2022	2021		
Net sales	4,318	3,640	8,710	6,941	15,366	17,135
Gross profit	715	848	1,611	1,656	3,506	3,461
Gross margin	17%	23%	18%	24%	23%	20%
EBITDA	86	317	336	622	1,367	1,081
EBITDA margin	2%	9%	4%	9%	9%	6%
Adjusted EBITDA	55	382	323	730	1,567	1,159
Adjusted EBITDA margin	1%	11%	4%	11%	10%	7%
Adjusted EBITDA/gross profit	8%	45%	20%	44%	45%	33%

From Q2 2022, messaging-related services for mobile operators are included in the Messaging segment. This business previously constituted a separate segment called "Operators." Sinch's offering for small and medium-sized businesses has been carved out of Messaging and is now reported separately in its own segment, "SMB." Group-wide costs have been moved to the "Other" segment. The change aligns with the new business model that Sinch announced on 3 February 2022 and historical data in this report has been updated to reflect the new organization.

### Events during the quarter

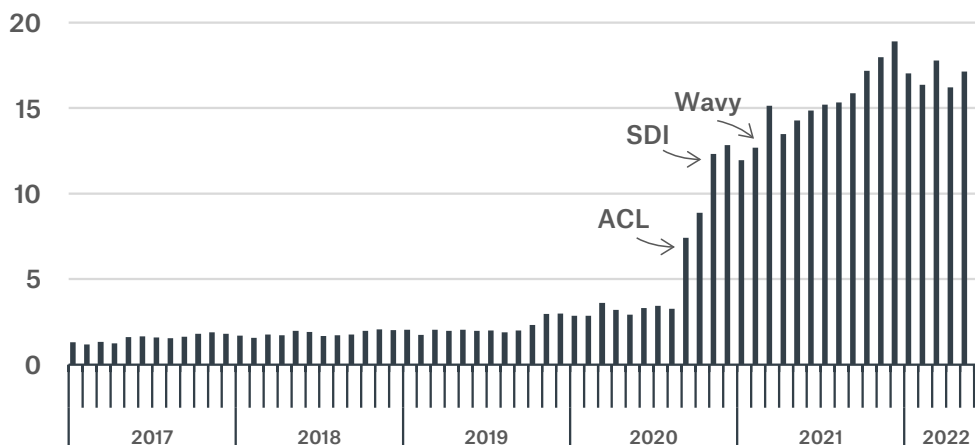
- The MessengerPeople product for chat-based customer service provided through next-generation messaging in Brazil was launched early in Q2.
- After the end of the quarter, Sinch announced on 11 July that the reassessment of reserves for accrued traffic costs in Messaging will reduce gross profit, EBITDA and Adjusted EBITDA by SEK 162m. Links to press releases and webcasts are available at [investors.sinch.com/reports-and-presentations](https://investors.sinch.com/reports-and-presentations).

A comprehensive effort to integrate the operations acquired through SAP Digital Interconnect on 1 November 2020 and Wavy on 1 February 2021 remains in progress. The aim is to extract economies of scale by migrating customers and traffic to the Sinch global technology platform and accelerate organic growth in the acquired businesses. Ongoing platform development is also continuing to manage rising traffic volumes, comply with stricter regulatory standards related to data processing, add more direct connections to mobile operators and increase the degree of automation in customer and support systems.

### Transaction volume

Transaction volume rose by 19 percent in Q2 compared to the same quarter in the preceding year and Sinch handled more than 17 billion messages in June. The increase in comparable units was 19 percent compared to the same quarter last year. The chart below does not include volumes to small and medium-sized business customers in the SMB segment.

**Number of messages per month (billions)**



## **Net sales**

During the quarter, net sales increased by SEK 678m compared to the corresponding period in 2019 to SEK 4,318m (3,640), an increase of 19 percent. Of this increase, 0 percentage points are attributable to acquisitions and 9 percentage point to currency movements. Organic growth was 9 percentage points. The acquired MessengerPeople contributed SEK 15m to net sales.

Operations within Messaging are oriented primarily towards large businesses and channel partners. Increased transaction volumes and new customer acquisition have positive impact on organic growth in this business. Several factors hampered sales growth in Q2 compared to Q1 2022; certain low gross margin sales to wholesalers have been discontinued, while price changes applied to one of Sinch's largest customers are having adverse impact on net sales. Combined, these two factors reduced sales growth by about 5 percentage points.

## **Gross profit**

Gross profit fell during the quarter to SEK 715m (848), a decrease of 16 percent compared to the same quarter in the preceding year. Acquisitions increased gross profit by 2 percentage points and currency movements reduced gross profit by 9 percent. Organic growth in local currency was -26 percent. The acquired MessengerPeople contributed SEK 13m to gross profit. The gross margin was 17 percent (23) for the quarter.

Gross profit in Q2 was reduced by the reassessment of reserves for accrued traffic costs in Messaging. The reserve refers to costs of SMS messages sent which were assessed as exceeding the aggregate accrued costs by SEK 162m. Gross profit for Q2 was therefore reduced by that amount.

Excluding the reassessment of reserves for accrued traffic costs as above, gross profit for Q2 amounted to SEK 877m. This corresponds to a gross margin of 20 percent, which is lower than for Q2 2022 but stable compared to Q1 2022. Excluding the reassessment of reserves for accrued traffic costs and adjusted for currency movements and the acquisition of MessengerPeople, organic gross profit growth was -4 percent.

Compared to the same period in the preceding year, the gross margin was adversely affected by price adjustments applied to one of Sinch's largest customers. The revenue loss from this renegotiation, which occurred in Q2 2022, reduces gross profit growth by about 9 percent and lowers the gross margin by 2 percentage points.

In addition, the steep price increases from mobile operators in Brazil in 2021 resulted in stiffer competition in a period of stronger macroeconomic uncertainty. As a result, both net sales and gross profit in Brazil fell compared to the same period last year. Performance in India, however, has improved compared to the preceding quarter and the gross profit trend is positive.

## **EBITDA**

EBITDA for Q2 amounted to SEK 86m (317). MessengerPeople contributed SEK -5m. The reassessment of reserves for accrued traffic costs in Messaging, as described above, reduced EBITDA by SEK 162m. Excluding this effect, EBITDA would have amounted to SEK 248m, corresponding to an EBITDA margin of 6 percent (9). The margin in Messaging was adversely affected by higher costs, primarily attributable to an increase in the workforce in autumn 2021 and wage inflation in spring 2022. The cost reduction program we have announced for Messaging and central functions is aimed at reducing this total cost base by 10 percent and is thus expected to increase the margin in Messaging going forward (see page 7).

