

Interim report January - March 2020

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- Net sales increased by 47 percent to SEK 1,624.2 million (1,108.8). Organic growth in local currency was 32 percent.
- Gross profit increased by 54 percent to SEK 446.7 million (289.5). Organic growth in local currency was 36 percent.
- Adjusted EBITDA¹ increased by 64 percent to SEK 184.3 million (112.2).
- Adjusted EBIT² amounted to SEK 168.8 million (102.3).
- Profit after tax for the quarter amounted to SEK 96.4 million (57.8).
- Diluted earnings per share amounted to SEK 1.74 (1.08).

“It is comforting to report strong financial performance in these times of unprecedented uncertainty” – Oscar Werner, CEO

Significant events during the quarter

- On 19 March, Sinch entered into a definitive agreement to acquire Chatlayer BV for an enterprise value of EUR 6.9 million on debt-free basis. The acquisition is financed using Sinch’s available cash at hand. Chatlayer is a cloud-based software platform that lets businesses create multi-lingual chatbots and voicebots using Artificial Intelligence (AI) and Natural Language Understanding (NLU). The transaction was closed on 1 April.
- On 26 March, Sinch entered into a definitive agreement to acquire Wavy, who offers services in Latin America, for a total cash consideration of BRL 355 million and 1,534,582 new shares in Sinch. The acquisition is financed through a combination of cash and debt facilities. Closing of the transaction is subject to customary closing conditions and approval from the competition authority in Brazil. The transaction is expected to close in H2 2020.
- On 26 March, Sinch has resolved on a directed new share issue of 5,000,000 shares at a subscription price of SEK 300 per share. The directed new share issue generated a large interest and has been carried out to selected Swedish and international institutional investors. Through the directed new share issue, Sinch raised SEK 1,500 million before issue costs.
- On 26 March, Sinch has secured an increase in the existing credit facility of SEK 600 million for M&A, provided that the company meets certain pre-defined terms and conditions. After the increase, the facility has a total commitment of SEK 1,850 million. In addition to the credit facility, Sinch has overdraft facilities of SEK 250 million in place, an increase of SEK 50 million from year-end.
- In response to uncertainty around Covid-19, Sinch management has initiated a range of precautionary initiatives to protect employees and ensure maintained service delivery in all circumstances. Negative effects of Covid-19 are primarily concentrated to the smaller Voice and Video segment where travel restrictions are causing decreased demand from ride hailing companies. Despite lower usage of certain marketing-related messaging products, overall transaction volumes in the Messaging segment have risen significantly in March and the increase may partially relate to Covid-19.

¹ EBITDA excluding items affecting comparability. See page 3 for a specification of items affecting comparability.

² EBIT excluding items affecting comparability and amortization of acquisition-related assets. See Note 4 for a specification of amortization.

Invitation to phone conference

Sinch will present the interim report in a phone conference on 29 April at 09.00 CET. Please make sure you are connected to the phone conference by calling in to register a few minutes before the conference begins:

Sweden: +46 (0) 8 506 92 185
 UK: +44 (0) 203 00 95 710
 US: +1 917 720 0178

Access code: 183 46 37

Register here to watch the presentation via Webcast: investors.sinch.com/webcast.

Message from the CEO

Making progress in uncertain times

The global Covid-19 pandemic is placing tremendous strain on families, communities, and businesses throughout the world. We have taken a range of steps to protect our employees, safeguard our service delivery, and prepare our business for a more adverse macroeconomic environment.

It is comforting to report strong financial performance in these times of unprecedented uncertainty. Gross profit in the first quarter grew 54 percent compared to the same period the year before. The acquisitions of TWW and myElefant contributed 15 percent of this increase, currency tailwind added 4 percent, and organic growth was 36 percent. Since pass-through fees vary significantly between products and geographies, we believe growth in gross profit is a more meaningful metric than revenue growth to track our performance.

Adjusted EBITDA in the first quarter was 64 percent higher than the year before. We benefit from economies of scale and the positive effects of higher volumes are offsetting increased costs for new product development. The conversion of adjusted EBITDA to cash flow remains at a high level as nearly all development efforts are booked as OPEX.

Organic gross profit growth in Messaging reached 42 percent in the quarter. A key growth driver is our continued success with several large, US-based tech companies. We win this business due to our superior global reach and persistent focus on quality, and our scalable platform lets us handle increased mobile messaging volumes with maintained performance metrics.

Growth in Messaging is also helped by the acquisitions of TWW do Brasil and myElefant in October 2019. Whereas Brazil is developing better than expected, reduced marketing spend in France is adversely affecting myElefant.

Voice and Video is also developing less favorably as travel restrictions reduce demand for our voice services to ride hailing companies. Gross profit in the first quarter increased by 24 percent compared to the same period last year but decreased sequentially from Q4 2019. We expect continued headwind throughout the year with significantly lower gross profit and EBITDA than previously anticipated.

The Operators segment is volatile between quarters and returned to profitability in Q1 as delayed customer projects were finalized. We are very glad that the new Sinch SMSF for 5G is now incorporated into Ericsson's Core Network offering and the feedback from prospect customers has been positive.

Q1 also marked the announcement of two important acquisitions. With the addition of Chatlayer, we gain conversational AI capabilities that enable intelligent two-way conversations between businesses and their customers.



By combining with Wavy – which is a much larger transaction – we expand our presence in Latin America and strengthen our offering in next-generation messaging through WhatsApp. We are excited by the opportunities that these transactions unlock, though we must await regulatory approval of the Wavy transaction before integration efforts can begin. I also want to extend our thanks to our owners for their continued support of our strategy in the directed share issue that we announced alongside the Wavy transaction.

The long-term business impact of Covid-19 remains uncertain as some near-term positives may prove temporary and further negative developments cannot be ruled out. We have implemented stricter cost controls and have slowed our pace of recruitment to safeguard our competitiveness and profitability also in a more adverse economic environment.

A cautious approach today makes us better prepared for tomorrow. And whilst there are challenges, there is also tremendous opportunity. We are a global leader in an expanding industry, and our technology powers some of the world's most demanding businesses.

Stockholm, 29 April 2020

Oscar Werner
President and CEO

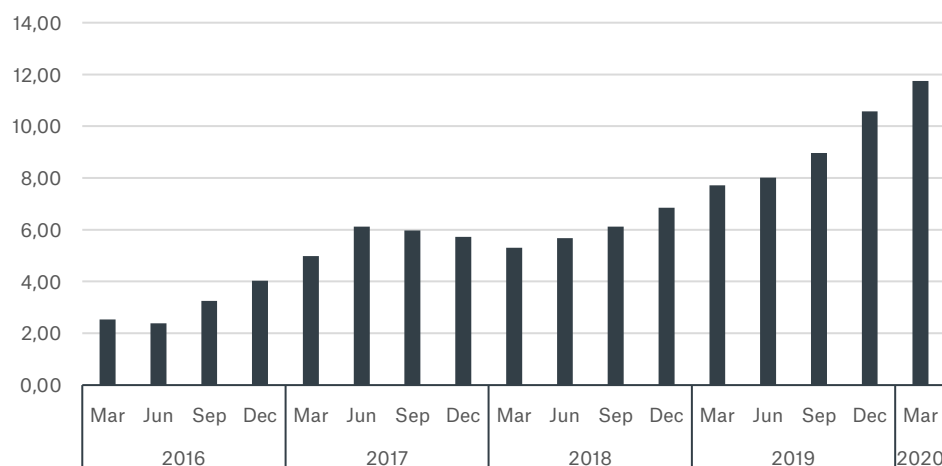
Sinch overview

For a list and definitions of financial measurements defined or not defined under IFRS and for operational measurements, please refer to page 18.

