

Q2 2023 Investor Presentation

21 July 2023



Laurinda Pang, CEO

Roshan Saldanha, CFO

Thomas Heath, Chief Strategy Officer & Head of Investor Relations

SEK 28.5bn
net sales in the
past 12 months

SEK 9.4bn
gross profit in the
past 12 months

SEK 3.6bn
Adj. EBITDA in the
past 12 months

60+
countries with
local presence

Powering meaningful conversations through the **Customer Communications Cloud**

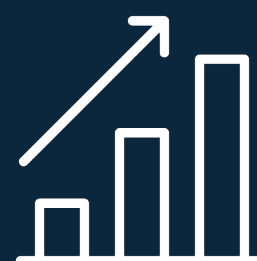
Scalable cloud communications platform
for messaging, voice, email and video

More than 700 billion
engagements per year

Over 150,000
customers



Profitable since our
foundation in 2008



>60% growth CAGR
since IPO in 2015



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



Three priorities

01 Cost control

02 Cash flow

03 Growth



Second quarter highlights

01

Delivering on cost targets

- Reached and exceeded targeted SEK 300 million in annual gross savings through execution of the Cost reduction program announced Q2 2022
- Adjusted Opex in Q2 23 is 4% lower than in Q2 2022 in constant currencies; 6% lower in targeted areas

02

Growing EBITDA

- Improved year-on-year growth in Net sales and Gross profit compared to Q1 2023
- Gross margin at 33%, up 0.4pp from Q1 2023 and 1.3pp Q2 2022
- Organic Gross profit growth at 4%
- Organic Adjusted EBITDA growth at 21%

03

Lower financial leverage

- Net debt/Adjusted EBITDA excl. IFRS16 leases at 2.4x, down from 2.7x in Q1 2023 and 3.3x in Q2 2022.
- Comfortably in line with financial target to keep Net debt below 3.5x Adjusted EBITDA over time



Improvements throughout the business

01 Messaging

- Improved growth rates* despite continued macroeconomic headwinds
- Organic Gross profit growth at -3% year-on-year, up from -8% in Q1 23
- 21% organic growth in Adjusted EBITDA

02 Voice

- Number verification products fueling year-on-year gross profit growth
- Robust profitability with an Adjusted EBITDA margin at 24%

03 Email

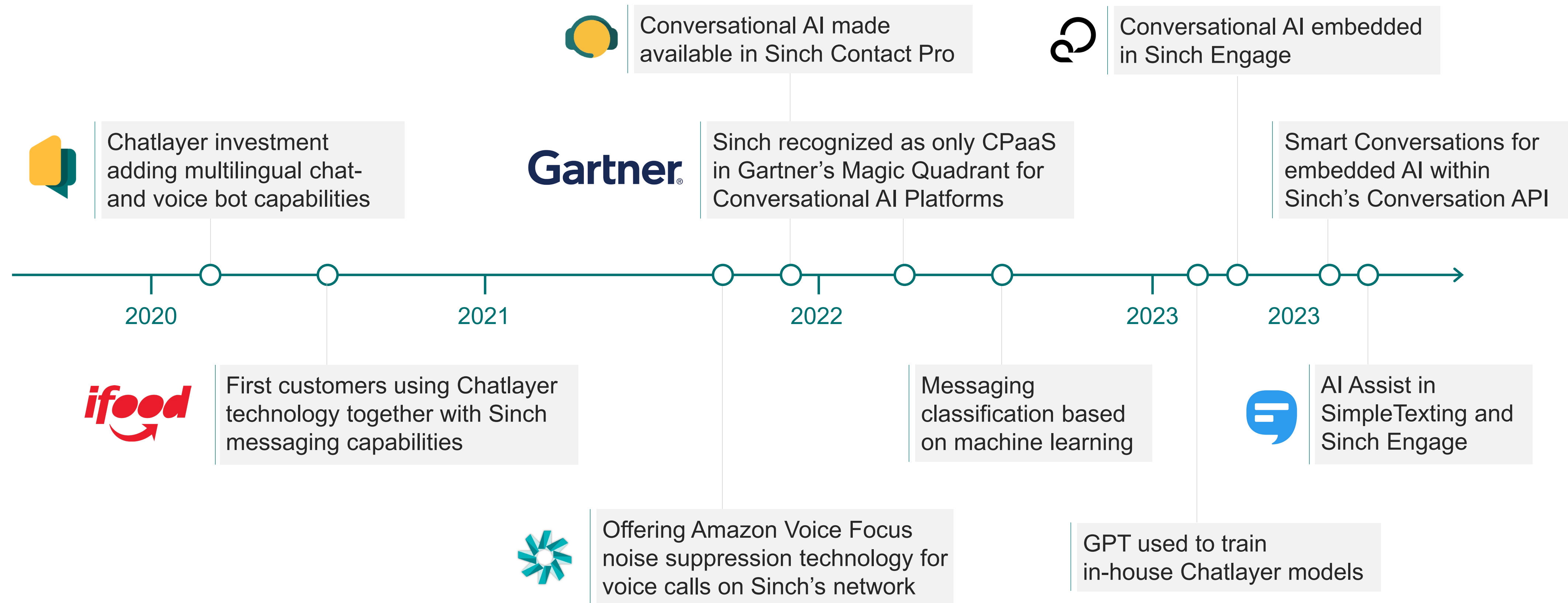
- 14% organic year-on-year growth in Net sales fueled by customer wins and volume growth
- Cloud infrastructure migration driving 23% organic growth in Gross profit