Adjusted EBITDA amounted to SEK 55m (382). MessengerPeople contributed SEK -3m. Adjusted EBITDA is lower than EBITDA due to EBITDA adjustments of SEK -30m (65), where the largest adjustment item was operational foreign exchange gains/losses at SEK 70m (-9). See Note 2 for further disclosures. The adjusted EBITDA margin fell for the same reasons as the EBITDA margin to 1 percent (11); see above.

## Voice

Sinch APIs 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	Q2	Q2	Jan-Jun	Jan-Jun	2021	R12M
	2022	2021	2022	2021		
Net sales	1,485	42	2,885	91	483	3,277
Gross profit	685	21	1,366	33	217	1,550
Gross margin	46%	50%	47%	37%	33%	33%
EBITDA	312	-10	646	-17	22	685
EBITDA margin	21%	-24%	22%	-18%	5%	21%
Adjusted EBITDA	318	-10	661	-16	29	706
Adjusted EBITDA margin	21%	-23%	23%	-18%	6%	22%
Adjusted EBITDA/gross profit	46%	-47%	48%	-49%	13%	46%

No changes to the operations included in the segment have been made since the preceding quarter.

### Events during the quarter

- Sinch announced on 9 June that the company had become a Microsoft Teams Operator Connect Partner, which means that the company's solutions can be used to connect outbound calls from Microsoft Teams.
- On 29 June, Sinch achieved third-party-validation regarding compliance with US HIPAA regulations (Health Insurance Portability and Accountability Act) for the security of its voice, fax and UCaaS services.
- As part of its global expansion plan for its voice Supernet, Sinch established direct number ownership and two-way calling capabilities in the UK. This means that Sinch now offers services directly in the UK without having to rely on a third party or intermediaries.

### Net sales

Net sales increased during the quarter to SEK 1,485m (42), of which Inteliquent contributed SEK 1,392m (0).

On a pro forma basis, calculated as if Inteliquent were consolidated as of 1 January 2021, net sales increased by 17 percent in Q2. Growth in local currencies was 1 percent. Growth was hampered by the previously communicated regulation of charges for American toll-free numbers (the 8YY Access Charge Reform). The negative impact of the reform will be reduced in stages.

### Gross profit

Gross profit for the quarter amounted to SEK 685m (21). Inteliquent contributed SEK 652m (0) and organic gross profit growth was 26 percent. The gross margin was 46 percent for the quarter.

On a pro forma basis, calculated as if Inteliquent were consolidated as of 1 January 2021, gross profit growth was 11 percent in Q2. Corresponding growth in local currency was -5 percent. The gross profit growth rate was slowed by lower growth in net sales. Regulation of the American toll-free call market, the 8YY Access Charge Reform, reduced gross profit growth by -9 percent in Q2.

### EBITDA

EBITDA in Q2 was SEK 312m (-10). The acquisition of Inteliquent contributed SEK 299m (0). This corresponds to an EBITDA margin of 21 percent (-24).

Adjusted EBITDA was SEK 318m (-10). The acquisition of Inteliquent contributed SEK 305m (0), corresponding to an EBITDA margin of 21 percent (-23).

## 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.

Email, SEKm	Q2 2022	Q2 2021	Jan-Jun 2022	Jan-Jun 2021	2021	R12M
Net sales	358	-	688	-	81	769
Gross profit	260	-	506	-	64	569
Gross margin	73%	-	73%	-	79%	74%
EBITDA	122	-	238	-	36	274
EBITDA margin	34%	-	35%	-	44%	36%
Adjusted EBITDA	131	-	257	-	36	294
Adjusted EBITDA margin	37%	-	37%	-	45%	38%
Adjusted EBITDA/gross profit	50%	-	51%	-	57%	52%

The product portfolio in the Email segment includes market-leading products like Mailgun, Mailjet and Email on Acid. Corporate developers of communication services are a prioritized customer group, who are offered the development tools, test environments and documentation required to swiftly and easily integrate email services in customer communications.

No changes to the operations included in the segment have been made since the preceding quarter.

### Events during the quarter

- The number of emails rose during the quarter by 28 percent compared to the same quarter last year.
- The Mailgun brand increased its marketing activities during the quarter in new geographies following the launch of a new website with localized content in English, French, German and Spanish.
- The largest contract to date was closed during the quarter in the form of a multi-year agreement with a new customer in the public sector.

### Net sales

Net sales for Q2 amounted to SEK 358m (-). All revenues are attributable to the acquisition of Pathwire that closed on 7 December 2021.

On a pro forma basis, calculated as if Pathwire were consolidated as of 1 January 2021, net sales increased by 39 percent in Q2. Growth in local currencies was 23 percent. Growth is driven primarily by new customer intake and volume growth.

### Gross profit

Gross profit was SEK 260m (-) for Q2. The gross margin was 73 percent (-) for the quarter.

On a pro forma basis, calculated as if Pathwire were consolidated as of 1 January 2021, gross profit increased by 30 percent in Q2. Growth in local currencies was 15 percent.

The cost of goods and services sold in the Email segment consists mainly of costs for cloud infrastructure services and employee benefits expenses. This differs from Messaging, where the cost of goods and services sold consists of termination costs to mobile operators. Investments in services and human resources aimed at reducing long-term production costs had adverse impact on the gross margin in Email in the first half.

### EBITDA

EBITDA was SEK 122m (-) for the quarter. Adjusted EBITDA amounted to SEK 131m (-). The EBITDA margin was 34 percent (-) and the Adjusted EBITDA margin was 37 percent (-).

## SMB

The segment offers 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 SimpleTexting and ClickSend.

SMB, SEKm	Q2	Q2	Jan-Jun	Jan-Jun	2021	R12M
	2022	2021	2022	2021		
Net sales	454	-	881	-	247	1,128
Gross profit	277	-	550	-	147	697
Gross margin	61%	-	62%	-	59%	62%
EBITDA	112	-	237	-	70	307
EBITDA margin	25%	-	27%	-	28%	27%
Adjusted EBITDA	125	-	262	-	65	327
Adjusted EBITDA margin	28%	-	30%	-	26%	29%
Adjusted EBITDA/gross profit	45%	-	48%	-	45%	47%

As of this quarter, these operations are reported as a separate segment, SMB (Small and Medium-sized Businesses).