Sinch Group, SEK million	Q1 2020	Q1 2019	2019	R12M
Net sales	1,624.2	1,101.8	5,035.6	5,558.0
Gross profit	446.7	289.5	1,394.1	1,551.3
Gross margin	27.5%	26.3%	27.7%	27.9%
Operating profit, EBITDA	175.2	112.2	555.5	618.5
EBITDA margin	10.8%	10.2%	11.0%	11.1%
Adjusted EBITDA	184.3	112.2	573.5	645.6
Adjusted EBITDA margin	11.3%	10.2%	11.4%	11.6%
Adjusted EBITDA/gross profit	41.3%	38.8%	41.1%	41.6%
Operating profit, EBIT	118.6	69.0	371.6	421.2
EBIT margin	7.3%	6.3%	7.4%	7.6%
Adjusted EBIT	168.8	102.3	523.6	590.1
Adjusted EBIT margin	10.4%	9.3%	10.4%	10.6%
Profit for the period	96.4	57.8	274.5	313.0
Cash flow from operating activities	134.7	38.0	327.3	423.9
Net debt	-639.3	484.1	958.7	-639.3
Net debt/adjusted EBITDA R12M, multiple	-1.0	1.2	1.7	-1.0
Equity ratio	55.2%	47.9%	40.0%	55.2%
Adjusted EBITDA per share, diluted SEK	3.27	2.08	10.57	11.76
Diluted earnings per share, SEK	1.74	1.08	5.06	5.69
Average number of employees	595	405	457	504
Average number of employees and consultants	744	496	572	602

Items affecting comparability and adjustments, SEK million	Q1 2020	Q1 2019	2019	R12M
Acquisition costs	-6.4	-	-15.1	-21.5
Integration costs	-2.7	-	-3.0	-5.7
Total items affecting EBITDA comparability	-9.1	-	-18.0	-27.1
Amortization of acquisition-related assets	-41.1	-33.3	-134.0	-141.8
Total adjustments in EBIT	-50.2	-33.3	-151.9	-168.9

Adjusted EBITDA per share, rolling 12 months (SEK)



Quarterly summary

	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Q1 2019	Q2 2019	Q3 2019	Q4 2019	Q1 2020
Net sales, SEK million									
Messaging	812.4	947.7	921.8	1,070.3	1,025.3	1,096.7	1,126.2	1,444.2	1,534.3
Voice and Video	15.0	17.8	20.5	38.2	45.0	56.9	70.0	76.9	72.5
Operators	33.2	33.6	39.5	50.6	43.4	44.2	42.0	43.7	49.1
Other and eliminations	-2.0	-1.7	-2.5	-7.8	-11.9	-21.2	-21.8	-24.2	-31.7
Total	858.6	997.4	979.3	1,151.3	1,101.8	1,176.7	1,216.4	1,540.7	1,624.2
Gross profit, SEK million									
Messaging	161.5	207.5	203.7	244.6	228.4	259.2	272.8	364.0	374.3
Voice and Video	8.8	10.1	11.6	20.0	21.6	21.7	31.7	34.5	26.8
Operators	29.7	30.8	35.0	45.2	39.6	40.2	39.1	41.4	45.7
Other and eliminations	-0.1	0.3	-0.3	0.1	0.0	0.0	0.0	0.0	0.0
Total	200.0	248.6	249.9	309.9	289.5	321.1	343.6	439.9	446.7
Gross margin									
Messaging	19.9%	21.9%	22.1%	22.9%	22.3%	23.6%	24.2%	25.2%	24.4%
Voice and Video	59.0%	56.6%	56.6%	52.4%	47.9%	38.2%	45.3%	44.9%	37.0%
Operators	89.5%	91.7%	88.6%	89.3%	91.2%	90.9%	93.0%	94.7%	92.9%
Total	23.3%	24.9%	25.5%	26.9%	26.3%	27.3%	28.2%	28.6%	27.5%
EBITDA, SEK million									
Messaging	71.8	108.3	93.9	102.6	107.8	112.2	134.9	202.4	174.3
Voice and Video	-4.5	-5.1	-3.7	2.7	2.1	1.4	12.2	10.8	8.7
Operators	1.4	3.5	8.2	10.8	9.6	4.9	4.6	-3.4	8.9
Other and eliminations	-15.4	-26.5	1.0	24.3	-7.3	-4.3	-17.0	-15.5	-16.7
EBITDA, total	53.2	80.3	99.4	140.4	112.2	114.2	134.8	194.3	175.2
Items affecting comparability in EBITDA	-11.8	-17.0	4.0	31.0	-	-	-12.9	-5.2	-9.1
Adjusted EBITDA	65.0	97.3	95.4	109.4	112.2	114.2	147.6	199.5	184.3
Adjusted EBITDA margin	7.6%	9.8%	9.7%	9.5%	10.2%	9.7%	12.1%	12.9%	11.3%
Adjusted EBITDA/gross profit	32.5%	39.2%	38.2%	35.3%	38.8%	35.6%	43.0%	45.4%	41.3%
Adjusted EBITDA/share diluted, SEK	1.21	1.82	1.78	2.04	2.08	2.11	2.73	3.64	3.27
Items affecting comparability and adjustments, SEK million									
Acquisition costs	-4.6	-4.3	-0.4	-0.2	-	-	-12.9	-2.2	-6.4
Restructuring costs	-	-	8.9	-	-	-	-	-	-
Integration costs	-7.2	-12.8	-4.5	-2.7	-	-	-	-3.0	-2.7
Capital loss from sale of PSMS business	-	-	-	-8.1	-	-	-	-	-
Adjusted earnout	-	-	-	42.0	-	-	-	-	-
Items affecting EBITDA comparability	-11.8	-17.0	4.0	31.0	-	-	-12.9	-5.2	-9.1
Impairment tangible and intangible IoT assets	-	-	-9.2	-	-	-	-	-	-
Amortization acquisition-related assets	-26.7	-34.3	-35.6	-27.4	-33.3	-30.9	-32.1	-37.7	-41.1
Total adjustments in EBIT	-38.5	-51.4	-40.8	3.6	-33.3	-30.9	-45.0	-42.8	-50.2

January - March 2020

Net sales

Consolidated net sales grew in the period by 47 percent to SEK 1,624.2 million (1,101.8). Amounts in parentheses refer to the corresponding quarter in the preceding year.

