

# NINGI RESEARCH

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## List of abbreviations

A2P	Application-to-person messaging
ABN	Australian business number
ACN	Australian company number
CPaaS	Communication Platform as a Service
ECL	Expected credit loss
IaaS	Infrastructure as a Service
ICR	Interest coverage ratio
IFRS	International Financial Reporting Standards
MGT-14	Electronic form by Indian authorities
P2P	Person-to-person messaging

## List of references

All citations, references and sources are publicly available. Annual reports and other company documents were obtained through the respective issuer's website, through regulatory filings and commercial registries. Documents are cited as follow:

< company name > < year of publication >, < document title >, < page >, (for online source) < url >

Some SEC filings were retrieved through direct URLs within the EDGAR system and those filings are quoted directly. As annual reports sometimes have the same ubiquities title, we may have added the year for better distinction.

The phrase "company filings" indicates that we aggregated the specific metrics from the respective filings.

## List of figures

If not stated otherwise all figures are obtained through the quoted references in the footnotes and can be found in the respective source.

Table rows and columns highlighted in yellow are used to enable better visual comparison between published and reconciled metrics.

All amounts in thousands unless otherwise stated.

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## Executive Summary

We are short Sinch AB (Ticker: SINCH.ST) because, in our opinion, the company acquired noxious assets and misstated its accounts to beat analysts' estimates and pump its share price. We have found material misstatements within the company's current assets and think the annual report for the full year of 2021 does not present an accurate or fairly picture of the financial position of Sinch AB. We question Deloitte's unqualified opinion for the 2021 annual report.

Sinch Aktiefbolag	SINCH.ST
Ticker:	SINCH.ST
Market Cap:	SEK 30.5bn
Share Price:	SEK 35.43
Consensus	SEK 111.7



### In our opinion,

- the financial position of the company is misstated and **to no extent presents an accurate picture** of the business.
- key business metrics like interest coverage ratio, net profit, and EBIT **have been misstated by millions of Swedish kronor**. Reconciliation of ROE, ICR, and EBIT lead to a delta of SEK 34m for net profit and SEK 22m for EBIT respectively.

	2021	2020	2019	2018	2017
<b>Return on equity (ROE) reconciliation</b>					
reconciled ROE, in %	4.4	9.4	15.0	11.4	11.4
Published ROE, in %	4.2	9.4	15.0	11.4	11.4
Profit reconciled from published ROE	872,884	447,027	274,711	180,048	134,492
Published profit	907,543	446,023	274,469	179,536	134,417
Delta	(34,659)	1,004	242	512	75
<b>Interest coverage ratio (ICR) and EBIT reconciliation</b>					
Published ICR, multiple	2.8	12.9	14.0	9.9	7.1
Reconciled ICR, multiple	3.2	12.9	14.0	9.9	7.1
Published EBIT	157,947	452,889	371,642	217,808	124,911
EBIT reconciled through ICR and interest income/expense	135,552	453,301	372,193	218,767	124,709
Delta	(22,395)	412	551	959	(202)

- by booking accrued revenue as unbilled accounts receivables instead of accrued revenue from contracts with customers the line item accrued revenue **has been misstated to conceal the aggressive revenue recognition by the company**. In reality, accrued revenue grew by 332% instead of a decline of 25% as implied by the published numbers.

	2021	2020	2019	2018	2017
<b>Accrued revenue incl. unbilled accounts receivable</b>	1,944,572	450,160	93,216	64,660	60,058
YoY Growth, in %	332.0	382.9	44.2	7.7	
<b>Accrued revenue from contracts with customers</b>	338,762	450,160	93,216	64,660	60,058
YoY Growth, in %	(24.7)	382.9	44.2	7.7	
<b>Accrued traffic costs</b>	2,098,625	1,146,809	476,183	365,257	333,156
YoY Growth, in %	83.0	140.8	30.4	9.6	

- Deloitte found material weaknesses at Sinch's Indian subsidiary** and the executive management never disclosed this matter despite Group COO Anders Olin, Group CFO Roshan Saldanha, and board member Bjorn Zethraeus being directors at the subsidiary.

**Basis for Qualified opinion**

According to the information and explanations given to us and based on our audit, the following material weakness has been identified in the Company's internal financial controls over financial reporting as at March 31, 2021:

**The Company did not have adequate controls over review and provisioning of long outstanding trade receivables, which could potentially result in material misstatement in the Company's trade receivables.**

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- Deloitte stated that due to material weaknesses the trade receivables could be materially misstated.
- the financial assets of the group are **overstated by billions of dubious receivables**.
- one Australian subsidiary **has been out of business since 2016**, however, reaping millions of Swedish kronor in revenue and another Australian subsidiary does **not exist in the first place**.
- all unbilled and overdue accounts receivables, as well as accrued revenue, could **be owned by less credit-worthy customers**. Only the already invoiced not-due receivables are from Sinch's top five customers with IG ratings.
- **The company's credit risk management approach has been lightened to a questionable extent**.
- key company metrics are overstated due to the misstatements and **in reality EBITDA and EBIT are negative for the full year of 2021**.

Key Data	2021			
	case #1	case #2	case #3	published
Return on equity, %	0.5	0.8	(5.0)	4.2
Gross margin, %	19.2	20.7	14.4	24.3
<b>EBITDA margin, %</b>	<b>(1.6)</b>	<b>(1.1)</b>	<b>(9.2)</b>	<b>5.1</b>
<b>EBIT margin, %</b>	<b>(6.1)</b>	<b>(5.8)</b>	<b>(14.3)</b>	<b>1.0</b>
Net margin, %	0.9	1.5	(6.4)	7.4
EBITDA, SEK	(233,402)	(156,099)	(1,210,654)	830,626
<b>Earnings per share, SEK</b>	<b>0.1</b>	<b>0.2</b>	<b>(1.5)</b>	<b>1.3</b>

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## Sinch AB

### Company overview and its business model

Sinch AB is a Swedish telecom company based in Stockholm. It went public in 2015 as CLX Communications AB and through the acquisition of Sinch AB in 2016 it rebranded itself to Sinch. Sinch marketed itself as a tech company but its main product is old-age text message servicing – it’s a communication provider. The company sends information from A to B – simple as that. For example, if any service you use, sends you any login credentials, it’s done via Sinch or a competitor.

Since its IPO it acquired several communication companies worldwide to broaden its customer base and revenue stream. Within the last year they broaden their revenue stream with an edition on Voice & Video (Inteliquent acquisition) and E-Mail (by acquiring Pathwire) but till the end of 2021 most of their revenue and profit was generated in the “Messaging” segment.

2021, SEKm	Messaging	Voice and Video	Email	Operators	Other and eliminations	Group
Revenue from external customers	14,335.3	512.2	81.0	1,123.5	125.2	16,177.2
Revenue from other segments	131.8	135.0	-	58.6	-325.4	0.0
<b>Net sales</b>	<b>14,467.1</b>	<b>647.2</b>	<b>81.0</b>	<b>1,182.2</b>	<b>-200.2</b>	<b>16,177.2</b>
<b>Gross profit</b>	<b>3,076.0</b>	<b>217.0</b>	<b>63.8</b>	<b>452.9</b>	<b>123.2</b>	<b>3,932.9</b>
<b>EBITDA<sup>1</sup></b>	<b>1,063.1</b>	<b>12.9</b>	<b>35.9</b>	<b>164.0</b>	<b>-445.2</b>	<b>830.6</b>

Figure 1 business segment, source: Sinch 2021 annual report, p. 90

Sinch stock price soared to new highs during the post-Covid19 stock market rally – valuing it SEK 150bn at its peak. The rise in its stock prices was also driven by beating revenue forecasts every quarter in 2020 and 2021 – this stemmed from its acquisitions and subsequent organic growth.

Beating analysts’ forecasts, Sinch seemed to be the profitable counterpart of Twilio. But for a technology company, Sinch only expensed on average 2.1% of net sales for research and development per year and was somehow still able to grow its revenue by 39% annually in the last five years. The company did state any expenses for R&D in 2021 at all but revenue in Q1 2022 grew by 96%.<sup>12</sup> Twilio, as the main competitor, invested 27.8% of revenue in research and development in 2021 but only grew its revenue by 48% in the same period.<sup>3 4</sup> As the tech bubble busted so did both companies' valuation – their shares plumbed.