### Events during the quarter

- The development teams for SimpleTexting and MessageMedia have been combined and platform integration has commenced.
- One of the largest mobile operators in Australia is now offering Sinch's SMB platform under its own brand.
- Migration of SMS traffic to the Sinch global infrastructure has begun.

### Net sales

Net sales were SEK 454m (0) for Q2.

On a pro forma basis, calculated as if MessageMedia were consolidated as of 1 January 2021, net sales increased by 30 percent in Q2. Growth in local currencies was 18 percent. Growth is driven mainly by new customer intake in the US.

### Gross profit

Gross profit for the quarter was SEK 277m (0) and arose from the acquisition of MessageMedia. The gross margin was 61 percent.

On a pro forma basis, calculated as if MessageMedia were consolidated as of 1 January 2021, gross profit increased by 26 percent in Q2. Growth in local currencies was 13 percent and was temporarily reduced by about 3 percentage points due to internal transactions. Organic gross profit growth in the important US market amounted to 30 percent.

### EBITDA

EBITDA was SEK 112m (-) for the quarter. Adjusted EBITDA amounted to SEK 125m (-). The EBITDA margin was 25 percent (-) and the Adjusted EBITDA margin was 28 percent (-).

## Other

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

Other, SEKm	Q2 2022	Q2 2021	Jan-Jun 2022	Jan-Jun 2021	2021	R12M
EBITDA	-103	-155	-281	-261	-664	-684
Adjusted EBITDA	-127	-89	-239	-162	-375	-453

The segment includes certain group-wide costs formerly categorized in the Messaging segment.

### EBITDA

EBITDA amounted to SEK -103m (-155) and consisted mainly of employee benefits expenses in Finance, HR, IT, research and development and rental costs.

The loss measured as Adjusted EBITDA is higher than the loss in EBITDA due to EBITDA adjustments of SEK 23m (-67). The largest adjustment item was operational foreign exchange gains/losses at SEK 45m (-6). See Note 2 for more information.

Adjusted EBITDA amounted to SEK -127m (-89).

## Condensed income statement

Sinch Group, SEKm	Q2 2022	Q2 2021	Jan-Jun 2022	Jan-Jun 2021	2021	R12M
<b>Net sales</b>	<b>6,615</b>	<b>3,682</b>	<b>13,164</b>	<b>7,032</b>	<b>16,177</b>	<b>22,310</b>
Cost of goods and services sold	-4,678	-2,813	-9,132	-5,343	-12,244	-16,033
<b>Gross profit</b>	<b>1,937</b>	<b>869</b>	<b>4,033</b>	<b>1,689</b>	<b>3,933</b>	<b>6,276</b>
Other operating income	143	24	279	57	192	414
Work performed by the entity and capitalized	87	21	171	40	98	229
Other external expenses	-597	-294	-1,187	-532	-1,306	-1,961
Employee benefits expenses	-1,001	-419	-1,941	-818	-1,837	-2,960
Other operating expenses	-41	-51	-179	-92	-249	-336
<b>EBITDA</b>	<b>528</b>	<b>152</b>	<b>1,176</b>	<b>344</b>	<b>831</b>	<b>1,662</b>
Depreciation and amortization	-577	-104	-1,130	-199	-673	-1,603
<b>EBIT</b>	<b>-49</b>	<b>48</b>	<b>46</b>	<b>145</b>	<b>158</b>	<b>59</b>
Net finance income/expenses	2	59	19	148	1,039	910
<b>Loss before tax</b>	<b>-47</b>	<b>107</b>	<b>64</b>	<b>293</b>	<b>1,197</b>	<b>-969</b>
Income tax	7	-60	-16	-105	-289	-201
<b>Profit for the period</b>	<b>-40</b>	<b>47</b>	<b>48</b>	<b>188</b>	<b>908</b>	<b>768</b>

### Attributable to:

Owners of the parent	-40	47	48	188	907	767
Non-controlling interests	0	0	0	0	0	0

## Earnings per share

Sinch Group, SEK	Q2 2022	Q2 2021	Jan-Jun 2022	Jan-Jun 2021	2021	R12M
Basic	-0.05	0.07	0.06	0.28	1.29	1.00
Diluted	-0.05	0.07	0.06	0.28	1.27	0.98

## Condensed statement of comprehensive income

Sinch Group, SEKm	Q2 2022	Q2 2021	Jan-Jun 2022	Jan-Jun 2021	2021	R12M
<b>Profit for the period</b>	<b>-40</b>	<b>47</b>	<b>48</b>	<b>188</b>	<b>908</b>	<b>768</b>
<b>Other comprehensive income or loss</b>						
<b>Items that may subsequently be reclassified to profit or loss for the period</b>						
Translation differences	3,340	136	4,710	-58	553	5,321
Hedge accounting net investment	-	-40	-8	60	44	-25
Tax effect of items in other comprehensive income	-17	8	-120	-12	-19	-126
<b>Other comprehensive income or loss for the period</b>	<b>3,323</b>	<b>104</b>	<b>4,582</b>	<b>-10</b>	<b>578</b>	<b>5,170</b>
<b>Comprehensive income or loss for the period</b>	<b>3,283</b>	<b>151</b>	<b>4,631</b>	<b>178</b>	<b>1,485</b>	<b>5,938</b>
<b>Attributable to:</b>						
Owners of the parent	3,283	151	4,631	178	1,486	5,939
Non-controlling interests	0	0	0	0	0	-1

