

Sinch acquires Pathwire, the leading email delivery platform, and intends to carry out a directed share issue secured by investor undertakings

Stockholm, Sweden, and San Antonio, Texas – September 30, 2021 – Sinch AB (publ), a global leader in cloud communications for mobile customer engagement, today announced that it has entered into a definitive agreement to acquire Pathwire, the leading cloud-based email delivery platform, including its Mailgun, Mailjet and Email on Acid products for developers and marketers. Sinch will pay the sellers a cash consideration of USD 925 million and 51 million new shares in Sinch. Using yesterday's closing Sinch share price of SEK 165.9, and USD/SEK exchange rate of 8.8, this corresponds to an enterprise value of approximately USD 1.9 billion, or SEK 16.6 billion.

Pathwire provides a best-in-class email deliverability platform for transactional and marketing email. Built to remove the complexities of the world's most-used digital communications channel, Pathwire ensures that the right messages are delivered to the right person at the right time. Over 100,000 businesses use Pathwire's products to engage with their customers, including major brands such as Lyft, Kajabi, Microsoft, Iterable, and DHL.

The acquisition of Pathwire means that Sinch becomes one of the very few, global CPaaS providers that can deliver leading quality at scale across all the main digital communications channels which businesses use to engage with their customers.

"Every form of digital communications has its unique benefits, and delivering high quality at scale requires both extensive technical capabilities and deep subject matter expertise", comments Oscar Werner, Sinch CEO. "Together with Pathwire, we will be able to offer a best-of-breed product set, across messaging, voice and email, that empowers businesses and developers to craft an unmatched, digital, customer experience."

Businesses turn to cloud-based email service providers to avoid costly in-house solutions and to ensure that each message reaches its recipient as intended. Through its feature-rich email API, email testing tools, and accomplished deliverability services, Pathwire ensures that emails are received with minimum delay, that they are showcased in customers' prime inbox, and that messages render pixel-perfect on every device and with every email provider. Together with a highly efficient, online go-to-market model, these product strengths have allowed Pathwire to outgrow the competition and deliver consistently high growth and high profitability.

Pathwire's offering is centered around three core products:

- [Mailgun](#) offers powerful APIs that let developers integrate automated email messages into products and workflows. With unmatched deliverability rates, Mailgun is the preferred choice for developers looking to send, receive and track emails using a cloud-native, scalable infrastructure.
- [Mailjet](#) offers a drag-and-drop email builder and suite of APIs that empower marketers to increase customer engagement and maximize marketing ROI. Its powerful tools cater for the entire life cycle of an email; from design and creativity to testing, deliverability, and analytics.
- [Email on Acid](#) further improves deliverability rates, through an automated pre-deployment checklist, and ensures that every email message renders well across different email providers and devices.

"Sinch and Pathwire are a natural fit: both companies have built their businesses around product excellence, a commitment to positive results for our customers, and a focus on clear, measurable outcomes. I'm proud of what the Pathwire team has accomplished, and I'm tremendously excited about this next step on our journey and the many opportunities we can unlock together", comments Will Conway, Pathwire CEO.



“We are proud of what we accomplished with Will and the Pathwire team over the past few years, investing in product initiatives, leadership, and M&A, including the acquisitions of Mailjet and Email on Acid,” said Hudson Smith, a Partner at Thoma Bravo. “Sinch is the perfect strategic partner to support Pathwire and continue to build on its market-leading position as the email communications partner of choice for developers and marketers.”

Research by Technavio estimates that the worldwide market for email delivery is worth USD 16 billion. More than 60 percent of this amount relates to transactional email, which are delivered in response to an action by an end user, such as booking confirmations, receipts and password resets.

Financials

In the twelve months ending December 31, 2021, Pathwire is expected to record revenues of USD 132 million, Gross Profit of USD 104 million, and Adjusted EBITDA of USD 55 million. This corresponds to a gross margin of 79 percent and an adjusted EBITDA margin of 42 percent. The business employs around 290 people and is headquartered in San Antonio, Texas.

Organic revenue growth over the past years has consistently exceeded 30 percent per year with a gross margin close to 80 percent and an Adjusted EBITDA margin above 35 percent. The transaction is growth and margin accretive to Sinch.

The transaction is expected to generate significant revenue synergies from the cross-selling of Sinch and Pathwire products to each other’s customer base. Upon closing of the transaction, Pathwire will also be able to leverage Sinch’s established sales presence in 47 international markets to drive further growth with net new enterprise customers. One-off integration costs are estimated to reach around SEK 75 million over 18 months.

Financing

Pathwire will be acquired through a merger between a subsidiary of Sinch, Pegasus Corp One, which is registered in Delaware.

