Q1

Interim report, January–March 2022

January–March 2022

- Net sales increased by 96 percent to SEK 6,550m (3,350).
- Gross profit grew by 156 percent to SEK 2,096m (820).
- EBITDA rose by 237 percent to SEK 648m (192).
- Adjusted EBITDA[1] increased by 183 percent to SEK 760m (269).
- Profit after tax for the quarter amounted to SEK 88m (141).
- Basic earnings per share were SEK 0.11 (0.42) and diluted earnings per share were SEK 0.11 (0.41).

> **"Businesses can now use our best-of-breed offering to engage with customers through both mobile messaging, voice and email – and we have the expertise to serve both enterprise customers, developers, as well as small and medium sized businesses." – Oscar Werner, CEO**

Significant events during the quarter

- Sinch announced on 3 February that the company will be organized into five business units: Enterprise & Messaging, Voice, Developer & Email, Applications and SMB. In conjunction, changes were made to the Sinch management team, including the addition of Ed O'Hara, former CEO of Inteliquent, Will Conway, former CEO of Pathwire and Paul Perrett, former CEO of MessageMedia.
- Sinch announced on 10 February that the board of directors, as per the press release dated 7 December 2021, had decided to execute a non-cash issue of 25.5 million shares to the sellers of Pathwire. The remaining 25.5 million shares will be issued in May 2022.
- Sinch announced on 17 February that the company had entered into a 3+1+1 year credit agreement for approximately SEK 7,500m with a syndicate of nine banks. The agreement replaces a facility agreement from November 2016 and part of the bridge loan raised in connection with acquisitions in 2021. On the same date, Sinch notified the market that it had made a three-year loan agreement with the Swedish Export Credit Corporation in the amount of USD 110m. The new credit facilities have strengthened Sinch's financial position and further diversified the company's sources of financing.

Significant events after the end of the quarter

- The Sinch Annual Report 2021 was published on 22 April.

Invitation to webcast and phone conference

Sinch will present the interim report in a webcast conference on Thursday, 28 April at 14:00 CET. Watch the presentation at investors.sinch.com/webcast or call and register a couple of minutes in advance.

Sweden:	+46 8 506 92 180
United Kingdom:	+44 2071 928 000
USA:	+1 631 510 7495
Access code:	887 7308

1) Adjusted EBITDA is reported to clarify performance in underlying operations and is one of Sinch's financial targets. See Note 2.

Message from the CEO

A new beginning

The acquisitions we closed in late 2021 have fundamentally transformed our business. Businesses can now use our best-of-breed offering to engage with customers through mobile messaging, voice and email – and we have the expertise to serve both enterprise customers, developers, as well as small and medium sized businesses.

Q1 is the first quarter where the full scope of our business is reflected in our financials. Compared to the same period last year, our revenues are up 96 percent and gross profit is 156 percent higher.

We focus primarily on gross profit rather than revenues since gross margins considerably between different products and geographies. Acquisitions contributed considerably to gross profit growth in the quarter, adding 145 percent, with currency tailwind adding a further 9 percent.

Organic growth still mainly reflects our established Messaging business towards large enterprise customers and channel partners. Customer demand for these products remains high with volume growth at 24 percent and 23 percent organic revenue growth. However, as in the previous quarters, we are seeing revenue growth outpace gross profit growth and organic gross profit increased by only 2 percent compared to Q1 2021. High price increases from mobile operators during 2021, in combination with price renegotiations with some of our largest customers, have caused a setback in gross margins. While we can't predict how these dynamics will play out during 2022, we have periodically experienced similar developments in the past and our superior scale makes us well placed to succeed also in more adverse market conditions.

The acquisition of Inteliquent, which is included in the Voice and Video segment, has dramatically increased the size of our voice business. We operate the best voice network in the United States and handle almost 300 billion voice minutes per year. Underlying growth in the business is offsetting pressures from regulatory reforms and profitability is strong with an EBITDA margin at 24 percent.

Organic performance in Voice & Video – which reflects Sinch's existing voice business before the acquisition of Inteliquent – is healthy in Q1 with 84 percent organic growth in gross profit and a return to positive EBITDA.

Our offering for small and medium sized businesses, which stems from our acquisition of MessageMedia, is currently reported within the Messaging segment. On a like-for-like basis and in local currencies, this business grew revenue by 29 percent and gross profit by 24 percent compared to the first quarter of 2021. Outlook in this area remains positive with continued strong traction particularly in the US.

Our Email segment consists of the Pathwire business that we acquired at the end of 2021. Compared to the first quarter last year, revenues grew 27 percent and gross profit by 18 percent. The gross margin in Email is partially affected by employee costs, which is not the case in our other segments, and recruitment in late 2021 affects the margin in Q1. The gross margin is also affected by migration to a new cloud hosting provider where we incur double costs during the transition.

Increasing organic gross profit growth is the natural and necessary focus for coming quarters. Although our near-term performance is affected by some negative factors, the interactions we have with customers confirm that we now have a unique and very strong product offering with best-of-breed products across all the key communication channels that businesses use to engage with their customers. This has clearly made us a more strategic partner to our customers with increased opportunities for cross sales.

Stockholm, 28 April 2022

Oscar Werner
President and Chief Executive Officer

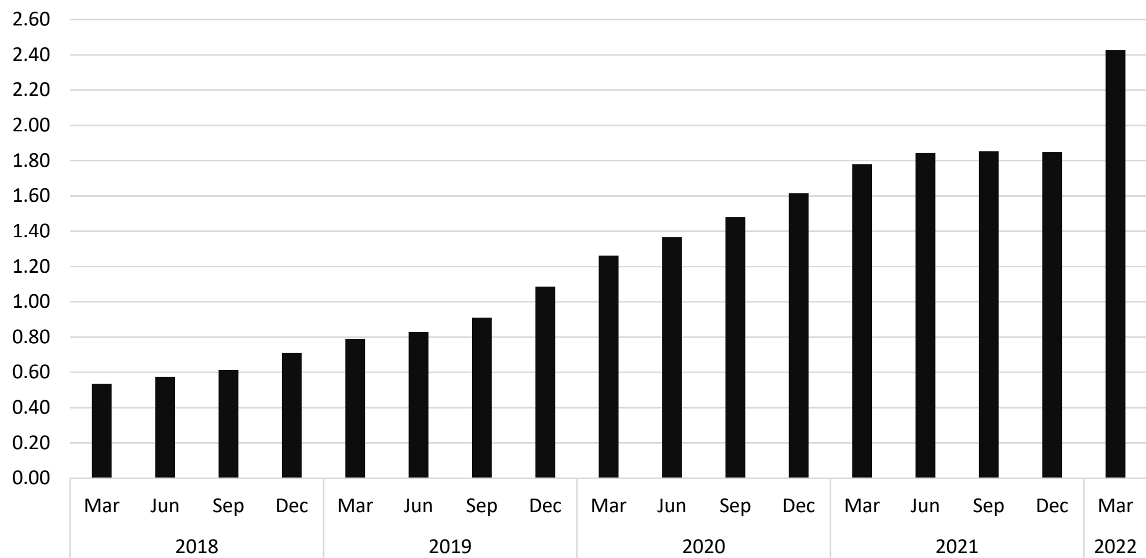
Sinch overview

For a list and definitions of financial measurements defined or not defined under IFRS and for operational measurements, please refer to page 27.