Organic growth, in local currency and excluding acquisitions, was 32 percent. The acquisitions of myElefant and TWW contributed 13 percentage points. TWW contributed SEK 113.0 million and myElefant contributed SEK 27.6 million.

Growth was positively affected during the quarter by the depreciation 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 2018, revenues would have been lower by about SEK 31.0 million. The positive currency effect on consolidated net sales was thus 3 percent.

Gross profit

Consolidated gross profit rose during the quarter by 54 percent to SEK 446.7 million (289.5).

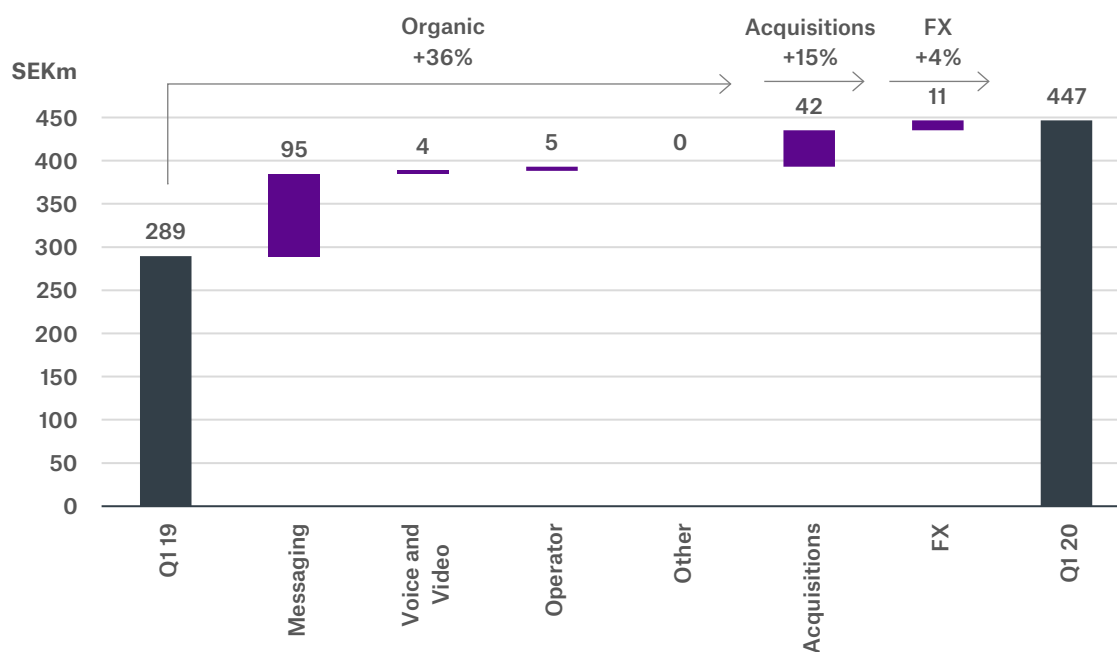
Organic growth in local currency was 36 percent. TWW and myElefant contributed with 15 percent. TWW contributed SEK 33.1 million and myElefant contributed SEK 9.4 million. The currency tailwind during the quarter was SEK 11.4 million, adding 4 percentage points to gross profit.

The gross margin amounted to 27.5 percent (26.3) and is affected by several factors. We deliver more messages to markets with pass-through billing to mobile operators, resulting in a higher gross margin. We also have growth in Sinch products with a higher gross margin, including personalized video messaging, which has a positive effect on the consolidated gross margin.

The countries to which enterprise customers of Sinch send messages are a key factor that affects the gross margin. 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, Q1 2019 - Q1 2020



EBITDA

EBITDA amounted to SEK 175.2 million (112.2).

EBITDA excluding items affecting comparability¹ (adjusted EBITDA) increased by SEK 72.1 MSEK to SEK 184.3 million (112.2), corresponding to an increase of 64 percent.

Foreign exchange fluctuations had a total positive effect of SEK 18.3 MSEK. Around half of the exchange rate effect is related to revaluation of balance sheet items.

Profit was reduced by future-oriented initiatives aimed at driving growth. The company is making substantial investments in product development, sales and marketing in several areas. These costs comprise mainly employee benefits expenses.

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 3.27 (2.08) for the quarter and SEK 11.76 (7.72) rolling twelve months, an increase of 52 percent. Adjusted EBITDA divided by gross profit was 41.3 percent (38.8) for the quarter.

EBIT

EBIT amounted to SEK 118.6 million (69.0).

Acquisition-related amortization, which does not affect cash flow, reduced EBIT by SEK 41.1 million (33.3). The amortization arose mainly from amortization according to plan 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 168.8 million (102.3).

Other income and expense items

Net financial expense was SEK 12.1 million (4.7), with interest costs amounting to SEK -8.6 million (-7.7) and foreign exchange differences to SEK 22.8 million (10.8). Group's effective tax rate was 26.3 percent (21.6). See Note 5 for a reconciliation of tax on profit for the period. Net profit for the period amounted to SEK 96.4 million (57.8).

Investments

Net investments in property, plant and equipment and intangible assets amounted to SEK 20.0 million (7.6). Investments relate primarily to capitalized development expenditure of SEK 15.2 million (6.1).

Cash flow, liquidity and financial position

Cash flow from operating activities amounted to SEK 134.7 million (38.0). Cash flow in relation to operating profit fluctuates from quarter to quarter because many of the company's customers maximize their liquidity by postponing payments to suppliers. Actual customer losses remain low and cash flow in relation to operating profit is stable over time.

On 26 March, Sinch secured an increase in the existing credit facility of SEK 600 million for M&A, provided that the company meets certain pre-defined terms and conditions. After the increase, the facility has a total commitment of SEK 1,850 million. In addition to this credit facility, the company has overdraft facilities of SEK 250 million, which is an increase of SEK 50 million since the beginning of the year. As of 31 March 2020, no overdraft facility was utilized (-).

Consolidated cash and cash equivalents at 31 March 2020 amounted to SEK 2,040.7 million (466.3). Net debt amounted to SEK -639.3 million (484.1). Adjusted EBITDA R12M in relation to net debt was -1.0 (1.2).

On 26 March, Sinch completed a directed share issue of 5,000,000 shares at a subscription price of SEK 300 per share. The directed new share issue was significantly oversubscribed. A large number of Swedish and international institutional investors participated in the directed new share issue. Through the directed new share issue, the Company raised SEK 1,500 million before issue costs.

Equity at 31 March 2020 amounted to SEK 3,628.9 million (1,998.6), corresponding to an equity ratio of 55.2 percent (40.0).

Employees

At the end of the quarter, Sinch employed 766 (525) people including consultants. The average employed throughout the quarter was 744 (496) persons. The average number of employees (full-time equivalents, excluding consultants) was 595 (405), of whom 28 percent (21) were women. In response to economic uncertainty around the Covid-19 pandemic, Sinch has temporarily reduced the level of new recruitment.

1) Details are provided in the table on page 3 and in Note 4.

