



Press Release

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Sinch establishes leadership in US voice communications through acquisition of Inteliquent

Stockholm, Sweden – Sinch AB (publ) – XSTO: SINCH

Sinch AB (publ), a global leader in cloud communications for mobile customer engagement, has entered into a definitive agreement to acquire Inteliquent, the largest independent voice communications provider in the United States, for a total cash consideration of USD 1,140 million on a cash and debt-free basis.

The acquisition establishes Sinch as the leader in voice connectivity for both enterprises and telecom carriers in the US. The favorable unit economics of a fully owned network allows Sinch to maintain its commitment to profitable growth whilst investing forcefully in innovation and go to market capabilities.

Inteliquent powers voice communications for the leading communication service providers and enterprises in North America. It operates a fully redundant, geo-diverse, carrier-grade tier 1 network that is directly connected to every major telecom carrier and covers 94 percent of the US population. The platform handles more than 300 billion minutes of voice calling per year and the company has registered more than 100 million active phone numbers on behalf of its customers.

“Becoming a leader in the US voice market is key to establish Sinch as the leading global cloud communications platform. Inteliquent serves the largest and most demanding voice customers in America with superior quality backed by a fully-owned network across the entire US. Our joint strengths in voice and messaging provide a unique position to grow our business and power a superior customer experience for our customers”, comments Oscar Werner, Sinch CEO.

Inteliquent has built a strong go to market strategy as a trusted partner to category leaders in every sector of communications, including cloud communications, collaboration, unified communications, contact centers and every major US carrier. Close cooperation with partners will be a continued priority after the transaction has closed.

“We’re excited about the tremendous opportunities this combination unlocks, expanding the services we can provide to our customers. Combining our leading voice offering with Sinch’s global messaging capabilities truly positions us for leadership in the rapidly developing market for cloud communications”, comments Ed O’Hara, Inteliquent CEO.

Financials

In the twelve months ended December 31, 2020, Inteliquent recorded revenues of USD 533 million, Gross Profit of USD 256 million, EBITDA of USD 135 million, and capex of 32 million. Adjusted for a Covid-related uplift that is considered to be temporary, revenues are estimated to have been around USD 499 million, Gross Profit around USD 233 million, and adjusted EBITDA around USD 112 million. The business employs more than 500 people in the United States and is headquartered in Chicago, Illinois.

Inteliquent consists of two business units that leverage the same underlying network. The Communications-Platform-as-a-Service (CPaaS) business includes Inteliquent’s enterprise-targeted API-offering that lets businesses acquire phone numbers and embed voice calling into their own products or business processes. The Infrastructure-as-a-Service (IaaS) business includes a range of business-critical services to fixed and mobile telecom carriers, including products for off-net call termination and the handling of calls to toll-free 1-800 numbers.

Inteliquent’s carrier-focused Infrastructure-as-a-Service (IaaS) business accounted for 54 percent of revenues and 48 percent of gross profit in 2020. The enterprise-facing Communications-Platform-as-a-Service business accounted for 46 percent of revenues and 52 percent of gross profit in the same calendar year. Total underlying year-on-year revenue growth over the past two years has been around 11 percent, with CPaaS growing at close to twice this rate.





Upon closing, Sinch expects to reinvest USD 15-20 million of EBITDA to accelerate Sinch and Inteliquent's joint roadmap in CPaaS voice, strengthen Inteliquent's enterprise go to market capabilities, and expand Sinch's voice offering internationally.

One-off integration costs are estimated to reach USD 25 million over 18 months.

Valuation

The transaction values the acquired business at an EV/EBITDA multiple of 8.4x, or 10.2x when adjusted for Covid-related earnings in 2020 that are considered to be temporary in nature.

Financing

Inteliquent is acquired through the legal entity Onvoy Holdings Inc.

The acquisition is financed through a combination of cash and debt facilities. Upon closing, Sinch will pay the seller, GTCR, a cash consideration of USD 1,140 million. Sinch has secured acquisition financing in an amount of SEK 8.2 billion with Handelsbanken and Danske Bank as lenders in addition to its existing facilities with the same banks. With the new financing in place, Sinch will have total available commitments of SEK 9,700 million. In addition to the credit facilities, the company has cash and overdraft facilities in place.

The financial covenants under the acquisition financing agreed with the lending banks will permit the completion of the transaction and the incurrence of the new debt.

Sinch has a financial target to maintain net debt/adjusted EBITDA below 2.5x over time. As of Q3 2020, Sinch had a net cash position with net debt/adjusted EBITDA of -1.2x. The acquisition of SAP Digital Interconnect (SDI) closed on November 1, and on 30 November, Sinch completed a directed new share issue of 3,187,736 shares. Furthermore, the acquisition of Wavy closed on February 1.

On a pro forma basis, Net debt/Adjusted EBITDA would have been -1.3x at the end of Q3 2020 if the acquisitions of SDI and Wavy and the directed new share issue had been completed already at this point. This calculation of pro forma Net debt/Adjusted EBITDA includes Adjusted EBITDA in acquired entities over the past 12 months. Had the acquisition of Inteliquent also been completed at this point, pro forma net debt/adjusted EBITDA would have been 3.7x. However, cash generation and earnings growth is expected to reduce this ratio in the time that follows before the acquisition of Inteliquent is closed.

Regulatory approval

Closing of the transaction is subject to customary closing conditions, including clearance from CFIUS and US competition authorities, the receipt of FCC, state public utility commission, and certain other governmental approvals.

Timeline

The transaction is expected to close in H2 2021.

Advisors

Handelsbanken Capital Markets is acting as financial advisor and K&L Gates LLP as legal advisor to Sinch in the transaction. Rothschild & Co serves as lead financial advisor to Inteliquent and Latham & Watkins LLP serves as legal counsel. Truist also serves as financial advisor to Inteliquent.



Conference call and webcast

A conference call for analysts and investors will take place today, Wednesday February 17, at 12.00 CET.

Presentation materials will be published at investors.sinch.com and a live webcast will be available at investors.sinch.com/webcast. To join the call by phone, please dial in a few minutes before the call starts to ensure that you are connected.

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About Sinch

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

About Inteliquent

Inteliquent empowers communications for the leading communication service providers and enterprises. The foundation of Inteliquent's communications platform is its fully redundant, geo-diverse, carrier-grade tier 1 network. This network is trusted by the nation's largest service providers, as it provides the most expansive footprint of local phone numbers in the United States with over 12,200 on-net rate centers and 300 billion minutes of traffic on the network annually. Learn more at inteliquent.com.

Important information

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

This information is information that Sinch AB (publ) is obliged to make public pursuant to the EU Market Abuse Regulation. The information was submitted for publication, through the contact person set out above, at 07:30 CET on February 17, 2021.