04 SMB

- Continued high growth in North America & strong performance in SimpleTexting and ClickSend
- Gross profit growth reaccelerating to 10%, improving significantly from Q1 23

*All year-on-year growth rates in Gross profit and EBITDA on this slide are shown in constant currencies and have been adjusted for the SEK 162m reassessment of reserves for accrued traffic costs that impacted the comparison period Q2 2023.

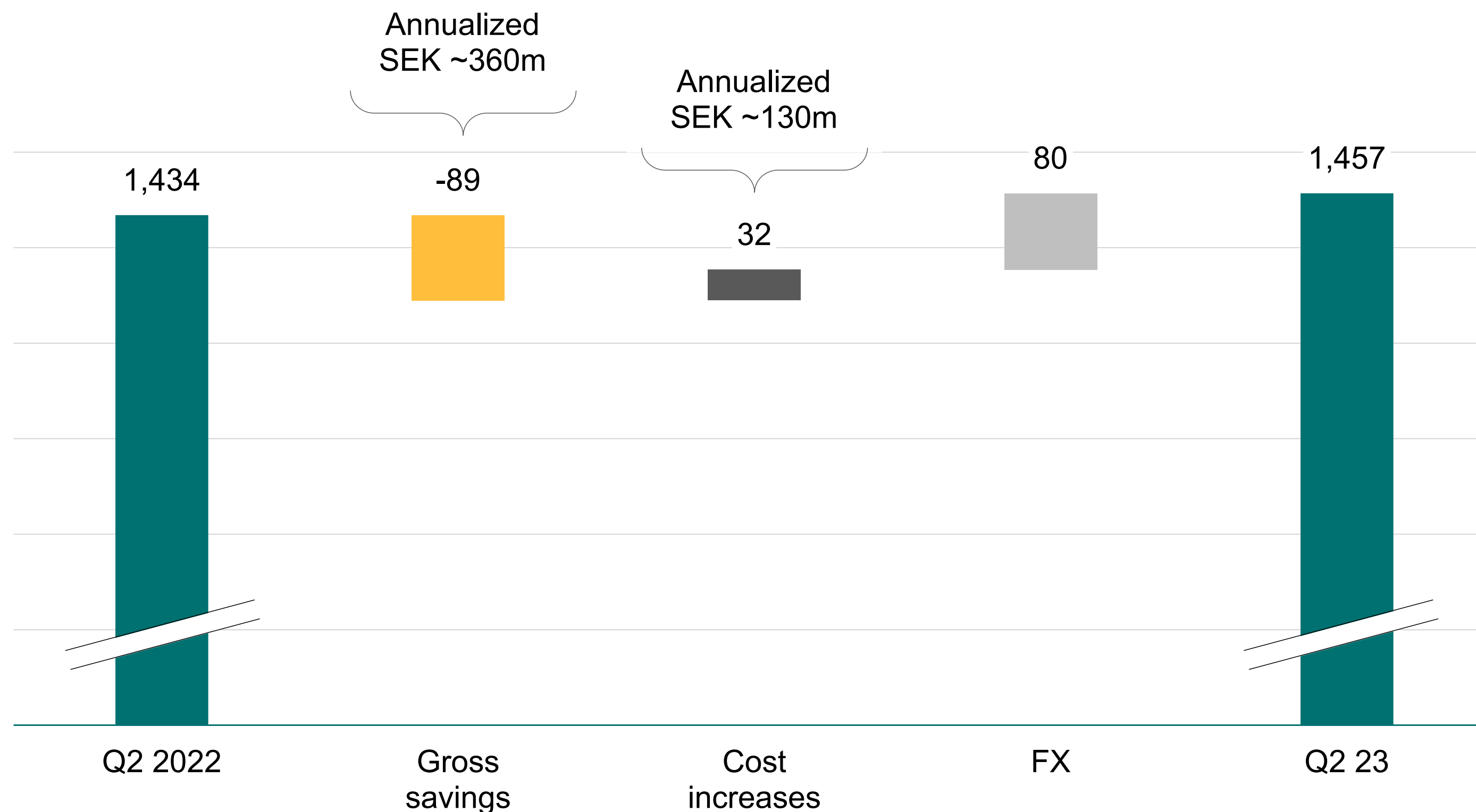
Artificial Intelligence