The acquisition will be financed through a combination of cash, equity and debt facilities. Upon closing, Sinch will pay the sellers, which include funds managed by Thoma Bravo and Turn/River Capital, a cash consideration of USD 925 million. The sellers will also receive 51 million new shares in Sinch, which will be delivered to the sellers not earlier than February and May 2022. Using yesterday’s closing Sinch share price of SEK 165.9, and USD/SEK exchange rate of 8.8, this corresponds to an enterprise value of approximately USD 1.9 billion, or SEK 16.6 billion.

Sinch intends to call for an extraordinary general meeting to authorize the board of directors to resolve on the issue of the consideration shares for the Pathwire acquisition. Shareholders representing in excess of 48 percent of the total number of shares and votes in Sinch have undertaken to vote in favor of such authorization. The notice for the extraordinary general meeting will be published separately.

Sinch further intends to resolve on a directed share issue of approximately 40 million shares, equivalent to approximately USD 750 million. Canada Pension Plan Investment Board (“CPP Investments”), Temasek, SeaTown Master Fund (“SeaTown”), and SB Northstar LP, a fund managed by SB Management, a wholly owned direct subsidiary of SoftBank Group Corp, alongside certain existing shareholders, have undertaken to subscribe for shares in the directed share issue, which is expected to be settled and paid for with one part in October and one part in December 2021. The details of the directed share issue will be published separately.

Sinch has a financial target to maintain net debt/adjusted EBITDA below 3.5x over time. In anticipation of upcoming transactions, Sinch had a net cash position of SEK 11.2 billion at the end of Q2 2021. This corresponds to a net debt/adjusted EBITDA-ratio of -9.6x. Several previously announced transactions are expected to affect this ratio ahead:

- On 17 February, Sinch announced the acquisition of Inteliquent for a total cash consideration of USD 1,140 million. The transaction is expected to close in H2 2021.
- On 9 June, Sinch announced the acquisition of MessageMedia. Sinch will pay a total enterprise value of USD 1.3 billion, with a total cash consideration of USD 1.1 billion and 11 284 870 new shares in Sinch. The transaction is expected to close in H2 2021.
- On 22 September, Sinch announced the acquisition of MessengerPeople. Sinch will pay a total enterprise value of EUR 48 million, with a total cash consideration of EUR 33.6 million and EUR 14.4 million paid in the form of new shares in Sinch. The transaction is expected to close in Q4 2021.

On a pro forma basis, as if the acquisitions of Inteliquent, MessageMedia, MessengerPeople and Pathwire had been completed already at this point, and the directed share issue of approximately 40 million shares referenced above had already been completed, Net debt/Adjusted EBITDA would have been approximately 2.7x. This calculation of pro forma Net debt/Adjusted EBITDA includes Adjusted EBITDA in acquired entities over the past 12 months. Cash generation and earnings growth is expected to reduce this ratio going forward.

When the acquisitions of MessageMedia, MessengerPeople and Pathwire have closed, and the directed share issue referenced above is completed, the number of outstanding shares in Sinch will increase by 130.2 million. All else equal, this implies that the number of shares in Sinch rises to 830.1 million, which is an increase of around 14 percent.

Financial impact of recent transactions

In Q2 2021, Sinch reported revenues for the last 12 months of SEK 11,809 million, Gross profit of SEK 2,966 million, and Adjusted EBITDA of SEK 1,165 million. This corresponds to a gross margin of 25 percent and an Adjusted EBITDA margin of 10 percent.

Pro forma financials include 12 months of earnings from all entities that have been acquired during the past year, as well as from Inteliquent, MessageMedia, MessengerPeople and Pathwire (which have been announced but not yet closed). On this pro forma basis, Sinch's revenues for the last 12 months, as of Q2 2021, would have been approximately SEK 20.4 billion. Gross profit would have been approximately SEK 7.2 billion and Adjusted EBITDA approximately SEK 3.2 billion. This corresponds to a gross margin of 35 percent and an Adjusted EBITDA margin of 16 percent.

Regulatory approval

Closing of the transaction is subject to customary closing conditions, including merger-control filing to the Federal Trade Commission and the Department of Justice in the US.

Timeline

The transaction is expected to close by the end of 2021.

Advisors

Moelis & Company UK LLP is acting as financial advisor to Sinch in the transaction, with K&L Gates LLP acting as legal advisor. Morgan Stanley & Co. LLC is acting as financial advisor to Pathwire, with Goodwin Procter LLP acting as legal advisor.



Webcast

A conference call for analysts and investors will take place today, September 30, at 14.00 CEST. The live webcast will be available at investors.sinch.com/webcast, where it will also be possible to ask questions. To participate by phone, please dial in a few minutes before the call to ensure that you are connected.

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Presentation materials will be made available at <https://investors.sinch.com>.