## Condensed balance sheet

Sinch Group, SEKm	Note	30 Jun 2022	30 Jun 2021	31 Dec 2021
<b>ASSETS</b>				
Goodwill		30,563	5,528	27,143
Customer relationships		15,051	1,726	13,966
Operator relationships		300	188	285
Proprietary software		5,359	378	5,080
Other intangible assets		1,209	14	944
Right-of-use assets		907	61	900
Property, plant and equipment		814	111	707
Financial assets		76	15	62
Deferred tax assets		1,053	487	825
<b>Total non-current assets</b>		<b>55,332</b>	<b>8,506</b>	<b>49,912</b>
Tax assets		210	110	198
Other current receivables		5,768	3,629	5,100
Cash and cash equivalents		1,470	12,264	1,871
<b>Total current assets</b>		<b>7,449</b>	<b>16,003</b>	<b>7,169</b>
<b>TOTAL ASSETS</b>		<b>62,780</b>	<b>24,510</b>	<b>57,081</b>
<b>EQUITY AND LIABILITIES</b>				
Equity attributable to owners of the parent	4	38,875	19,289	34,052
Non-controlling interests		1	1	1
<b>Total equity</b>		<b>38,876</b>	<b>19,290</b>	<b>34,053</b>
Deferred tax liability		6,024	649	5,574
Non-current liabilities, interest-bearing		8,852	1,048	1,707
Non-current liabilities, non-interest-bearing		38	69	37
<b>Total non-current liabilities</b>		<b>14,914</b>	<b>1,766</b>	<b>7,318</b>
Current liabilities, interest-bearing		3,148	25	10,817
Provisions		16	71	49
Tax liability		444	122	325
Other current liabilities, non-interest-bearing		5,382	3,236	4,519
<b>Total current liabilities</b>		<b>8,990</b>	<b>3,454</b>	<b>15,710</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>62,780</b>	<b>24,510</b>	<b>57,081</b>
<b>Financial instruments measured at fair value</b>				
Derivative instruments with positive value		0	0	6
Derivative instruments with negative value		38	0	13

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

Attributable to owners of the parent

Sinch Group, SEKm	Share capital	Other capital contributions	Reserves	Retained earnings	Total	Non-controlling interests	Total equity
<b>Opening balance 1 January 2021</b>	<b>6</b>	<b>6,934</b>	<b>-400</b>	<b>972</b>	<b>7,512</b>	<b>1</b>	<b>7,513</b>
Profit for the period				188	188	0	188
Other comprehensive income or loss			178		178	0	178
Share-based payments		52			52		52
Shares issued for warrants	0	42			42		42
Rights issue	1	11,318			11,318		11,318
Issue expenses, net of tax		-1			-1		-1
<b>Closing balance 30 June 2021</b>	<b>7</b>	<b>18,344</b>	<b>-222</b>	<b>1,160</b>	<b>19,289</b>	<b>1</b>	<b>19,290</b>
<b>Opening balance 1 January 2022</b>	<b>7</b>	<b>31,988</b>	<b>178</b>	<b>1,879</b>	<b>34,053</b>	<b>1</b>	<b>34,053</b>
Profit for the period				48	48	0	48
Other comprehensive income or loss			4,631		4,631	0	4,631
Share-based payments		73			73		73
Shares issued for warrants	0	77			77		77
Rights issue	1	-2			-1		-1
Issue expenses, net of tax		-7			-7		-7
<b>Closing balance 30 June 2022</b>	<b>8</b>	<b>32,129</b>	<b>4,809</b>	<b>1,928</b>	<b>38,875</b>	<b>1</b>	<b>38,876</b>

## Condensed statement of cash flows

Sinch Group, SEKm	Note	Q2 2022	Q2 2021	Jan-Jun 2022	Jan-Jun 2021	2021	R12M
Cash flow before changes in working capital		89	221	655	447	1,188	1,396
Change in working capital		579	-461	153	-100	-859	-606
<b>Cash flow from (-used in) operating activities</b>		<b>668</b>	<b>-240</b>	<b>809</b>	<b>347</b>	<b>329</b>	<b>790</b>
Net investments in property, plant and equipment and intangible assets		-163	-26	-291	-65	-178	-405
Change in financial receivables		0	-9	-6	-3	-4	-7
Acquisition of Group companies	6	0	-178	-38	-683	-28,877	-28,232
<b>Cash flow from (-used in) investing activities</b>		<b>-162</b>	<b>-213</b>	<b>-335</b>	<b>-751</b>	<b>-29,059</b>	<b>-28,643</b>
Changes in borrowings		-78	-71	-540	-92	10,533	10,084
Amortization lease liability		-57	-16	-83	-26	-55	-111
New issue/warrants	4	42	9,395	70	9,432	15,976	6,614
<b>Cash flow from financing activities</b>		<b>-93</b>	<b>9,308</b>	<b>-553</b>	<b>9,314</b>	<b>26,454</b>	<b>16,587</b>
<b>Cash flow for the period</b>		<b>413</b>	<b>8,855</b>	<b>-80</b>	<b>8,910</b>	<b>-2,276</b>	<b>-11,226</b>
Opening balance cash and cash equivalents for the period		1,226	3,200	1,871	3,123	3,123	12,264
Exchange rate differences in cash and cash equivalents		-168	209	-321	231	1,024	472
<b>Closing balance cash and cash equivalents for the period</b>		<b>1,470</b>	<b>12,264</b>	<b>1,470</b>	<b>12,264</b>	<b>1,871</b>	<b>1,470</b>

## Other disclosures

Sinch Group, SEKm	Q2 2022	Q2 2021	Jan-Jun 2022	Jan-Jun 2021	2021	R12M
<b>Share information</b>						
Basic earnings per share, SEK	-0.05	0.07	0.06	0.28	1.29	1.00
Diluted earnings per share, SEK	-0.05	0.07	0.06	0.28	1.26	0.98
Basic weighted average number of shares	815,839, 195	679,732, 202	799,542, 882	661,552, 925	700,923, 800	769,225, 952
Diluted weighted average number of shares	822,224, 043	697,446, 732	808,670, 403	679,159, 204	716,527, 452	781,883, 905
Total number of shares at the end of the period	837,597, 728	722,672, 110	837,597, 728	722,672, 110	768,568, 748	837,597, 728
<b>Financial position</b>						
Equity attributable to owners of the parent	38,875	19,289	38,875	19,289	34,053	38,875
Equity ratio	62%	79%	62%	79%	60%	62%
Net investments in property, plant and equipment and intangible assets	-163	-26	-291	-65	-178	-405
Cash and cash equivalents	1,470	12,264	1,470	12,264	1,871	1,470
Net debt (+) / Net cash (-)	10,530	-11,191	10,530	-11,191	10,658	10,530
Net debt/pro forma Adjusted EBITDA RTM, multiple	3.3	-4.3	3.3	-4.3	2.9	3.3
<b>Employee information</b>						
Average FTEs	3,657	1,822	3,547	1,716	1,937	2,868
Average FTEs, women	1,082	529	1,060	487	551	847
Percentage female	30%	29%	30%	28%	28%	30%
<b>Key data</b>						
EBIT margin	-1%	1%	0%	2%	1%	0%
EBITDA margin	8%	4%	9%	5%	5%	7%

## 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. As a result of this change, segment reporting is based on cost centers instead of legal entities.