<sup>1</sup> Sinch AB (2022), annual report 2021, p. 65

<sup>2</sup> Sinch AB (2022), Interim report, Q1 2022, p. 1

<sup>3</sup> Twilio Inc. (2022), 10-K filing, <https://www.sec.gov/Archives/edgar/data/0001447669/000144766922000049/twlo-20211231.htm>

<sup>4</sup> Twilio Inc. (2022), 10-Q filing, <https://www.sec.gov/Archives/edgar/data/0001447669/000144766922000098/twlo-20220331.htm>

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	2021	2020	2019	2018	2017
<b>Sinch</b>					
Net sales, in SEK	16,177,224	8,023,308	5,035,553	3,986,643	3,058,079
Revenue 1yr growth, in %	101.6	59.3	26.3	30.4	0.0
Gross margin, in %	24.3	27.6	27.7	25.8	26.3
EBITDA margin, in %	5.1	8.9	11.0	9.4	8.6
R&D in %	0.0	2.2	4.3	2.2	1.7
EBIT margin, in %	1.0	5.6	7.4	5.5	4.1
Profit before tax margin, in %	7.4	4.7	7.1	5.0	2.4
<b>Twilio</b>					
Revenue, USD	2,841,839	1,761,776	1,134,468	650,067	399,020
Revenue 1yr growth, in %	61.3	55.3	74.5	62.9	0.0
Gross margin, in %	48.9	52.0	53.7	53.7	54.2
EBITDA margin, in %	(23.1)	(19.5)	(22.9)	(12.6)	(11.6)
R&D in %	27.8	30.1	34.5	26.4	30.3
EBIT margin, in %	(32.2)	(28.0)	(32.6)	(70.4)	(16.3)
Profit before tax margin, in %	(33.8)	(28.6)	(31.9)	(71.3)	(15.5)

Figure 2 business metrics of Sinch AB and Twilio Inc, source: NINGI Research, Sinch, and Twilio company filings

In our opinion, growing its business while staying profitable compared to competitors was only possible due to accounting misstatements by Sinch's management. We think the company did so to meet its guidance and markets' estimates.

First indications of these misstatements can be found by reconciling ROE and EBIT from Sinch AB's published Key Data chart stated in its annual report.<sup>5</sup>

	2021	2020	2019	2018	2017
<b>Return on equity (ROE) reconciliation</b>					
reconciled ROE, in %	4.4	9.4	15.0	11.4	11.4
Published ROE, in %	4.2	9.4	15.0	11.4	11.4
Profit reconciled from published ROE	872,884	447,027	274,711	180,048	134,492
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EBIT reconciled through ICR and interest income/expense	135,552	453,301	372,193	218,767	124,709
Delta	(22,395)	412	551	959	(202)

Figure 3 reconciliation of ROE, net profit, ICR, and EBIT, source: NINGI Research, Sinch 2021 annual report, p. 71

A simple reconciliation reveals a staggering net income difference of SEK 34 million and SEK 22 million delta for the company's EBIT. Reconciliation for past years was fairly accurate until 2021.

	2021	2020	2019	2018	2017
<b>Net margin reconciliation</b>					
Published net margin, in %	7.4	4.7	7.0	5.1	2.4
Reconciled net margin from profit before tax, in %	7.4	4.7	7.1	5.0	2.4
Reconciled net margin from profit after tax, in %	5.6	5.6	5.5	4.5	4.4
Delta, in %	(1.8)	0.9	(1.5)	(0.6)	2.0

Figure 4 reconciliation of net margin, source: NINGI Research, Sinch 2021 annual report, p. 71

Another staggering discovery for the public should be that Sinch's net margin is based on its profit before tax. The term net margin is not defined by Sinch in the appendix of its 2021 annual report, so it should be based on industry standards.<sup>6</sup> It is widely accepted that net margin is based on profit after tax.

But this is just the tip of the iceberg.

<sup>5</sup> Sinch AB (2022), annual report 2021, p. 71

<sup>6</sup> Sinch AB (2022), annual report 2021, p. 127

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## Growth unseen before – without invoices

In recent years, sales have increased to SEK 16bn through organic growth and acquisitions.<sup>7</sup> In the same period, the accounts receivable in Sinch AB's balance sheet also increased significantly - almost synchronously.<sup>8,9</sup>

	2021	2020	2019	2018	2017
Net sales	16,177,224	8,023,308	5,035,553	3,986,643	3,058,079
YoY Growth, in %	101.6	59.3	26.3	30.4	
Net accounts receivable	3,870,256	1,926,355	1,159,641	879,891	683,747
YoY Growth, in %	100.9	66.1	31.8	28.7	

Figure 5 growth net sales and net accounts receivable, source: company filings

In itself, such an approach is a very aggressive way to recognize revenue, since once the service or product is sold, Sinch recognizes the revenue immediately. Accounts receivable means that you have performed the service and sent the invoice to the customer but no cash has been received yet. There is an unconditional right to payment of the invoice – the important part is, that it is: unconditional. Sinch has broken down accounts receivable in more detail in the notes to the financial statements.

Accounts receivable	Group	
	31 Dec 2021	31 Dec 2020
Unbilled accounts receivable	1,605,810	
Accounts receivable	2,400,268	1,955,656
<b>Total accounts receivable</b>	<b>4,006,078</b>	<b>1,955,656</b>
<b>Expected credit losses</b>		
Balance at opening date	-29,302	-12,986
Through acquisitions of group companies	-142,499	-9,731
Reversals of previous provisions	128,076	14,247
Confirmed customer losses	63,913	3,880
ECL allowance for the year	-151,349	-26,230
Translation differences	-4,662	1,519
<b>Balance on the closing date</b>	<b>-135,882</b>	<b>-29,302</b>
<b>Net accounts receivable</b>	<b>3,870,256</b>	<b>1,926,355</b>

Figure 6 note 17 accounts receivable, source: Sinch 2021 annual report, p. 106

Note 17 of the Annual Report 2021 shows that 40% of accounts receivable consist of so-called unbilled accounts receivable.<sup>10</sup> As can be assumed, this means that the service has already been provided, but the customer has not yet been invoiced. Unbilled accounts receivable are usually declared as accrued revenue. Accrued revenue means that you are contractually entitled to payment for the service provided, but this right is explicitly restricted - it is conditional.

<sup>7</sup> Sinch AB (2022), annual report 2021, p. 70

<sup>8</sup> Sinch AB (2022), annual report 2021, p. 70

<sup>9</sup> Sinch AB (2022), annual report 2021, p. 106

<sup>10</sup> Sinch AB (2022), annual report 2021, p. 106

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Accrued income/revenue and unbilled accounts receivable are contract assets.<sup>11</sup>

*[...] Although IFRS 15 uses the terms 'contract asset' and 'contract liability', these might also be referred to using different terminology such as 'accrued income' and 'deferred income' respectively. Whatever terminology is used, entities must make sure that they are accounted for as being distinct from trade receivables which will arise when an invoice has been issued. [...]*

In fact, all three terms are synonyms for the same line item.<sup>12</sup> If you read one of the terms from now on, it is always the same.

IFRS 15 defines a contract asset as follows:<sup>13</sup>

*[...] An entity's right to consideration in exchange for goods or services that the entity has transferred to a customer when that right is conditioned on something other than the passage of time (for example, the entity's future performance). [...]*

In our opinion, this clearly shows that Sinch is not keeping records in compliance with IFRS. Also, in our opinion, information is deliberately rearranged within the annual report, which in previous years could always be found in the same place.<sup>14 15 16</sup> This hiding game concerns the disclosures for contract assets.

Until the 2020 annual report, accrued income was always disclosed in Note 3 of the financial statements so that the public could see how much revenue had been recognized early.<sup>17</sup> This is because accrued income is conditional - dependent on contractual arrangements and subject to a high degree of uncertainty.

Sinch now placed the breakdown of accrued revenue in the note to accounts receivable – at the end of Note 17.<sup>18</sup> Nice enough, on the same page of the report (page 106, for all those who would like to follow along), the accrued revenue was presented here again in more detail as now phrased accrued income. In Note 17, the public can read that SEK 341m of accrued income was recognized early.<sup>19</sup> But since unbilled accounts receivable is only a synonym for accrued revenue, the question would be whether accrued income is included in unbilled accounts receivable. Of course, the annual report does not define the three terms in the definitions of the financial notes. This would have immediately exposed this misstatement.