Messaging

Powered by Sinch's cloud communications platform, enterprises 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 RCS and WhatsApp. The product segment also includes personalized video messaging where unique video messages are tailored to the individual recipient.

Messaging, SEK million	Q1 2020	Q1 2019	2019	R12M
Net sales	1,534.3	1,025.3	4,692.5	5,201.5
Gross profit	374.3	228.4	1,124.4	1,270.2
Gross margin	24.4%	22.3%	24.0%	24.4%
Operating profit, EBITDA	174.3	107.8	557.3	623.7
EBITDA/gross profit	46.6%	47.2%	49.6%	49.1%
EBITDA margin	11.4%	10.5%	11.9%	12.0%

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.

We are now making substantial investments in next-generation messaging services with that include support for multimedia and the potential for two-way interactivity. These initiatives span both communication channels like RCS and WhatsApp, as well as the overarching software required to handle advanced interactive dialogues. We see significant potential in these areas, although the market is still embryonic. The acquisition of myElefant has strengthened our product offering and we see promising opportunities to combine the myElefant product portfolio with Sinch's offering related to personalized video messaging.

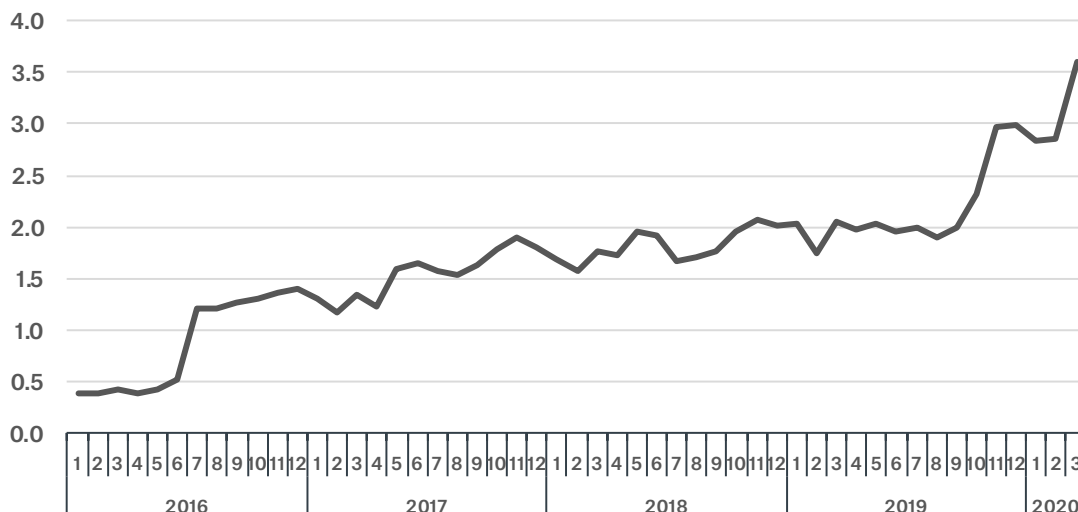
The integration of TWW is developing well with cross-selling of Sinch's broader product suite to TWW's customers in Brazil and marketing of Brazil-related messaging products to Sinch's global customer base. During the quarter, Sinch also announced that it has signed a binding agreement to acquire Wavy, a leading Latin American technology company that has leveraged its established position in business messaging through SMS to build a prominent position in next-generation, conversational messaging through WhatsApp. Wavy is present in Brazil, Mexico, Colombia, Peru, Chile, Argentina and Paraguay. The transaction requires regulatory approval from Brazil's competition authority and is expected to close in the second half of 2020.

During the quarter, Sinch also announced the acquisition of Belgium-based Chatlayer. Chatlayer has developed a cloud-based platform for AI-powered customer engagement with advanced, multi-lingual chatbots that understand both speech and text-based communication.

Transaction volume

The number of sent messages increased by about 60 percent during the first quarter through organic and acquired growth. The increase in comparable units was about 36 percent compared to the same quarter in 2019. Transaction volumes increased markedly in March and a part of the increase is likely to be related to the ongoing, global Covid-19 pandemic as many companies and organizations see an increased need to communicate with their employees and customers.

Number of transactions per month (billions)



Net sales

During the quarter, net sales increased by SEK 509.0 million compared to the corresponding quarter in 2019 to SEK 1,534.2 million (1,025.3), an increase of 50 percent. Of this increase, acquisitions accounted for 14 percentage points and exchange rate fluctuations for 3 percentage points. Organic growth in local currency was 33 percent. The acquisition of TWW contributed SEK 113.0 million and the acquisition of myElefant contributed SEK 27.6 million.

Sinch's goal-oriented focus on large, strategic customers and growth in the sales of personalized video messaging had positive impact on organic growth in net sales. Commercial partnerships between Sinch and large, multinational cloud platform providers that use products from Sinch for automated mobile marketing are a key growth driver.

Gross profit

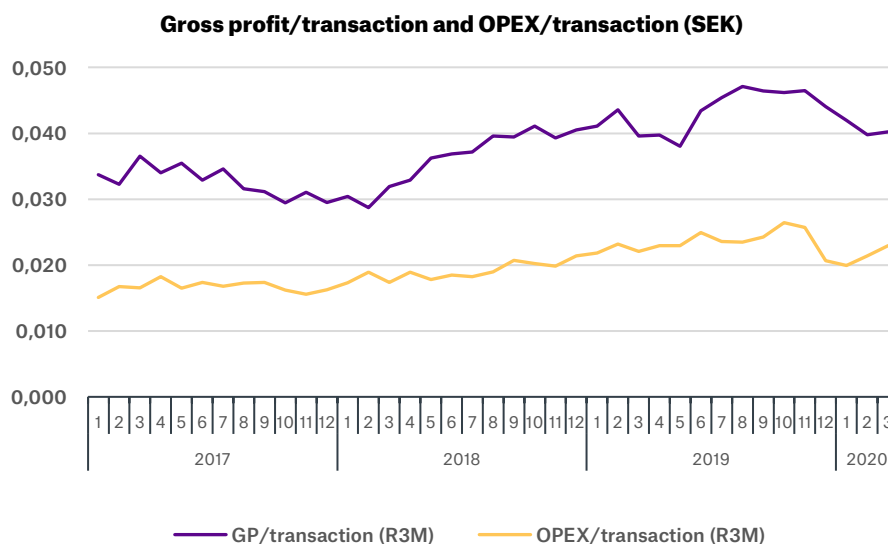
Gross profit increased during the quarter to SEK 374.3 million (228.4), an increase of 64 percent compared to the same quarter in the preceding year. Acquisitions accounted for 19 percentage points of the increase and exchange rate fluctuations for 4 percentage points. Organic growth in local currency was 42 percent. The acquisition of TWW contributed SEK 33.1 million and the acquisition of myElefant contributed SEK 9.4 million.

Overall, we are seeing a persistently strong trend in North America, more cautious growth in Europe and gradual improvement in Asia. It should be noted, however, that the strong development in North America is partly due to that many large, global tech firms are based in the US. Although these companies have local operations all over the world, their revenues are reported in the US because Sinch's geographical reporting is based on the location of the customer's headquarters.