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About Sinch

Sinch brings businesses and people closer with tools enabling personal engagement. Its leading cloud communications platform lets businesses reach every mobile phone on the planet, in seconds or less, through mobile messaging, voice and video. Sinch is a trusted software provider to mobile operators, and its platform powers business-critical communications for many of the world's largest companies. Sinch has been profitable and fast-growing since its foundation in 2008. It is headquartered in Stockholm, Sweden, and has local presence in more than 40 countries. Shares are traded at NASDAQ Stockholm: XSTO:SINCH. Visit us at sinch.com.

About Pathwire

Pathwire offers email API technology and intuitive email marketing solutions that empowers companies around the world to solve complex communication problems. Through its Mailgun, Mailjet, and Email on Acid brands, Pathwire delivers over 250 billion emails a year for companies like DHL, Wikipedia, Toast, Lyft, and Microsoft. It provides reliable, cloud-native infrastructure, local expertise, and smart solutions based on machine learning so companies can more easily reach their customers and build connected experiences. Pathwire has employees worldwide including in the UK, Spain, France, Germany, and the US, with a headquarters in San Antonio, Texas. For more information, visit pathwire.com.

About Thoma Bravo

Thoma Bravo is one of the largest private equity firms in the world, with more than \$83 billion in assets under management as of June 30, 2021. The firm invests in growth-oriented, innovative companies operating in the software and technology sectors. Leveraging the firm's deep sector expertise and proven strategic and operational capabilities, Thoma Bravo collaborates with its portfolio companies to implement operating best practices, drive growth initiatives and make accretive acquisitions intended to accelerate revenue and earnings. Over the past 20 years, the firm has acquired more than 325 companies representing over \$100 billion in enterprise value. The firm has offices in Chicago, Miami and San Francisco. For more information, visit thomabravo.com.

This information is information that Sinch AB (publ) is obliged to make public pursuant to the EU Market Abuse Regulation. The information was submitted for publication, through the contact person set out above, at 08:00 CEST on September 30, 2021.

Important information

This press release may contain certain forward-looking statements. Such statements are all statements that do not relate to historical facts and include expressions such as "believe", "estimate", "anticipate", "expect", "assume", "predict", "intend", "may", "presuppose", "should" or similar. The forward-looking statements in this release are based on various estimates and assumptions that in several cases are based on additional assumptions. Although Sinch believes these assumptions were reasonable when made, such forward-looking statements are subject to known and unknown risks, uncertainties and other important factors that are difficult or impossible to predict and that are beyond Sinch's control. Such risks, uncertainties and important factors could cause the actual results to differ materially from the results expressly or implicitly indicated in this communication through the forward-looking statements. The information, perceptions and the forward-looking statements in this release apply only as of the date of this release and may change without notice.

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The securities referred to herein have not been and will not be registered under the applicable securities laws of Canada, Japan, Australia, South Africa, New Zealand, Hong Kong or Singapore and, subject to certain exemptions, may not be offered or sold in or into or for the account or benefit of any person having a registered address in, or located or resident in, Canada, Japan, Australia, South Africa, New Zealand, Hong Kong or Singapore. There will be no public offering of the securities described herein in Canada, Japan, Australia, South Africa, New Zealand, Hong Kong or Singapore.

This press release is not a prospectus for purposes of Prospectus Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017 and its delegated and implemented regulations (the "Prospectus Regulation") and has not been approved by any regulatory authority in any jurisdiction. Sinch has not authorized any offer to the public of securities in any EEA Member State and no prospectus has been or will be prepared in connection with the directed new share issue. In any EEA Member State, this communication is only addressed to and is only directed at qualified investors in that Member State within the meaning of the Prospectus Regulation.

In the United Kingdom, this document and any other materials in relation to the securities described herein is only being distributed to, and is only directed at, and any investment or investment activity to which this document relates is available only to, and will be engaged in only with, "qualified investors" (within the meaning of the United Kingdom version of the EU Prospectus Regulation (2017/1129/ EU) which is part of United Kingdom law by virtue of the European Union (Withdrawal) Act 2018) who are (i) persons having professional experience in matters relating to investments who fall within the definition of "investment professionals" in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order

2005 (the “Order”); or (ii) high net worth entities falling within Article 49(2)(a) to (d) of the Order (all such persons together being referred to as “relevant persons”). In the United Kingdom, any investment or investment activity to which this communication relates is available only to, and will be engaged in only with, relevant persons. Persons who are not relevant persons should not take any action on the basis of this press release and should not act or rely on it.

Neither Sinch nor any its affiliates directors, officers, employees, agents, affiliates or advisers is under any obligation to update, complete, revise or keep current the information contained in this press release to which it relates or to provide the recipient with access to any additional information that may arise in connection with it.

Every care has been taken into consideration when translating this press release into English. In the event of differences between the English version and the Swedish original, the Swedish version shall apply.