



Press Release

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Sinch to acquire MessageMedia, accelerating growth with small and medium-sized businesses

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 MessageMedia, a leader in mobile messaging solutions for small and medium-sized businesses in the United States and Australia, New Zealand, and Europe. Sinch will pay a total enterprise value of USD 1.3 billion, with a total cash consideration of USD 1.1 billion and 1,128,487 new shares in Sinch. Using yesterday's USD/SEK exchange rate of 8.27, this corresponds to an enterprise value of SEK 10,745 million.

MessageMedia offers a web-based software-as-a-service (SaaS) suite that makes it easy to leverage two-way messaging without any need for coding or familiarity with APIs. It operates a highly automated and scalable tech platform that is purposefully tailored to meet the specific needs of small and medium-sized businesses. With a go-to-market motion built around digital customer acquisition and online self-service, the company serves over 60,000 customers and handles more than 5 billion mobile messages per year.

Organic growth is fueled both by net expansion and new customer acquisition. Performance is particularly strong in the United States, where more than 1,500 new customers are added each month. Moreover, MessageMedia's management team has a proven capability to drive consolidation and extract economies of scale with 9 successful acquisitions in its target market. Sinch will look to accelerate these efforts, encourage international expansion, and task the MessageMedia management team to build a leading position in customer engagement for small and medium-sized businesses around the world.

"Addressing small and medium-sized businesses opens up a new avenue to growth and dramatically expands our addressable market. With MessageMedia as a part of Sinch, we will have the best team in the industry to capitalize on that opportunity", comments Oscar Werner, Sinch CEO.

MessageMedia focuses on products that can easily be deployed 'out of the box' without coding or API integrations. Third-party analysts estimate the total, worldwide addressable market (TAM) for such 'Turnkey Consumer Engagement' solutions to USD 9-13 billion, of which the United States makes up around 30 percent. The total market is expected to grow by 25-30 percent per annum in 2020-24, with particularly strong growth in the United States. Small and medium-sized businesses make up around 50-70 percent of the market.

The MessageMedia platform allows multiple brands to leverage the same underlying tech platform. Three brands are actively marketed to cater for adjacent but distinct customer groups, with ClickSend and SimpleTexting complementing the MessageMedia brand. The multi-brand capabilities also allow efficient integration of acquired businesses and means that mobile operators can deploy the offering on a white label basis. For ease of use and quick time-to-value, MessageMedia also offers pre-configured integrations to leading cloud platforms such as Shopify, NetSuite and HubSpot.

"Mobile messaging delivers tremendous ROI but smaller businesses often lack tools that cater to their specific needs", comments Paul Perrett, MessageMedia CEO. "Serving these customers presents a tremendous opportunity, and with Sinch we can build a global leader in our field".

Financials

In the twelve months ending June 30, 2021, MessageMedia is expected to record revenues 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. The business employs more than 350 people and is headquartered in Melbourne, Australia.

Total organic year-on-year growth in revenues and gross profit over the past two years has





been around 22 percent, with gross profit in the United States growing more than 40 percent per year.

One-off integration costs are estimated to reach around USD 8 million over 18 months. Upon closing of the transaction, MessageMedia will benefit from cost synergies in leveraging Sinch's global super network for Messaging with direct connections to more than 450 mobile operators. It will also benefit from Sinch's investments in new conversational messaging channels like WhatsApp, Viber, RCS and Instagram. Sinch intends to reinvest the savings from these cost synergies into further expansion, where MessageMedia can leverage Sinch's established sales presence in 47 international markets.

Valuation

The transaction values the acquired business at an EV/Gross profit multiple of 13.8x, and an EV/EBITDA multiple of 25.4x, before synergies. This calculation is based on an enterprise value of USD 1.3 billion and anticipated earnings for the 12 months ending June 30, 2021.

Financing

MessageMedia is acquired through the legal entity Message4U Pty Ltd, which is registered in Australia.

The acquisition is financed through a combination of cash, equity and debt facilities. Upon closing, Sinch will pay the sellers, which include funds managed by Mercury Capital, a cash consideration of USD 1.1 billion. The sellers will also receive 1,128,487 new shares in Sinch, which are subject to customary lock-up undertakings and may not be divested for 6 months after closing. This implies that the number of shares in Sinch rises by around 1.6 percent.

Prior to today's announcement, Sinch had a financial target to maintain net debt/adjusted EBITDA below 2.5x over time. As has been announced today in a separate press release, this target has now been revised to 3.5x over time.

On 17 February, Sinch announced the acquisition of Inteliquent for a total cash consideration of USD 1,140 million. The transaction is expected to close in H2 2021. On 24 May, Sinch completed a directed new share issue of 7,232,077 shares, raising approximately SEK 9.4 billion before issue costs.

At the end of Q1 2021, Sinch had a net cash position of SEK 2,053 million with net debt/adjusted EBITDA of -2.1x. On a pro forma basis, if the acquisitions of Inteliquent and MessageMedia and the directed new share issue had been completed already at this point, Net debt/Adjusted EBITDA would have been approximately 2.6x. This calculation of pro forma Net debt/Adjusted EBITDA includes Adjusted EBITDA in acquired entities over the past 12 months. Cash generation and earnings growth is expected to reduce this ratio in the time that follows before the acquisitions of Inteliquent and MessageMedia are closed.

Financial impact of recent transactions

In Q1 2021, Sinch reported revenues for the last 12 months of SEK 9,749 million, Gross profit of SEK 2,557 million, and Adjusted EBITDA of SEK 968 million. This corresponds to a gross profit margin of 26 percent and an Adjusted EBITDA margin of 10 percent.

Pro forma financials include 12 months of earnings from all entities that have been acquired during the past year, as well as from Inteliquent and MessageMedia (which have been announced but not yet closed). On this pro forma basis, Sinch's revenues for the last 12 months, as of Q1 2021, would have been approximately SEK 17.9 billion. Gross profit would have been approximately SEK 6.0 billion and Adjusted EBITDA approximately SEK 2.4 billion. This corresponds to a gross margin of 33 percent and an Adjusted EBITDA margin of 14.5 percent.

Regulatory approval

Closing of the transaction is subject to customary closing conditions, including regulatory approval from the Australian Foreign Investment Review Board (FIRB), the Australian Competition and Consumer Commission (ACCC), and from US competition authorities.

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. J.P. Morgan is acting as financial advisor and Herbert Smith Freehills as legal advisor to MessageMedia.

Conference call and webcast

A conference call for analysts and investors will take place today, Wednesday June 9, at 14.00 CEST.

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 MessageMedia

MessageMedia helps businesses optimise how they communicate and engage with their customers. We enable SMBs to create meaningful two-way conversations to deliver better acquisition, engagement and retention results, through our world leading customer engagement software. Our platform allows businesses to be there for a customer every step of the way: from a confirmation to a reminder to a follow-up and beyond. Headquartered in Australia, with offices in the United States, United Kingdom, and New Zealand, MessageMedia, with its sub-brands ClickSend and SimpleTexting, are the partner of choice for more than 60,000 businesses seeking easy and engaging global business messaging. Learn more at messagemedia.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 11:15 CEST on June 9, 2021.