The gross margin improved during the quarter compared to the same quarter last year, due to higher traffic to countries where the gross margin is higher. 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 acquisitions of TWW and myElefant together had a positive effect of 0.6 percentage points on the gross margin.

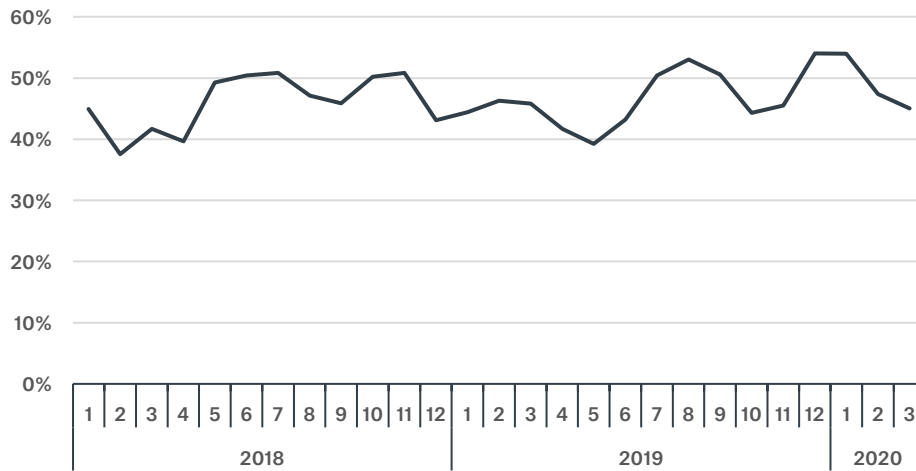
EBITDA

During the quarter, EBITDA increased by SEK 66.5 million compared to the corresponding period in 2019 to SEK 174.3 million (107.8), an increase of 62 percent. The combined effect of exchange rate fluctuations was positive and affected EBITDA by 8 percent.



Gross profit per transaction decreased compared to the fourth quarter due to altered traffic patterns and higher volume growth in countries with lower gross profit per transaction. OPEX per transaction benefits from economies of scale since rising transaction volumes and gross profit do not entail a corresponding increase in the cost base. At the same time, profit continues to be reduced by several future-oriented initiatives aimed at driving growth. These costs comprise mainly employee benefits expenses. The company is developing software for interactive messaging services like WhatsApp and RCS, an upgrade of SMS that provide a richer user experience and encourage interactive customer dialogue with intuitive menu selections where users can, for example, check in or book a new appointment with a simple tap of a button.

EBITDA/gross profit (rolling 3 months)



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. Even though forward-looking growth initiatives are increasing product development costs, EBITDA /gross profit is relatively stable as gross profit growth has a high incremental margin.

The first quarter typically has a slightly lower margin since the seasonal pattern in the cost base differs from the seasonal pattern in gross profit.

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.

Voice and Video, SEK million	Q1 2020	Q1 2019	2019	R12M
Net sales	72.5	45.0	248.8	276.3
Gross profit	26.8	21.6	109.5	114.7
Gross margin	37.0%	47.9%	44.0%	41.4%
Operating profit, EBITDA	8.7	2.1	26.6	33.2
EBITDA margin	12.1%	4.8%	10.7%	12.0%

Voice and Video is clearly affected by decreased demand due to the Covid-19 pandemic. Sinch has 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. We also have a very competitive offering in number verification, where we help enterprises verify their customers' mobile phone numbers.

Net sales

Net sales rose during the quarter by SEK 27.4 million to SEK 72.5 million (45.0). Compared to the fourth quarter 2019, net sales decreased SEK 4.5 million as operations are heavily impacted by decreased use of ride hailing services due to Covid-19. The global pandemic thereby has a direct negative impact that currently overshadows the underlying growth that we have previously seen in Voice and Video.

Profit

Gross profit for the quarter amounted to SEK 26.8 million (21.6). The gross margin was 37.0 percent (47.9). EBITDA amounted to SEK 8.7 million (2.1).

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.

Operators, SEK million	Q1 2020	Q1 2019	2019	R12M
Net sales	49.1	43.4	173.3	179.1
Gross profit	45.7	39.6	160.2	166.3
Gross margin	92.9%	91.2%	92.5%	92.9%
Operating profit, EBITDA	8.9	9.6	15.7	15.1
EBITDA margin	18.2%	22.1%	9.1%	8.4%

The operator business is project-based and therefore more volatile than the other business segments. Several forward-looking initiatives were started in 2019, including an increased focus on products to help operators monetize their messaging, RCS-as-a-Service to accelerate the use of RCS, and development of Sinch SMSF to handle messaging in 5G networks.

Net sales

Net sales increased during the quarter by SEK 5.7 million to SEK 49.1 million (43.4). Previously delayed customer projects were completed and had a positive impact on sales and profit.

Profit

Gross profit increased during the quarter by SEK 6.1 million to SEK 45.7 million (39.6). EBITDA decreased by SEK 0.7 million to SEK 8.9 million (9.6).

Condensed income statement

Sinch Group, SEK million	Note	Q1 2020	Q1 2019	2019	R12M
Net sales		1,624.2	1,101.8	5,035.6	5,558.0
Cost of goods sold and services		-1,177.5	-812.3	-3,641.4	-4,006.7
Gross profit		446.7	289.5	1,394.1	1,551.3
Other operating income		32.9	26.0	103.1	110.1
Work performed by the entity and capitalized		15.2	6.1	38.6	47.6
Other external costs		-110.7	-69.0	-328.7	-370.4
Employee benefits expenses		-184.2	-119.6	-537.6	-602.2
Other operating expenses		-24.7	-20.8	-113.9	-117.8
EBITDA		175.2	112.2	555.5	618.5
Depreciation, amortization and impairment	4	-56.6	-43.2	-183.9	-197.3
EBIT		118.6	69.0	371.6	421.2
Finance income		24.2	124.7	18.6	-81.9
Finance expenses		-12.1	-120.1	-35.2	72.8
Profit before tax		130.8	73.7	355.0	412.0
Current tax		-42.0	-14.8	-83.8	-111.1
Deferred tax		7.7	-1.1	3.3	12.0
Profit for the period		96.4	57.8	274.5	313.0
Attributable to:					
Owners of the parent		96.5	57.9	274.6	313.1
Non-controlling interests		-0.1	-0.1	-0.1	-0.1

Earnings per share

Sinch Group, SEK	Q1 2020	Q1 2019	2019	R12M
- Basic	1.79	1.08	5.12	5.81
- Diluted	1.74	1.08	5.06	5.69

Condensed statement of comprehensive income

Sinch Group, SEK million	Q1 2020	Q1 2019	2019	R12M
Profit for the period	96.4	57.8	274.5	313.0
Other comprehensive income or loss				
Translation differences	18.9	67.8	61.2	12.4
Hedge accounting net investments	-2.2	-8.4	-5.7	0.5
Tax effect on items in other comprehensive income	0.5	1.8	1.2	-0.1
Other comprehensive income for the period	17.2	61.1	56.7	12.8
Total comprehensive income for the period	113.6	119.0	331.2	325.8
Attributable to:				
Owners of the parent	113.8	119.1	331.4	326.2
Non-controlling interests	-0.2	-0.1	-0.2	-0.4