Sinch Group, SEKm	Q1 2022	Q1 2021	2021	RTM
Net sales	6,550	3,350	16,177	19,377
Gross profit	2,096	820	3,933	5,209
Gross margin	32%	24%	24%	27%
EBITDA	648	192	831	1,286
EBITDA margin	10%	6%	5%	7%
Adjusted EBITDA[1]	760	269	1,322	1,814
Adjusted EBITDA margin	12%	8%	8%	9%
Adjusted EBITDA/gross profit	36%	33%	34%	35%
EBIT	95	97	158	156
EBIT margin	1%	3%	1%	1%
Adjusted EBIT[1]	647	243	1,161	1,564
Adjusted EBIT margin	10%	7%	7%	8%
Profit for the period	88	141	907	855
Cash flow from operating activities	140	587	329	-118
Net debt	10,856	-2,053	10,655	10,856
Net debt/pro-forma Adjusted EBITDA R12M, multiple[2]	3.1	-1.8	2.9	3.1
Equity ratio	61%	65%	65%	61%
Adjusted EBITDA/share, SEK	0.96	0.41	1.84	2.43
Growth in Adjusted EBITDA/share, R12M	36%	41%	15%	36%
Diluted earnings per share for the period, SEK	0.11	0.21	1.27	1.14
Average number of employees	3,437	1,610	1,937	2,394
Average number of employees including consultants	4,210	1,887	2,364	2,944

1) Adjusted EBITDA and Adjusted EBIT are reported to clarify performance in underlying operations. See Note 2.
2) Adjusted EBITDA R12M is measured on a pro forma basis and includes contributions from acquired entities during past 12 months. Net debt is measured excluding IFRS 16-related lease liabilities. See page 7 for comments.

Adjusted EBITDA per share[3], R12M (SEK)



3) 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 below are reported to clarify performance in underlying operations. See Note 2 for more information.

Net sales, SEKm	Q1 2020	Q2 2020	Q3 2020	Q4 2020	Q1 2021	Q2 2021	Q3 2021	Q4 2021	Q1 2022
Messaging	1,534	1,562	1,718	2,768	3,083	3,380	3,568	4,436	4,566
Voice and Video	72	54	61	78	97	110	75	365	1,432
Email	-	-	-	-	-	-	-	81	330
Operators	49	39	40	189	224	269	333	356	276
Other and eliminations	-32	-33	-41	-36	-54	-76	-38	-30	-54
Total	**1,624**	**1,622**	**1,778**	**2,999**	**3,350**	**3,682**	**3,938**	**5,207**	**6,550**

Gross profit, SEKm	Q1 2020	Q2 2020	Q3 2020	Q4 2020	Q1 2021	Q2 2021	Q3 2021	Q4 2021	Q1 2022
Messaging	374	412	429	668	691	724	715	946	1,037
Voice and Video	27	13	15	23	13	20	21	162	681
Email	-	-	-	-	-	-	-	64	245
Operators	46	35	37	82	87	104	133	129	104
Other and eliminations	0	0	0	22	28	22	26	47	29
Total	**447**	**460**	**481**	**796**	**820**	**869**	**896**	**1,348**	**2,096**

Gross margin	Q1 2020	Q2 2020	Q3 2020	Q4 2020	Q1 2021	Q2 2021	Q3 2021	Q4 2021	Q1 2022
Messaging	24%	26%	25%	24%	22%	21%	20%	21%	23%
Voice and Video	37%	24%	24%	29%	14%	18%	28%	44%	48%
Email	-	-	-	-	-	-	-	79%	74%
Operators	93%	90%	93%	43%	39%	39%	40%	36%	38%
Total	**28%**	**28%**	**27%**	**27%**	**24%**	**24%**	**23%**	**26%**	**32%**

EBITDA, SEKm	Q1 2020	Q2 2020	Q3 2020	Q4 2020	Q1 2021	Q2 2021	Q3 2021	Q4 2021	Q1 2022
Messaging	174	209	234	317	259	229	230	346	249
Voice and Video	9	-9	-6	-0	-8	-5	-12	38	339
Email	-	-	-	-	-	-	-	36	119
Operators	9	-6	1	20	18	38	53	55	26
Other and eliminations	-17	-48	-15	-158	-76	-111	-114	-145	-85
EBITDA, total	**175**	**146**	**215**	**179**	**192**	**152**	**157**	**330**	**648**
EBITDA margin	11%	9%	12%	6%	6%	4%	4%	6%	10%

Adjusted EBITDA, SEKm	Q1 2020	Q2 2020	Q3 2020	Q4 2020	Q1 2021	Q2 2021	Q3 2021	Q4 2021	Q1 2022
Messaging	174	217	251	365	285	301	281	382	294
Voice and Video	7	-6	-6	0	-9	-12	-13	44	342
Email	-	-	-	-	-	-	-	36	124
Operators	4	-5	3	25	18	41	54	54	26
Other and eliminations	-8	-6	-15	-11	-26	-47	-23	-46	-25
Adjusted EBITDA	**177**	**200**	**234**	**378**	**269**	**284**	**298**	**471**	**760**
Adjusted EBITDA margin	11%	12%	13%	13%	8%	8%	8%	9%	12%
Adjusted EBITDA/gross profit	40%	43%	49%	48%	33%	33%	33%	35%	36%
Adjusted EBITDA/share, SEK	0.32	0.33	0.39	0.60	0.41	0.41	0.39	0.61	0.96

EBITDA adjustments, SEKm (Note 2)	Q1 2020	Q2 2020	Q3 2020	Q4 2020	Q1 2021	Q2 2021	Q3 2021	Q4 2021	Q1 2022
Acquisition costs	-6	-26	-69	-33	-17	-24	-24	-101	-42
Adjusted earnout	-	4	61	-27	-	-	-	-	-
Integration costs	-3	-9	-3	-75	-31	-75	-59	-66	-59
Costs of share-based incentive programs	-2	-12	-4	-33	-29	-18	-45	-15	-17
Operational foreign exchange gains/losses	10	-11	-5	-19	0	-15	-14	29	5
Other adjustments	-	-	-	-11	-1	-	-	11	-
Total EBITDA adjustments	**-2**	**-54**	**-19**	**-199**	**-76**	**-132**	**-142**	**-141**	**-112**
Amortization of acquisition-related assets	-41	-43	-44	-66	-70	-75	-103	-264	-440
Total EBIT adjustments	**-43**	**-97**	**-64**	**-265**	**-146**	**-207**	**-245**	**-405**	**-552**

January–March 2022

Net sales

Consolidated net sales grew in the period by 96 percent to SEK 6,550m (3,350).

Organic growth, in local currency and excluding acquisitions, was 22 percent. The acquisitions of Inteliquent, MessageMedia, Pathwire, Wavy and MessengerPeople contributed 66 percent. Inteliquent contributed SEK 1,356m, MessageMedia SEK 427m, Pathwire SEK 330m, Wavy SEK 82m and MessengerPeople SEK 14m. As the acquisition of Wavy closed on 1 February 2021, earnings in January 2022 are regarded as acquired, while earnings in February and March are regarded as organic.

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 in the corresponding quarter in 2021 had been the same as in the current quarter, revenues would have been lower by about SEK 268m. The positive currency effect on consolidated net sales was thus 8 percent.

On a full pro forma basis, calculated as if all acquired units were consolidated as of 1 January 2021, net sales for the first quarter rose by 17 percent in local currency.

Gross profit

Consolidated gross profit rose during the quarter by 156 percent to SEK 2,096m (820).

Organic growth in local currency was 2 percent. Acquisitions contributed 145 percent, as follows: Inteliquent SEK 653m, MessageMedia SEK 265m, Pathwire SEK 245m, Wavy SEK 16m and MessengerPeople SEK 13m.