Reached cost reduction target

Adjusted Opex, SEKm

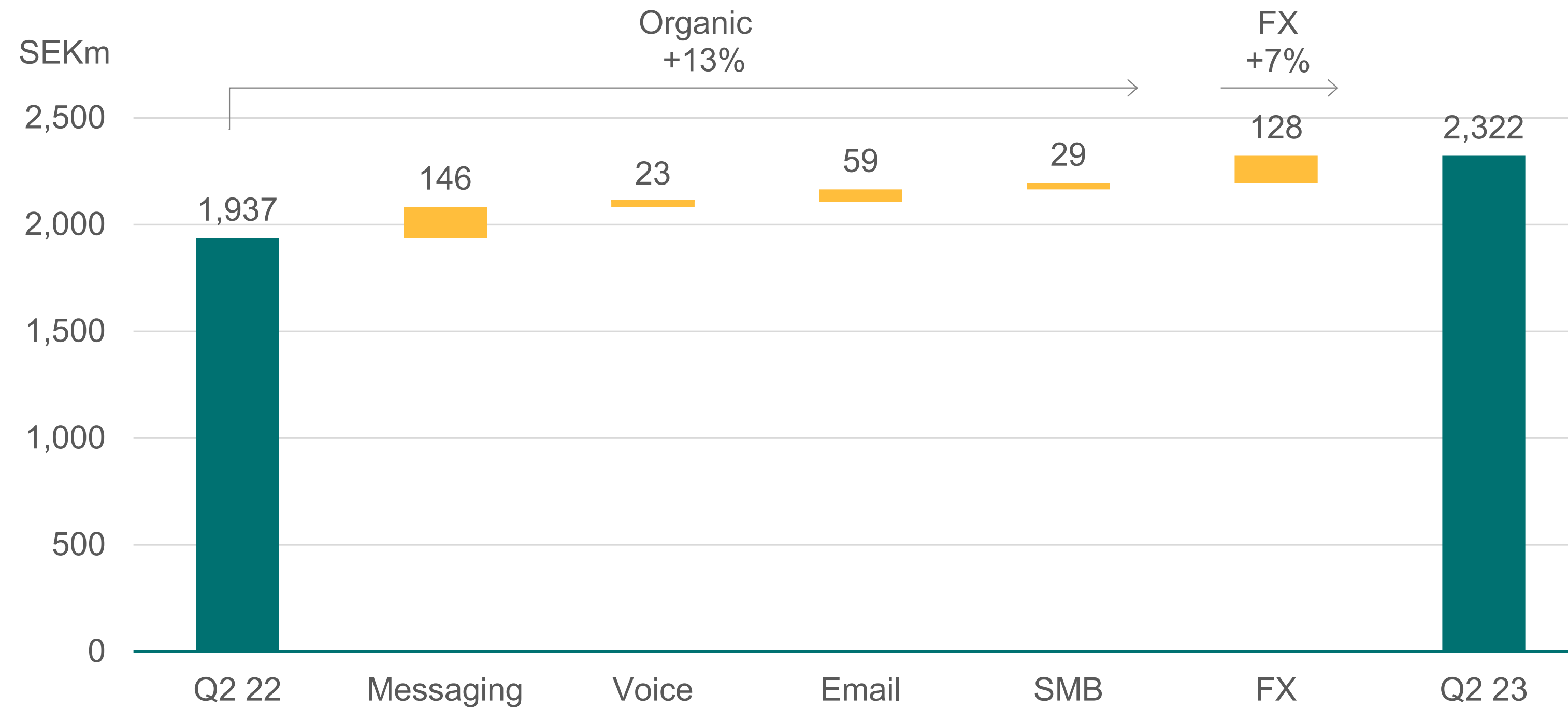


- Annualized savings in Q2 2022 of SEK ~360 million, exceeding SEK 300 million gross savings target
 - 115 people affected by workforce reductions
- Cost increases mainly due to pay increases, IT harmonization and cyber security initiatives
- Currency movements that increase Opex also affect revenues and Gross profit
- Adjusted EBITDA up 21% year-on-year (organic, in local currency, excluding one-offs in Q2 2022)