More astonishing in our opinion is that on the same page of the annual report Sinch has shown two different figures for the same balance sheet sub-account. On the left, accrued income including impairment reserve is shown as SEK 338m and on the right, accrued revenue from contracts with customers is also shown as SEK 338m, but in the last four annual reports before that, accrued revenue

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<sup>11</sup> IFRS Foundation (2022), IFRS Standards - IFRS 9 Financial Instruments, p. 380

<sup>12</sup> Association of Chartered Certified Accountants (2022), IFRS 15 – Contract Assets and Contract Liabilities, <https://www.accaglobal.com/uk/en/student/exam-support-resources/fundamentals-exams-study-resources/f7/technical-articles/assets-liabilities.html>

<sup>13</sup> IFRS Foundation (2022), IFRS Standards - IFRS 15 Revenue from Contracts with Customers, p. 787

<sup>14</sup> Sinch AB (2019), annual report 2018, p. 53

<sup>15</sup> Sinch AB (2020), annual report 2019, p. 60

<sup>16</sup> Sinch AB (2021), annual report 2020, p. 75

<sup>17</sup> Sinch AB (2021), annual report 2020, p. 75

<sup>18</sup> Sinch AB (2022), annual report 2021, p. 106

<sup>19</sup> Sinch AB (2022), annual report 2021, p. 106



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was shown without impairment reserve.<sup>20 21 22 23</sup> No change in IFRS 9 or 15 would indicate any subtraction of the impairment reserve from 2021 on.<sup>24 25 26</sup> The public has to wonder which figures are correct. Similarly, we find it more than questionable to report the same line item with synonyms in different notes to different balance sheet accounts: once as accrued income in accounts receivable, once as unbilled accounts receivable, and once as accrued revenue in prepaid expenses and accrued income. This is intended to create confusion and prevent transparency, contrary to IFRS 1 requirement for transparency. The public may ask, if the accrued revenue was recorded in both balance sheet accounts, i.e. accounted twice in current assets?

Regarding the significant increase in accounts receivables Sinch's management states that accounts receivables have increased - due to the acquisitions.<sup>27</sup> However, according to our calculations, this concerns just SEK 1bn.<sup>28</sup> An explanation is owed to the public as to where the unbilled accounts receivables come from.

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<sup>20</sup> Sinch AB (2019), annual report 2018, p. 65

<sup>21</sup> Sinch AB (2020), annual report 2019, p. 71

<sup>22</sup> Sinch AB (2021), annual report 2020, p. 86

<sup>23</sup> Sinch AB (2022), annual report 2021, p. 106

<sup>24</sup> IFRS Foundation (2022), IFRS Standards - IFRS 9 Financial Instruments, <https://www.ifrs.org/issued-standards/list-of-standards/ifrs-9-financial-instruments.html/content/dam/ifrs/publications/html-standards/english/2022/issued/ifrs9/#news>

<sup>25</sup> IFRS Foundation (2022), IFRS Standards - IFRS 15 Revenue from Contracts with Customers, <https://www.ifrs.org/issued-standards/list-of-standards/ifrs-15-revenue-from-contracts-with-customers.html/content/dam/ifrs/publications/html-standards/english/2022/issued/ifrs15/#news>

<sup>26</sup> Sinch AB (2021), annual report 2020, p. 81

<sup>27</sup> Sinch AB (2022), annual report 2021, p. 106

<sup>28</sup> Sinch AB (2022), annual report 2021, p. 118

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note 17 Accounts receivable		
	Group	
Accounts receivable	31 Dec 2021	31 Dec 2020
Unbilled accounts receivable	1,605,810	
Accounts receivable	2,400,268	1,955,656
<b>Total accounts receivable</b>	<b>4,006,078</b>	<b>1,955,656</b>
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<b>Net accounts receivable</b>	<b>3,870,256</b>	<b>1,926,355</b>

The carrying amount for accounts receivable, net after credit loss allowance, has been assessed as equal to fair value. Confirmed customer losses include a large non-recurring effect when derecognition has occurred due to a confirmed bankruptcy. Accounts receivable and the ECL allowance have increased compared to the preceding year, primarily due to acquisitions.

Aging report		
	Group	
Accounts receivable	31 Dec 2021	31 Dec 2020
Not due	3,161,577	1,345,225
Past due 1-30 days	372,172	262,781
Past due 31-60 days	78,725	143,689
Past due 61-90 days	66,754	35,919
Past due >91 days	326,850	168,042
<b>Total</b>	<b>4,006,078</b>	<b>1,955,656</b>

Revenue-related contract assets and contract liabilities		
	Group	
Contract assets	31 Dec 2021	31 Dec 2020
Accrued income	341,666	450,160
Impairment reserve	-2,904	-3,709
<b>Net contract assets</b>	<b>338,762</b>	<b>446,451</b>

note 18 Other current receivables				
	Group		Parent company	
Other current receivables	31 Dec 2021	31 Dec 2020	31 Dec 2021	31 Dec 2020
VAT receivable	216,987	96,657	14,967	14,691
Derivatives	18,543	-	18,469	-
VAT receivable, Australia, from sellers of Mblox and Dialogue	394	376	-	-
Other current receivables	60,241	18,697	-	276
<b>Total</b>	<b>296,164</b>	<b>115,730</b>	<b>33,436</b>	<b>14,967</b>

note 19 Prepaid expenses and accrued income				
	Group		Parent company	
Prepaid expenses and accrued income	31 Dec 2021	31 Dec 2020	31 Dec 2021	31 Dec 2020
Prepaid rent	663	1,697	3,410	3,351
Prepaid leasing charges	-11,626	-	-	-
Prepaid insurance premiums	7,629	1,617	539	-
Prepaid traffic costs	380,811	52,394	-	-
Accrued revenue from contracts with customers	338,762	450,160	-	-
Other	216,266	83,596	193,863	37,689
<b>Total</b>	<b>932,506</b>	<b>589,463</b>	<b>197,813</b>	<b>41,040</b>

note 20 Equity				
	Group		Ordinary shares	Share capital
Shares and share capital, SEK	31 Dec 2021	31 Dec 2020		
Opening balance at 1 January 2020			536,020,890	5,360,209
Warrants			3,312,140	33,121
Rights issue			92,403,670	924,037
<b>Closing balance at 31 December 2020</b>			<b>631,736,700</b>	<b>6,317,367</b>

Figure 7 unbilled accounts receivable, accrued income, and accrued revenue, source: Sinch 2021 annual report, p. 106

We think that Sinch whitewashed its balance sheet and the accrued revenue account. This clearly violated IFRS. In our opinion, Sinch does not present the line items correctly until page 108, but the granularity that was present in Note 17 and Note 19 is missing. Conspicuously, this note refers once for the entire annual report to the fact that line items were classified in accordance with IFRS 9.<sup>29</sup> In our opinion, the statement would imply, that the other notes to the financial statements are not IFRS-compliant at all.<sup>30</sup>

<sup>29</sup> Sinch AB (2022), annual report 2021, p. 108

<sup>30</sup> IFRS Foundation (2022), IFRS Standards - IFRS 1 First-time Adoption of International Financial Reporting Standards, p. 100

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note 28 cont.

Group 31 Dec 2021	Financial assets and liabilities measured at amortized cost	Other financial liabilities	Obligatory measurement at fair value through profit or loss	Fair value hedge instruments	Carrying amount	Fair value
<b>Financial assets at fair value</b>						
Derivatives, Level 2, Note 18	-	-	-	-	-	-
<b>Financial assets not recognized at fair value</b>						
Deposits paid, Note 16	20,381	-	-	-	20,381	20,381
Accounts receivable, Note 17	2,275,126	-	-	-	2,275,126	2,275,126
Accrued revenue from contracts with customers, Note 19	1,941,006	-	-	-	1,941,006	1,941,006
Cash and cash equivalents	1,870,990	-	-	-	1,870,990	1,870,990
<b>Total financial assets</b>	<b>6,107,503</b>	-	-	-	<b>6,107,503</b>	<b>6,107,503</b>

Figure 8 accounts receivables and accrued revenue as financial assets, source: Sinch 2021 annual report, p. 109

Through reconciliation based on Notes 17, 19, and 28, it can now also be read that the accrued revenue from contracts with customers is in reality SEK 1,941 million - six times the amount reported in Notes 17 and 19.