Q2 2022, SEKm	Messaging	Voice	Email	SMB	Other	Group
External revenue	4,318	1,485	358	454	-	6,615
<b>Net sales</b>	<b>4,318</b>	<b>1,485</b>	<b>358</b>	<b>454</b>	-	<b>6,615</b>
<b>Gross profit</b>	<b>715</b>	<b>685</b>	<b>260</b>	<b>277</b>	-	<b>1,937</b>
<b>EBITDA</b>	<b>86</b>	<b>312</b>	<b>122</b>	<b>112</b>	<b>-103</b>	<b>528</b>
EBITDA adjustments	30	-6	-9	-14	23	25
<b>Adjusted EBITDA</b>	<b>55</b>	<b>318</b>	<b>131</b>	<b>125</b>	<b>-127</b>	<b>503</b>
Depreciation and amortization						-577
<b>EBIT</b>						<b>-49</b>
Net finance income						2
<b>Loss before tax</b>						<b>-47</b>

Q2 2021, SEKm	Messaging	Voice	Email	SMB	Other	Group
External revenue	3,640	42	-	-	-	3,682
<b>Net sales</b>	<b>3,640</b>	<b>42</b>	-	-	-	<b>3,682</b>
<b>Gross profit</b>	<b>848</b>	<b>21</b>	-	-	-	<b>869</b>
<b>EBITDA</b>	<b>317</b>	<b>-10</b>	-	-	<b>-155</b>	<b>152</b>
EBITDA adjustments	-65	0	-	-	-67	-132
<b>Adjusted EBITDA</b>	<b>382</b>	<b>-10</b>	-	-	<b>-89</b>	<b>284</b>
Depreciation and amortization						-104
<b>EBIT</b>						<b>48</b>
Net finance income						59
<b>Loss before tax</b>						<b>107</b>

Jan-Jun 2022, SEKm	Messaging	Voice	Email	SMB	Other	Group
External revenue	8,710	2,885	688	881	-	13,164
<b>Net sales</b>	<b>8,710</b>	<b>2,885</b>	<b>688</b>	<b>881</b>	-	<b>13,164</b>
<b>Gross profit</b>	<b>1,611</b>	<b>1,366</b>	<b>506</b>	<b>550</b>	-	<b>4,033</b>
<b>EBITDA</b>	<b>336</b>	<b>646</b>	<b>238</b>	<b>237</b>	<b>-281</b>	<b>1,176</b>
EBITDA adjustments	13	-14	-19	-25	-42	-88
<b>Adjusted EBITDA</b>	<b>323</b>	<b>661</b>	<b>257</b>	<b>262</b>	<b>-239</b>	<b>1,264</b>
Depreciation and amortization						-1,130
<b>EBIT</b>						<b>46</b>
Net finance income						19
<b>Loss before tax</b>						<b>64</b>

Jan-Jun 2021, SEKm	Messaging	Voice	Email	SMB	Other	Group
External revenue	6,941	91	-	-	-	7,032
<b>Net sales</b>	<b>6,941</b>	<b>91</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>7,032</b>
<b>Gross profit</b>	<b>1,656</b>	<b>33</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,689</b>
<b>EBITDA</b>	<b>622</b>	<b>-17</b>	<b>-</b>	<b>-</b>	<b>-261</b>	<b>344</b>
EBITDA adjustments	-109	0	-	-	-99	-208
<b>Adjusted EBITDA</b>	<b>730</b>	<b>-16</b>	<b>-</b>	<b>-</b>	<b>-162</b>	<b>552</b>
Depreciation and amortization						-199
<b>EBIT</b>						<b>145</b>
Net finance income						148
<b>Loss before tax</b>						<b>293</b>

## Distribution of external net sales

Q2 2022, SEKm	Messaging	Voice	Email	SMB	Group
<b>Net sales by customer region</b>					
North America	1,819	1,410	166	134	3,528
Europe	1,287	33	120	38	1,478
Asia-Pacific	474	12	21	236	743
Latin America	223	-	5	-	229
Rest of the world	515	29	46	46	637
<b>Total</b>	<b>4,318</b>	<b>1,485</b>	<b>358</b>	<b>454</b>	<b>6,615</b>
<b>Net sales by product/service</b>					
Communication services	4,274	1,485	358	454	6,571
Initial software licenses and upgrades	29	-	-	-	29
Support	30	-	-	-	30
Other	-15	-	-	-	-15
<b>Total</b>	<b>4,318</b>	<b>1,485</b>	<b>358</b>	<b>454</b>	<b>6,615</b>
<b>Net sales allocation per point in time</b>					
Over time	849	1,347	291	33	2,519
At one point in time	3,469	138	67	422	4,096
<b>Total</b>	<b>4,318</b>	<b>1,485</b>	<b>358</b>	<b>454</b>	<b>6,615</b>

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.

Q2 2021, SEKm	Messaging	Voice	Email	SMB	Group
<b>Net sales by customer region</b>					
North America	1,555	30	-	-	1,585
Europe	1,072	6	-	-	1,078
Asia-Pacific	389	7	-	-	396
Latin America	169	-	-	-	169
Rest of the world	454	-	-	-	454
<b>Total</b>	<b>3,640</b>	<b>42</b>	<b>-</b>	<b>-</b>	<b>3,682</b>
<b>Net sales by product/service</b>					
Communication services	3,544	42	-	-	3,586
Initial software licenses and upgrades	37	-	-	-	37
Support	25	-	-	-	25
Other	35	-	-	-	35
<b>Total</b>	<b>3,640</b>	<b>42</b>	<b>-</b>	<b>-</b>	<b>3,682</b>
<b>Net sales allocation per point in time</b>					
Over time	275	42	-	-	317
At one point in time	3,365	-	-	-	3,365
<b>Total</b>	<b>3,640</b>	<b>59</b>	<b>-</b>	<b>-</b>	<b>3,682</b>