Gross profit evolution



Gross profit, SEKm

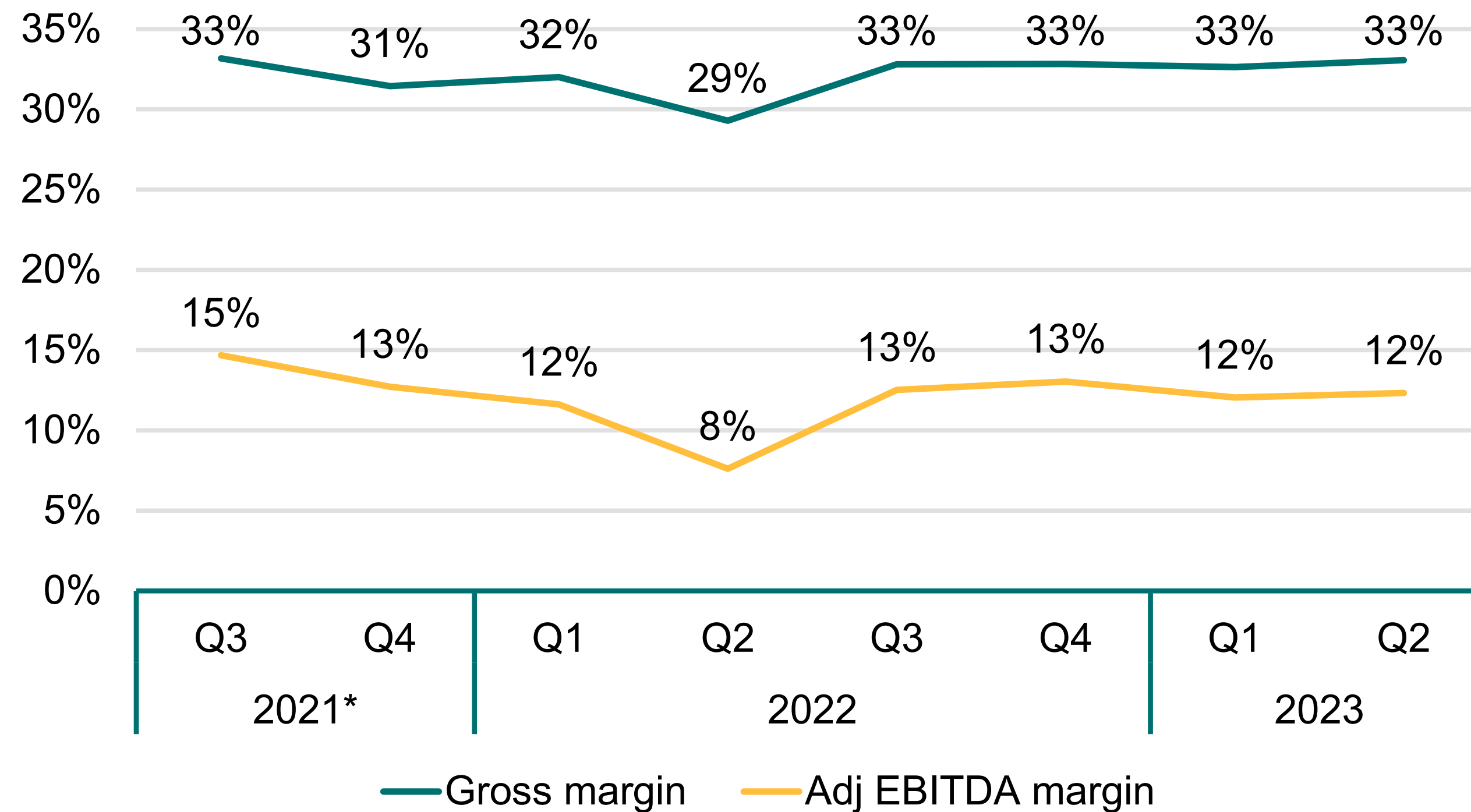


- Reported organic gross profit growth of 13% in constant currency
 - Up 4% when adjusted for last year's reassessed reserves for accrued traffic costs
- Email growth fueled by customer wins and cloud infrastructure migration
- SMB maintaining strong growth in the U.S.
- Voice growth fueled by Number verification products



Margin development

Gross margin & Adjusted EBITDA margin



- Positive gross margin development rising 0.4pp from Q1 2023
- Q2 2022 affected by SEK 162 million reassessment of reserves for accrued traffic costs
 - Gross margin up 1.3pp vs Q2 2022 excluding this item
- Stable Adjusted EBITDA margin despite inflationary pressures