Reconciliation challenge	2021	2020	2019	2018	2017
<b>Reconciliation from financial assets &amp; liabilities</b>					
Accrued revenue from contracts with customers	1,941,006	450,160	93,216	64,660	60,058
Accounts receivable	2,275,126	1,926,355	1,159,641	879,891	683,747
<b>Total</b>	<b>4,216,132</b>	<b>2,376,515</b>	<b>1,252,857</b>	<b>944,551</b>	<b>743,805</b>
<b>Reconciliation from accounts receivable and accrued revenue</b>					
Accrued revenue from contracts with customers	338,762	450,160	93,216	64,660	60,058
Accounts receivable	4,006,078	1,955,656	1,172,628	889,822	694,672
Expected credit losses	(135,823)	(29,302)	(12,986)	(9,931)	(10,925)
<b>Total</b>	<b>4,209,017</b>	<b>2,376,514</b>	<b>1,252,858</b>	<b>944,551</b>	<b>743,805</b>
<b>Delta</b>	<b>(7,115)</b>	<b>(1)</b>	<b>1</b>	<b>0</b>	<b>0</b>

Figure 9 reconciliation of total receivables, source: NINGI Research, company filings

As already noted by us, it is once again not possible to reconcile the line items. There is a delta of SEK 7m. In prior years, the difference was less than SEK 1,000 or nil - thus the difference in 2021 has increased by more than 7,000%. Inconsistencies also occur when we tried a reconciliation based on the currency exposure of Note 29 – we found significant differences in the millions from the fiscal year 2020 onwards.<sup>31</sup>

In our opinion, the balance sheet, as well as the cash flow statement, do not fairly present the financial position of Sinch - due to the incorrect reporting of several line items. The attempt to reconcile the accounts based on the information presented in the 2021 annual report failed and we found significant differences within the current assets.

	Published BS 2020	Consolidated Acquisitions 2021	Published and Consolidated BS 2020 + Acquisitions 2021	Reconciled BS 2020 + Acq 2021 + CFS 2021	Published BS 2021	Delta
<b>Current assets</b>						
Inventory	0			610	0	(610)
Accounts receivable	1,926,355	1,022,000	2,948,355	2,484,829	3,870,256	1,385,427
Tax assets	52,780	41,000	93,780	197,539	197,539	0
Other current receivables	115,730	171,000	286,730	1,961,345	297,528	(1,663,817)
Accrued income and prepaid expenses	589,463	125,000	714,463	932,506	932,506	0
Cash and cash equivalents	3,123,034	1,156,000	4,279,034	1,870,990	1,870,990	0
<b>Total current assets</b>	<b>5,807,362</b>	<b>2,515,000</b>	<b>8,322,362</b>	<b>7,447,209</b>	<b>7,168,820</b>	<b>(278,389)</b>

Figure 10 reconciliation of current assets, source: NINGI Research, company filings

<sup>31</sup> Sinch AB (2022), annual report 2021, p. 112

# NINGI RESEARCH

The accounts in current assets, especially accounts receivable and other current receivables, although reconciled from the published balance sheets, the net acquired assets, and the cash flow statement, expose massive differences. The line item accounts receivable is overstated and other current receivables are understated at first sight.

In our opinion, this is because the unbilled accounts receivables are not unconditional accounts receivables. In the cash flow statement, the unbilled accounts receivables are seemingly recorded under other current receivables. Interestingly, accrued income and prepaid expenses in current assets are shown separately in the balance sheet but not within the cash flow statement. In our opinion, this balance sheet item should be summarized under other current receivables. This in no way prevents a transparent and correct derivation of significant balance sheet values. Thus, IFRS 1 has once again not been correctly implemented.

In our opinion, this misstatement was made to disguise massive growth through questionable revenue recognition.

The quarterly reports do not provide clarity either, in which - in our opinion - any receivables were intentionally grouped under other current receivables to conceal the extent of the misstatements within the quarterly reporting during the year.

If the growth in accrued revenue had already been visible in the quarterly reports, this balance sheet item would have startled the public and would have been questioned.

	2021	2020	2019	2018	2017
Accrued revenue incl. unbilled accounts receivable	1,944,572	450,160	93,216	64,660	60,058
YoY Growth, in %	332.0	382.9	44.2	7.7	
Accrued revenue from contracts with customers	338,762	450,160	93,216	64,660	60,058
YoY Growth, in %	(24.7)	382.9	44.2	7.7	
Accrued traffic costs	2,098,625	1,146,809	476,183	365,257	333,156
YoY Growth, in %	83.0	140.8	30.4	9.6	

Figure 11 comparison of true and published accrued revenue to accrued costs, source: NINGI Research, company filings

Instead of accrued revenue declining by 25%, this balance sheet item has in reality increased by 332%. An increase of more than 300% in this balance sheet item would make the public question the legitimacy and sustainability of the revenue. Especially since, in comparison, accrued traffic costs, the counterpart on the cost side, only increased by 83%. Sinch, in our opinion, has doctored its balance sheet so the public doesn't notice the company recognized revenue that is of a more than dubious nature.

After the first year of consolidation, the regions United States, Brazil, India, and Australia, which were added through acquisitions, mutate into massive growth drivers and have at least doubled, if not tripled, sales in the respective region.<sup>32</sup>

<sup>32</sup> Sinch AB (2022), annual report 2021, p. 91

# NINGI RESEARCH

External net sales distributed by country/region	2021	2020	2019	2018	2017
<b>Sweden</b>	445,513	401,664	370,044	278,989	253,335
YoY Growth, in %	10.9	8.5	32.6	10.1	
<b>France</b>	701,408	465,392	455,686	466,561	301,336
YoY Growth, in %	50.7	2.1	(2.3)	54.8	
<b>United Kingdom</b>	1,532,386	833,554	720,765	607,782	702,787
YoY Growth, in %	83.8	15.6	18.6	(13.5)	
<b>Germany</b>	424,150	348,822	373,978	368,267	316,242
YoY Growth, in %	21.6	(6.7)	1.6	16.5	
<b>Other EU countries</b>	2,643,119	692,619	598,501	567,164	357,390
YoY Growth, in %	281.6	15.7	5.5	58.7	
<b>Brazil</b>	813,891	251,971			
YoY Growth, in %	223.0				
<b>India</b>	924,282	262,665			
YoY Growth, in %	251.9				
<b>Singapore</b>	428,230	180,389			
YoY Growth, in %	137.4				
<b>Australia</b>	339,303	143,350			
YoY Growth, in %	136.7				
<b>United States</b>	6,053,846	3,875,705	1,809,619	1,142,549	558,858
YoY Growth, in %	56.2	114.2	58.4	104.4	
<b>Rest of the world</b>	1,871,095	567,176	706,961	555,331	570,131
YoY Growth, in %	229.9	(19.8)	27.3	(2.6)	
<b>Total</b>	16,177,223	8,023,307	5,035,554	3,986,643	3,060,079
YoY Growth, in %	101.6	59.3	26.3	30.3	

Figure 12 revenue and YoY growth by country or region, source: NINGI Research, Sinch 2021 annual report, p. 91

But how sustainable is such extraordinary growth? And on what basis? As usual, Sinch is very sparse with information, and only based on the currency exposure in Note 29 could the public guess how sustainable the revenue is – relatively to its basis.<sup>33</sup> But since Sinch has doctored and obfuscated the accrued income, it is not possible to form an opinion about the fair value of the receivables. Even with the false accounting of unbilled accounts receivable, it shows that accrued income in the high-growth region of Brazil is 50% higher than its region's accounts receivables. It is also striking that in the United Arab Emirates, accrued revenue is almost five times higher than accounts receivable.