Condensed balance sheet

Sinch Group, SEK million	Note	3/31/2020	3/31/2019	12/31/2019
ASSETS				
Goodwill		1,788.8	1,264.2	1,753.9
Customer relationships		764.1	679.4	764.0
Operator relationships		104.4	104.5	106.8
Proprietary software		169.9	136.2	162.7
Other intangible non-current assets		3.5	2.1	3.9
Right-of-use assets		72.3	84.3	76.6
Other tangible non-current assets		30.8	18.4	29.7
Non-current financial assets		13.5	13.3	12.0
Deferred tax assets		230.2	195.4	237.6
Total non-current assets		3,177.5	2,497.9	3,147.2
Tax receivables		15.7	17.4	23.8
Other current receivables		1,340.9	1,037.8	1,353.6
Cash and cash equivalents		2,040.7	174.5	466.3
Total current assets		3,397.4	1,229.7	1,843.7
TOTAL ASSETS		6,574.9	3,727.6	4,990.9
EQUITY AND LIABILITIES				
Equity attributable to owners of the parent	3	3,628.3	1,784.3	1,997.9
Non-controlling interests		0.6	0.8	0.7
Total equity		3,628.9	1,785.0	1,998.6
Deferred tax liability		260.1	219.9	270.3
Non-current liabilities, interest bearing		1,115.9	531.9	1,329.8
Non-current liabilities, non-interest bearing		139.0	140.6	139.8
Total non-current liabilities		1,514.9	892.4	1,739.9
Current liabilities, interest bearing		285.6	126.7	95.2
Provisions		25.6	29.0	21.3
Tax liabilities		33.3	32.2	9.7
Other current liabilities, non-interest bearing		1,086.6	862.1	1,126.1
Total current liabilities		1,431.1	1,050.1	1,252.4
TOTAL EQUITY AND LIABILITIES		6,574.9	3,727.6	4,990.9
Financial instruments measured at fair value				
Derivatives with positive fair value		0.2	1.6	6.4
Derivatives with negative fair value		12.1	3.5	2.1

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 2019 annual report.

Condensed statement of changes in equity

Sinch Group, SEK million	Attributable to owners of the parent company						Non-controlling interests	Total equity
	Share capital	Other capital contributions	Reserves	Retained earnings	Total			
Opening balance 1 January 2019	5.4	1,386.8	18.9	252.6	1,663.3	0.9	1,664.2	
Total comprehensive income			61.1	57.9	119.1	-0.1	119.0	
Warrants issue		1.9			1.9		1.9	
Issue expenses, net after tax		0.0			0.0		0.0	
Closing balance 31 March 2019	5.4	1,388.7	79.9	310.6	1,784.3	0.8	1,785.0	
Opening balance 1 January 2020	5.4	1,390.8	75.3	526.3	1,998.0	0.7	1,998.6	
Total comprehensive income			17.2	96.5	113.7	-0.1	113.6	
New share issue	0.5	1,534.5			1,535.0		1,535.0	
Issue expenses, net after tax		-18.3			-18.3		-18.3	
Closing balance 31 March 2020	5.9	2,907.0	92.5	622.8	3,628.3	0.6	3,628.9	

Condensed statement of cash flows

Sinch Group, SEK million	Note	Q1 2020	Q1 2019	2019	R12M
Cash flow before changes in working capital		175.6	85.9	453.5	543.2
Changes in working capital		-40.9	-47.8	-126.2	-119.3
Cash flow from operating activities		134.7	38.0	327.3	423.9
Net investments in tangible and intangible assets		-20.0	-7.6	-56.0	-68.4
Change in financial receivables		-0.9	1.4	12.1	9.9
Acquisition of subsidiary	6	-44.3	-11.3	-668.5	-701.5
Cash flow from investing activities		-65.1	-17.5	-712.4	-760.0
New borrowing		-	-	1,453.4	1,453.4
Amortization of bank loan		-1.4	-24.1	-756.7	-733.9
Amortization lease liability		-6.9	-6.1	-25.8	-26.5
New share issue/warrants	3	1,511.2	1.9	2.1	1,511.4
Cash flow from financing activities		1,502.9	-28.3	673.1	2,204.4
Cash flow for the period		1,572.5	-7.8	288.0	1,868.3
Opening balance cash and cash equivalents		466.3	180.8	180.8	174.5
Exchange rate differences in cash and cash equivalents		1.9	1.6	-2.4	-2.1
Closing balance cash and cash equivalents		2,040.7	174.5	466.3	2,040.7

Other disclosures

Sinch Group, SEK million	Q1 2020	Q1 2019	2019	R12M
Share information				
Basic earnings per share, SEK	1.79	1.08	5.12	5.81
Diluted earnings per share, SEK	1.74	1.08	5.06	5.69
Basic weighted average number of shares	53,789,357	53,602,089	53,602,089	53,936,616
Diluted weighted average number of shares	55,349,805	53,821,072	54,234,275	54,990,894
Number of ordinary shares at the end of the period	58,874,751	53,602,089	53,602,089	58,874,751
Total number of shares at the end of the period	58,874,751	53,602,089	53,602,089	58,874,751
Financial position				
Equity attributable to owners of the parent	3,628.3	1,784.3	1,997.9	3,628.3
Equity ratio	55.2%	47.9%	40.0%	55.2%
Net investments in tangible and intangible assets	20.0	7.6	56.0	68.4
Cash and cash equivalents	2,040.7	174.5	466.3	2,040.7
Net debt	-639.3	484.1	958.7	-639.3
Net debt/adjusted EBITDA R12M, multiple	-1.0	1.2	1.7	-1.0
Employees				
Number of FTEs	595	405	457	504
Percentage female	28%	21%	23%	24%
Key figures				
EBITDA margin	10.8%	10.2%	11.0%	11.1%
EBIT margin	7.3%	6.3%	7.4%	7.6%

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, Operators and Voice and Video. Items below EBITDA and items affecting comparability are not allocated to the segments.

Q1 2020, SEK million	Messaging	Voice and Video	Operators	Parent company, unallocated items and eliminations	Group
External revenue	1,507.5	72.3	44.4	-	1,624.2
Internal revenue	26.8	0.1	4.8	-31.7	-
Gross profit	374.3	26.8	45.7	0.0	446.7
EBITDA	174.3	8.7	8.9	-16.7	175.2
Depreciation, amortization and impairment					-56.6
EBIT					118.6
Net financial expense					12.1
Profit before tax					130.8

Parent company EBITDA amounts to SEK -6.0 million. Unallocated items include acquisition costs of SEK -6.4 million and integration costs of SEK -2.7 million.

