

Interim Report January – June 2021

April – June 2021

- Net sales increased by 127 percent to SEK 3,682 million (1,622). Organic growth in local currency was 48 percent.
- Gross profit increased by 89 percent to SEK 869 million (460). Organic growth in local currency was 32 percent.
- Adjusted EBITDA¹ increased by 42 percent to SEK 284 million (200).
- Adjusted EBIT² amounted to SEK 254 million (185).
- Profit after tax for the quarter amounted to SEK 47 million (37).
- Diluted earnings per share were SEK 0.07 (0.06).

January – June 2021

- Net sales increased by 117 percent to SEK 7,032 million (3,246). Organic growth in local currency was 43 percent.
- Gross profit increased by 86 percent to SEK 1,689 million (907). Organic growth in local currency was 28 percent.
- Adjusted EBITDA¹ increased by 47 percent to SEK 552 million (377).
- Adjusted EBIT² amounted to SEK 498 million (346).
- Profit after tax for the period amounted to SEK 188 million (134).
- Diluted earnings per share were SEK 0.28 (0.22).

“We now see broad-based growth, across different customer segments and geographies, in addition to the growth from our largest customers.” Oscar Werner, CEO

Significant events during the quarter

- It was announced on 4 May that leading American market intelligence firm IDC had recognized Sinch as a global leader in the Communications-Platform-as-a-Service (CPaaS) market.
- The annual general meeting of shareholders in Sinch AB (publ) resolved on 18 May in favor of a 10-for-1 stock split. The first day of trading in the company's shares after the stock split was 17 June 2021.³
- A directed issue of 7,232,077 shares was executed on 24 May at a subscription price of SEK 1,300 per share (corresponding to SEK 130 per share after the stock split on 17 June). The directed issue was heavily oversubscribed and the company raised about SEK 9,400 million before issue costs.
- Sinch entered into a binding agreement on 9 June to acquire MessageMedia, a leading vendor of mobile messaging services to small and medium-sized businesses in the US, Australia, New Zealand and Europe. The consideration totals USD 1.3 billion on a cash and debt-free basis. Sinch will pay USD 1.1 billion in cash and the remainder in 1,128,487 new shares in Sinch. When the deal was announced, this corresponded to total consideration of SEK 10,745 million. Execution of the transaction is subject to customary terms and conditions and the approval of competition authorities in several countries. The transaction is expected to close in the second half of 2021.
- Sinch presented a change to the company's financial leverage policy on 9 June. The new target is that net debt over time shall be below 3.5 times adjusted EBITDA (measured on a rolling twelve month basis). Before the change, the target was that net debt over time shall be below 2.5 times adjusted EBITDA.
- Covid-19 has had a negative impact on the smaller Voice and Video segment, but the pandemic has also led to increased volumes in Messaging. On current trends, Covid-19 is not expected to have any material, further impact compared to the second quarter 2021.

¹ EBITDA before depreciation, amortization and impairments excluding items affecting comparability. See page 3 for a specification of items affecting comparability.

² EBIT excluding items affecting comparability and depreciation and amortization of acquisition-related assets. See Note 5 for a specification of depreciation and amortization.

³ The key figures “Adjusted EBITDA per diluted share” and “Profit for the period per diluted share” have been restated for comparative periods.

Invitation to phone conference

Sinch will present the interim report in a webcasted conference call on 16 July at 14:00 CET. Watch the presentation at investors.sinch.com/webcast or call and register a couple of minutes in advance.

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Message from the CEO

Broad-based growth

We address a large and global market where there is opportunity to grow both organically and through acquisitions. This quarter we are executing on both agendas with accelerating organic growth and a significant acquisition that expands our addressable market, improves our profitability, and positions us for future growth.

We focus on growth in gross profit, not revenues, since passthrough fees vary significantly between products and geographies. The second quarter saw gross profit rise 89 percent compared to the same period last year, with organic growth at 32 percent, acquired businesses contributing 64 percent, and currency movements causing a negative impact of 7 percent.

Our Messaging segment continues to perform well with organic gross profit growth of 31 percent and overall gross profit growth of 76 percent. It is particularly encouraging to see broad-based growth, across different customer segments and geographies, in addition to the growth from our largest customers. These improvements follow targeted investments in product, sales and marketing that we will now replicate to improve growth in recently acquired businesses.

Gross profit in our smaller Voice and Video segment improved markedly compared to last year, an improvement caused by higher sales of products for Number Verification. Adjusted EBITDA was negative as we prepare for upcoming integration with Inteliquent, the transformative acquisition announced in February 2021 that will establish Sinch as a leader in US voice communications.

Results also improved in our Operator business where we saw healthy organic growth, maintained cost control, and a significant contribution from the acquisition of SAP Digital Interconnect. We believe that our strong offering to mobile operators and deep competence in connectivity is a strategic asset that benefits the entire business and differentiates us from our competitors in the market for Communications-Platform-as-a-Service (CPaaS).

In early June we announced an acquisition that opens a new avenue to growth and dramatically expands our addressable market. By agreeing to acquire MessageMedia, we will have a SaaS-platform that is purposefully tailored to meet the specific needs of small and medium-sized businesses, offering easy-to-use messaging products to some 60,000 customers.



The fast pace of M&A has also led us to recruit more senior colleagues and add incremental spend on group-wide support systems. Although these scale up-initiatives now cause Adjusted EBITDA to rise less rapidly than gross profit, we believe it is the right course of action to maintain momentum and enable further value-creating acquisitions in the future.

I am tremendously pleased that we now see results from our investments in product development, sales, and marketing. We see high organic growth, across our business, also beyond our largest customers.

What we do today, determines our tomorrow.

Stockholm, 16 July 2021

Oscar Werner
President and Chief Executive Officer

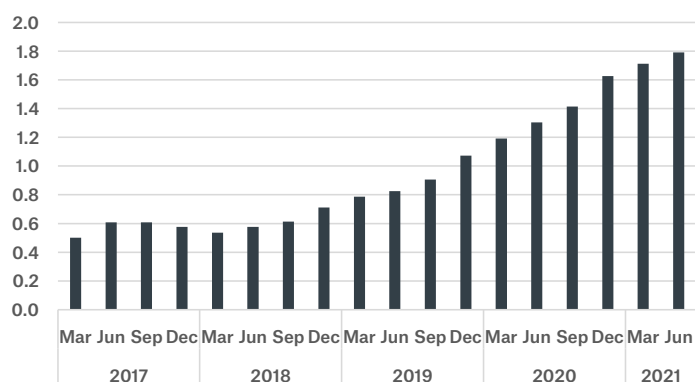
Sinch overview

For a list and definitions of financial measurements defined or not defined under IFRS and for operational measurements, please refer to page 25.

Sinch Group, SEK million	Q2 2021	Q2 2020	Jan-Jun 2021	Jan-Jun 2020	2020	R12M
Net sales	3,682	1,622	7,032	3,246	8,023	11,809
Gross profit	869	460	1,689	907	2,183	2,966
Gross margin	24%	28%	24%	28%	28%	25%
Adjusted EBITDA	284	200	552	377	989	1,165
Adjusted EBITDA margin	8%	12%	8%	11%	12%	10%
Adjusted EBITDA/gross profit	33%	43%	33%	40%	43%	38%
EBITDA	152	146	344	321	715	738
EBITDA margin	4%	9%	5%	10%	9%	6%
Adjusted EBIT	254	185	498	346	923	1,073
Adjusted EBIT margin	7%	11%	7%	11%	11%	9%
Operating profit, EBIT	48	88	145	207	453	391
EBIT margin	1%	5%	2%	6%	6%	3%
Profit for the period	47	37	188	134	446	501
Cash flow from operating activities	65	264	953	398	454	256
Net debt	-11,191	-1,494	-11,191	-1,494	-1,985	-11,191
Net debt/Adjusted EBITDA RTM, multiple	-9.6	-1.3	-9.6	-1.3	-1.7	-9.6
Equity ratio	79%	60%	79%	60%	65%	79%
Adjusted EBITDA/share after dilution, SEK	0.41	0.33	0.81	0.62	1.64	1.79
Diluted earnings per share for the period, SEK	0.07	0.06	0.28	0.22	0.74	0.77
Average number of employees	1,822	638	1,716	615	858	1,373
Average number of employees and consultants	2,229	794	2,058	770	1,025	1,650

Items affecting comparability and adjustments, SEK million	Q2 2021	Q2 2020	Jan-Jun 2021	Jan-Jun 2020	2020	R12M
Acquisition costs	-24	-26	-41	-32	-134	-143
Cost, adjusted earnout	0	0	0	0	-27	-27
Integration costs	-75	-9	-105	-11	-90	-184
Income, adjusted earnout	0	4	0	4	64	61
Profit or loss from sale of tangible/intangible assets	-	-	-1	-	-	-1
Profit or loss from sale/discontinuation of subsidiaries	-	-	0	-	-11	-11
Costs of share-based incentive programs	-18	-12	-47	-14	-51	-84
Operational exchange rate gains/losses	-15	-11	-15	-2	-25	-39
Total items affecting comparability in EBITDA	-132	-54	-208	-56	-274	-427
Amortization of acquisition-related assets	-75	-43	-145	-84	-194	-255
Total EBIT adjustments	-207	-97	-353	-140	-468	-682