Original currency	31 Dec 2021							Total
	Accounts receivable	Accrued income	Prepaid traffic costs	Cash and cash equivalents	Accounts payable	Accrued traffic costs	Bank and bond loans	
AED	2,073	9034	-	562	-6,148	9,483	-	15,004
AUD	138,908	966	661	158,689	-42,321	-57,608	-	199,294
BRL	69,146	90,355	116,436	135,634	-62,442	-236,032	-	113,097
CAD	18,511	662	-	1,121	-22,039	11,695	-	9,950
CHF	-	-	-	19	-1,126	-389	-	-1,496
CNY	1,040	2,556	-	22,852	-893	-2,384	-	23,171
DKK	21,585	-	-	-29	-9,017	-15,008	-	-2,470
EUR	1,627,616	28,917	520	198,954	-623,159	568,710	-7,101	1,794,457
GBP	244,594	1,818	-	84,345	-243,909	-618,255	-	-531,407
INR	238,267	87,126	-	-6,464	-66,655	-151,493	-1,961	98,819
NOK	8,727	1,821	-	674	-6,249	50,524	-	55,497
NZD	7,888	-	-	13,021	-2,590	5,738	-	24,058
PLN	1	-	-	116	-5,728	-4,804	-	-10,416
SGD	39,095	23,911	1,840	20,719	-5,692	-21,305	-	58,568
TRY	-	-	-	387	-112	-126	-	149
USD	1,387,906	55,767	226,333	556,074	-205,973	-1,579,227	-1,032,235	-591,355
ZAR	394	373	33,743	851	67	31	-	35,459
Other currencies	56,113	33,157	1,268	93,321	-61,075	-47,011	-	75,773
<b>Foreign currency</b>	<b>3,861,864</b>	<b>336,462</b>	<b>380,800</b>	<b>1,280,845</b>	<b>-1,365,062</b>	<b>-2,087,461</b>	<b>-1,041,297</b>	<b>1,366,153</b>
SEK	8,392	5,203	11	590,145	-59,077	-11,164	-10,560,800	-10,027,290
<b>Total</b>	<b>3,870,256</b>	<b>341,666</b>	<b>380,811</b>	<b>1,870,990</b>	<b>-1,424,138</b>	<b>-2,098,625</b>	<b>-11,602,097</b>	<b>-8,661,137</b>

Figure 13 currency exposure, source: Sinch 2021 annual report, p. 112

<sup>33</sup> Sinch AB (2022), annual report 2021, p. 112

# NINGI RESEARCH

In proportion to accrued revenue, EUR- and USD-denominated receivables were also conspicuously elevated. In our opinion, a restatement of unbilled accounts receivables to accrued income will reveal a significant amount of EUR- and USD-denominated accrued revenue.

Sinch AB is, as mentioned, very tight-lipped and opaque regarding details of current assets on a country basis and individual subsidiaries. The company claims to be transparent by disclosing the non-current assets of individual countries in Note 2, but these figures do not show the operating business and, in our opinion, are misstated.<sup>34 35 36</sup>

In India, accrued income is only one-third of accounts receivable, but a closer look at the 253% growth in revenue on a company level offers a shocking glimpse into the accounts of these high-growth regions.

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<sup>34</sup> Sinch AB (2022), annual report 2021, p. 90

<sup>35</sup> Sinch AB (2021), annual report 2020, p. 73

<sup>36</sup> Sinch AB (2020), annual report 2019, p. 58

# NINGI RESEARCH

## The fairy tale of infinite revenue growth

In 2019, Sinch made acquisitions in India as it saw the subcontinent as a strong growth market, and the revenue figures Sinch published in its 2021 annual report support this statement.<sup>37 38</sup> The acquired business is a company called ACL Mobile Limited. According to Sinch, the leading cloud communications provider in India and Southeast Asia.<sup>39</sup> We doubt these statements and the net sales related to India because instead, we found a company with several hundreds of millions of Swedish kronor in revenue, but no electronic accounting, and literally kept the books on paper.<sup>40</sup>

Unless otherwise specified, all monetary values are in INR		
	01/04/2020 to 31/03/2021	01/04/2019 to 31/03/2020
Corporate identity number	U00000DL2000PLC105516	
Permanent account number of entity	AACCA7370G	
Address of registered office of company	104-107 Hemkunt Tower 98 , Nehru Place New Delhi , DELHI, INDIA - 110019	
Type of industry	Commercial and Industrial	
Date of board meeting when final accounts were approved	29/11/2021	
Date of start of reporting period	01/04/2020	01/04/2019
Date of end of reporting period	31/03/2021	31/03/2020
Nature of report standalone consolidated	Standalone	
Content of report	Financial Statements	
Description of presentation currency	INR	
Level of rounding used in financial statements	Actual	
Type of cash flow statement	Indirect Method	
Whether company is maintaining books of account and other relevant books and papers in electronic form	No	

Figure 14 extract from company filing regarding bookkeeping method, source: ACL Mobile Limited filings

Up to becoming a Sinch subsidiary, ACL Mobile's stack of paper was audited by a local accounting firm called Haribhakti & Co.<sup>41</sup> For the last five years, the auditors found no weaknesses and subsequently issued an unmodified opinion.<sup>42 43</sup>

Opinion
<p>We have audited the accompanying consolidated financial statements of ACL Mobile Limited (hereinafter referred to as "the Holding Company") and its subsidiaries (the Holding Company and its subsidiaries together referred to as "the Group") comprising of the Consolidated Balance Sheet as at March 31, 2019, the Consolidated Statement of Profit and Loss and the Consolidated Cash Flows for the year then ended, and a summary of the significant accounting policies and other explanatory information (hereinafter referred to as "the consolidated financial statements").</p> <p>In our opinion and to the best of our information and according to the explanations given to us and based on the consideration of reports of other auditors on separate financial statements and on the other financial information of the subsidiaries, the aforesaid consolidated financial statements give the information required by the Companies Act, 2013 ("the Act") in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the consolidated state of affairs of the Group, as at March 31, 2019, their consolidated profit and their consolidated cash flows for the year ended on that date.</p>

Figure 15 unmodified opinion for consolidated financial statements as of 03/31/2019, source: ACL Mobile Limited filings

Unfortunately, the annual report for 2020 is missing from the Indian Commercial Register, but it will not be different from 2019, which was also audited by Haribhakti & Co. and this was also confirmed by Deloitte in its independent auditor's report.<sup>44</sup>

<sup>37</sup> Sinch AB (2020), Sinch acquisition of ACL Mobile, p. 8

<sup>38</sup> Sinch AB (2022), annual report 2021, p. 91

<sup>39</sup> Sinch AB (2020), Sinch acquisition of ACL Mobile, p. 8

<sup>40</sup> ACL Mobile Limited (2021), Standalone Financial Statements for period 01/04/2020 to 31/03/2021, p. 1

<sup>41</sup> ACL Mobile Limited (2019), Standalone Financial Statements for period 01/04/2018 to 31/03/2019, p. 10

<sup>42</sup> ACL Mobile Limited (2019), Standalone Financial Statements for period 01/04/2018 to 31/03/2019, p. 58

<sup>43</sup> ACL Mobile Limited (2021), Standalone Financial Statements for period 01/04/2020 to 31/03/2021, p. 57

<sup>44</sup> ACL Mobile Limited (2021), Standalone Financial Statements for period 01/04/2020 to 31/03/2021, p. 57

# NINGI RESEARCH

The comparative financial information as at and for the year ended March 31, 2020 included in these Standalone Financial Statements have been audited by the predecessor auditor. The report of the predecessor auditor on the comparative financial information dated December 23, 2020 expressed an unmodified opinion.

Figure 16 unmodified opinion for full-year ended 03/31/2020, source: ACL Mobile Limited filings

39 The standalone financial statements of the Company for the year ended March 31, 2020, were audited by Haribhakti & Co. LLP, Chartered Accountants, the predecessor auditor.

Figure 17 audit confirmation for full-year ended 03/31/2020, source: ACL Mobile Limited filings

After the transaction closed, Sinch's auditor Deloitte was hired to audit the paper stack for the next fiscal year.<sup>45</sup>

**INDEPENDENT AUDITOR'S REPORT**

TO THE MEMBERS OF ACL Mobile Limited

Report on the Audit of Standalone Financial Statements

**Opinion**

We have audited the accompanying Standalone Financial Statements of ACL Mobile Limited (the Company), which comprise the Balance Sheet as at March 31, 2021, the Statement of Profit and Loss, Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information (hereinafter referred to as Standalone Financial Statements).

In our opinion and to the best of our information and according to explanations given to us, the aforesaid Standalone Financial Statements give the information required by the Companies Act, 2013 as amended (the Act) in the manner so required and give a true and fair view in conformity with Accounting Standards prescribed under Section 133 of the Act read with the Companies (Accounting Standards) Rules, 2006, as amended (Accounting Standards) and other accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2021, its profit and its cash flows for the year ended on that date.