The currency tailwind was 9 percent for the quarter, corresponding to SEK 71m.

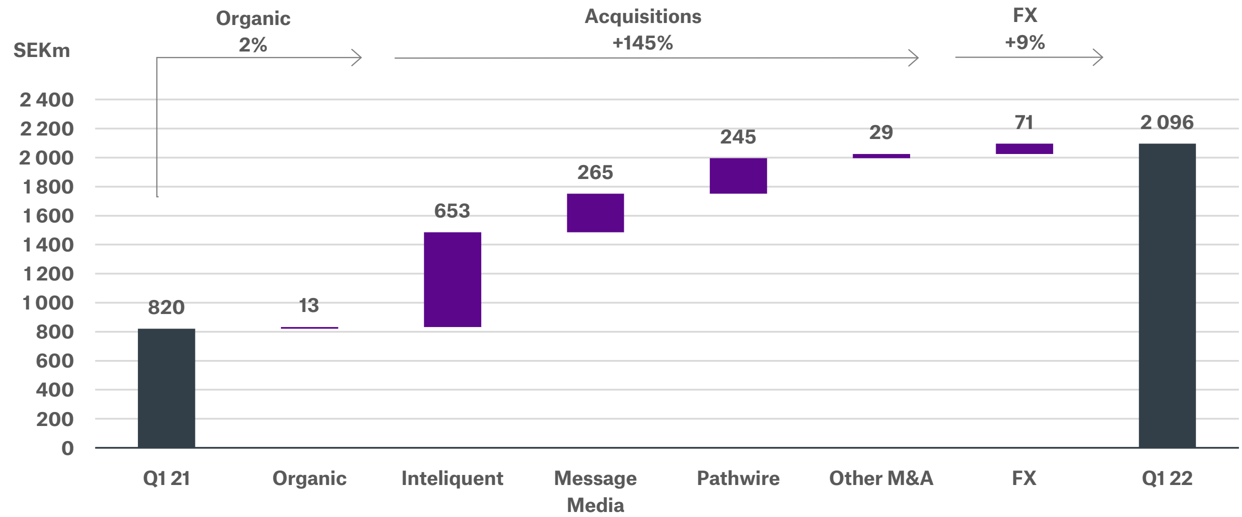
The bulk of Sinch's cost of goods and services sold consists of mobile operator fees for sending messages. As operator traffic tariffs differ substantially from one country to the next, Sinch focuses mainly on gross profit and gross profit growth, rather than net sales and the gross margin. Consequently, 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.

The gross margin was 32 percent (24). The acquisitions closed in the last 12 months have improved the gross margin by 11 percentage points. Excluding those acquisitions, the gross margin fell by about 3 percentage points compared to Q1 2021.

Compared to Q1 2021, several specific factors had negative impact on the organic gross margin trend. Under certain specific contracts with mobile operators, we have granted discounts in exchange for minimum traffic volume commitments. Volumes below forecast resulted in costs above revenues, which reduced gross profit in Q1 by SEK 15m and reduced the gross margin by 1 percentage points. In addition, there were steep price increases from mobile operators in Brazil during a period of stronger macroeconomic headwind, causing a drop in gross profit even though revenues increased.

On a full pro forma basis, calculated as if all acquired entities were consolidated as of 1 January 2021, gross profit for the first quarter rose by 5 percent in local currency.

Change in consolidated gross profit, Q1 2021 – Q1 2022



EBITDA

Consolidated EBITDA increased by 237 percent to SEK 648m (192).

Compared to the same period last year, the acquisitions closed in Q4 2021 had positive impact on EBITDA. The acquisitions combined contributed SEK 570m in Q1.

The consolidated EBITDA margin was 10 percent (6) and was improved by the acquisitions closed in 2021.

EBITDA was also 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 in the same quarter in the preceding calendar year, EBITDA would have been about 7 percent lower, corresponding to about SEK 48m.

The cost base in current operations rose compared to Q1 2021 because Sinch has incurred costs aimed at driving growth and preparing the integration of the businesses acquired in late 2021.

EBITDA adjustments[1] are intended to clarify performance in the underlying business. These adjustments increased compared to the same period last year to a total of SEK 112m (76). The adjustments are lower compared to Q4 2021. The adjustments include acquisition costs of SEK 42m (17), integration costs of SEK 59m (31), costs of share-based incentive programs of SEK 17m (29) and operational foreign exchange gains of SEK 5m (0). See page 5 and Note 2 for further information.

Consequently, adjusted EBITDA amounted to SEK 760m (269), up 183 percent compared to the same period in 2021.

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 5 percent lower, corresponding to about SEK 41m.

The adjusted EBITDA margin was 12 percent (8).

The Group has a financial target to grow adjusted EBITDA per share of 20 percent on an annual basis. Adjusted EBITDA per share was SEK 0.96 (0.41) for the quarter and SEK 2.43 SEK (1.78) for the rolling twelve months, which corresponds to an increase of 36 percent for the rolling twelve months. Adjusted EBITDA divided by gross profit was 36 percent (33) for the quarter.

EBIT

EBIT amounted to SEK 95m (97).

Acquisition-related amortization, which does not affect cash flow, reduced EBIT by SEK 440m (70). 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[1]) amounted to SEK 647m (243).

Other income and expense items

Net financial income was SEK 16m (89) after interest expenses of SEK -53m (-12) and foreign exchange differences of SEK 83m (112). The Group's effective tax rate was 20 percent (24). Net profit for the period amounted to SEK 88m (141).

Investments

Net investments in property, plant and equipment and intangible assets amounted to SEK 129m (39).The increase is primarily attributable to net investments in acquired entities. The investments include capitalized development expenditure of SEK 84m (19).

Cash flow, liquidity and financial position

Cash flow before the change in working capital amounted to SEK 566m (226).

The change in working capital reduced cash flow by SEK -426m (361). Late payments from a few large customers and lower trade payables had adverse impact on working capital. Cash flow from operating activities amounted to SEK 140m (587).

Cash used in investing activities was SEK -179m (-539) and cash used in financing activities was SEK -460m (6) for the period. Acquisition-related items had adverse impact on both.

Net cash used in the period amounted to SEK -493m (55).

Consolidated cash and cash equivalents at 31 March 2022 amounted to SEK 1,226m (3,200).

Net debt amounted to SEK 10,856m (-2,053), including IFRS 16-related lease liabilities of SEK 899m (47). 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 3.1x.

As of 31 March 2022, Sinch had utilized loan and credit facilities of SEK 10,357m (1,850) in total. Existing credit facilities that mature in February 2025 amount to SEK 8,538m and of that amount SEK 7,357m had been utilized as of 31 March 2022. In addition, issued senior unsecured bonds amounted to SEK 750m (750) and Sinch has also utilized short-term financing in the amount of SEK 3,000m for the financing of contracted acquisitions. Available bank overdraft facilities amounted to SEK 878m (200), of which SEK 22m (-) has been utilized.

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

Equity at 31 March 2022 amounted to SEK 35,482m (9,825), corresponding to an equity ratio of 61 percent (65).

[1] Specifications are provided in the table on page 5 and in Note 2.

Employees

At the end of the quarter, the Group employed 4,294 (2,160) people, including consultants. The average number of employees and consultants for the quarter was 4,210 (1,887). The average number of employees was 3,437 (1,610), of whom 30 percent (24) women.

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. Large business customers are served by the Sinch sales force, while small and medium-sized businesses (SMB) are offered easy-to-use turnkey solutions via the web. Sinch handles more than 200 billion messages at an annualized rate.