Adjusted EBITDA per share, rolling 12 months (SEK)



Quarterly summary

	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
	2019	2019	2019	2020	2020	2020	2020	2021	2021
Net sales, SEK million									
Messaging	1,097	1,126	1,444	1,534	1,562	1,718	2,768	3,083	3,380
Voice and Video	57	70	77	72	54	61	78	97	110
Operators	44	42	44	49	39	40	189	224	269
Other and eliminations	-21	-22	-24	-32	-33	-41	-36	-54	-76
Total	1,177	1,216	1,541	1,624	1,622	1,778	2,999	3,350	3,682
Gross profit, SEK million									
Messaging	259	273	364	374	412	429	668	691	724
Voice and Video	22	32	35	27	13	15	23	13	20
Operators	40	39	41	46	35	37	82	87	104
Other and eliminations	-	-	-	-	-	-	22	28	22
Total	321	344	440	447	460	481	796	820	869
Gross margin									
Messaging	24%	24%	25%	24%	26%	25%	24%	22%	21%
Voice and Video	38%	45%	45%	37%	24%	24%	29%	14%	18%
Operators	91%	93%	95%	93%	90%	93%	43%	39%	39%
Total	27%	28%	29%	28%	28%	27%	27%	24%	24%
EBITDA, SEK million									
Messaging	116	134	209	174	217	251	365	285	301
Voice and Video	1	11	12	7	-6	-6	0	-9	-12
Operators	4	2	-0	4	-5	3	25	18	41
Other and eliminations	-4	-4	-8	-8	-6	-15	-11	-26	-47
Adjusted EBITDA	117	144	213	177	200	234	378	269	284
Items affecting comparability in EBITDA	-3	-9	-19	-2	-54	-19	-199	-76	-132
EBITDA	114	135	194	175	146	215	179	192	152
Adjusted EBITDA margin	10%	12%	14%	11%	12%	13%	13%	8%	8%
Adjusted EBITDA/gross profit	36%	42%	48%	40%	43%	49%	48%	33%	33%
Adjusted EBITDA/share, diluted, SEK	0.22	0.27	0.39	0.32	0.33	0.38	0.60	0.41	0.41
Items affecting comparability and adjustments, SEK million									
Acquisition costs	-	-13	-2	-6	-26	-69	-33	-17	-24
Additional acquisition costs	-	-	-	-	-	-	-27	-	-
Integration costs	-	-	-3	-3	-9	-3	-75	-31	-75
Income, adjusted earnout	-	-	-	-	4	61	-	0	0
Loss from sale of tangible/intangible assets	-	-	-	-	-	-	-	-1	-
Profit or loss from sale/discontinuation of subsidiaries	-	-	-	-	-	-	-11	-	-
Costs of share-based incentive programs	-	-	-4	-2	-12	-4	-33	-29	-18
Operational exchange rate gains/losses	-2	4	-9	10	-11	-5	-19	-	-15
Items affecting comparability in EBITDA	-3	-9	-19	-2	-54	-19	-199	-76	-132
Amortization of acquisition-related assets	-31	-32	-38	-41	-43	-44	-66	-70	-75
Total adjustments in EBIT	-34	-41	-56	-43	-97	-64	-265	-146	-207

April - June 2021

Net sales

Consolidated net sales grew in the period by 127 percent to SEK 3,682 million (1,622). Amounts in parentheses refer to the corresponding period in the preceding year.

Organic growth, in local currency and excluding acquisitions, was 48 percent. The acquisitions of ACL, SDI, and Wavy contributed 86 percent. ACL contributed SEK 200 million, SDI SEK 931 million and Wavy SEK 259 million.

Growth was negatively affected during the quarter by the appreciation of the Swedish krona (SEK), primarily against EUR, USD and GBP. The Group has significant revenues in foreign currency and if exchange rates had been the same during the quarter as in the same quarter in 2020, revenues would have been about SEK 113 million higher. The negative currency effect on consolidated net sales was thus 7 percent.

Gross profit

Consolidated gross profit rose during the quarter by 89 percent to SEK 869 million (460).

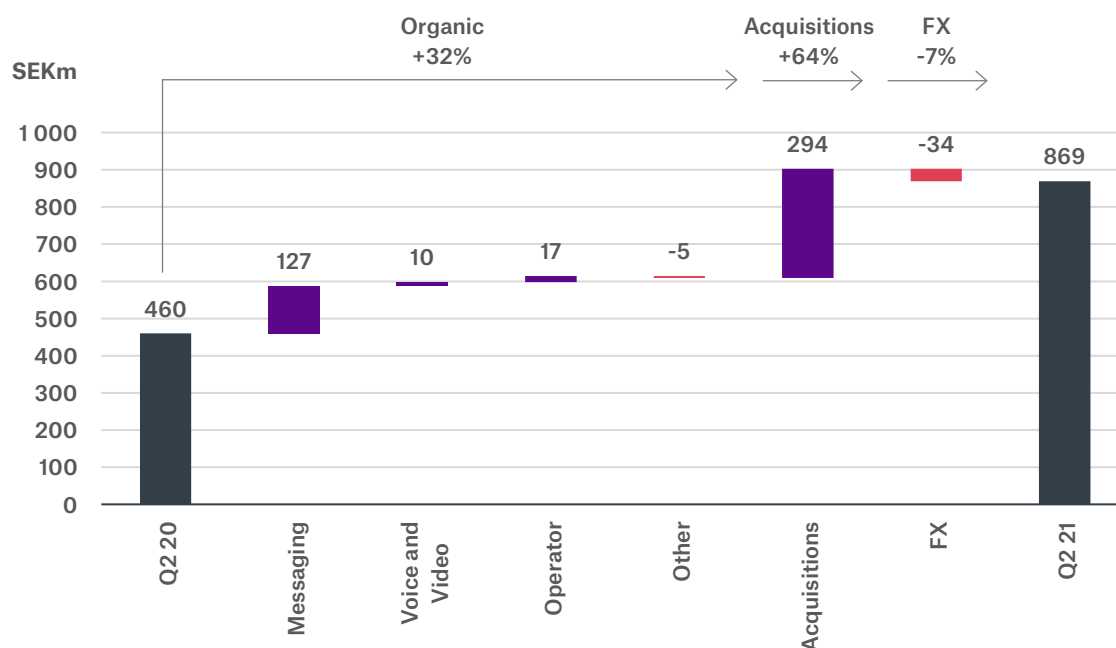
Organic growth in local currency was 32 percent. ACL, SDI, and Wavy contributed 64 percent. ACL contributed SEK 34 million, SDI SEK 202 million and Wavy SEK 57 million. The negative effect of exchange rate changes during the quarter was SEK 34 million, corresponding to 7 percent.

The gross margin amounted to 23.6 percent (28.4) and is affected by several factors. The gross margins for ACL, SDI and Wavy are lower than the Group average, which has had negative impact of 1.5 percentage points on the consolidated margin. This is particularly apparent in Operators, where the gross margin fell from 90 percent in Q2 2020 to 39 percent in Q2 2021. Currency effects and temporary low-margin traffic in Voice and Video reduced the consolidated gross margin by 0.6 percentage points.

An additional determining factor is to which countries Sinch's enterprise customers send messages. Even though Sinch's gross profit per transaction is similar in most markets, the gross margin varies widely because operator traffic tariffs differ significantly from one country to the next. 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.

Accordingly, Sinch focuses mainly on gross profit and gross profit growth, rather than net sales and the gross margin.

Change in consolidated gross profit, Q2 2020 - Q2 2021



EBITDA

Operating profit before interest, tax, depreciation and amortization (EBITDA) amounted to SEK 152 million (146).

EBITDA excluding items affecting comparability¹ (Adjusted EBITDA) rose by SEK 84 million to SEK 284 million (200), corresponding to an increase of 42 percent.

Currency movements reduced adjusted EBITDA by about SEK 21 million, meaning that Adjusted EBITDA would have been about 11 percent higher if exchange rates had been the same during the quarter as during the corresponding quarter in 2020.

The definition of adjusted EBITDA has been changed compared to previous quarters. The costs of incentive programs and operational exchange rate gains/losses are considered items affecting comparability and are not included in Adjusted EBITDA. Adjusted EBITDA for previous periods has been updated to align with the new definition; see Note 2 for details.