Q1 2019, SEK million	Messaging	Voice and Video	Operators	Parent company, unallocated items and eliminations	Group
External revenue	1,014.6	44.9	42.2	-	1,101.8
Internal revenue	10.7	0.1	1.1	-11.9	-
Gross profit	228.4	21.6	39.6	0.0	289.5
EBITDA	107.8	2.1	9.6	-7.3	112.2
Depreciation, amortization and impairment					-43.2
EBIT					69.0
Net financial expense					4.7
Profit before tax					73.7

Parent company EBITDA amounts to SEK -4.9 million.

2019, SEK million	Messaging	Voice and Video	Operators	Parent company, unallocated items and eliminations	Group
External revenue	4,619.8	248.5	167.3	-	5,035.6
Internal revenue	72.7	0.4	6.0	-73.1	-
Gross profit	1,124.4	109.5	160.2	0.0	1,394.1
EBITDA	557.3	26.6	15.7	-44.1	555.5
Depreciation, amortization and impairment					-183.9
EBIT					371.6
Net financial expense					-16.6
Profit before tax					355.0

Parent company EBITDA amounts to SEK -19.4 million. Unallocated items include acquisition costs of SEK -15.1 million.

R12M, SEK million	Messaging	Voice and Video	Operators	Parent company, unallocated items and eliminations	Group
External revenue	5,112.7	275.8	169.5	-	5,558.0
Internal revenue	88.8	0.4	9.7	-98.9	-
Gross profit	1,270.2	114.7	166.3	0.0	1,551.3
EBITDA	623.7	33.2	15.1	-53.5	618.5
Depreciation, amortization and impairment					-197.3
EBIT					421.2
Net financial expense					-9.2
Profit before tax					412.0

Parent company EBITDA amounts to SEK -20.5 million. Unallocated items include acquisition costs of SEK -17.1 million and integration costs of SEK -3.2 million.

Distribution of external net sales

Q1 2020, SEK million	Messaging	Voice and Video	Operators	Group
Net sales by customers country/region				
Sweden	73.7	2.7	7.7	84.0
France	110.5	0.4	-	110.9
UK	235.4	1.6	0.8	237.9
Germany	85.8	1.3	0.7	87.8
Other countries in the European Union	118.3	23.5	11.9	153.7
Brazil	67.0	0.1	-	67.1
USA	681.4	26.1	0.2	707.7
Rest of the world	135.4	16.7	23.1	175.3
Total	1,507.5	72.3	44.4	1,624.2
Net sales by product/service				
Messaging	1,491.8	72.3	-	1,564.2
Initial software licenses and upgrades	0.2	-	11.6	11.8
Support	1.4	-	32.7	34.2
Other	14.0	-	0.0	14.0
Total	1,507.5	72.3	44.4	1,624.2
Net sales allocation per point in time				
Over time	0.3	-	44.3	44.7
At one point in time	1,507.2	72.3	0.0	1,579.5
Total	1,507.5	72.3	44.4	1,624.2

Q1 2019, SEK million	Messaging	Voice and Video	Operators	Group
Net sales by customers country/region				
Sweden	72.1	3.6	7.6	83.2
France	111.8	0.1	-	111.9
UK	169.4	1.1	1.3	171.8
Germany	98.3	2.3	0.7	101.2
Other countries in the European Union	108.4	13.0	9.7	131.1
USA	322.6	7.6	0.7	330.9
Rest of the world	132.0	17.3	22.3	171.6
Total	1,014.6	44.9	42.2	1,101.8
Net sales by product/service				
Messaging	999.2	44.9	-	1,044.1
Initial software licenses and upgrades	-	-	17.5	17.5
Support	1.3	-	24.8	26.1
Other	14.1	-	-	14.1
Total	1,014.6	44.9	42.2	1,101.8
Net sales allocation per point in time				
Over time	35.6	-	42.2	77.8
At one point in time	979.0	44.9	-	1,023.9
Total	1,014.6	44.9	42.2	1,101.8

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 9 (9) 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	Q1 2020	Q1 2019	2019
Operating revenue	14.7	9.3	45.7
Operating costs	-24.9	-18.0	-81.6
EBIT	-10.2	-8.7	-35.9
Finance income & expenses	115.6	39.7	137.8
Profit after financial items	105.4	31.1	101.9
Appropriations	-	-	-25.7
Tax on profit for the period	-22.6	-6.7	-14.2
Profit for the period*	82.8	24.4	62.0

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

SEK million	3/31/2020	3/31/2019	12/31/2019
ASSETS			
Non-current assets	3,152.0	2,242.1	2,951.2
Current assets	1,542.8	57.2	26.7
TOTAL ASSETS	4,694.8	2,299.3	2,977.9
EQUITY AND LIABILITIES			
Equity	3,089.2	1,451.4	1,489.8
Untaxed reserves	28.4	8.6	28.4
Deferred tax liability	1.4	-	1.4
Non-current liabilities	1,057.4	515.1	1,268.6
Current liabilities	518.5	324.3	189.7
TOTAL EQUITY AND LIABILITIES	4,694.8	2,299.3	2,977.9

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 Swedish 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 2019 annual report. There are no amendments of IFRS during 2020 that are estimated to have a material impact on the result and financial position of the Group.

Sinch currently does not expect material changes to the profitability related to Covid-19 that would impact recoverability of assets such as deferred tax assets and intangible assets. Risk assessment is carried out on a regular basis and an impairment review will be performed if conditions suggest that such assets may be impaired.

Note 2 - Pledged assets and contingent liabilities

Guarantees amounted to SEK 7.6 million (6.8).

Note 3 - Incentive programs

During the first quarter, 272,662 options from LTI 2016 were exercised with a corresponding increase in the number of shares. The exercise price was SEK 127.67 per share, through which Sinch's equity increased by SEK 34.8 million.

Payroll costs for vested warrants are included in profit and loss for 2020 in the amount of SEK-0.5 million, with a corresponding increase in equity. Social insurance costs are included in the amount of SEK -2.6 million and recognized as a provision in the balance sheet. The total cost of all warrant programs is expected to be approximately SEK 8 million distributed across the term of the programs. All warrants have been assessed as dilutive during the quarter because the exercise price has been lower than the average share price. The potential dilutive effect, measured at programs start, upon exercise of all warrants in all programs is 5.6 percent.