Messaging, SEKm	Q1 2022	Q1 2021	2021	R12M
Net sales	4,566	3,083	14,467	15,949
Gross profit	1,037	691	3,076	3,422
Gross margin	23%	22%	21%	21%
EBITDA	249	259	1,063	1,053
EBITDA margin	5%	8%	7%	7%
Adjusted EBITDA	294	285	1,250	1,257
Adjusted EBITDA margin	6%	9%	9%	8%
Adjusted EBITDA/gross profit	28%	41%	41%	37%

Events during the quarter

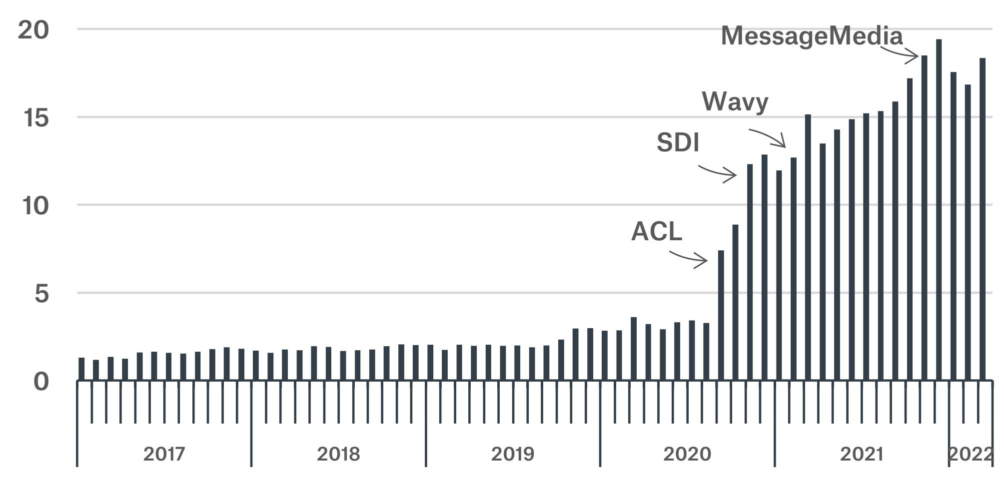
- Sinch announced a partnership with Oracle in which Sinch has made it possible for users of Oracle Responsys to send personalized MMS messages.
- Sinch presented the results of a global study in which 3,000 consumers across 15 countries were interviewed about how they communicate with businesses through messaging. The study shows that there is huge untapped potential in using messaging for two-way interactions between businesses and consumers. Of all respondents, 89 percent say they want two-way conversation via messaging channels and apps, but more than half (53 percent) report frustration when they find out that the businesses that contact them do not reply to incoming messages.
- 8,600 new customers began using MessageMedia's web-based software during the quarter.
- The initial focus of the integration of MessageMedia is on migrating SMS traffic to the Sinch global infrastructure. In addition, the MessageMedia platform was integrated with the Sinch Conversation API for next-generation messaging.

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 in Q1 rose by 32 percent compared to the same quarter in the preceding year and Sinch handled slightly over 18 billion messages in March 2022. The increase on a like-for-like basis was 25 percent compared to the same quarter last year, which includes MessageMedia in both periods. The like-for-like increase excluding MessageMedia was 24 percent. The effects of a selection of earlier acquisitions are illustrated in the chart below. Seasonal effects in March had positive impact on volume in India.

Number of transactions (billions per month)



Net sales

During the quarter, net sales increased by SEK 1,483m compared to the corresponding period in 2021 to SEK 4,566m (3,083), an increase of 48 percent. Of this increase, 17 percentage points are attributable to acquisitions and 8 percentage point to currency movements. Organic growth was 23 percentage points. MessageMedia contributed SEK 427m, Wavy SEK 82m and MessengerPeople SEK 14m.

Sinch has closed several acquisitions in the last 12 months. Consequently, organic growth reflects only Sinch's messaging business directed at large businesses. Increased transaction volumes and higher rates in several geographies have positive impact on organic growth in this business. As the acquisition of Wavy closed on 1 February 2021, earnings in January 2022 are regarded as acquired, while earnings in February and March are regarded as organic.

The acquisition of MessageMedia closed on 5 November, bringing web-based SaaS to Sinch that is tailored to meet the needs of small and medium-sized businesses. MessageMedia had net sales of SEK 313m in Q1 2021.

Net sales in MessageMedia grew by 36 percent in Q1 2022 compared to the same quarter last year. Corresponding growth in local currency was 29 percent. Growth is being driven by a strong trend in North America with persistent high customer intake in SimpleTexting and ClickSend.

Gross profit

Gross profit increased during the quarter to SEK 1,037m (691), up by 50 percent compared to the same quarter in 2021. Of this increase, 43 percentage points are attributable to acquisitions and 9 percentage point to currency movements. Organic growth in local currency was -1 percent. The acquisition of MessageMedia contributed SEK 265m to gross profit. Wavy contributed SEK 16m and MessengerPeople SEK 13m. The gross margin was 23 percent (22) for the quarter.

The acquisition of MessageMedia improved the gross margin by 4 percentage points. Excluding MessageMedia, the gross margin was 19 percent (22).

Several factors had an adverse impact on the gross margin excluding MessageMedia. Overall, growth in products, regions and customer groups with lower gross margins are contributing more new sales than parts of the business with a higher gross margin. Compared to the corresponding period in the preceding year, volume discounts for business customers with rapidly growing traffic volumes also reduced the margin. The margin is also affected by changes in the customer mix and the countries to which Sinch's business customers send messages.

Gross profit was also reduced by several specific factors in Q1. In mid-2021, Sinch entered into a 12-month contract with a multinational mobile operator by which Sinch was granted discounted prices in exchange for a commitment to reimburse the mobile operator for contractually agreed minimum traffic volumes. Costs exceeded revenues in Q1 due to volumes that were lower than forecast. This reduced gross profit in Messaging by SEK -8m in Q1 (and by SEK -7m in the Operators segment) and reduced the gross margin in Messaging by 1 percentage point. In addition, the steep price increases from mobile operators in Brazil in 2021 resulted in stiffer competition in a period of stronger macroeconomic headwind. As a result, gross profit is falling in Brazil even though revenues are rising. The gross margin in India is also weighed down by the costs for Digital Ledger Technology (DLT) a government initiative to prevent unwanted texts from telemarketers.

MessageMedia delivered a gross margin of 62 percent in Q1. Gross profit growth in MessageMedia was 32 percent compared to the corresponding quarter last year. Corresponding growth in local currency was 24 percent.

MessageMedia's gross profit in Q1 2021 amounted to SEK 202m, corresponding to a gross margin of 64 percent. The change in the gross margin is to a large extent attributable to a change in the customer and product mix.

EBITDA

EBITDA for the first quarter amounted to SEK 249m (259). Contributions to EBITDA were as follows: MessageMedia SEK 122m, Wavy SEK -3m, MessengerPeople SEK 1m, other operations SEK 98m and positive currency effects SEK 32m. Looking at the comparison period, Q1 2021, substantial growth in gross profit has improved EBITDA. Investments in product and sales development and preparations for the integration of the acquired businesses has increased operational costs, however, which has hampered EBITDA growth and is the main reason that the EBITDA margin for Q1 fell to 5 percent (8).

Adjusted EBITDA amounted to SEK 294m (285). Contributions to EBITDA were as follows: MessageMedia SEK 130m, Wavy SEK -4m, MessengerPeople SEK 2m, other operations SEK 134m and positive currency effects SEK 32m. EBITDA adjustments totaled SEK 45m (26), where Integration costs were the largest adjustment item at SEK -43m (-22). See Note 2 for further disclosures. The adjusted EBITDA margin fell for the same reasons as the EBITDA margin to 6 percent (9); see above.