The Adjusted EBITDA margin was 7.7 percent for the quarter, down from 12.3 percent in the same period last year. A lower gross margin than in the preceding year, which also affects the EBITDA margin, accounted for 1.8 percentage points of the change. Further, 0.6 percentage points are due to that acquired businesses have lower EBITDA margins than the rest of the group; 0.6 percentage points to currency movements and temporary low-margin traffic revenues; and 1.6 percentage points to scale-up investments to prepare Sinch for future acquisitions.

The Group's financial target is growth of Adjusted EBITDA per share of 20 percent on an annual basis. Adjusted EBITDA per share was SEK 0.41 (0,33) for the quarter and SEK 1.79 SEK (1.30) for the rolling twelve months, an increase of 38 percent. Adjusted EBITDA divided by gross profit was 33 percent (41) for the quarter.

Operating profit, EBIT

EBIT amounted to SEK 48 million (88).

Acquisition-related amortization, which does not affect cash flow, reduced EBIT by SEK 75 million (43). The amortization arose mainly from planned amortization of acquired customer relationships and acquired software. See Note 4.

Adjusted EBIT (EBIT excluding items affecting comparability and amortization of acquisition-related assets¹) amounted to SEK 254 million (185).

Employees

At the end of the quarter, the Group employed 2,292 (822) people, including consultants. The average number of employees for the quarter was 2,229 (794). The average number of employees (full-time equivalents, excluding consultants) was 1,822 (638), of whom 29 percent (29) women.

January - June 2021

Net sales

Consolidated net sales grew in the period by 117 percent to SEK 7,032 million (3,246). Organic growth, in local currency and excluding acquisitions, was 43 percent.

Gross profit

Gross profit was SEK 1,689 million (907). Organic growth, in local currency and excluding acquisitions, was 28 percent. The negative effect of currency movements was SEK 61 million, corresponding to 7 percent. The gross margin amounted to 24 percent (28).

Operating profit, EBIT

Operating profit before interest, tax, depreciation and amortization (EBITDA) amounted to SEK 344 million (321). EBITDA excluding items affecting comparability (adjusted EBITDA) amounted to SEK 553 million (377).

EBIT amounted to SEK 145 million (207). Adjusted EBIT (EBIT excluding items affecting comparability and amortization of acquisition-related assets), amounted to SEK 498 million (346).

Other income and expense items

Net financial income was SEK 148 million (-20), with interest costs amounting to SEK -27 million (-19) and foreign exchange differences to SEK 186 million (0). The acquisition of Inteliquent, announced in February 2021 but not yet closed, will be paid for in USD. In preparation, Sinch has therefore increased its exposure to USD, which had a positive effect on net financial income of SEK 123 million in Q2. The Group's effective tax rate was 23 percent (29). Net profit for the period amounted to SEK 188 million (134).

Investments

Net investments in property, plant and equipment and intangible assets amounted to SEK 414 million (44). The increase is primarily attributable to acquisitions. The investments capitalized development expenditure of SEK 40 million (33).

Cash flow, liquidity and financial position

Cash flow from operating activities amounted to SEK 953 million (398). Consolidated cash and cash equivalents at 30 June 2021 amounted to SEK 12,264 million (2,651).

Net debt amounted to SEK -11,191 million (1,494). Adjusted EBITDA RTM in relation to net debt was -9.6 (-1.3). The negative net debt is intended to finance announced but not yet finalized acquisitions. 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).

Sinch's long-term credit facilities comprise a total commitment of SEK 1,770 million. Sinch has also secured short-term financing of SEK 8.200 million to secure the financing of contracted acquisitions. In addition, Sinch has access to an overdraft facility of SEK 200 million. As of 30 June 2021, the overdraft had not been utilized (-). The credit

facilities are conditional upon the company's fulfillment of a number of agreed covenants.

A directed issue of 7,232,077 shares was executed on 24 May at a subscription price of SEK 1,300 per share (corresponding to SEK 130 per share after the stock split on 17 June). The share issue generated keen interest and was directed at selected Swedish and international institutional investors. The issue raised approximately SEK 9,400 million for Sinch before issue costs.

Equity at 30 June 2021 amounted to SEK 19,290 million (4,173), corresponding to an equity ratio of 79 percent (60).

1) Details provided in the table on page 3 and in Note 2.

Messaging

With Sinch's cloud communications platform, businesses can reach their customers and employees directly in their mobile phone within a second or two. The messages are sent as SMS (text messages) or using next-generation technologies like WhatsApp and RCS. The product segment includes software for AI-based interactive communication and technology for personalized video messaging, where unique video messages are customized for each and every recipient.

Messaging, SEK million	Q2	Q2	Jan-Jun	Jan-Jun	2020	R12M
	2021	2020	2021	2020		
Net sales	3,380	1,562	6,463	3,096	7,582	10,948
Gross profit	724	412	1,415	786	1,884	2,512
Gross margin	21%	26%	22%	25%	25%	23%
Adjusted EBITDA	301	217	586	391	1,007	1,203
EBITDA	224	209	486	383	934	1,037
Adjusted EBITDA/gross profit	42%	53%	41%	50%	53%	48%
Adjusted EBITDA margin	9%	14%	9%	13%	13%	11%

Sinch Messaging makes it possible for enterprises to reach consumers with automated, business-critical messages. Sinch has purposefully built up a leading market position based on quality, cost-effectiveness and economies of scale. That puts Sinch in prime position to defy fierce competition and win organic market shares and continue consolidating the market through acquisitions.

A comprehensive effort is in progress to integrate the operations acquired through SAP Digital Interconnect on 1 November 2020 and Wavy on 1 February 2021. 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 in order 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.

Sinch entered into a binding agreement on 9 June to acquire MessageMedia, a leading vendor of mobile messaging services to small and medium-sized businesses in the US, Australia, New Zealand and Europe. Execution of the transaction is subject to customary terms and conditions and the approval of competition authorities in several countries and is expected to close in the second half of 2021.

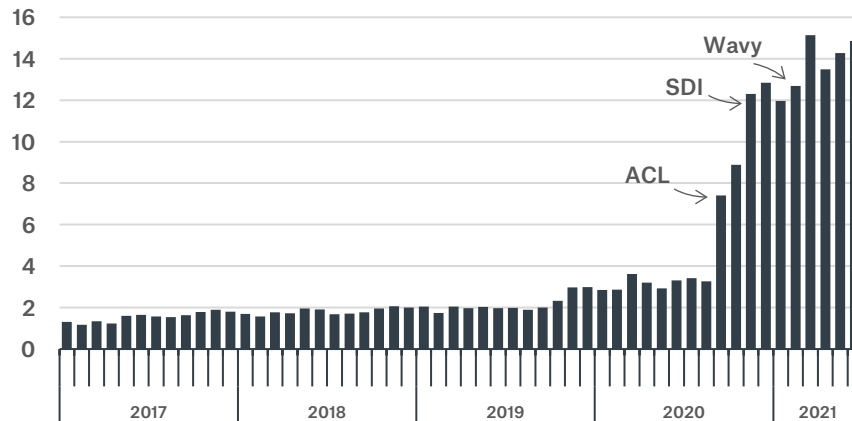
MessageMedia offers web-based SaaS software that makes it easy for businesses to use messaging products without programming or handling APIs. As the software is tailored to meet the needs of small and medium-sized businesses, Sinch will gain a new and rapidly growing addressable market segment through the acquisition. More than 60,000 enterprise customers currently use MessageMedia products and growth is good, particularly in the US.

Sinch launched a new product in autumn 2020 that simplifies management of interactive communication across popular messaging channels like WhatsApp, RCS, Viber and SMS. Sinch Conversation API offers all of these services in a common API, eliminating the complexity that managing multiple parallel communications challenges otherwise presents to enterprises. The offering is continuously further developed and support for direct messaging through Instagram was launched in Q2. The further development of Conversation API gives existing customers access to additional features and new communication channels with no need to integrate another API in their own systems and applications. We see tremendous potential in next-generation messaging, although the market is still in an early stage.

Transaction volume

The number of sent messages rose sharply through the acquisitions of ACL Mobile in September 2020 and SDI in November 2020, and again in February 2021 with the acquisition of Wavy. Seasonal effects in March had positive impact on volume in India. Transaction volume in Q2 rose by 325 percent compared to the same quarter last year and Sinch handled slightly below 15 billion messages in June. The increase in comparable units was 59 percent compared to the corresponding quarter in 2020.

Number of transactions (billions per month)



Net sales

During the quarter, net sales increased by SEK 1,818 million compared to the corresponding quarter in 2020 to SEK 3,380 million (1,562), an increase of 116 percent. Of this increase, 73 percentage points are attributable to acquisitions and -7 percentage points to currency movements. Organic growth in local currency was 50 percent. The acquisition of ACL contributed SEK 200 million, the acquisition of SDI contributed SEK 687 million and the acquisition of Wavy contributed SEK 259 million.

Several initiatives aimed at expanding the company's growth are now delivering clear results. Whereas organic growth was previously driven primarily by large, American tech companies, we are now seeing broad-based growth in other customer segments. Growth is particularly strong in Europe, denoting a marked improvement over the preceding year. The comprehensive investments now made in the product portfolio, sales organization and marketing create favorable conditions for continued strong growth also going forward.