Figure 18 independent auditor's report by Deloitte for the fiscal year ended 03/31/2021, source: ACL Mobile Limited filings

At first glance, it looks like ACL Mobile Limited got an unqualified opinion but in reality, the auditor found material weaknesses in internal financial controls and warned of material misstatements in trade receivables.<sup>46</sup> Due to serious deficiencies in financial reporting, Deloitte issued a qualified opinion on that part.<sup>47</sup>

**Basis for Qualified opinion**

According to the information and explanations given to us and based on our audit, the following material weakness has been identified in the Company's internal financial controls over financial reporting as at March 31, 2021:

The Company did not have adequate controls over review and provisioning of long outstanding trade receivables, which could potentially result in material misstatement in the Company's trade receivables.

A 'material weakness' is a deficiency, or a combination of deficiencies, in internal financial control over financial reporting, such that there is a reasonable possibility that a material misstatement of the Company's financial statements will not be prevented or detected on a timely basis.

**Qualified Opinion**

In our opinion, to the best of our information and according to the explanations given to us, except for the possible effects of the material weakness described in Basis for Qualified Opinion paragraph above on the achievement of the objectives of the control criteria, the Company has maintained, in all material respects, adequate internal financial controls over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2021, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note.

We have considered the material weakness identified and reported above in determining the nature, timing, and extent of audit tests applied in our audit of the Standalone Financial Statements of the Company for the year ended March 31, 2021, and the material weakness does not affect our opinion on the said Standalone Financial Statements of the Company.

For DELOITTE HASKINS & SELLS LLP

Figure 19 qualified opinion by Deloitte for the fiscal year ended 03/31/2021, source: ACL Mobile Limited filings

<sup>45</sup> ACL Mobile Limited (2021), Standalone Financial Statements for period 01/04/2020 to 31/03/2021, p. 49

<sup>46</sup> ACL Mobile Limited (2021), Standalone Financial Statements for period 01/04/2020 to 31/03/2021, p. 59

<sup>47</sup> ACL Mobile Limited (2021), Standalone Financial Statements for period 01/04/2020 to 31/03/2021, p. 59



# NINGI RESEARCH

Why these material weaknesses haven't been found by the predecessor auditor before can't be answered, but it should be noted, that Haribhakti was debarred from taking new audit assignments for entities governed by the Reserve Bank of India.<sup>48</sup>

Unsurprisingly, the material weaknesses were found in trade receivables, another synonym for accounts receivables. The auditor could not rule out that trade receivables are potentially materially misstated. Trade receivables accounted for SEK 179m of total current assets at the time but auditors somehow concluded that the material weaknesses do not affect their opinion.<sup>49</sup> In our opinion, if a company has material weaknesses in its financial controls, responsible for monitoring an account that accounts for 51% of total current assets, this does affect an audit opinion. And our doubts do not stop there.

Current assets, in SEK	As at March 31, 2021	As at March 31, 2020
<b>Current investments</b>	-	-
Inventories	-	-
Trade receivables	179,091	145,733
Cash and bank balances	39,783	32,979
Short-term loans and advances	14,268	6,253
Other current assets	116,795	58,736
<b>Total current assets</b>	<b>349,937</b>	<b>243,701</b>

Figure 20 current assets as at 03/31/2021, source: NINGI Research, ACL Mobile Limited filings

The publicly filed financial statements show that ACL Mobile has unbilled revenue in the millions.<sup>50</sup> We think that if the trade receivables cannot be ruled as not materially misstated, then the valuation and sustainability of the line item unbilled revenue - which was correctly booked under other current assets in this balance sheet - is very doubtful.

Other assets, in SEK	Non-Current		Current	
	As at March 31, 2021	As at March 31, 2020	As at March 31, 2021	As at March 31, 2020
Balance with Banks	2,722	3,641	-	-
Interest accrued on deposits	11	232	97	123
Interest receivable from related parties	-	-	259	241
Unbilled Revenue	-	-	116,438	51,801
<b>Total</b>	<b>2,734</b>	<b>3,873</b>	<b>116,795</b>	<b>52,164</b>

Figure 21 other non-current and other current assets as at 03/31/2021, source: NINGI Research, ACL Mobile Limited filings

Trade receivables and unbilled revenue accounted for 85%, about SEK 295m, of total current assets and grew by 45% year over year.<sup>51</sup> In the same period, revenue grew by 20%.<sup>52</sup> We doubt that material weaknesses in financial controls regarding these accounts do not affect a company's financial statements.

The material weaknesses and qualified opinion were never disclosed in Sinch's 2020 annual report, in its 2021 filings, or by its management. In our opinion, the company should have disclosed this immediately.

The board of directors, at the time consisting of Sanjay Krishna Goyal, Vinit Jain, Ramkisan Amirchand Devidayal, Subahyoti Ray, Jaishree Goyal, Anders Olin, Bjorn Zethraeus, and Roshan Saldanha, took notice of Deloitte's observations.<sup>53</sup> The last three board members being executives of Sinch, the company was well aware of the material weaknesses at its Indian subsidiary.<sup>54</sup>

<sup>48</sup> Reserve Bank of India (2021), Action against Statutory Auditors of NBFC under section 45MAA of RBI Act, 1934, [https://www.rbi.org.in/Scripts/BS\\_PressReleaseDisplay.aspx?prid=52392](https://www.rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=52392)

<sup>49</sup> ACL Mobile Limited (2021), Standalone Financial Statements for period 01/04/2020 to 31/03/2021, p. 54

<sup>50</sup> ACL Mobile Limited (2021), Standalone Financial Statements for period 01/04/2020 to 31/03/2021, p. 129

<sup>51</sup> ACL Mobile Limited (2021), Standalone Financial Statements for period 01/04/2020 to 31/03/2021, p. 129

<sup>52</sup> ACL Mobile Limited (2021), Standalone Financial Statements for period 01/04/2020 to 31/03/2021, p. 11

<sup>53</sup> ACL Mobile Limited (2021), Standalone Financial Statements for period 01/04/2020 to 31/03/2021, p. 13

<sup>54</sup> Sinch AB (2022), annual report 2021, p. 54

# NINGI RESEARCH

11. EXPLANATION OR COMMENTS ON QUALIFICATIONS, RESERVATIONS OR ADVERSE REMARKS OR DISCLAIMERS MADE BY THE AUDITORS AND THE PRACTICING COMPANY SECRETARY IN THEIR REPORTS

The Board noted the observations made by the auditors in their Report.

The provisions relating to submission of Secretarial Audit Report in not applicable to the Company.

Figure 22 explanation by the board of directors, source: ACL Mobile Limited filings

After the acquisition of ACL in 2020, it was ordered to change the company from a public limited to a private limited.<sup>55</sup> A private limited is subject to fewer disclosure requirements than a public limited in India. The change took months because ACL Mobile had failed to file form MGT-14 regarding the board's resolutions for approval of audited financial statements for years – starting with the financial statements of 2016.<sup>56 57</sup> Certified copies of the past board resolutions were provided to the authorities – with a Sinch letterhead on pre-acquisition approved resolutions.<sup>58</sup>

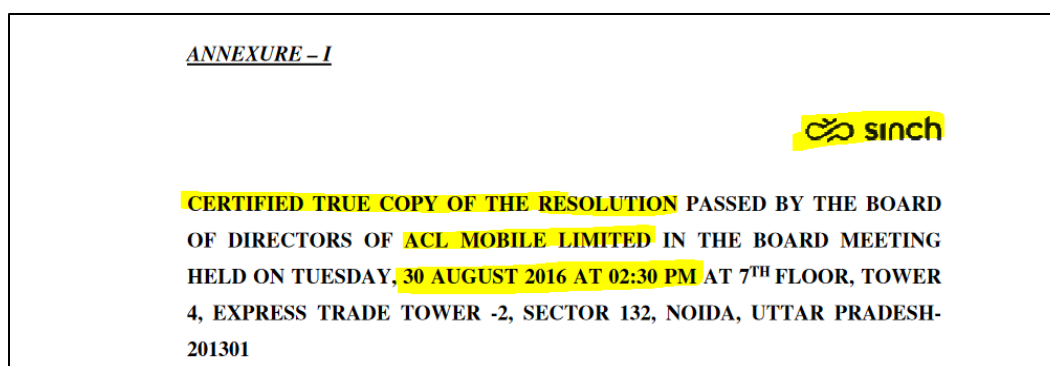


Figure 23 certified true copy of the 2016 board resolution with a Sinch letterhead, source: ACL Mobile Limited filings

The requirements prevented a smooth transformation and a final waiver from the authorities finally succeeded.<sup>59</sup> In connection with the non-disclosure of the material weaknesses and the immediate plan to transform ACL into a private limited, we think that Sinch might be hiding even more.