*Figures for Q3 and Q4 2021 are pro forma, including all acquisitions



Income statement

| SEKm | Q2 2023 | Q2 2022 | 2022 | R12M |
|---------------------------------|--------------|--------------|---------------|---------------|
| Net sales | 7,021 | 6,615 | 27,722 | 28,505 |
| Cost of goods sold and services | -4,699 | -4,678 | -18,912 | -19,146 |
| Gross profit | 2,322 | 1,937 | 8,810 | 9,359 |
| Operating expenses | -1,606 | -1,409 | -6,036 | -6,353 |
| EBITDA | 715 | 528 | 2,774 | 3,006 |
| Depreciation and amortization | -624 | -577 | -7,478 | -7,576 |
| EBIT | 92 | -49 | -4,703 | -4,569 |
| Financial income | 775 | 591 | 3,702 | 3,000 |
| Financial expenses | -892 | -589 | -3,774 | -3,369 |
| Profit before tax | -25 | -47 | -4,775 | -4,939 |
| Current tax | -201 | -139 | -583 | -532 |
| Deferred tax | 156 | 145 | 414 | 331 |
| Profit for the period | -70 | -40 | -4,943 | -5,140 |
| Adjusted EBITDA | 865 | 503 | 3,124 | 3,559 |
| Adjusted EBIT | 747 | 390 | 2,731 | 3,166 |

- Currency effects increase Net sales, Gross profit and EBITDA
- Depreciation & amortization includes non-cash amortization related to acquired entities
- Comparison period Q2 2022 impacted by SEK 162m reassessment of reserves for accrued traffic costs

Cash flow

| SEKm | Q2 2023 | Q2 2022 | 2022 | R12M |
|--|--------------|--------------|---------------|---------------|
| Profit after financial items | -25 | -47 | -4,775 | -4,938 |
| Adjustment for non-cash items | 633 | 323 | 7,167 | 7,605 |
| Income tax paid | -226 | -187 | -560 | -699 |
| Cash flow before changes in working capital | 382 | 89 | 1,832 | 1,968 |
| Change in working capital | -395 | 579 | 676 | -70 |
| Cash flow from operating activities | -13 | 668 | 2,508 | 1,898 |
| Net investments in property, plant and equipment and intangible assets | -138 | -163 | -643 | -644 |
| Change in financial receivables | 1 | 0 | -3 | -1 |
| Acquisition of Group companies | 0 | 0 | -45 | -31 |
| Cash flow from investing activities | -137 | -162 | -691 | -676 |
| Changes in loans | -300 | -352 | -1,455 | -1,262 |
| Amortization lease liability | -38 | -57 | -144 | -124 |
| New issue/warrants | 46 | 42 | 91 | 65 |
| Cash flow from financing activities | -292 | -368 | -1,508 | -1,321 |
| Cash flow for the period | -442 | 138 | 309 | -98 |
| Opening cash and cash equivalents | 1,902 | 1,226 | 1,871 | 1,470 |
| Exchange rate differences | 85 | 106 | -7 | 173 |
| Closing cash and cash equivalents | 1,545 | 1,470 | 2,173 | 1,545 |

- Cash flow from operating activities at SEK 2 billion over the past 12 months and SEK -13 million in Q2
- SEK 300 million of debt amortized during the quarter



Cash conversion

| SEKm | Q2 2023 | Q2 2022 | 2022 | R12M |
|--|-------------|------------|--------------|--------------|
| Adjusted EBITDA | 865 | 503 | 3,124 | 3,559 |
| Paid interest | -145 | -60 | -279 | -443 |
| Paid taxes | -226 | -187 | -560 | -699 |
| Other items | -112 | -167 | -453 | -450 |
| Cash flow before changes in working capital | 382 | 89 | 1,832 | 1,968 |
| Change in working capital | -395 | 579 | 676 | -70 |
| Cash flow from operating activities | -13 | 668 | 2,508 | 1,898 |
| Net investments in property, plant and equipment and intangible assets | -138 | -163 | -643 | -644 |
| Cash flow from operating activities after investments | -151 | 505 | 1,865 | 1,254 |
| Cash conversion from Adjusted EBITDA | Neg. | 100% | 60% | 35% |