Gross profit

Gross profit increased during the quarter to SEK 724 million (412), up 76 percent compared to the same quarter in the preceding year. Of this increase, 51 percentage points are attributable to acquisitions and -7 percentage points to currency movements. Organic growth in local currency was 31 percent. The acquisition of ACL contributed SEK 34 million, the acquisition of SDI contributed SEK 121 million and the acquisition of Wavy contributed SEK 57 million. Compared to previous quarters, we are seeing distinct organic improvement in Europe and Asia, where organic growth is being driven by both new customers and increasing business from current customers.

Even though Sinch's gross profit per transaction is similar in most markets, the gross margin varies widely from country to country. This is because operator traffic tariffs differ substantially from one country to the next. 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. For this reason, Sinch focuses on gross profit per transaction, not gross margin, as the guiding performance measurement.

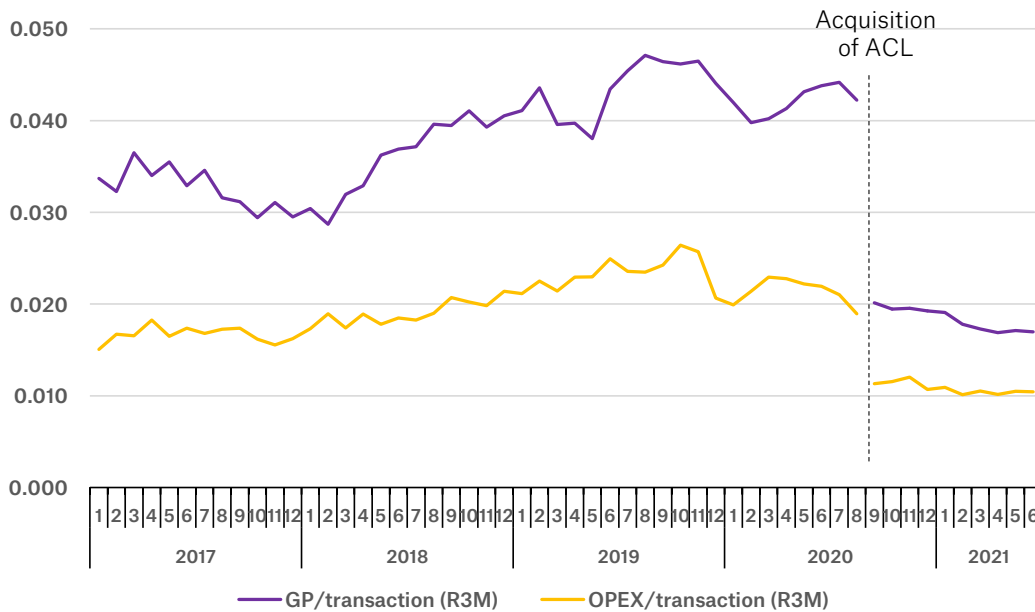
The gross margin was 21.4 percent for the quarter, down 5 percentage points compared to the same quarter in 2020. Part of the change is attributable to the acquisitions of ACL, SDI and Wavy, which had a combined negative effect on the margin of 1.5 percentage points. The margin is also affected by currency movements and volume discounts for business customers with fast-growing traffic volumes. In addition, the gross margin is affected by changes in the customer mix and the countries to which Sinch's business customers send messages. Even though Sinch's gross profit per transaction is similar in most markets, the gross margin varies widely from country to country because operator traffic tariffs differ significantly from one country to the next. Consequently, changes in traffic patterns and the volume mix can have high impact on net sales and the gross margin even though there is no effect on gross profit in absolute numbers. For this reason, Sinch focuses on gross profit per transaction, not gross margin, as the guiding performance measurement.

EBITDA

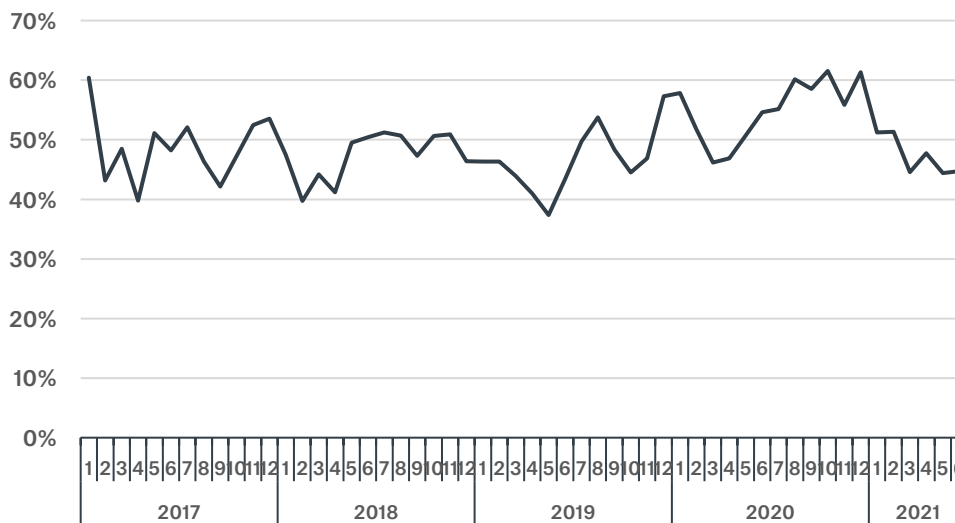
During the quarter, Adjusted EBITDA increased by SEK 84 million compared to the corresponding quarter in 2020 to SEK 301 million (217), an increase of 39 percent. Currency movements had a negative effect on Adjusted EBITDA of -7 percent.

Sinch's financial focus is to grow gross profit and EBITDA in absolute numbers. As one aspect of this work, the company measures several key performance indicators linked to cost efficiency and scalability. As these performance indicators are calculated per transaction, however, they are clearly impacted by acquisitions with a different financial profile. Sinch consolidated operations in ACL Mobile from 1 September 2020, which limits comparability before and after that date. ACL benefits from economies of scale due to its competitive cost base combined with high transaction volumes, resulting in substantially lower OPEX per transaction. At the same time, gross profit per transaction for traffic within India is considerably lower than in western markets due to generally lower costs in the country.

Gross profit/transaction and OPEX/transaction (SEK)



Adjusted EBITDA /gross profit (rolling 3 months)



Adjusted EBITDA in relation to gross profit is a key measurement of efficiency and scalability. The measurement shows the underlying margin and is not affected by changes in operator traffic tariffs.

With higher volumes, Sinch achieves economies of scale that have positive impact on Adjusted EBITDA. At the same time, a large share of operating profit is being reinvested in future-oriented initiatives to develop new products and drive future growth.

Adjusted EBITDA/gross profit is also affected by acquisitions. Profitability is lower in the acquired business from ACL, SDI and Wavy than in Sinch, which reduced Adjusted EBITDA/gross profit by -4.7 percentage points during the quarter. Aimed at accelerating growth in the acquired businesses, Sinch is also taking several future-oriented initiatives, which may further increase incremental spend in the short term. In parallel, Sinch is working determinedly to realize synergies in acquired businesses by migrating customers to the common Sinch technology platform, a process that is expected to improve the margin profile when complete.

Voice and Video

Sinch's innovative products for cloud-based voice and video calls are found within Voice and Video. The product segment includes Number Masking, a service that provides temporary phone numbers, and Verification, where Sinch helps enterprises verify their customers' mobile phone numbers swiftly, easily and cost-effectively.

	Q2	Q2	Jan-Jun	Jan-Jun	2020	R12M
Voice and Video, SEK million	2021	2020	2021	2020		
Net sales	110	54	207	126	266	346
Gross profit	20	13	33	40	77	71
Gross margin	18%	24%	16%	32%	29%	20%
Adjusted EBITDA	-12	-6	-21	1	-5	-27
EBITDA	-5	-9	-13	-1	-7	-19
Adjusted EBITDA margin	-11%	-12%	-10%	1%	-2%	-8%

Sinch has a competitive offering in Number Verification, where we help enterprises and app developers verify their customers' mobile phone numbers. A new data verification product was launched in Q2, where we can offer a faster, simpler and more secure way to verify numbers compared to one-time codes via SMS and automated voice calls. We also have a strong position in Number Masking for app-based ride hailing services, which allows drivers and riders to easily contact one another without revealing their private mobile phone numbers. The impact of lower demand related to the Covid-19 pandemic on the Voice and Video business continued, which has also entailed renegotiations and lower business volumes with current customers.

Net sales

Net sales rose during the quarter by SEK 56 million to SEK 110 million (54). SEK 49 million in net sales is attributable to customers that use products for which the gross margin is relatively low and where recurring traffic volumes are not expected.