Voice and Video

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 Super Network for voice calls, which reaches 95 percent of the US population and handles about 300 billion voice minutes per year.

Voice and Video, SEKm	Q1 2022	Q1 2021	2021	R12M
Net sales	1,432	97	647	1,982
Gross profit	681	13	217	884
Gross margin	48%	14%	33%	45%
EBITDA	339	-8	13	361
EBITDA margin	24%	-9%	2%	18%
Adjusted EBITDA	342	-9	10	361
Adjusted EBITDA margin	24%	-9%	2%	18%
Adjusted EBITDA/gross profit	50%	-67%	5%	41%

Events during the quarter

- Coordinating sales to large business customers in the US is an initial focus area for the integration.
- Sinch voice services in the US are now approved under HIPAA regulations for sensitive patient data and sales to customers covered by the regulations have begun.
- The voice services offering is now being expanded from North America to Europe. Infrastructure has been established in Amsterdam and Frankfurt that enables new services, enhances quality and ensures regulatory compliance for products in key European markets. Three new customer contracts were signed based on the enhanced offering.

Net sales

Net sales for the segment grew in Q1 by SEK 1,335m to SEK 1,432m (97), to which Inteliquent contributed SEK 1,355m (0). Organic growth was -31 percent for the quarter, primarily due to high net sales in the comparison quarter.

Inteliquent had net sales of SEK 1,209m in Q1 in 2021. Net sales growth in Inteliquent was 12 percent for Q1 2022 compared to the same quarter last year. Corresponding growth in local currency was 1 percent. Growth was hampered by Covid-effects in the comparison quarter and previously announced regulation of charges for American toll-free numbers (the 8YY Access Charge Reform). The negative impact of these two factors will gradually decrease.

Gross profit

Gross profit in the segment for the quarter amounted to SEK 681m (13). Inteliquent contributed SEK 653m (0) and organic growth in gross profit was 84 percent. The large difference in the growth rate between net sales and gross profit is attributable to a large low-margin transaction in the comparison quarter. The gross margin for the segment was 48 percent (14) for the quarter. The steep increase is due to the consolidation of Inteliquent, which has a higher margin profile. Inteliquent's gross margin in Q1 was 48 percent.

Inteliquent's gross profit in Q1 2021 amounted to SEK 593m, corresponding to a gross margin of 49 percent. Gross profit growth for Q1 2022 compared to Q1 2021 was 10 percent. Corresponding growth in local currency was -1 percent. The growth rate was slowed by lower growth in net sales. The American 8YY-reform affected gross profit growth with approximately -9 percent in the quarter.

EBITDA

EBITDA for the segment in Q1 was SEK 339m (-8). The acquisition of Inteliquent contributed SEK 332m (0). Adjusted EBITDA was SEK 342m (-9), where the acquisition of Inteliquent contributed SEK 336m (0), Corresponding to an EBITDA and Adjusted EBITDA margin of 24 percent (-9).

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	Q1 2022	Q1 2021	2021	R12M
Net sales	330	-	81	411
Gross profit	245	-	64	309
Gross margin	74%	-	79%	75%
EBITDA	119	-	36	155
EBITDA margin	36%	-	44%	38%
Adjusted EBITDA	124	-	36	160
Adjusted EBITDA margin	37%	-	45%	39%
Adjusted EBITDA/gross profit	50%	-	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.

Events during the quarter

- The number of emails rose during the quarter by 44 percent compared to the same quarter last year.
- The integration of the business will focus initially on coordinating Pathwire's and Sinch's sales to large business customers and preparing for cross-sales of Sinch's messaging products to Pathwire's wide customer base of software developers.
- Two customer contracts were closed in Q1 where existing enterprise customers in Sinch Messaging chose to use the email products that Sinch offers after the Pathwire acquisition. Cross sales continue in Q2, including successful sales of Email to a top 10 global technology company that uses Sinch's Messaging products.

Net sales

Net sales for the segment in Q1 amounted to SEK 330m (-). All revenues are attributable to the acquisition of Pathwire that closed on 7 December 2021.

Pathwire had net sales of SEK 238m in Q1 2021. Net sales growth was thus 39 percent for Q1 2022 compared to the same quarter last year. Corresponding growth in local currency was 27 percent.

Gross profit

Gross profit was SEK 245m (-) for Q1. The gross margin was 74 percent (-) for the quarter.

Pathwire's gross profit in Q1 2021 amounted to SEK 190m, corresponding to a gross margin of 80 percent. Gross profit growth was thus 29 percent for Q1 2022 compared to the same quarter last year. Corresponding growth in local currency was 18 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 consist 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 Q1.

EBITDA

EBITDA was SEK 119m (-) for the quarter. Adjusted EBITDA amounted to SEK 124m (-). The EBITDA margin was 36 percent (-) and the Adjusted EBITDA margin was 37 percent (-).

Operators

The segment includes Sinch's mobile operator services, which simplify handling of person-to-person messaging. The segment also includes software solutions for mobile operators, as both products and services, to provide mobile value added services (VAS), handle online charging systems (OCS) in real time, and to protect their networks and revenues.

Operators, SEKm	Q1 2022	Q1 2021	2021	R12M
Net sales	276	224	1,182	1,234
Gross profit	104	87	453	469
Gross margin	38%	39%	38%	38%
EBITDA	26	18	164	172
EBITDA margin	9%	8%	14%	14%
Adjusted EBITDA	26	18	167	174
Adjusted EBITDA margin	9%	8%	14%	14%
Adjusted EBITDA/gross profit	25%	21%	37%	37%

Net sales

Net sales rose during the quarter by SEK 52m to SEK 276m (224). The business acquired through SDI in late 2020 is now part of Sinch's organic operations and organic growth was 17 percent (-3) for the quarter. The growth was driven primarily by interconnect services where Sinch handles SMS traffic between mobile operators.

Gross profit

Gross profit rose during the quarter by SEK 17m to SEK 104m (87). Organic growth was 12 percent (-5). The gross margin was 38 percent (39). Certain previously discussed contracts with mobile operators had adverse impact on profit. This business is divided between Messaging and Operators and reduced gross profit in the Operators segment by SEK -7m in Q1.

EBITDA

EBITDA and Adjusted EBITDA increased during the quarter by SEK 8m to SEK 26m (18).

Other and eliminations

Group-wide costs and eliminations and the customer service systems business that Sinch acquired through SAP Digital Interconnect are reported in the Other and eliminations segment.

Other and eliminations, SEKm	Q1 2022	Q1 2021	2021	R12M
External revenue	29	29	125	125
Internal revenue	-82	-83	-325	-325
Net sales	-54	-54	-200	-200
Gross profit	29	28	123	124
EBITDA	-85	-76	-445	-454
Adjusted EBITDA	-25	-26	-141	-138

Net sales

Net revenues from external customers amounted to SEK 29m (29) in Q1. Net sales in the segment are negative due to eliminations between operating segments.

Gross profit

Gross profit for the quarter amounted to SEK 29m (28).

EBITDA

EBITDA was reduced by acquisition costs of SEK -42m (-17) and totaled SEK -85m (-76). Adjusted EBITDA amounted to SEK -25m (-26) and is higher than EBITDA due to exclusion of the aforementioned acquisition costs and other consolidated adjustments. These are specified in greater detail in Note 2.