Jan-Jun 2022, SEKm	Messaging	Voice	Email	SMB	Group
<b>Net sales by customer region</b>					
North America	3,639	2,745	315	243	6,942
Europe	2,698	44	235	76	3,053
Asia-Pacific	911	23	41	479	1,454
Latin America	446	1	10	-	457
Rest of the world	1,016	73	88	82	1,259
<b>Total</b>	<b>8,710</b>	<b>2,885</b>	<b>688</b>	<b>881</b>	<b>13,164</b>
<b>Net sales by product/service</b>					
Communication services	8,558	2,885	688	881	13,012
Initial software licenses and upgrades	58	-	-	-	58
Support	52	-	-	-	52
Other	42	-	-	-	42
<b>Total</b>	<b>8,710</b>	<b>2,885</b>	<b>688</b>	<b>881</b>	<b>13,164</b>
<b>Net sales allocation per point in time</b>					
Over time	1,260	2,747	560	58	4,625
At one point in time	7,451	138	129	823	8,540
<b>Total</b>	<b>8,710</b>	<b>2,885</b>	<b>688</b>	<b>881</b>	<b>13,164</b>

<b>Jan-Jun 2021, SEKm</b>	<b>Messaging</b>	<b>Voice</b>	<b>Email</b>	<b>SMB</b>	<b>Group</b>
<b>Net sales by customer region</b>					
North America	3,068	62	-	-	3,130
Europe	2,060	12	-	-	2,072
Asia-Pacific	732	16	-	-	748
Latin America	320	-	-	-	320
Rest of the world	763	-	-	-	763
<b>Total</b>	<b>6,941</b>	<b>91</b>	<b>-</b>	<b>-</b>	<b>7,032</b>
<b>Net sales by product/service</b>					
Communication services	6,761	91	-	-	6,852
Initial software licenses and upgrades	65	-	-	-	65
Support	49	-	-	-	49
Other	66	-	-	-	66
<b>Total</b>	<b>6,941</b>	<b>91</b>	<b>-</b>	<b>-</b>	<b>7,032</b>
<b>Net sales allocation per point in time</b>					
Over time	477	91	-	-	568
At one point in time	6,464	-	-	-	6,464
<b>Total</b>	<b>6,941</b>	<b>91</b>	<b>-</b>	<b>-</b>	<b>7,032</b>

## 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 (15) employees. The parent company has no external business activities, and the risks are mainly related to the operations of the subsidiaries.

### Condensed parent company income statement and balance sheet

SEKm	Q2 2022	Q2 2021	Jan-Jun 2022	Jan-Jun 2021	2021	R12M
Operating income	60	21	79	43	179	215
Operating costs	-117	-67	-159	-113	-260	-306
<b>EBITDA</b>	<b>-57</b>	<b>-46</b>	<b>-81</b>	<b>-70</b>	<b>-81</b>	<b>-91</b>
Depreciation and amortization	-1	-1	-2	-3	-5	-5
<b>EBIT</b>	<b>-58</b>	<b>-48</b>	<b>-83</b>	<b>-73</b>	<b>-86</b>	<b>-96</b>
Finance income & expense	-85	75	446	157	842	1,131
<b>Profit or loss after financial items</b>	<b>-144</b>	<b>27</b>	<b>363</b>	<b>84</b>	<b>756</b>	<b>1,035</b>
Appropriations	-	-	-	-	-447	-447
<b>Loss before tax</b>	<b>-144</b>	<b>27</b>	<b>363</b>	<b>84</b>	<b>309</b>	<b>587</b>
Tax on profit for the period	30	-55	-75	-45	-65	-95
<b>Profit for the period</b>	<b>-114</b>	<b>-28</b>	<b>288</b>	<b>39</b>	<b>243</b>	<b>492</b>

SEKm	30 Jun 2022	30 Jun 2021	31 Dec 2021
<b>ASSETS</b>			
Intangible assets	6	0	7
Property, plant and equipment (tangible assets)	4	14	5
Financial assets	21,961	3,432	6,081
<b>Total non-current assets</b>	<b>21,971</b>	<b>3,447</b>	<b>6,093</b>
<b>Total current assets</b>	<b>24,430</b>	<b>14,617</b>	<b>40,354</b>
<b>TOTAL ASSETS</b>	<b>46,401</b>	<b>18,063</b>	<b>46,446</b>
<b>EQUITY AND LIABILITIES</b>			
Restricted equity	8	7	7
Non-restricted equity	34,522	16,799	34,166
<b>Total equity</b>	<b>34,530</b>	<b>16,806</b>	<b>34,172</b>
Untaxed reserves	43	31	43
Provisions	-	8	-
Non-current liabilities	8,071	1,005	909
Current liabilities	3,757	215	11,323
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>46,401</b>	<b>18,063</b>	<b>46,446</b>

### 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. 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 and there have been no changes to the assessments.

### 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, 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 affecting comparability 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 cost base.

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

	Q2 2022	Q2 2021	Jan-Jun 2022	Jan-Jun 2021	2021	R12M
<b>EBITDA adjustments, SEKm</b>						
Acquisition costs	1	-24	-41	-41	-166	-166
Adjusted earnout	-	-	-	-	-	-
Integration costs	-66	-75	-125	-105	-230	-250
Costs of share-based incentive programs	-27	-18	-45	-47	-106	-104
Operational foreign exchange gains/losses	117	-15	123	-15	-	138
Other adjustments	-	-	-	-1	11	10
<b>Total EBITDA adjustments</b>	<b>25</b>	<b>-132</b>	<b>-88</b>	<b>-208</b>	<b>-492</b>	<b>-372</b>
Amortization of acquisition-related assets	-464	-75	-904	-144	-511	-1,271
<b>Total adjustments in EBIT</b>	<b>-439</b>	<b>-207</b>	<b>-992</b>	<b>-353</b>	<b>-1,003</b>	<b>-1,643</b>

	Q2 2022	Q2 2021	Jan-Jun 2022	Jan-Jun 2021	2021	R12M
<b>Acquisition costs, SEKm</b>						
Messaging	-	-	-	-	-	-
Voice	3	-	3	-	-	3
Email	-	-	-	-	-3	-3
SMB	-	-	-	-	-	-
Other	-2	-24	-44	-41	-163	-166
<b>Acquisition costs<sup>1</sup></b>	<b>1</b>	<b>-24</b>	<b>-41</b>	<b>-41</b>	<b>-166</b>	<b>-166</b>

1) Reported as other external expenses



<b>Integration costs per segment, SEKm</b>	<b>Q2 2022</b>	<b>Q2 2021</b>	<b>Jan-Jun 2022</b>	<b>Jan-Jun 2021</b>	<b>2021</b>	<b>R12M</b>
Messaging	-28	-39	-53	-57	-106	-103
Voice	-5	-	-8	-	-4	-12
Email	-6	-	-11	-	-	-11
SMB	-9	-	-15	-	-	-15
Other	-18	-35	-38	-48	-120	-109
<b>Integration costs per segment<sup>2</sup></b>	<b>-66</b>	<b>-75</b>	<b>-125</b>	<b>-105</b>	<b>-230</b>	<b>-250</b>