Profit

Gross profit during the quarter amounted to SEK 20 million (13), corresponding to a gross margin of 18 percent. SEK 3 million of the gross profit is attributable to temporary traffic that is not expected to recur. Without these business volumes, the gross margin would have been 27 percent. Adjusted EBITDA amounted to SEK -12 million (-6). Preparatory work is now commenced within Voice and Video ahead of Sinch's acquisition of Inteliquent, which is expected to close in the second half of 2021.

Operators

Within Operators, Sinch develops 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. Sinch also offers services to mobile operators to simplify handling of person-to-person messaging.

	Q2	Q2	Jan-Jun	Jan-Jun	2020	R12M
Operators, SEK million	2021	2020	2021	2020		
Net sales	269	39	493	88	317	722
Gross profit	104	35	191	81	200	311
Gross margin	39%	90%	39%	91%	63%	43%
Adjusted EBITDA	41	-5	59	-1	27	87
EBITDA	38	-6	56	3	25	77
Adjusted EBITDA margin	15%	-13%	12%	-1%	8%	12%

Sinch's software sales to mobile operators are project-based and thus more volatile than the other business segments. Several future-oriented initiatives are in progress in the Operators segment, including sharper focus on products to secure mobile operators' revenues from messaging, RCS-as-a-Service to speed up the rollout of RCS and the development of Sinch SMSF to handle messaging in 5G networks.

Net sales

Net sales rose during the quarter by SEK 230 million to SEK 269 million (39). The acquisition of SDI contributed SEK 216 million, while Sinch's existing software business grew by SEK 14 million compared to the corresponding period last year.

Profit

Gross profit rose during the quarter by SEK 69 million to SEK 104 million (35). The acquisition of SDI contributed SEK 55 million to the increase. The gross margin fell to 39 percent (90) because the gross margin is lower for the acquired operators business from SDI. Adjusted EBITDA increased by SEK 46 million to SEK 41 million (-5) due to the acquisition of SDI combined with good growth and cost control in Sinch's existing software business.

Other and eliminations

Other and eliminations, SEK million	Q2	Q2	Jan-Jun	Jan-Jun	2020	R12M
	2021	2020	2021	2020		
External revenue	28	-	57	-	22	79
Internal revenue	-104	-33	-187	-65	-163	-286
Net sales	-76	-33	-131	-65	-141	-207
Gross profit	22	-	50	-	22	72
Adjusted EBITDA	-47	-6	-72	-14	-40	-98
EBITDA	-106	-48	-185	-65	-237	-357

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

Net sales

Net revenues from external customers increased in Q2 by SEK 28 million to SEK 28 million (0). The entire increase was contributed by the acquisition of SDI. Net sales in the segment are negative due to eliminations between operating segments.

Profit

Gross profit rose during the quarter by SEK 22 million to SEK 22 million (0). SEK 27 million of this increase was contributed by the acquisition of SDI. Adjusted EBITDA amounted to SEK -47 million (-6) and was affected by group-wide scale-up investments aimed at preparing the company for planned and future acquisitions. These initiatives are expected to continue in upcoming quarters.

See Note 2 for details concerning items affecting comparability and adjustments that affect EBITDA.

Condensed income statement

Sinch Group, SEK million	Q2 2021	Q2 2020	Jan-Jun 2021	Jan-Jun 2020	2020	R12M
Net sales	3,682	1,622	7,032	3,246	8,023	11,809
Cost of goods sold and services	-2,813	-1,162	-5,343	-2,339	-5,840	-8,844
Gross profit	869	460	1,689	907	2,183	2,966
Other operating income	24	34	57	67	198	188
Work performed by the entity and capitalized	21	18	40	33	69	77
Other external costs	-294	-126	-532	-236	-683	-979
Employee benefits expenses	-419	-198	-818	-382	-869	-1,306
Other operating expenses	-51	-43	-92	-67	-183	-207
EBITDA	152	146	344	321	715	738
Depreciation, amortization, and impairments	-104	-58	-199	-114	-262	-347
EBIT	48	88	145	207	453	391
Finance income	377	2	594	4	6	607
Finance expenses	-318	-34	-446	-23	-79	-513
Profit before tax	107	56	293	187	379	485
Current tax	21	-34	-55	-76	-143	-121
Deferred tax	-81	15	-50	23	209	137
Profit for the period	47	37	188	134	446	501
Attributable to:						
Owners of the parent	47	37	188	133	446	500
Non-controlling interests	0	0	0	0	0	0

Earnings per share

Sinch Group, SEK	Q2 2021	Q2 2020	Jan-Jun 2021	Jan-Jun 2020	2020	R12M
Basic	0.07	0.06	0.28	0.23	0.76	0.79
Diluted	0.07	0.06	0.28	0.22	0.74	0.77

Condensed statement of comprehensive income

Sinch Group, SEK million	Q2 2021	Q2 2020	Jan-Jun 2021	Jan-Jun 2020	2020	R12M
Profit for the period	47	37	188	134	446	501
Other comprehensive income or loss						
Items that may subsequently be reclassified to profit or loss for the period						
Translation differences	136	-198	135	-179	-362	315
Hedge accounting net investment	-40	3	60	0	-146	-86
Tax effect of items in other comprehensive income	8	-1	-12	0	33	21
Other comprehensive income or loss for the period	104	-196	184	-179	-475	249
Comprehensive income or loss for the period	151	-159	372	-46	-29	750
Attributable to:						
Owners of the parent	151	-159	372	-46	-29	750
Non-controlling interests	0	0	0	0	0	0

Condensed balance sheet

Sinch Group, SEK million	Note	30 Jun 2021	30 Jun 2020	31 Dec 2020
ASSETS				
Goodwill		5,528	1,704	3,298
Customer relationships		1,726	681	1,481
Operator relationships		188	93	145
Proprietary software		378	214	322
Other intangible non-current assets		14	7	8
Right-of-use assets		61	65	54
Other tangible non-current assets		111	33	100
Non-current financial assets		15	14	14
Deferred tax assets		487	232	404
Total non-current assets		8,506	3,044	5,827
Tax receivables		110	14	53
Other current receivables		3,629	1,253	2,632
Cash and cash equivalents		12,264	2,651	3,123
Total current assets		16,003	3,917	5,807
TOTAL ASSETS		24,510	6,961	11,634
EQUITY AND LIABILITIES				
Equity attributable to owners of the parent	4	19,289	4,173	7,512
Non-controlling interests		1	1	1
Total equity		19,290	4,173	7,513
Deferred tax liability		649	258	508
Non-current liabilities, interest-bearing		1,048	1,069	996
Non-current liabilities, non-interest-bearing		69	125	86
Total non-current liabilities		1,766	1,453	1,590
Current liabilities, interest-bearing		25	88	142
Provisions		71	41	79
Tax liability		122	55	37
Other current liabilities, non-interest-bearing		3,236	1,151	2,273
Total current liabilities		3,454	1,335	2,532
TOTAL EQUITY AND LIABILITIES		24,510	6,961	11,634
Financial instruments measured at fair value				
Derivative instruments with positive fair value		0	0	0
Derivative instruments with negative fair value		0	3	0

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 2020 Annual Report.

Condensed statement of changes in equity

Sinch Group, SEK million	Attributable to owners of the parent					Non-controlling interests	Total equity
	Share capital	Other capital contributions	Reserves	Retained earnings	Total		
Opening balance 1 January 2020	5	1,391	75	526	1,998	1	1,999
Profit for the period				133	133		133
Other comprehensive income			-179		-179	0	-179
Rights issue	1	2,203			2,203		2,203
Warrants	0	42			42		42
Issue expenses, net after tax		-26			-26		-26
Closing balance 30 June 2020	6	3,610	-104	660	4,172	1	4,173
Opening balance 1 January 2021	6	6,934	-400	972	7,512	1	7,513
Profit for the period				188	188		188
Other comprehensive income			226		226	0	226
Rights issue	1	11,318			11,318		11,318
Warrants	0	42			42		42
Issue expenses, net of tax		3			3		3
Closing balance 30 June 2021	7	18,296	-174	1,160	19,289	1	19,290

Condensed statement of cash flows

Sinch Group, SEK million	Note	Q2 2021	Q2 2020	Jan-Jun 2021	Jan-Jun 2020	2020	R12M
Cash flow before changes in working capital		418	127	1,053	302	602	893
Change in working capital		-352	137	-100	96	-148	-637
Cash flow from operating activities		65	264	953	398	454	256
Net investments in tangible and intangible assets		-53	-24	-414	-44	-86	-115
Change in financial receivables		-9	-1	-3	-2	-2	-10
Acquisition of Group companies	6	-178	-81	-683	-126	-2,885	-2,981
Cash flow from investing activities		-240	-107	-1,100	-172	-2,972	-3,105
Amortization of bank loans		-88	-211	-88	-213	-267	-144
Amortization lease liability		4	-7	-6	-14	-30	-20
New share issue/warrants	4	9,310	701	9,347	2,212	5,529	14,138
Cash flow from financing activities		9,226	482	9,252	1,985	5,231	13,975
Cash flow for the period		9,051	639	9,106	2,211	2,713	11,125
Opening balance cash and cash equivalents for the period		3,200	2,041	3,123	466	466	1,153
Exchange rate differences in cash and cash equivalents		13	-29	35	-27	-56	-14
Closing balance cash and cash equivalents for the period		12,264	2,651	12,264	2,651	3,123	12,264