We believe that most of the revenue for 2020 does not exist, which was SEK 265m, and also consider the revenue for 2021 to be spurious. The audit was completed at the end of 2021, thus, we think, the material weaknesses were still present for Sinch's full fiscal year of 2021.<sup>60</sup>

Group CFO Roshan Saldanha is a managing director for ACL Mobile and part of the board but interestingly, he is not a member of the audit committee.<sup>61</sup>

<sup>55</sup> ACL Mobile Limited (2021), articles of association of ACL Mobile Private Limited, p. 1

<sup>56</sup> ACL Mobile Limited (2022), application under section 460 of the companies act, 2013 for condonation of delay in filing e-form mgt-14 pursuant to resolutions passed by the board of directors of the company for approval of audited financial statements of the company and directors' report for the financial year ended 31st march 2016, p. 2

<sup>57</sup> Indian companies act of 2013 requires MGT-14 filing within 30 days after the passing of any board resolution

<sup>58</sup> ACL Mobile Limited (2022), application under section 460 of the companies act, 2013 for condonation of delay in filing e-form mgt-14 pursuant to resolutions passed by the board of directors of the company for approval of audited financial statements of the company and directors' report for the financial year ended 31st march 2016, p. 4

<sup>59</sup> Ministry of Corporate Affairs New Dehli (2022), Company application No. Sec. 14 (1) / RD (NR)/DL/R98903107/2021/1661, p. 3

<sup>60</sup> ACL Mobile Limited (2021), Standalone Financial Statements for period 01/04/2020 to 31/03/2021, p. 58

<sup>61</sup> ACL Mobile Limited (2021), Standalone Financial Statements for period 01/04/2020 to 31/03/2021, p. 13

# NINGI RESEARCH

As on March 31, 2021, the Committee comprises of Mr. Sanjay Krishna Goyal, Mr. Ram Devidayal and Mr. Subhojyoti Ray.

The Board has accepted all the recommendations made by the Audit Committee during the year.

The Audit Committee met twice during the year on 06 August 2020 and 23 December 2020.

*Figure 24 meetings of the audit committee, source: ACL Mobile Limited filings*

In our opinion, it's worrying that the Group CFO is a board member but not part of the audit committee of its subsidiary. After all, he was a senior consultant at Arthur Andersen from 2000 to 2003.<sup>62</sup>

## **Questions for Sinch and Mr. Saldanha directly, which are of interest to the public:**

- What are your responsibilities as a managing director and board member of ACL Mobile Limited and its subsidiaries?
- Why are you not part of the audit committee of ACL Mobile Limited?
- Why did Sinch not disclose the material weaknesses and qualified opinion?
- Has any member of the executives, the management, or the board of directors of ACL Mobile Limited and/or Sinch AB sold shares since the qualified opinion was issued?
- In which subsidiaries are you also part of the audit committee?
- Are there any other subsidiaries where material weaknesses were identified by any internal or external auditors?
- Who audited the ACL Mobile Limited financial statements that formed the basis for the due diligence in the acquisition of ACL Mobile Limited by Sinch AB?

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<sup>62</sup> <https://www.linkedin.com/in/roshansaldanha/>

# NINGI RESEARCH

## Down the rabbit hole

But what about other subsidiaries? We had pointed to the significant ratio of accrued income to accounts receivable in the United Arab Emirates.<sup>63</sup>

**[202800] Notes - Subsidiary information**

..(1)

Unless otherwise specified, all monetary values are in INR

Subsidiaries [Axis]	1 01/04/2020 to 31/03/2021	2 01/04/2020 to 31/03/2021	3 01/04/2020 to 31/03/2021
Details of subsidiaries [Abstract]			
Details of subsidiaries [LineItems]			
<b>Name of subsidiary</b>	ACL TECHNOLOGIES PRIVATE LIMITED	SINCH DMCC (formerly ACL MOBILE DMCC (DUBAI))	ACL GLOBAL SDN BHD
<b>Country of incorporation or residence of subsidiary</b>	INDIA	UNITED ARAB EMIRATES	MALAYSIA
CIN of subsidiary company	U72900DL2000PTC105180		
Section under which company became subsidiary	Section 2(87)(i)	Section 2(87)(ii)	Section 2(87)(ii)
Whether subsidiary has filed balance sheet	Yes	Yes	Yes
SRN of filing of balance sheet by subsidiary	T43827609		
Whether financial year of subsidiary different from financial year of holding company	No	No	No
Financial year of subsidiary [Abstract]			
Start date of accounting period of subsidiary	01/04/2020	01/04/2020	01/04/2020
End date of accounting period of subsidiary	31/03/2021	31/03/2021	31/03/2021
<b>Percentage of shareholding in subsidiary</b>	100.00%	100.00%	100.00%

Figure 25 subsidiary information, source: ACL Mobile Limited filings

Well, the company in Dubai is a subsidiary of ACL Mobile and Deloitte has not audited any of the subsidiaries of ACL, but only ACL Mobile Limited as a standalone in India.<sup>64</sup> Haribhakti used to audit it as well.<sup>65</sup> According to ACL Mobile's documents, Sinch DMCC (formerly ACL Mobile DMCC) has an annual turnover of almost SEK 90 million.<sup>66</sup> Turnover that we consider equally questionable.

Other regions such as Brazil and Singapore, which have supported the company's revenue growth by delivering over 200% revenue growth, also show significant growth in accounts receivables and accrued income.<sup>67</sup> <sup>68</sup> Countries, that are known for their opaqueness regarding financial disclosures, favorable for companies that have a high need for secrecy.

<sup>63</sup> Sinch AB (2022), annual report 2021, p. 112

<sup>64</sup> ACL Mobile Limited (2021), Standalone Financial Statements for period 01/04/2020 to 31/03/2021, p. 58

<sup>65</sup> ACL Mobile Limited (2019), Standalone Financial Statements for period 01/04/2018 to 31/03/2019, p. 10

<sup>66</sup> ACL Mobile Limited (2021), Standalone Financial Statements for period 01/04/2020 to 31/03/2021, p. 27

<sup>67</sup> Sinch AB (2022), annual report 2021, p. 91

<sup>68</sup> Sinch AB (2022), annual report 2021, p. 112

# NINGI RESEARCH

## Rare like a Tasmanian tiger

Australia was also a region with significant sales growth. While sales increased by 137%, accounts receivable in AUD grew by 153%.<sup>69 70</sup> We doubt whether these are unconditional receivables.

But CLX Networks Australia and Sinch Australia, the Australian subsidiaries listed in the 2021 annual report and prior filings, raise further questions. Both companies no longer exist or apparently never did as stated. CLX Networks Australia PTY Ltd was deregistered in 2016 and has long since been dissolved.<sup>71</sup> Sinch AB has even gone so far as to change the company name after deregistration so that the national company can no longer be found. The company now bears the name A.C.N. 608 286 979 PTY Limited and in reality, has not been active for over five years.<sup>72</sup>