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

<b>Integration costs per category, SEKm</b>	<b>Q2 2022</b>	<b>Q2 2021</b>	<b>Jan-Jun 2022</b>	<b>Jan-Jun 2021</b>	<b>2021</b>	<b>R12M</b>
Employee benefits expenses	-42	-44	-82	-60	-136	-159
External consultants	-20	-29	-38	-41	-81	-78
Other	-4	-2	-4	-5	-14	-13
<b>Integration costs per category<sup>3</sup></b>	<b>-66</b>	<b>-75</b>	<b>-125</b>	<b>-105</b>	<b>-230</b>	<b>-250</b>

3) Reported as other external expenses and employee benefits expenses

<b>Costs of share-based incentive programs, SEKm</b>	<b>Q2 2022</b>	<b>Q2 2021</b>	<b>Jan-Jun 2022</b>	<b>Jan-Jun 2021</b>	<b>2021</b>	<b>R12M</b>
Cost of vested warrants per IFRS 2	-36	-26	-73	-52	-116	-136
Social insurance costs	8	8	28	6	10	32
<b>Costs of share-based incentive programs<sup>4</sup></b>	<b>-27</b>	<b>-18</b>	<b>-45</b>	<b>-47</b>	<b>-106</b>	<b>-104</b>

4) Reported as employee benefits expenses. Reported in the Other segment.

<b>Operational foreign exchange gains/losses, SEKm</b>	<b>Q2 2022</b>	<b>Q2 2021</b>	<b>Jan-Jun 2022</b>	<b>Jan-Jun 2021</b>	<b>2021</b>	<b>R12M</b>
Messaging	70	-9	83	-8	-4	87
Voice	-	-	-	-	-	-
Email	3	-	3	-	2	5
SMB	-1	-	-3	-	5	2
Other	45	-6	40	-7	-3	44
<b>Operational foreign exchange gains/losses<sup>5</sup></b>	<b>117</b>	<b>-15</b>	<b>123</b>	<b>-15</b>	<b>0</b>	<b>138</b>
<b>Of which:</b>						
Realized foreign exchange gains/losses	98	-17	113	-29	-46	97
Unrealized foreign exchange gains/losses	19	2	9	14	46	42
<b>Operational foreign exchange gains/losses<sup>5</sup></b>	<b>117</b>	<b>-15</b>	<b>123</b>	<b>-15</b>	<b>0</b>	<b>138</b>

5) Reported as other operating income or other operating costs

<b>Other adjustments</b>	<b>Q2 2022</b>	<b>Q2 2021</b>	<b>Jan-Jun 2022</b>	<b>Jan-Jun 2021</b>	<b>2021</b>	<b>R12M</b>
Messaging	-	-	-	0	9	9
Voice	-	-	-	-	-3	-3
Email	-	-	-	-	-	-
SMB	-	-	-	-	-	-
Other	-	-	-	0	4	4
<b>Other adjustments<sup>6</sup></b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-1</b>	<b>10</b>	<b>10</b>

6) Reported as other external expenses

### Note 3 - Pledged assets and contingent liabilities

Issued guarantees amounted to SEK 198m (65). 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, 1,658,832 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 period of January to June, 305,268 warrants from LTI 2016 were exercised and 417,029 warrants from LTI 2018 and 300 warrants from LTI 2020 were exercised in the second quarter, where each warrant carried 10 shares. The exercise prices were, respectively, SEK 12.77, SEK 9.13 and SEK 62.40 per share. Equity was increased by SEK 77m through the exercise of warrants.

Total costs for the incentive programs recognized on the income statement amount to SEK 45m (47) for the period of January to June. Payroll costs for vested warrants are included in profit or loss in the amount of SEK 73m (52) with a corresponding increase in equity and social insurance costs and improved profit by SEK 28m (6), with a corresponding reduction of provisions in the balance sheet. Payroll costs reduced profit in Q2 by SEK 36m (26) and social insurance costs improved profit by SEK 8m (8).

Of all outstanding warrants, 59 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 1.1 percent (2.5) 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	Q2 2022	Q2 2021	Jan-Jun 2022	Jan-Jun 2021	2021	R12M
Amortization acquired customer relationships	-291	-50	-567	-98	-316	-786
Amortization acquired operator relationships	-18	-6	-34	-12	-45	-68
Amortization acquired trademarks	-14	-2	-28	-5	-14	-37
Amortization acquired software	-141	-16	-274	-31	-136	-379
<b>Total acquisition-related amortization</b>	<b>-463</b>	<b>-75</b>	<b>-903</b>	<b>-145</b>	<b>-512</b>	<b>-1,270</b>
Proprietary software	-33	-8	-65	-15	-35	-85
Licenses	-	-2	-3	-2	-14	-14
Other intangible assets	-	-	-1	-	-	-1
<b>Total amortization intangible assets</b>	<b>-497</b>	<b>-85</b>	<b>-972</b>	<b>-162</b>	<b>-561</b>	<b>-1,371</b>
Property, plant and equipment (tangible assets)	-43	-9	-88	-18	-44	-114
Right-of-use assets	-36	-10	-70	-19	-59	-110
Impairments	-	-	-	-	-8	-8
<b>Total amortization/depreciation intangible assets and property, plant and equipment</b>	<b>-577</b>	<b>-104</b>	<b>-1,130</b>	<b>-199</b>	<b>-673</b>	<b>-1,603</b>

### Note 6 - Acquisition of group companies

#### 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 by USD 2.6m (SEK 25m) during the quarter. The increase is attributable to adjustments of working capital and cash reserves and has been recognized in its entirety 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 accounts receivable amounted to SEK 534m. The contractual gross amount of accounts receivable is SEK 658m. Goodwill of SEK 5,569m is attributable mainly to complementary product offerings and growth in the customer base. The acquisition analysis may need to be revised because acquisition occurred at the end of 2021, the acquisition balance sheet and consideration are preliminary and the value of intangible assets and deferred tax may change upon in-depth analysis.