Other disclosures

Sinch Group, SEK million	Q2 2021	Q2 2020	Jan-Jun 2021	Jan-Jun 2020	2020	R12M
Share information						
Basic earnings per share, SEK	0.07	0.06	0.28	0.23	0.76	0.79
Diluted earnings per share, SEK	0.07	0.06	0.28	0.22	0.74	0.77
Basic weighted average number of shares	679,732,202	589,202,910	661,552,925	591,661,449	584,945,864	633,159,990
Diluted weighted average number of shares	697,446,732	609,045,555	679,159,204	608,395,147	604,134,997	649,889,975
Total number of shares at the end of the period	722,672,110	599,859,340	722,672,110	599,859,340	631,736,700	722,672,110
Financial position						
Equity attributable to owners of the parent	19,289	4,173	4,173	4,173	7,512	19,289
Equity ratio	79%	60%	79%	60%	65%	79%
Net investments in tangible and intangible assets	53	24	414	44	86	115
Cash and cash equivalents	12,264	2,651	12,264	2,651	3,123	12,264
Net debt	-11,191	-1,494	-11,191	-1,494	-1,985	-11,191
Net debt/Adjusted EBITDA RTM, multiple	-9.6	-1.3	-9.6	-1.3	-1.7	-9.6
Employee information						
Average FTEs	1,822	638	1,716	615	858	1,373
Average FTEs, women	529	185	487	178	223	371
Percentage female	29%	29%	28%	29%	26%	27%
Key figures						
EBITDA margin	4%	9%	5%	10%	9%	6%
EBIT margin	1%	5%	2%	6%	6%	3%

*Historic average number of shares restated after split and new issues for comparison.

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, Operators, and Other and eliminations. Items under EBITDA are not allocated to the segments.

Q2 2021, SEK million	Messaging	Voice and Video	Operators	Other and eliminations	Group
External revenue	3,354	48	252	28	3,682
Internal revenue	25	62	17	-104	-
Net sales	3,380	110	269	-76	3,682
Gross profit	724	20	104	22	869
Adjusted EBITDA	301	-12	41	-47	284
Items affecting comparability	-77	7	-3	-59	-132
EBITDA	224	-5	38	-106	152
Depreciation and amortization					-104
EBIT					48
Net finance income					59
Profit before tax					107

Q2 2020, SEK million	Messaging	Voice and Video	Operators	Other and eliminations	Group
External revenue	1,535	54	33	-	1,622
Internal revenue	27	-	6	-33	-
Net sales	1,562	54	39	-33	1,622
Gross profit	412	13	35	-	460
Adjusted EBITDA	217	-6	-5	-6	200
Items affecting comparability	-8	-3	-1	-42	-54
EBITDA	209	-9	-6	-48	146
Depreciation and amortization					-58
EBIT					88
Net finance expense					-32
Profit before tax					56

Jan-Jun 2021, SEK million	Messaging	Voice and Video	Operators	Other and eliminations	Group
External revenue	6,409	101	465	57	7,032
Internal revenue	54	106	28	-187	-
Net sales	6,463	207	493	-131	7,032
Gross profit	1,415	33	191	50	1,689
Adjusted EBITDA	586	-21	59	-72	552
Items affecting comparability	-100	8	-3	-112	-208
EBITDA	486	-13	56	-185	344
Depreciation and amortization					-199
EBIT					145
Net finance income					148
Profit before tax					293

Jan-Jun 2020, SEK million	Messaging	Voice and Video	Operators	Other and eliminations	Group
External revenue	3,043	126	77	-	3,246
Internal revenue	53	-	11	-65	-
Net sales	3,096	126	88	-65	3,246
Gross profit	786	40	81	-	907
Adjusted EBITDA	391	1	-1	-13	377
Items affecting comparability	-8	-1	4	-51	-57
EBITDA	383	-1	3	-65	321
Depreciation and amortization					-114
EBIT					207
Net finance expense					-20

Distribution of external net sales

Q2 2021, SEK million	Messaging	Voice and Video	Operators	Other and eliminations	Group
Net sales by customer country/region					
France	156	0	0	0	157
Sweden	88	1	8	13	109
Germany	114	0	3	0	118
Other EU countries	311	15	37	14	377
Brazil	169	-	0	-	169
India	190	0	8	-	199
Singapore	160	4	1	-	165
United Kingdom	266	-	23	-	289
USA	1,506	16	63	-	1,585
Rest of the world	394	13	107	-	514
Total	3,354	48	252	28	3,682
Net sales by product/service					
Communication services	3,322	48	216	-	3,586
Initial software licenses and upgrades	10	-	12	16	37
Support	1	-	24	-	25
Other	22	-	-	12	35
Total	3,354	48	252	28	3,682
Net sales allocation per point in time					
Over time	270	-	35	12	317
At one point in time	3,085	48	216	16	3,365
Total	3,354	48	252	28	3,682

Q2 2020, SEK million	Messaging	Voice and Video	Operators	Other and eliminations	Group
Net sales by customer country/region					
France	92	0	-	-	92
Sweden	51	2	7	-	60
Germany	89	0	1	-	91
Other EU countries	136	6	10	-	153
Brazil	85	0	-	-	85
India	-	-	-	-	-
Singapore	-	-	-	-	-
United Kingdom	168	1	1	-	170
USA	758	25	-	-	783
Rest of the world	156	19	14	-	189
Total	1,535	54	33	-	1,622
Net sales by product/service					
Communication services	1,528	54	-	-	1,581
Initial software licenses and upgrades	2	-	8	-	9
Support	1	-	25	-	26
Other	5	-	-	-	5
Total	1,535	54	33	-	1,622
Net sales allocation per point in time					
Over time	1	-	33	-	34
At one point in time	1,534	54	-	-	1,588
Total	1,535	54	33	-	1,622

Jan-Jun 2021, SEK million	Messaging	Voice and Video	Operators	Other and eliminations	Group
Net sales by customer country/region					
France	299	1	6	0	306
Sweden	171	2	16	26	215
Germany	211	0	5	0	216
Other EU countries	561	29	84	29	704
Brazil	319	-	-	-	320
India	390	0	10	-	400
Singapore	237	9	2	-	248
United Kingdom	550	-	47	0	598
USA	2,997	33	100	-	3,130
Rest of the world	674	27	195	1	897
Total	6,409	101	465	57	7,032
Net sales by product/service					
Communication services	6,355	101	395	-	6,852
Initial software licenses and upgrades	11	-	22	32	65
Support	1	-	48	-	49
Other	41	-	-	24	66
Total	6,409	101	465	57	7,032
Net sales allocation per point in time					
Over time	474	-	70	24	568
At one point in time	5,935	101	395	32	6,464
Total	6,409	101	465	57	7,032

Jan-Jun 2020, SEK million	Messaging	Voice and Video	Operators	Other and eliminations	Group
Net sales by customer country/region					
France	202	0	-	-	203
Sweden	125	4	14	-	144
Germany	175	2	1	-	178
Other EU countries	255	29	22	-	306
Brazil	152	0	-	-	152
India	-	-	-	-	-
Singapore	-	-	-	-	-
United Kingdom	403	3	2	-	408
USA	1,439	52	-	-	1,491
Rest of the world	291	36	37	-	364
Total	3,043	126	77	-	3,246
Net sales by product/service					
Communication services	3,019	126	-	-	3,146
Initial software licenses and upgrades	2	-	19	-	21
Support	3	-	58	-	61
Other	19	-	-	-	19
Total	3,043	126	77	-	3,246
Net sales allocation per point in time					
Over time	1	-	77	-	78
At one point in time	3,042	126	-	-	3,168
Total	3,043	126	77	-	3,246

Parent company

Sinch AB (publ) owns and manages the shares attributable to the Sinch Group. The Group's operational and strategic management functions have been centralized to the parent company. At the end of the period, the parent company had 15 (10) 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

SEK million	Q2 2021	Q2 2020	2020
Operating revenue	21	15	67
Operating costs	-68	-28	-225
EBIT	-48	-13	-157
Finance income & expense	75	-114	-39
Profit or loss after financial items	27	-128	-196
Appropriations	0	0	89
Tax on profit for the period	-55	27	43
Profit for the period*	-28	-100	-65

*Profit for the period coincides with comprehensive income for the period.