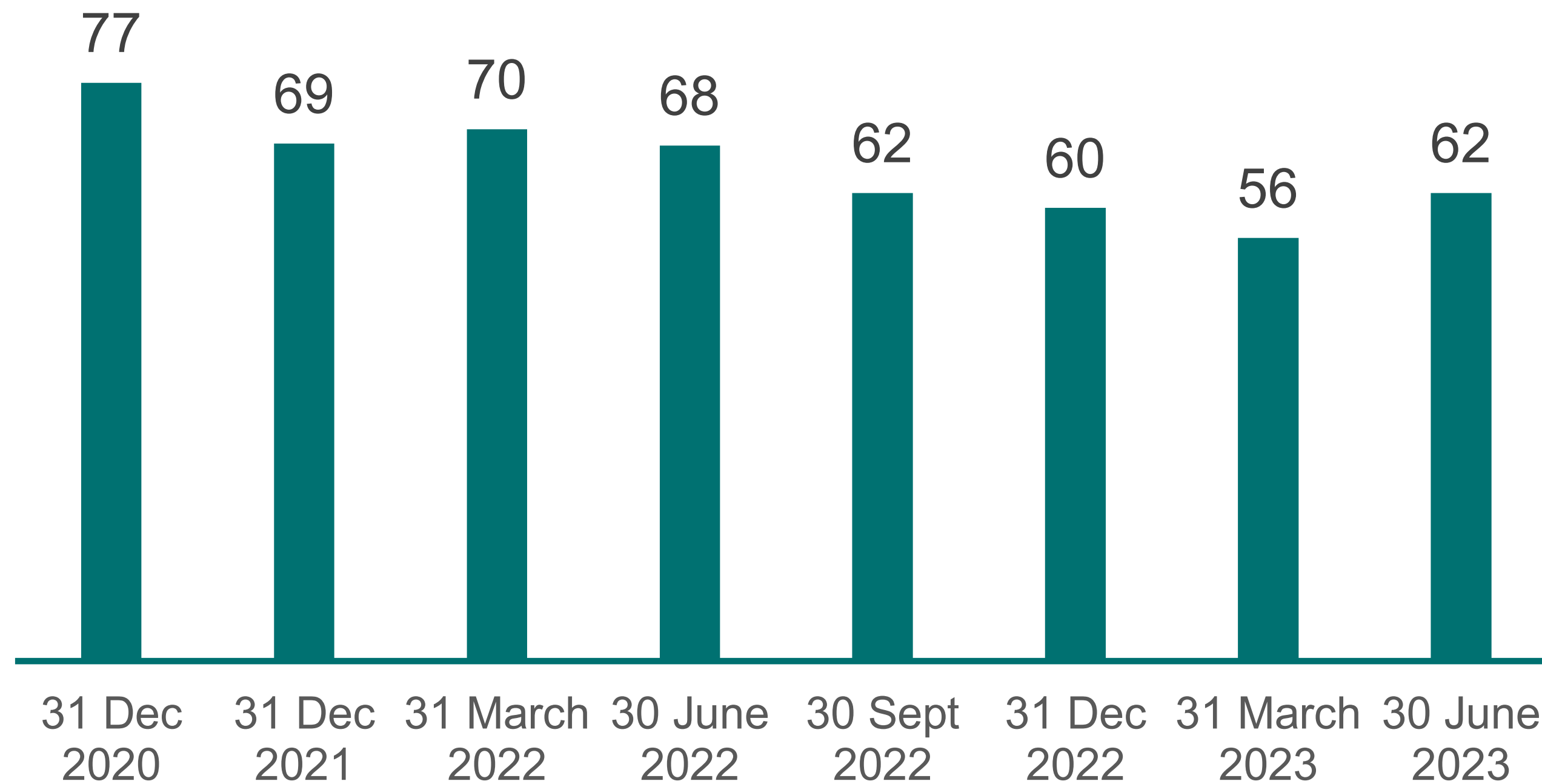
- Paid tax fluctuates between quarters
- Higher paid interest in due to increased interest rates
- Working capital affected by increased accounts receivables and a 161 MSEK payment to a U.S. telecom operator
- Targeting 40-50% cash conversion* over time