Condensed income statement

Sinch Group, SEKm	Q1 2022	Q1 2021	2021	R12M
Net sales	**6,550**	**3,350**	**16,177**	**19,377**
Cost of goods and services sold	-4,454	-2,530	-12,244	-14,168
Gross profit	**2,096**	**820**	**3,933**	**5,209**
Other operating income	135	33	192	294
Work performed by the entity and capitalized	84	19	98	163
Other external costs	-590	-238	-1,306	-1,658
Employee benefits expenses	-940	-400	-1,837	-2,378
Other operating expenses	-137	-41	-249	-345
EBITDA	**648**	**192**	**831**	**1,286**
Depreciation and amortization	-554	-95	-673	-1,131
EBIT	**95**	**97**	**158**	**156**
Net finance income/expenses	16	89	1,039	967
Profit before tax	**111**	**186**	**1,197**	**1,122**
Income tax	-23	-45	-289	-267
Profit for the period	**88**	**141**	**908**	**855**
Attributable to:				
Owners of the parent	88	141	908	855
Non-controlling interests	0	0	0	0

Earnings per share

Sinch Group, SEK	Q1 2022	Q1 2021	2021	R12M
Basic	0.11	0.22	1.29	1.16
Diluted	0.11	0.21	1.26	1.14

Condensed statement of comprehensive income

Sinch Group, SEKm	Q1 2022	Q1 2021	2021	R12M
Profit for the period	**88**	**141**	**908**	**855**
Other comprehensive income or loss **Items that may subsequently be reclassified to profit or loss for the period**				
Translation differences	1,382	77	553	1,880
Hedge accounting net investment	-8	101	43	-66
Tax effect of items in other comprehensive income	-103	-21	-19	-101
Other comprehensive income for the period	**1,271**	**157**	**577**	**1,713**
Comprehensive income for the period	**1,373**	**298**	**1,485**	**2,568**
Attributable to:				
Owners of the parent	1,373	298	1,485	2,568
Non-controlling interests	0	0	0	0

Condensed balance sheet

Sinch Group, SEKm	Note	31 Mar 2022	31 Mar 2021	31 Dec 2021
ASSETS				
Goodwill		28,012	5,501	27,143
Customer relationships		14,226	1,767	13,966
Operator relationships		304	192	285
Proprietary software		5,138	381	5,080
Other intangible assets		1,028	19	944
Property, plant and equipment		719	119	707
Right-of-use assets		894	55	900
Financial assets		70	16	62
Deferred tax assets		920	453	825
Total non-current assets		**51,311**	**8,503**	**49,912**
Tax assets		182	97	198
Other current receivables		5,490	3,355	5,100
Cash and cash equivalents		1,226	3,200	1,871
Total current assets		**6,898**	**6,651**	**7,169**
TOTAL ASSETS		58,209	15,154	57,081
EQUITY AND LIABILITIES				
Equity attributable to owners of the parent	4	35,481	9,823	34,052
Non-controlling interests		1	1	1
Total equity		**35,482**	**9,824**	**34,053**
Deferred tax liability		5,624	638	5,574
Non-current liabilities, interest-bearing		6,452	1,060	1,707
Non-current liabilities, non-interest-bearing		14	85	37
Total non-current liabilities		**12,091**	**1,783**	**7,318**
Current liabilities, interest-bearing		5,629	86	10,817
Provisions		27	83	49
Tax liability		457	89	325
Other current liabilities, non-interest-bearing		4,523	3,288	4,519
Total current liabilities		**10,636**	**3,547**	**15,710**
TOTAL EQUITY AND LIABILITIES		58,209	15,154	57,081
Financial instruments measured at fair value				
Derivative instruments with positive value		0	0	6
Derivative instruments with negative value		1	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

Sinch Group, SEKm	Share capital	Other capital contributions	Reserves	Retained earnings	Total	Non-controlling interests	Total equity
	Attributable to owners of the parent						
Opening balance 1 January 2021	**6**	**6,934**	**-400**	**972**	**7,512**	**1**	**7,513**
Profit for the period				141	141	0	141
Other comprehensive income or loss			174		174	0	173
Share-based payments		45			45		45
Shares issued for warrants	0	40			42		42
Rights issue	0	1,911			1,911		1,911
Issue expenses, net of tax		1			1		1
Closing balance 31 March 2021	**7**	**8,931**	**-227**	**1,113**	**9,824**	**1**	**9,825**
Opening balance 1 January 2022	**8**	**31,988**	**178**	**1,879**	**34,053**	**1**	**34,053**
Profit for the period				88	88	0	88
Other comprehensive income or loss			1,276		1,276	0	1,276
Share-based payments		37			37		37
Shares issued for warrants	0	34			34		34
Rights issue	0	-1			-1		-1
Issue expenses, net of tax		-5			-5		-5
Closing balance 31 March 2022	**8**	**32,052**	**1,454**	**1,968**	**35,481**	**1**	**35,482**

Condensed statement of cash flows

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

Other disclosures

Sinch Group, SEKm	Q1 2022	Q1 2021	2021	R12M
Share information				
Basic earnings per share, SEK	0.11	0.22	1.29	1.16
Diluted earnings per share, SEK	0.11	0.21	1.27	1.14
Basic weighted average number of shares	783,378 348	643,171 657	700,923 800	735,495 313
Diluted weighted average number of shares	793,128 128	663,348 984	716,527 452	747,198 940
Total number of shares at the end of the period	796,725 358	650,235 020	768,568,748	796,725 358
Financial position				
Equity attributable to owners of the parent	35,481	9,824	34,053	35,481
Equity ratio	61%	65%	60%	61%
Net investments in property, plant and equipment and intangible assets	129	39	178	268
Cash and cash equivalents	1,226	3,200	1,871	1,226
Net debt	10,856	-2,053	10,655	10,856
Net debt/pro forma Adjusted EBITDA R12M, multiple[1]	3.1	-1.8	2.9	3.1
Employee information				
Average FTEs	3,437	1,610	1,937	2,394
Average FTEs, women	1,037	419	551	644
Percentage female	30%	26%	28%	27%
Key data				
EBIT margin	1%	3%	1%	1%
EBITDA margin	10%	6%	5%	7%

1) Adjusted EBITDA R12M is measured on a pro forma basis and includes contributions from acquired entities in the past 12 months. Net debt is measured excluding IFRS 16-related lease liabilities. See page 7 for comments.

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 Sinch Group's operating segments are Messaging, Voice and Video, Email, Operators, and Other and eliminations. Items under EBITDA are not allocated to the segments.

Q1 2022, SEKm	Messaging	Voice and Video	Email	Operators	Other and eliminations	Group
External revenue	4,527	1,412	330	252	29	6,550
Internal revenue	38	20	0	24	-82	0
Net sales	**4,566**	**1,432**	**330**	**276**	**-54**	**6,550**
Gross profit	**1,037**	**681**	**245**	**104**	**29**	**2,096**
EBITDA	**249**	**339**	**119**	**26**	**-85**	**648**
EBITDA adjustments	-45	-2	-5	0	-60	-112
Adjusted EBITDA	**294**	**342**	**124**	**26**	**-25**	**760**
Depreciation and amortization						-554
EBIT						**95**
Net finance income						16
Profit before tax						**111**

Q1 2021, SEKm	Messaging	Voice and Video	Email	Operators	Other and eliminations	Group
External revenue	3,054	53	-	214	29	3,350
Internal revenue	29	44	-	11	-83	0
Net sales	**3,083**	**97**	**-**	**224**	**-54**	**3,350**
Gross profit	**691**	**14**	**-**	**87**	**28**	**820**
EBITDA	**259**	**-9**	**-**	**18**	**-76**	**192**
EBITDA adjustments	-26	1	-	-1	-50	-76
Adjusted EBITDA	**285**	**-9**	**-**	**18**	**-26**	**269**
Depreciation and amortization						-95
EBIT						**97**
Net finance income						-89
Profit before tax						**186**