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

Note 4 - Depreciation, amortization and impairments

Depreciation, amortization and impairment, SEK million	Q1 2020	Q1 2019	2019	RTM
Amortization acquired customer relationships	-29.3	-23.5	-92.9	-98.7
Amortization acquired operator relationships	-4.0	-3.5	-14.2	-14.7
Amortization acquired trademarks	-0.3	-0.1	-0.4	-0.5
Amortization acquired proprietary software	-7.5	-6.1	-26.5	-27.8
<i>Total acquisition-related amortization</i>	<i>-41.1</i>	<i>-33.3</i>	<i>-134.0</i>	<i>-141.8</i>
Amortization and impairment own developed software	-5.0	-1.8	-15.5	-18.7
Amortization and impairment licenses	-0.2	-0.2	-0.7	-0.7
Total amortization and impairment	-46.3	-35.2	-150.1	-161.2
Depreciation and impairment tangible fixed assets	-3.7	-2.1	-9.1	-10.7
Depreciation right-of-use assets	-6.6	-5.9	-24.7	-25.4
Total amortization, depreciation and impairment	-56.6	-43.2	-183.9	-197.3

Note 5 - Reconciliation of tax for the period

Reconciliation of tax expense for the period	Q1 2020	Q1 2019
Profit before tax	130.8	73.7
Tax calculated at Swedish tax rate, 21.4%	-28.0	-15.8
Tax attributable to previous years	-2.7	-0.4
Tax effect of non-deductible expenses	-2.6	0.0
Tax effect of non-taxable revenue	0.0	0.0
Tax on standard interest rate, tax allocation reserves	0.0	0.0
Tax effect of non-capitalized loss carry-forwards	-0.2	-0.1
Effect of foreign tax rates	-0.9	0.4
Tax on profit for the period according to income statement	-34.4	-16.0

Note 6 - Acquisition of group companies

Chatlayer

On 19 March, Sinch entered into a definitive agreement to acquire Chatlayer BV for an enterprise value of EUR 6.9 million on debt-free basis. The acquisition is financed using Sinch's available cash at hand. Chatlayer offers a cloud-based software platform that lets businesses create multi-lingual chatbots and voicebots using Artificial Intelligence (AI) and Natural Language Understanding (NLU). In 2019, Chatlayer generated revenue of about EUR 0.8 million, gross profit of about EUR 0.7 million and EBITDA of about EUR -0.9 million. The transaction was closed on 1 April 2020. The accounting for the business combination (acquisition analysis) was not completed by the reporting date and it was thus impossible to provide certain information in this interim report.

Wavy

On 26 mars 2020, Sinch entered into a definitive agreement to acquire Wavy, through the two legal entities Movel Internet Móvel S.A. and Wavy Global Holdings BV, for a total cash consideration of BRL 355 million and 1,534,582 new shares in Sinch. Using share price of SEK 311 and SEK/BRL exchange rate of 2.00, this corresponds to an enterprise value of SEK 1,187 million. The acquisition is financed through a combination of cash and debt facilities. Wavy has commercial agreements with more than 50 mobile operators in Latin America and handles over 13 billion messages per year. A strong commitment to innovation has also seen Wavy develop a leading position in next-generation, conversational messaging over WhatsApp. In the 12 months ending 31 March 2020, Wavy is expected to record revenues of BRL 464 million (SEK 929 million), gross profit of BRL 130 million (SEK 261 million) and adjusted EBITDA of BRL 48 million (SEK 95 million). Wavy has 260 employees and 9 offices in 6 countries. Synergies from the combination of Sinch and Wavy are expected to reach BRL 15-20 million (SEK 30-40 million), over the coming 24 months. Closing of the transaction is subject to customary closing conditions, including regulatory approval from CADE, Conselho Administrativo de Defesa Econômica, the competition authority in Brazil. The transaction is expected to close in H2 2020. Sinch has agreed to pay Movel a termination fee of BRL 30 million (SEK 60 million) if the transaction is not completed and certain conditions are met.

Previous acquisitions

Contingent consideration (earnout) of SEK 1.3 million for TWW was paid during the first quarter, which is compensation for utilized tax loss carry-forwards.

Investing activities 2020, SEK million	TWW	Chatlayer	Wavy	Total
Additional purchase consideration	1.3	-	-	1.3
Settlement cash and cash equivalents	46.4	-	-	46.4
Settlement working capital and debt	-9.2	-	-	-9.2
Expenses directly linked to the acquisition	0.1	0.4	5.3	5.9
Effect on consolidated cash and cash equivalents	38.6	0.4	5.3	44.3

Expenses directly linked to the acquisitions are included in Other external costs in 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.

Gross margin

Gross profit divided by net sales.

Gross margin reflects the percentage of the company's net sales that constitutes its own value and not paid to suppliers (mobile operators).

Gross profit

Net sales less the cost of goods and services sold.

Displays the company's own value creation excluding costs to suppliers (mobile operators).

Net investments in tangible 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

Bank loans, bonds, and leasing liabilities.

Used for calculating net debt.

Net debt

Interest-bearing liabilities less cash and cash equivalents.

Used to track debt development and see the size of refinancing needs.

OPEX

Other external costs and employee benefits expenses.

Equity/assets ratio

Equity divided by total assets.

Shows the company's financial position. Good solvency gives a readiness to handle periods of weak economic activity and financial preparedness for growth.

Operating profit, EBIT

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

Operating profit, EBITDA

Profit for the period before financial income, financial expenses, tax and depreciation and amortization and impairment of intangible assets and property, plant, and equipment.

Enables comparisons of profitability over time regardless of the effects of depreciation rate on fixed assets, financing structure and corporate tax rates.

Items affecting comparability

Non-recurring items such as capital gain/losses, impairments, acquisition costs, integration costs and restructuring costs.

Separation of items affecting comparability clarifies the development of the underlying business.

Adjusted EBIT

EBIT adjusted for items affecting comparability that affected EBIT and amortization of acquisition related assets.

Enables comparisons of profitability over time regardless of the depreciation and write-downs of acquisition related intangible assets as well as corporate tax rates and financing structure. The key figure is also adjusted for items affecting comparability to increase comparability over time. Depreciation of tangible assets and other intangible assets is included, as it is a measure of resource consumption that is necessary to generate results.

Adjusted EBITDA

EBITDA adjusted for items affecting comparability that affected EBITDA.

Enables comparisons of profitability over time regardless of the effects of depreciation rate on fixed assets, financing structure and corporate tax rates. The key figure is also adjusted for items affecting comparability to increase comparability over time.

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 that the business creates adjusted for the impact of items affecting comparability.

Adjusted EBITDA/gross profit

Adjusted EBITDA divided by gross profit.

The measure shows the company's operating margin excluding costs for goods sold (charges to mobile operators), which can partly be regarded as pass-through invoicing.

EBIT margin/Adjusted EBIT margin

EBIT/Adjusted EBIT divided by net sales.

EBITDA margin/Adjusted EBITDA margin

EBITDA/Adjusted EBITDA divided by 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 the effect of acquisitions and change in foreign exchange rates.

Sinch's accounting currency is SEK, while revenues and expenses are mainly in other currencies. Growth adjusted for acquired units and currency effects show the underlying growth.

Total number of shares

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

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 30 other countries. The share is listed on Nasdaq Stockholm, XSTO: SINCH.

Forthcoming reporting dates

Interim report Q2, Jan – Jun 2020 17 July
Interim report Q3, Jan – Sep 2020 3 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, as well as 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 the 2019 annual report. The risks described for the Group may also have an indirect impact on the parent company. Pandemics, for example caused by Covid-19, could severely impact out local and global operations.

For additional information, please contact:

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Stockholm, 29 April 2020

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Chairman of the Board

Bridget Cosgrave

Renée Robinson Strömberg

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Björn Zethraeus

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 submitted for publication on 29 April 2020 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.