SEK million	30 Jun 2021	30 Jun 2020	31 Dec 2020
ASSETS			
Non-current assets	3,429	3,001	3,029
Current assets	14,630	2,821	5,212
TOTAL ASSETS	18,059	5,822	8,242
EQUITY AND LIABILITIES			
Equity	16,788	3,692	6,953
Untaxed reserves	31	28	31
Deferred tax liability	8	1	1
Non-current liabilities	1,005	1,030	962
Current liabilities	228	1,070	294
TOTAL EQUITY AND LIABILITIES	18,059	5,822	8,242

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 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 2020 annual report. There are no amendments to IFRS standards in 2021 that are expected to have material impact on the Group's results of operations and financial position.

Sinch does not anticipate changes in profitability due to Covid-19 of such materiality that would affect the use of assets such as deferred tax assets and intangible assets. Risk assessment is performed on an ongoing basis and impairment tests are performed if circumstances indicate that such assets may be impaired.

Note 2 - Operating profit

Items affecting comparability and adjustments in EBITDA have been modified and now include the costs of incentive programs and operational exchange rate gains/losses. Following this change, employee benefits expenses 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. Operating income and other operating expenses are reduced by realized and unrealized exchange rate gains/losses. Adjusted EBITDA in earlier periods is reported according to the updated definition and has thus been restated retroactively.

The change in Adjusted EBITDA is aimed at increasing comparability between periods when analyzing Sinch's business. The exchange rate gains/losses that arise in operations due to temporary fluctuations in exchange rates can have relatively large effect on individual quarters, although the next 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, are an estimated cost that does not affect cash flow and social insurance costs fluctuate with Sinch's price per share. Excluding these costs from Adjusted EBITDA ensures that short-term changes in the share price do not impede analysis of the underlying business and makes it easier to relate Adjusted EBITDA to Sinch's cash flow.

Sinch's financial target is defined as growth in Adjusted EBITDA per share. The future cost of Sinch's incentive programs to existing shareholders is reflected there as dilution, through an increased number of shares. By applying the new definition of Adjusted EBITDA, we ensure that the cost to shareholders in Sinch is not counted twice. Sinch's definition of Adjusted EBITDA also becomes more directly comparable with other listed competitors.

Reconciliation items related to operating profit

Items affecting comparability and adjustments, SEK million	Q2 2021	Q2 2020	Jan-Jun 2021	Jan-Jun 2020	2020	R12M
Acquisition costs	-24	-26	-41	-32	-134	-143
Additional acquisition costs	-	-	-	-	-27	-27
Integration costs	-75	-9	-105	-11	-90	-184
Income, adjusted earnout	0	4	0	4	64	61
Profit or loss from sale of tangible/intangible non-current assets	-	-	-1	-	-	-1
Profit or loss from sale/discontinuation of subsidiaries	-	-	0	-	-11	-11
Costs of share-based incentive programs	-18	-12	-47	-14	-51	-84
Operational exchange rate gains/losses	-15	-11	-15	-2	-25	-39
Total items affecting comparability in EBITDA	-132	-54	-208	-56	-274	-427
Amortization of acquisition-related assets	-75	-43	-145	-84	-194	-255
Total adjustments in EBIT	-207	-97	-353	-140	-468	-682

Acquisition costs, SEK million	Q2 2021	Q2 2020	Jan-Jun 2021	Jan-Jun 2020	2020	R12M
Messaging	-	-	-1	-	-18	-18
Voice and Video	-	-	-	-	-	-
Operators	-	-	-	-	-1	-1
Other and eliminations	-24	-26	-40	-372	-116	-124
Acquisition costs¹⁾	-24	-26	-41	-32	-134	-143

1) Reported as other external costs

Cost, adjusted earnout, SEK million	Q2 2021	Q2 2020	Jan-Jun 2021	Jan-Jun 2020	2020	R12M
Messaging	-	-	-	-	-27	-27
Voice and Video	-	-	-	-	-	-
Operators	-	-	-	-	-	-
Other and eliminations	-	-	-	-	-	-
Cost, adjusted earnout²	-	-	-	-	-27	-27

2) Reported as other external costs

Integration costs	Q2 2021	Q2 2020	Jan-Jun 2021	Jan-Jun 2020	2020	R12M
Messaging	-50	-4	-72	-7	-38	-103
Voice and Video	-	-	-	-	-	-
Operators	-1	-	-3	-	-1	-3
Other and eliminations	-23	-4	-30	-5	-51	-77
Integration costs³	-75	-9	-105	-12	-90	-184

3) Reported as other external costs

Income, adjusted earnout, SEK million	Q2 2021	Q2 2020	Jan-Jun 2021	Jan-Jun 2020	2020	R12M
Messaging	0	4	0	4	64	61
Voice and Video	-	-	-	-	-	-
Operators	-	-	-	-	-	-
Other and eliminations	-	-	-	-	-	-
Income, adjusted earnout⁴	0	4	0	4	64	61

4) Reported as other operating income

Profit or loss from sale of non-current assets Non-current assets, SEK million	Q2 2021	Q2 2020	Jan-Jun 2021	Jan-Jun 2020	2020	R12M
Messaging	-	-	-	-	-	-
Voice and Video	-	-	-	-	-	-
Operators	-	-	-1	-	-	-1
Other and eliminations	-	-	-	-	-	-
Profit or loss from sale of tangible/intangible assets, SEK million⁵	-	-	-1	-	-	-1

5) Reported as other operating income or other operating costs

Profit or loss from sale/discontinuation of subsidiaries, SEK million	Q2 2021	Q2 2020	Jan-Jun 2021	Jan-Jun 2020	2020	R12M
Messaging	-	-	0	-	1	1
Voice and Video	-	-	-	-	2	2
Operators	-	-	-	-	-	-
Other and eliminations	-	-	-	-	-14	-14
Profit or loss from sale/discontinuation of subsidiaries⁶	-	-	0	-	-11	-11

6) Reported as other operating income or other operating costs

Costs of share-based incentive programs, SEK million	Q2 2021	Q2 2020	Jan-Jun 2021	Jan-Jun 2020	2020	R12M
Cost of vested warrants per IFRS 2	-26	-1	-52	-1	-15	-67
Social insurance costs	8	-11	6	-13	-36	-17
Costs of share-based incentive programs⁷	-18	-12	-47	-14	-51	-84

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

Q2 Q2 Jan-Jun Jan-Jun

Operational exchange rate gains/losses, SEK million	2021	2020	2021	2020	2020	R12M
Messaging	-28	-4	-28	-1	-18	-46
Voice and Video	7	-3	8	-1	-3	6
Operators	-1	-5	0	0	-5	-5
Other and eliminations	6	0	5	-	1	6
Operational exchange rate gains/losses⁸	-15	-11	-15	-2	-25	-39
Of which:						
Realized exchange rate gains/losses	-17	-11	-29	-2	-25	-53
Unrealized exchange rate gains/losses	2	-	14	-	-	14
Operational exchange rate gains/losses⁸	-15	-11	-15	-2	-25	-39

8) Reported as other operating income or other operating costs

Note 3 - Pledged assets and contingent liabilities

Issued guarantees amounted to SEK 65 million (6.9). The increase in issued guarantees arises from the acquisitions of ACL and Wavy.

Note 4 - Incentive programs

During the period of January-June, 326,882 warrants from LTI 2016 were exercised with a corresponding increase in the number of shares outstanding. The exercise price was SEK 127.67 per share and the exercise increased Sinch's equity by SEK 42 million.

Total costs for the incentive programs recognized on the income statement amount to SEK 47 million (14) for the period of January to June. Payroll costs for vested warrants are included in profit and loss in the amount of SEK 52 million (1), with a corresponding increase in equity. Profit is improved by social insurance costs of SEK 6 million (-13) with a corresponding reduction of provisions in the balance sheet. During the second quarter, payroll costs reduced profit by SEK 26 million (1) and social insurance costs improved profit by SEK 8 million (-11). Out of all outstanding warrants, 93 percent have 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, amounts to 3.3 percent (3.8) upon exercise of all warrants in all programs.

Please refer to Note 7 of the 2020 annual report for detailed information concerning the group's incentive programs LTI 2016, LTI 2018, LTI 2019, LTI 2020 and LTI 2020 II.