2021, SEKm	Messaging	Voice and Video	Email	Operators	Other and eliminations	Group
External revenue	14,335	512	81	1,124	125	16,177
Internal revenue	132	135	0	59	-325	0
Net sales	**14,467**	**647**	**81**	**1,182**	**-200**	**16,177**
Gross profit	**3,076**	**217**	**64**	**453**	**123**	**3,933**
EBITDA	**1,063**	**13**	**36**	**164**	**-445**	**831**
EBITDA adjustments	-183	2	-1	-3	-308	-491
Adjusted EBITDA	**1,249**	**10**	**36**	**167**	**-141**	**1,322**
Depreciation and amortization						-673
EBIT						**158**
Net finance income						1,039
Profit before tax						**1,197**

RTM, SEKm	Messaging	Voice and Video	Email	Operators	Other and eliminations	Group
External revenue	15,808	1,871	411	1,162	125	19,377
Internal revenue	141	111	0	72	-325	0
Net sales	**15,949**	**1,982**	**411**	**1,234**	**-200**	**19,377**
Gross profit	**3,422**	**884**	**309**	**469**	**124**	**5,209**
EBITDA	**1,053**	**361**	**155**	**172**	**-454**	**1,286**
EBITDA adjustments	-209	0	-5	-2	-314	-528
Adjusted EBITDA	**1,257**	**361**	**160**	**174**	**-138**	**1,814**
Depreciation and amortization						-1,131
EBIT						**156**
Net finance income						967
Profit before tax						**1,122**

Distribution of external net sales

Q1 2022, SEKm	Messaging	Voice and Video	Email	Operators	Other and eliminations	Group
Net sales by customer country/region[1]						
France	190	0	35	7	0	233
Sweden	118	3	2	9	1	133
Germany	96	0	14	2	13	124
Other EU countries	370	18	38	59	13	498
Brazil	223	0	5	0	-	228
India	280	1	4	6	-	291
Singapore	109	8	6	1	-	123
United Kingdom	520	5	25	24	-1	574
USA	1,915	1,325	149	23	1	3,413
Australia	272	0	7	12	-	291
Rest of the world	435	51	45	109	3	641
Total	**4,527**	**1,412**	**330**	**252**	**29**	**6,550**
Net sales by product/service						
Communication services	4,464	1,412	330	223	13	6,441
Initial software licenses and upgrades	6	-	-	9	13	29
Support	2	-	-	20	-	22
Other	56	-	-	-	2	58
Total	**4,527**	**1,412**	**330**	**252**	**29**	**6,550**
Net sales allocation per point in time						
Over time	395	1,355	269	31	11	2,060
At one point in time	4,132	57	62	221	18	4,489
Total	**4,527**	**1,412**	**330**	**252**	**29**	**6,550**

1) The customer country/region is based on the customer's geographical domicile.

Q1 2021, SEKm	Messaging	Voice and Video	Email	Operators	Other and eliminations	Group
Net sales by customer country/region[1]						
France	143	0	-	5	0	149
Sweden	83	1	-	8	13	105
Germany	96	0	-	2	0	98
Other EU countries	250	14	-	47	15	327
Brazil	150	-	-	0	-	150
India	199	0	-	2	-	201
Singapore	76	5	-	1	-	83
United Kingdom	284	0	-	24	0	309
USA	1,419	17	-	37	-	1,545
Australia	49	1	-	11	-	61
Rest of the world	231	13	-	77	1	322
Total	**3,054**	**53**	-	**214**	**29**	**3,350**
Net sales by product/service						
Communication services	3,034	53	-	179	-	3,266
Initial software licenses and upgrades	1	-	-	11	17	28
Support	1	-	-	24	-	24
Other	19	-	-	-	12.4	31
Total	**3,054**	**53**	-	**214**	**29**	**3,350**
Net sales allocation per point in time						
Over time	204	-	-	34	12.4	251
At one point in time	2,850	53	-	179	17	3,099
Total	**3,054**	**53**	-	**214**	**29**	**3,350**

1) The customer country/region is based on the customer's geographical domicile.

Parent company

Sinch AB (publ) owns and manages the shares attributable to the Sinch Group. The group's operational and strategic management functions are centralized to the parent company. At the end of the period, the parent company had 19 (13) 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	Q1 2022	Q1 2021	2021
Operating income	19	22	179
Operating costs	-42	-44	-243
EBITDA	**-22**	**-23**	**-64**
Other operating expenses	-1	-2	-17
Depreciation and amortization	-1	-1	-5
EBIT	**-25**	**-25**	**-86**
Finance income & expense	531	82	842
Profit or loss after financial items	**506**	**57**	**756**
Appropriations	-	-	-447
Profit before tax	**506**	**57**	**309**
Tax on profit for the period	-104	10	-65
Profit for the period[1]	**402**	**67**	**243**

1) Profit or loss for the year coincides with comprehensive income for the year.

SEKm	31 Mar 2022	31 Mar 2021	31 Dec 2021
ASSETS			
Intangible assets	6	5	7
Property, plant and equipment (tangible assets)	4	16	5
Financial assets	6,536	3,877	9,547
Total non-current assets	**6,546**	**3,898**	**9,559**
Total current assets	**39,790**	**4,875**	**36,887**
TOTAL ASSETS	46,337	8,773	46,446
EQUITY AND LIABILITIES			
Restricted equity	8	7	7
Non-restricted equity	34,594	7,488	34,166
Total equity	**34,602**	**7,494**	**34,172**
Untaxed reserves	43	31	43
Provisions	-	1	-
Non-current liabilities	5,686	1,025	909
Current liabilities	6,006	221	11,323
TOTAL EQUITY AND LIABILITIES	46,337	8,773	46,446

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 having 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 the assessments are unchanged.

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 has a financial target 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

EBITDA adjustments, SEKm	Q1 2022	Q1 2021	2021	R12M
Acquisition costs	-42	-17	-166	-191
Integration costs	-59	-31	-230	-259
Costs of share-based incentive programs	-17	-29	-106	-95
Operational foreign exchange gains/losses	5	0	0	6
Other adjustments	0	-1	11	12
Total EBITDA adjustments	**-112**	-77	**-491**	**-526**
Amortization of acquisition-related assets	-440	-70	-512	-881
Total EBIT adjustments	**-552**	-147	**-1,003**	**-1,408**

Acquisition costs, SEKm	Q1 2022	Q1 2021	2021	R12M
Messaging	0	-1	-16	-15
Voice and Video	-	-	-	-
Email	-	-	-3	-3
Operators	-	-	-	-
Other and eliminations	-41	-16	-147	-172
Acquisition costs[1]	**-42**	**-17**	**-166**	**-191**

1) Reported as other external costs

Integration costs per segment, SEKm	Q1 2022	Q1 2021	2021	R12M
Messaging	-43	-22	-168	-189
Voice and Video	-3	-	-3	-7
Email	-5	-	-	-5
Operators	-1	-1	-5	-4
Other and eliminations	-7	-7	-54	-54
Integration costs per segment[3]	**-59**	**-31**	**-230**	**-259**

3) Reported as other external costs and employee benefits expenses.