* Cash flow from operating activities after investments / Adjusted EBITDA



Reduced DSO

Days Sales Outstanding*



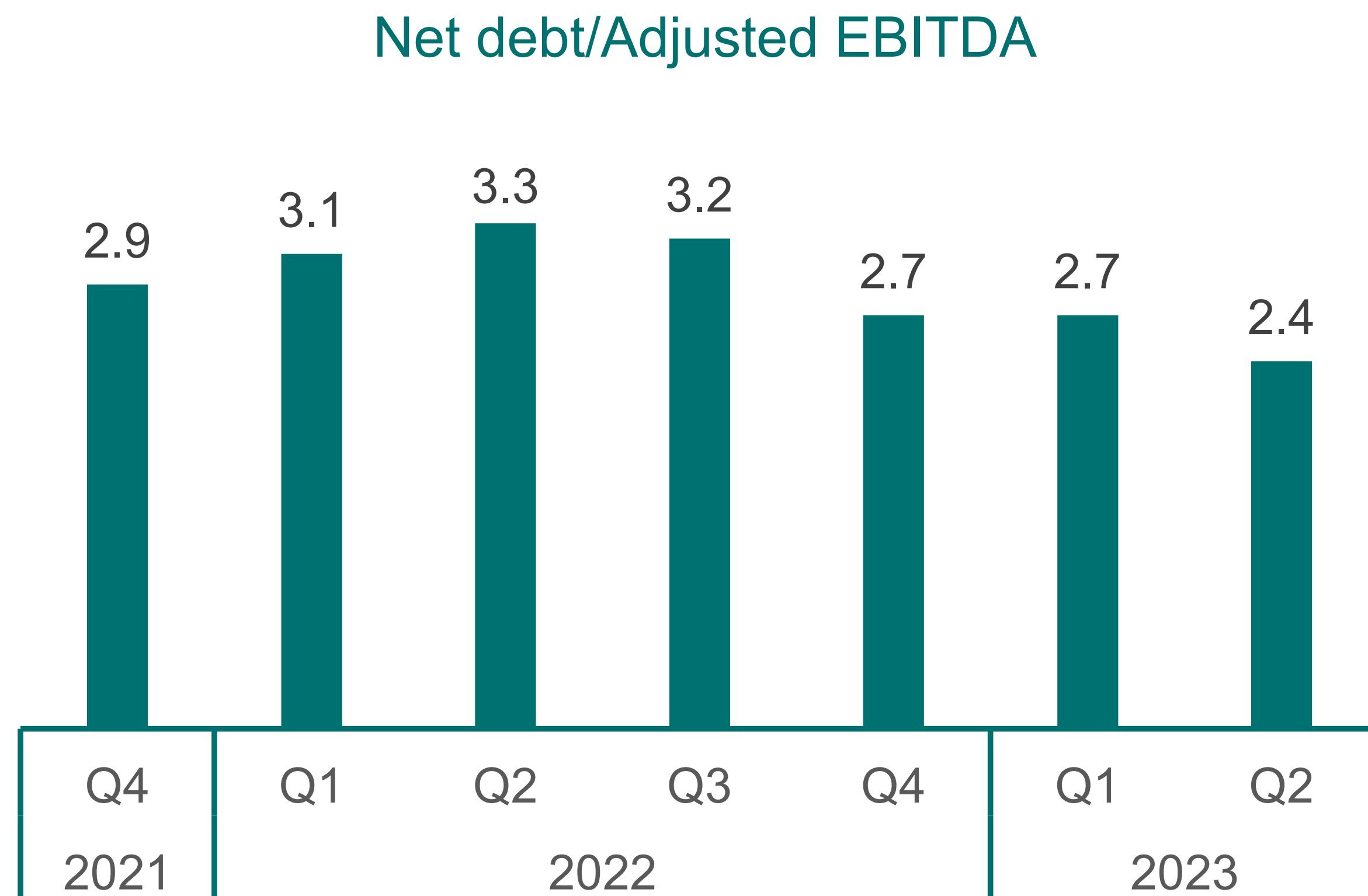
- Working capital affected by increased accounts receivables due to timing effects
- No increase in overdue receivables vs Q1 2023
- DSO at 62, down from 68 in Q2 2022

*DSO = Days Sales Outstanding = (Accounts Receivables, billed and unbilled + Accrued income) / proforma Net income * 365. Proforma as of balance sheet date.