Note 5 - Depreciation, amortization and impairments

Depreciation, amortization and impairments, SEK million	Q2 2021	Q2 2020	Jan-Jun 2021	Jan-Jun 2020	2020	R12M
Amortization acquired customer relationships	-50	-29	-98	-58	-132	-172
Amortization acquired operator relationships	-6	-4	-12	-8	-17	-21
Amortization acquired trademarks	-2	0	-5	-1	-4	-8
Amortization acquired software	-16	-10	-31	-17	-41	-55
<i>Total acquisition-related amortization</i>	<i>-75</i>	<i>-43</i>	<i>-145</i>	<i>-84</i>	<i>-194</i>	<i>-255</i>
Amortization proprietary software	-8	-5	-15	-10	-20	-26
Amortization licenses	-2	0	-2	0	-1	-3
Total amortization intangible assets	-85	-48	-162	-94	-216	-284
Depreciation tangible assets (property, plant and equipment)	-9	-3	-18	-7	-17	-28
Depreciation right-of-use assets	-10	-7	-19	-13	-30	-35
Total depreciation	-104	-58	-199	-114	-262	-347

Note 6 - Acquisition of Group companies

Wavy

Sinch entered into a binding agreement on 26 March 2020 to acquire Wavy through acquisition of 100% of the shares in two companies, Móvil Internet Móvil S.A. and Wavy Global Holdings BV, for cash consideration of BRL 383 million (SEK 545m) and a non-cash issue of 1,534,582 new shares in Sinch. The acquisition closed on 1 February 2021. The acquisition was financed with a combination of existing cash reserves and debt facilities. Wavy has commercial agreements with more than 50 mobile operators in Latin America and handles more than 13 billion messages a year. With its sharp focus on innovation, Wavy has also achieved a leading position within next-generation interactive messaging via WhatsApp.

During the twelve-month period ending on 31 March 2020, Wavy generated sales of BRL 466 million (SEK 932m), gross profit of BRL 130 million (SEK 260m) and Adjusted EBITDA of BRL 47 million (SEK 94m). Wavy has 260 employees and nine offices in six countries. The merger of Sinch and Wavy is expected to generate synergies of BRL 15-20 million (SEK 30-40m) in the next 24 months. Execution of the transaction was subject to customary terms and conditions and the approval of the Brazilian competition authority CADE, Conselho Administrativo de Defesa Econômica.

The acquisition is included in the consolidated accounts from 1 February 2021. The fair value of acquired trade receivables amounted to SEK 198.2 million. The contractual gross amount of trade receivables is SEK 198.2 million. The purchase consideration was adjusted by BRL 109.8 million (SEK 168.8 million) during the period. The entire increase has been recognized as goodwill. The acquisition analysis may need to be revised because the consideration is preliminary and the value of intangible assets and deferred tax may change upon in-depth analysis.

Inteliquent

On 17 February 2021, Sinch closed a binding agreement to acquire Inteliquent, the largest independent voice communications provider in the US, for total cash consideration of USD 1,140 million on a cash and debt-free basis. Inteliquent was acquired through acquisition of 100% of the shares in the legal entity Onvoy Holdings Inc. The acquisition was financed with a combination of existing cash reserves and debt facilities. During the twelve-month period ending 31 December 2020, Inteliquent had revenues of USD 533 million, gross profit of USD 256 million, EBITDA of USD 135 million and CAPEX of USD 32 million. 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 is subject to customary conditions, including clearance from CFIUS and US competition authorities and the approval of the FCC, certain regulatory authorities and the granting of other permits. Consequently, the acquisition is not yet included in the consolidated accounts.

MessageMedia

Sinch entered into a binding agreement on 9 June to acquire MessageMedia, a leading provider of mobile messaging services to small and medium-sized businesses in the US, Australia, New Zealand and Europe. At the date the acquisition was announced, the estimated consideration was USD 1.3 billion on a cash and debt-free basis. Sinch will pay USD 1.1 billion in cash and the remainder in 1,128,487 new shares in Sinch. When the deal was announced, this corresponded to total consideration of SEK 10,745 million. During the 12 months ending 31 June 2021, MessageMedia is expected to generate sales of USD 151 million, gross profit of USD 94 million and Adjusted EBITDA of USD 51 million. This corresponds to a gross margin of 63 percent and an EBITDA margin of 34 percent. Headquartered in Melbourne, Australia, the business has a workforce of more than 350 people.

Execution of the transaction is subject to customary terms, conditions and regulatory approvals from the Australian Foreign Investment Review Board (FIRB), Australian Competition and Consumer Commission (ACCC) and US competition authorities. Consequently, the acquisition is not yet included in the consolidated accounts.

Previous acquisitions

The final consideration of EUR 14.4 million (SEK 146.3m) for the acquisition of SDI was paid in Q1 2021. The acquisition analysis is still preliminary because the value of intangible assets and deferred tax may change upon in-depth analysis.

An earnout of SEK 9 million has been paid for the acquisition of myElephant. The remaining debt amounts to EUR 1.75 million and is expected to be paid within one year.

Fair value of acquired net assets, SEK million	Wavy¹
Customer relationships	272
Operator relationships	45
Trademarks	8
Proprietary software	61
Other intangible assets	1
Other property, plant and equipment	11
Leased assets	9
Financial assets	0
Trade receivables	198
Deferred tax assets	42
Other current assets	101
Cash and cash equivalents	186
Deferred tax liabilities	-128
Lease liability	-9
Trade payables	-55
Other current liabilities	-143
Total acquired net assets	599

¹ The acquisition analysis is preliminary.

Purchase consideration, SEK million	Wavy
Consideration paid	714
Consideration paid, own shares	1,961
Total consideration	2,675
Fair value of acquired net assets	-599
Goodwill	2,076

Investing activities 2021, SEK million	MyElefant	SDI	Wavy	Total
Consideration paid	9	146	714	869
Cash and cash equivalents in acquired companies			-186	-186
Effects on cash and cash equivalents:	9	146	528	683

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

Acquired entities' contribution 2021, SEK million	Wavy
Net sales	411
Profit after tax for the year	23

The following table shows sales and profit for the year as if the acquisitions had taken place on 1 January 2021

2021, SEK million	Wavy	Other Sinch companies	Depreciation/amortization of acquired assets	Total
Net sales	493	6,621	-	7,114
Profit after tax for the year	28	165	-6	187

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 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/Adjusted EBITDA RTM

Net debt divided by adjusted EBITDA, past 12 months. Shows how many years it would take to pay off the company's debts presuming that net debt and EBITDA are constant and with no consideration of other cash flows.

OPEX

Other external costs 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.

Operating profit, 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.

Items affecting comparability and adjustments

Non-recurring items such as capital gains/losses, impairments, acquisition costs, integration costs and restructuring costs, as well as operational exchange rate gains/losses and costs of share-based incentive programs.
Separate reporting of items affecting comparability clarifies the trend in the underlying business.

Adjusted EBIT

EBIT adjusted for items affecting comparability and depreciation and amortization of acquisition-related assets.
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. This key performance measurement is also adjusted for items affecting comparability to increase comparability over time. 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.

Adjusted EBITDA

EBITDA adjusted for items affecting comparability and adjustments.
Enables comparison of profitability over time, regardless of the effects of acquisition costs, integration costs and other items affecting comparability.

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 the effect of items affecting comparability.

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.

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 women

Average number of women in relation to the average total number of employees during the period.

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 units and currency effects shows underlying growth.

Total shares outstanding

Total number of ordinary shares and preference shares at the end of the period.

Terms and acronyms

See page 118 of the 2020 Annual Report for Sinch AB (publ) for definitions of terms and acronyms used in this report.

About Sinch

Sinch develops digital tools that enable personal interaction between enterprises and individuals. Powered by the Sinch cloud communications platform, enterprises can reach every mobile phone on the planet - within a second or two - via messaging, voice calls and video. Several of the biggest enterprises in the world are using Sinch's advanced technology platform to communicate with their customers and Sinch is an established software supplier to mobile operators worldwide. Sinch has delivered profitable growth since it was founded in 2008. The Group is headquartered in Stockholm, Sweden, and has a presence in more than 40 countries. The share is listed on Nasdaq Stockholm, XSTO: SINCH.

Forthcoming reporting dates

Interim report Q3, Jan – Sep 2021 2 November

Outlook

Sinch does not publish forecasts.

Risk assessment

Sinch is, like all businesses, exposed to various types of risks in its operations. These include risks related to currency fluctuations, dependence on certain strategic partners, technological change, dependence on key personnel, pandemics, tax risks and political risks related to the multinational nature of the Group's activities. Risk management is an integral part of Sinch's management, and risks are described in more detail in Note 32 of the 2020 annual report. The risks described for the Group may also have an indirect impact on the parent company. Pandemics, such as the one caused by Covid-19, can have serious impact on our local and global operations.

For additional information, please contact:

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Stockholm, 16 July 2021

Erik Fröberg
Chairman of the Board

Bridget Cosgrave
Director

Renée Robinson Strömberg
Director

Johan Stuart
Director

Björn Zethraeus
Director

Luciana Carvalho
Director

Oscar Werner
President and CEO

Note: Sinch AB (publ), is required to publish the information in this interim report pursuant to the EU Market Abuse Regulation and the Swedish Securities Market Act. The information was released for publication on 16 July 2021 at 07:30 CEST.

This report is published in Swedish and English. In case of any differences between the English version and the Swedish original text, the Swedish version shall apply. This report has not been subject to review by the company's independent auditor.

Although we are working to institute continuity measures and ensure that we continue to meet the needs of our customers and mitigate the impact on our business, disruptions in the global economy and the businesses and operations of our customers, suppliers and partners could cause disruptions to our business and entail material impact on our operations and financial position.

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.

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