Integration costs per category, SEKm	Q1 2022	Q1 2021	2021	R12M
Employee benefits expenses	-40	-16	-136	-161
External consultants	-18	-12	-81	-87
Other	-1	-3	-14	-11
Integration costs per category[3]	**-59**	**-31**	**-230**	**-259**

3) Reported as other external costs and employee benefits expenses.

Costs of share-based incentive programs, SEKm	Q1 2022	Q1 2021	2021	R12M
Cost of vested warrants per IFRS 2	-37	-27	-116	-126
Social insurance costs	20	-2	10	31
Costs of share-based incentive programs[4]	**-17**	**-29**	**-106**	**-95**

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

Operational foreign exchange gains/losses, SEKm	Q1 2022	Q1 2021	2021	R12M
Messaging	-2	0	-17	-19
Voice and Video	1	-	8	9
Email	0	-	2	2
Operators	1	1	2	1
Other and eliminations	6	-1	4	12
Operational foreign exchange gains/losses[5]	**5**	**0**	**0**	**6**
Of which:				
Realized foreign exchange gains/losses	15	-11	-46	-19
Unrealized foreign exchange gains/losses	-9	11	46	25
Operational foreign exchange gains/losses[5]	**5**	**0**	**0**	**6**

5) Reported as other operating income or other operating costs.

Other adjustments	Q1 2022	Q1 2021	2021	R12M
Messaging	-	0	13	13
Voice and Video	-	-	-3	-3
Email	-	-	-	-
Operators	-	-1	1	0
Other and eliminations	-	-	-	-
Other adjustments[6]	**-**	**-1**	**11**	**-12**

6) Reported as other external costs.

Note 3 – Pledged assets and contingent liabilities

Issued guarantees amounted to SEK 187m (46). The increase in issued guarantees during the year arises from the acquisitions of ACL, Pathwire and Wavy.

Note 4 – Incentive programs

In the period of January-March, 265,662 warrants from LTI 2016 were exercised, where each warrant carried 10 shares. The exercise price was SEK 12.77 per share. Equity was increased by SEK 34m through the exercise of warrants.

Total costs for the incentive programs recognized on the income statement amount to SEK 17m (29) for the period of 1 January to 31 March. Payroll costs for vested warrants are included in profit or loss in the amount of SEK 37m (27), with a corresponding increase in equity and social insurance costs improved profit by SEK 20m (-2), with a corresponding reduction of provisions in the balance sheet.

Of all outstanding warrants, 56 percent has been assessed as dilutive during the quarter because the exercise price has been lower than the average share price. The potential dilutive effect, as measured at the inception of the programs, is 1.6 percent (4.2) upon exercise of all warrants in all programs.

Please refer to 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	Q1 2022	Q1 2021	2021	R12M
Amortization acquired customer relationships	-276	-48	-316	-545
Amortization acquired operator relationships	-17	-6	-45	-56
Amortization acquired trademarks	-14	-3	-14	-25
Amortization acquired software	-133	-14	-136	-255
Total acquisition-related amortization	*-440*	*-70*	*-512*	*-881*
Amortization proprietary software	-32	-7	-35	-61
Amortization licenses	-3	-1	-14	-17
Other intangible assets	-1	-	-	-1
Total amortization intangible assets	**-475**	**-77**	**-561**	**-959**
Property, plant and equipment (tangible assets)	-45	-8	-44	-80
Right-of-use assets	-33	-10	-59	-83
Impairments	-	0	-8	-8
Total amortization/depreciation intangible assets and property, plant and equipment	**-554**	**-95**	**-673**	**1,131**

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 the period, 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, will be issued in 2022. The consideration was adjusted during the quarter by USD 2.6m (SEK 25m). 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 trade receivables was SEK 222m. Goodwill of SEK 6,931m is attributable mainly to complementary product offerings and anticipated growth in new customer groups. The acquisition analysis may need to be revised because acquisition occurred at the end of the period, 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 2.6m (SEK 25m) during the 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. The consideration was adjusted during the quarter by USD -0.4m (SEK -3m). The decrease is attributable to adjustments of working capital and cash reserves and has been recognized in its entirety as goodwill. 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 the period, 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 2021 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 worth SEK 2,714m (at SEK 106.5 per share). The sellers will also receive 25.5 million new shares in Sinch, which will be delivered to the sellers in May 2022 and are 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 the period, the acquisition balance sheet and consideration are preliminary and the value of intangible assets and deferred tax may change upon in-depth analysis.

Fair value of acquired net assets, SEKm	MessageMedia[1]	MessengerPeople[1]	Inteliquent[1]	Pathwire[1]
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
Other 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	-
Trade payables	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
Total acquired net assets	3,738	121	5,036	5,676

1) The acquisition analysis is preliminary.

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

Effect of acquisitions on consolidated cash and cash equivalents, SEKm	MessageMedia	MessengerPeople	Inteliquent	Pathwire	Total
Consideration paid	-12	3	-24	-	-33
Direct costs relating to acquisitions[1]	0	-1	-4	-36	-41
Effects on cash and cash equivalents:	-12	2	-28	-36	-74

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 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 RTM
Net debt divided by adjusted EBITDA, past 12 months. Adjusted EBITDAA 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.
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 with 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 to be part of the organic business 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 Annual Report for Sinch AB (publ) for definitions of terms and acronyms, available at investors.sinch.com.

About Sinch

Sinch is a global leader in cloud communications and mobile customer engagement. Sinch's leading cloud communications platform lets businesses reach everyone on the planet, in seconds or less, through mobile messaging, email, voice and video. More than 150,000 businesses, including many of the world's largest companies and mobile operators are using Sinch's advanced technology platform to engage with their customers. Sinch has been profitable and fast-growing since its foundation in 2008. Sinch is headquartered in Stockholm, Sweden, and has local presence in more than 60 countries. Shares are traded on Nasdaq Stockholm: XSTO:SINCH.

Outlook

Sinch does not publish forecasts.

Forthcoming reporting dates

Interim report Q2, Jan–Jun 2022	21 July
Interim report Q3, Jan–Sep	2 November

Annual report

The annual report for the 2021 financial year is available on the company's website investors.sinch.com.

Annual General Meeting

The Annual General Meeting will be held Thursday, 9 June 2022 in Stockholm, Sweden. The venue for the meeting will be communicated in connection with notice of the meeting.

Nomination Committee

The members of the Sinch AB nomination committee are:

- Jonas Fredriksson, representing Neqst D2 AB
- Andreas Hansson, representing SoftBank
- Ulrik Grönvall, representing Swedbank Robur Fonder
- Tomas Risbecker, representing AMF Pension & Fonder
- Erik Fröberg, Board Chair of Sinch AB (publ)

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 change, competition, supplier price increases, fraud, dependence on key personnel, 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 could 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, 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

Sinch AB (publ)
Lindhagensgatan 74
112 18 Stockholm, Sweden

Corporate ID 556882-8908

sinch.com

For additional information, please contact:

Ola Elmeland, Investor Relations
+46 72 143 34 59
investors@sinch.com

Thomas Heath, Chief Strategy Officer and Head of Investor Relations
+46 72 245 50 55
investors@sinch.com

Roshan Saldanha, Chief Financial Officer
+46 73 660 24 19
investors@sinch.com

Stockholm, 28 April 2022

Erik Fröberg
Board Chair

Bridget Cosgrave
Director

Renée Robinson Strömberg
Director

Johan Stuart
Director

Björn Zethraeus
Director

Luciana Carvalho
Director

Oscar Werner
President and Chief Executive Officer

Note: Sinch AB (publ) is required to publish the information in this interim report pursuant to the EU Market Abuse Regulation. The information was released for publication by the contact person above on 28 April 2022 at 07:30 CET.

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.