** Cash flow from operating activities after investments / Adjusted EBITDA



Lower Net debt/Adjusted EBITDA



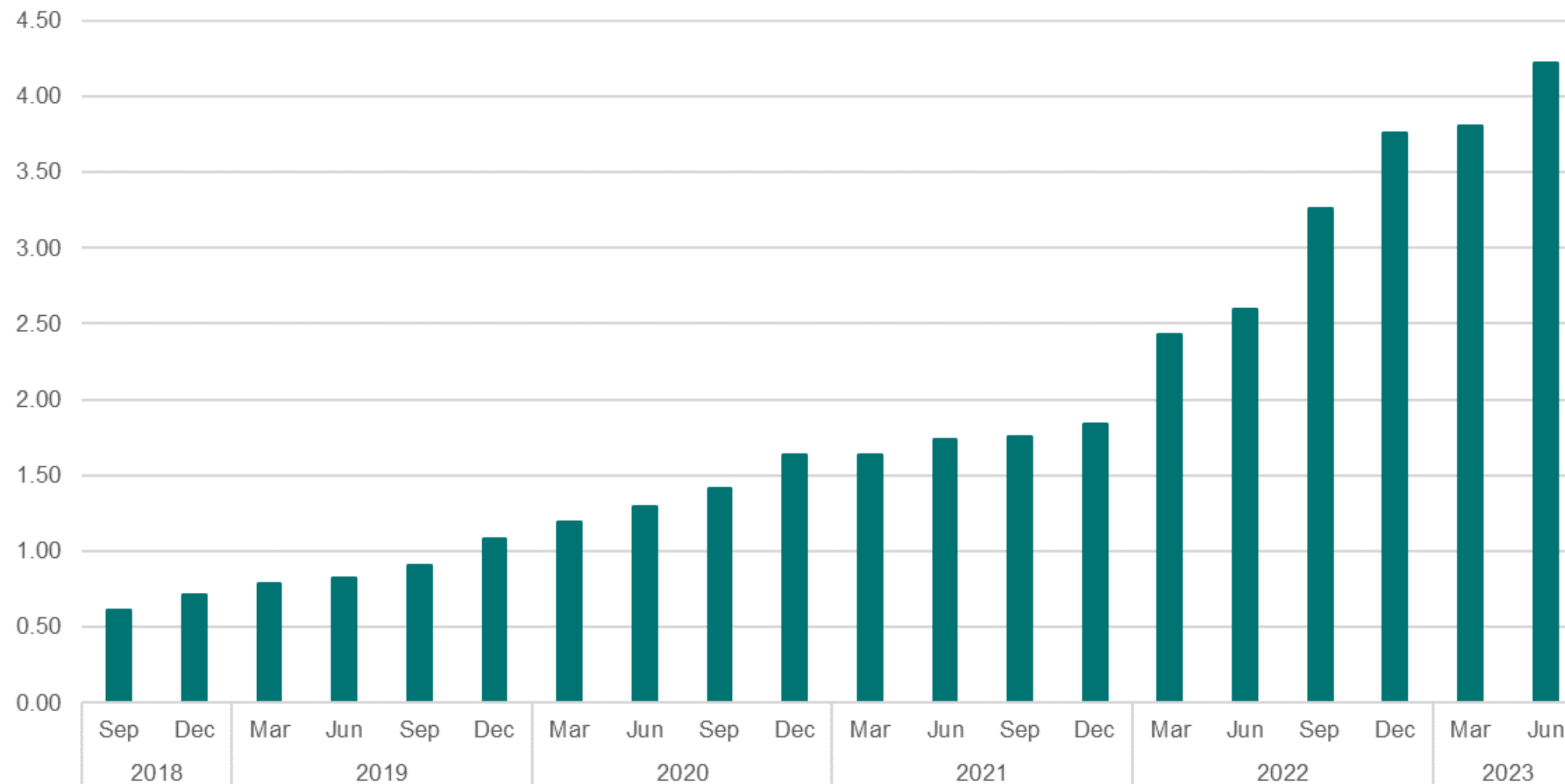
- Continued deleveraging with Net debt/EBITDA now at 2.4x
- Three components affecting Net debt/EBITDA:
 - EBITDA growth
 - Cash generation
 - Immediate currency impact on debt, but trailing impact on earnings

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



Financial targets

Adjusted EBITDA per share, rolling 12 months



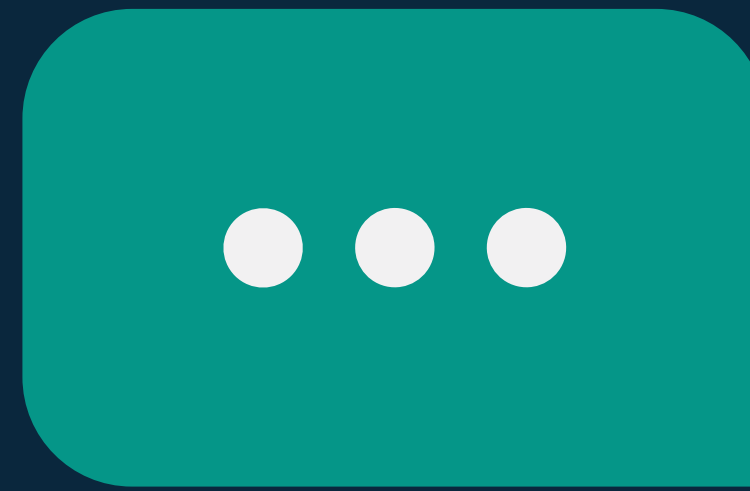
Targets:

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

Performance:

- Adjusted EBITDA per share grew 62% in Q2 23, measured on a rolling 12-month basis
- Net debt/adjusted EBITDA of 2.4x excl. IFRS 16-related leases

Thank you!



To get in touch, contact:

Ola Elmeland, Investor Relations Director

investors@sinch.com