#### **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 the quarter 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 amounted to SEK 218m. The contractual gross amount of accounts receivable is SEK 222m. Goodwill of SEK 6,931m is attributable mainly to complementary product offerings and expected growth in new customer groups. The acquisition analysis may need to be revised because acquisition occurred at the end of 2021, the acquisition balance sheet and consideration are preliminary and the value of intangible assets and deferred tax may change upon in-depth analysis.

#### **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 the first quarter. 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 interact with their customers via interactive messaging services like WhatsApp, Telegram and Apple Messages for Business (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 amounts to SEK 4m. The contractual gross amount of accounts receivable is SEK 4m. Goodwill of SEK 384m arises mainly from the expertise provided by MessengerPeople. The acquisition analysis may need to be revised because acquisition occurred at the end of 2021, the acquisition balance sheet and consideration are preliminary and the value of intangible assets and deferred tax may change upon in-depth analysis.

#### **Pathwire**

Sinch entered into a binding agreement on 30 September 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 8,776m 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 amounts to SEK 68m. The contractual gross amount of accounts receivable is SEK 83m. Goodwill of SEK 8,529m is attributable mainly to complementary product offerings and anticipated growth in the customer base. The acquisition analysis may need to be revised because acquisition occurred at the end of 2021, the acquisition balance sheet and consideration are preliminary and the value of intangible assets and deferred tax may change upon in-depth analysis.

<b>Fair value of acquired net assets, SEKm</b>	<b>MessageMedia<sup>1</sup></b>	<b>MessengerPeople<sup>1</sup></b>	<b>Inteliquent<sup>1</sup></b>	<b>Pathwire<sup>1</sup></b>
Customer relationships	4,229	115	3,794	4,094
Operator relationships	17	-	-	-
Trademarks	58	2	118	751
Proprietary software	990	5	1,289	2,083
Other intangible assets	5	0	293	30
Right-of-use assets	13	3	697	77
Property, plant and equipment	7	0	568	5
Financial assets	12	0	31	19
Deferred tax assets	-	5	366	54
Trade receivables	222	4	658	83
Credit loss allowance	-4	0	-124	-15
Tax assets	-	-	10	31
Accrued income	38	-	62	71
Other current assets	15	1	0	8
Cash and cash equivalents	91	52	437	390
Deferred tax liability	-1,520	-40	-1,715	-1,670
Non-current interest-bearing liabilities	-16	-1	-616	-66
Other non-current liabilities	-2	-2	-8	-
Accounts payable	0	0	-58	-38
Current interest-bearing liabilities	-280	-	-84	-10
Other current liabilities	-	-20	-59	-30
Tax liability	-50	-1	-7	-4
Accrued expenses and prepaid income	-89	-	-616	-187
<b>Total acquired net assets</b>	<b>3,738</b>	<b>121</b>	<b>5,036</b>	<b>5,676</b>

1) The acquisition analysis is preliminary.

<b>Purchase consideration, SEKm</b>	<b>MessageMedia</b>	<b>MessengerPeople</b>	<b>Inteliquent</b>	<b>Pathwire</b>
Consideration paid	9,306	508	10,581	11,490
Adjustment of consideration	12	-3	24	-
Consideration paid 2022	1,351	-	-	2,715
<b>Total consideration</b>	<b>10,669</b>	<b>505</b>	<b>10,605</b>	<b>14,205</b>
Fair value of acquired net assets	-3,738	-121	-5,036	-5,676
<b>Goodwill</b>	<b>6,931</b>	<b>384</b>	<b>5,569</b>	<b>8,529</b>

<b>Effects of acquisitions on consolidated cash and cash equivalents, SEKm</b>	<b>MessageMedia</b>	<b>MessengerPeople</b>	<b>Inteliquent</b>	<b>Pathwire</b>	<b>Total</b>
Consideration paid	-12	3	-24	-	-33
Direct costs relating to acquisitions <sup>1)</sup>	0	-1	-4	-36	-41
<b>Effects on cash and cash equivalents:</b>	<b>-12</b>	<b>2</b>	<b>-28</b>	<b>-36</b>	<b>-74</b>

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

## 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](http://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).*

#### 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 and includes contributions from acquired entities in the last 12 months. Net debt is measured excluding IFRS 16-related lease liabilities. *Shows how many years it would take to pay off the company's debts presuming that net debt and Adjusted EBITDA are constant and with no consideration of other cash flows.*

#### OPEX

Other external expenses and employee benefits expenses

#### Equity ratio

Equity as a percentage of total assets.

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

#### EBIT

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

#### EBITDA

Profit for the period before financial income, financial 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.*

#### EBITDA adjustments

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

*Separate reporting of operating profit adjusted for these items clarifies performance in the underlying business.*

#### 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.

#### Adjusted EBITDA

EBITDA after adjustments.

*Enables comparison of profitability over time, regardless of the effects of acquisition costs, integration costs and adjustment items.*

#### 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

Adjusted EBITDA divided by gross profit.

*The measurement illustrates the company's operating margin excluding the cost of goods sold (fees to mobile operators), which can partially be regarded as pass-through billing.*

#### 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. Depreciation of non-current assets and amortization of other intangible assets are included, as this is a measure of the use of resources necessary to generate profit.*

#### 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,

## **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 2020 Annual Report for Sinch AB (publ) for definitions of terms and acronyms, available at [investors.sinch.com](https://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 Q3, Jan-Sep 2022      2 November 2022

## Annual General Meeting

The annual general meeting of shareholders in Sinch was held on 9 July and the meeting endorsed all board proposals. Hudson Smith was elected to the board for the first time and Luciana de Carvalho left the board. See [sinch.investors.com](https://sinch.investors.com) for more information.

## 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.

## Impact of the Russian invasion of Ukraine

Russia invaded Ukraine on the 24th of February, causing enormous human suffering. The situation has triggered a

profound response from the management and employees of Sinch. Sinch's main priority has been to support employees affected by these tragic events, in Ukraine, in Russia and elsewhere. Actions to ensure compliance with the subsequent sanctions were implemented immediately and Sinch has stopped all new sales of Sinch products and services to customers based in Russia and Belarus. To support the Ukrainian people, Sinch has launched a matching program for employees focused on donations to the Ukraine Crisis Relief Fund. At year-end, Sinch had 59 employees in Ukraine and Russia. The Russian and Ukrainian markets accounted for about one-thousandth of Sinch's total revenues in 2021.

## 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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Stockholm, 21 July 2022

Erik Fröberg  
Chairman of the Board

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 21 July 2022 at 07:30 CEST.*

*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 auditor.*