Subsidiary name	Corporate ID	Registered office	Registered	
Sinch Holding AB	559061-2791	Stockholm	Registered	on 08/10/2017
Sinch Germany GmbH	HRB 202010	Germany	Registered	on 28/11/2012
<b>CLX Networks Australia PTY Ltd</b>	<b>608286979</b>	<b>Australia</b>	<b>Deregistered</b>	<b>on 16/10/2016</b>
Sinch Australia Holding PTY LTD	ABN 650 744 479	Australia	Registered	on 03/06/2021
Message4U Pty Ltd	ACN 095 453 062	Australia	Registered	on 21/12/2000
WholesaleSMS Pty Ltd	ACN 169 517 202	Australia	Registered	on 13/05/2014
SMS Broadcast Pty Ltd	ACN 127 334 785	Australia	Registered	on 31/08/2007
SMS Central Australia Pty Ltd	ACN 141611645	Australia	Registered	on 20/01/2010
Streetdata Pty Ltd	ACN 092 709 030	Australia	Registered	on 05/05/2000
Text Messaging Technologies Pty Ltd	ACN 140 426 204	Australia	Registered	on 06/11/2009
Mobipost Pty Ltd	ACN 087 914 930	Australia	Registered	on 03/06/1999
DirectSMS Pty Ltd	ACN 114 992 880	Australia	Registered	on 28/06/2005
MessageMedia ESOP Pty Ltd	ACN 603 146 336	Australia	Registered	on 01/12/2014
MessageNet Pty Ltd	ACN 082 712 589	Australia	Registered	on 21/05/1998
ClickSend Pty Ltd	ACN 165 918 525	Australia	Registered	on 20/09/2013
Bulletin.net Pty Ltd	ACN 119 955 805	Australia	Registered	on 30/05/2006
MessageMedia Europe Limited	3771735	United Kingdom	Registered	on 17/05/1999
Bulletin.net (NZ) Limited	847056	New Zealand	Registered	on 06/03/1997
Mobipost NZ Limited	2357000	New Zealand	Deregistered	on 18/02/2022
MessageMedia U.S.A. Inc	27-2034769	USA	Registered	on 01/03/2010
SimpleTexting LLC	85-3394518	USA	Registered	on 29/09/2020

Figure 26 information of entities held by Sinch Holding AB, source: NINGI Research, ASIC, company filings

The company's ABN status was canceled in 2017 and is currently not registered for any taxation according to the Australian business register.<sup>73</sup> Consequently, it could not do any business in Australia.<sup>74 75</sup>

How it is possible to carry out any financial consolidation, contractual ownership, company agreements, or potential profit transfer agreements under the umbrella of a non-existent company unnoticed by the auditors, we asked ourselves.

<sup>69</sup> Sinch AB (2022), annual report 2021, p. 91

<sup>70</sup> Sinch AB (2022), annual report 2021, p. 112

<sup>71</sup> Australian Securities & Investments Commission (2022), ASIC Connect, <https://connectonline.asic.gov.au/RegistrySearch/faces/landing/panelSearch.jspx?searchType=OrgAndBusNm&searchText=608286979>

<sup>72</sup> Australian Securities & Investments Commission (2022), ASIC Connect, <https://connectonline.asic.gov.au/RegistrySearch/faces/landing/panelSearch.jspx?searchType=OrgAndBusNm&searchText=608286979>

<sup>73</sup> Australian Business Register (2022), ABN Lookup, <https://abr.business.gov.au/ABN/View?id=39608286979>

<sup>74</sup> Australian Business Register (2022), ABN Lookup, <https://abr.business.gov.au/ABN/View?id=39608286979>

<sup>75</sup> Australian Securities & Investments Commission (2022), Australian Company Numbers, <https://asic.gov.au/for-business/registering-a-company/steps-to-register-a-company/australian-company-numbers/>

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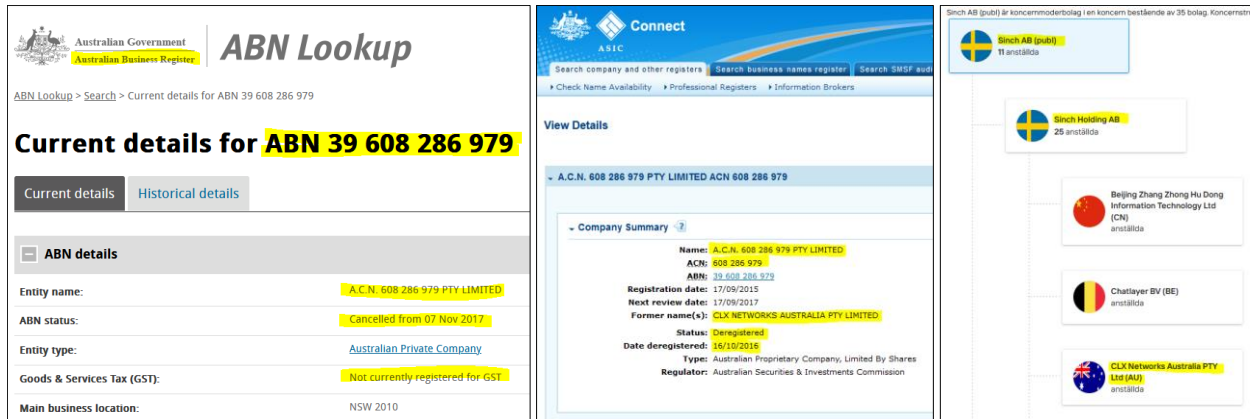


Figure 27 extract from aBN Lookup, ASIC connect and hitta.se, source: Australian Business Register, ASIC connect, hitta.se

Nevertheless, this company continues to be indicated to the Swedish Commercial Register as a subsidiary for consolidation as the parent company for the Australian business.<sup>76</sup>

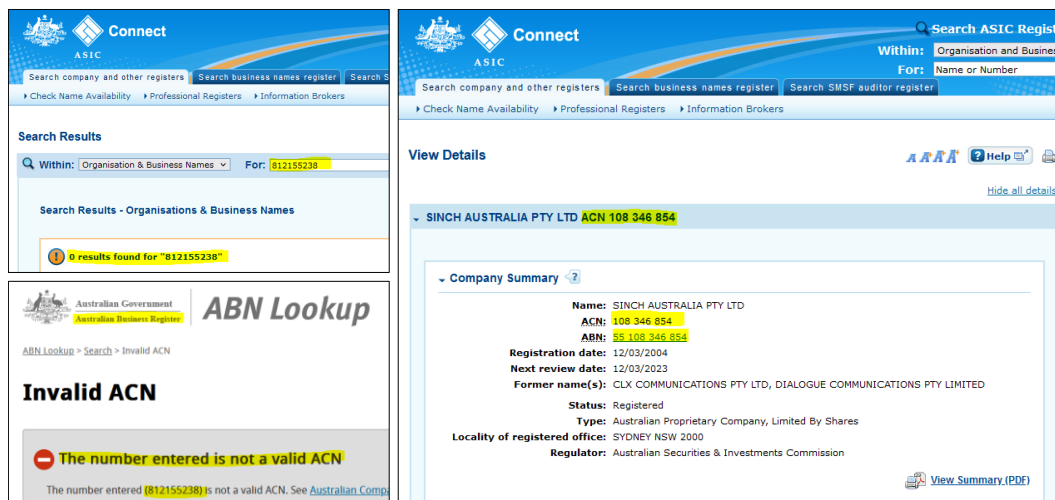


Figure 28 extract from ASIC connect and ABN Lookup, source: NINGI Research, ASIC

The existence of Sinch Australia PTY Ltd could also not be verified by us based on the annual report. We think the company cannot conduct any business in Australia based on the information in the 2021 annual report. A false ACN has been reported in the annual filings for years.<sup>77 78 79 80</sup> The Australian Company Number (ACN) is a unique digit code and is important for Australian businesses because the number has to appear on every invoice and business transaction.<sup>81</sup> The same holds true for an ABN (Australian Business Number), which is used for taxation.<sup>82</sup> How anyone can do business and issue invoices with an

<sup>76</sup> <https://www.hitte.se/f%C3%B6retagsinformation/sinch+sweden+ab/5567475495>

<sup>77</sup> Sinch AB (2022), annual report 2021, p. 104

<sup>78</sup> Sinch AB (2021), annual report 2020, p. 85

<sup>79</sup> Sinch AB (2020), annual report 2019, p. 70

<sup>80</sup> Sinch AB (2019), annual report 2018, p. 62

<sup>81</sup> Australian Securities & Investments Commission (2022), Australian Company Numbers, <https://asic.gov.au/for-business/registering-a-company/steps-to-register-a-company/australian-company-numbers/>

<sup>82</sup> Australian Government (2022), Register for an Australian business number (ABN), <https://business.gov.au/registrations/register-for-an-australian-business-number-abn>

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incorrect ACN and ABN for years is beyond us. This proves the lack of quality of the 2021 annual report and the due diligence performed by Deloitte during their work.

Interestingly, this company is a sub-subsubsidiary of the UK-based Dialogue Group. Sales in the UK suddenly jumped 84% in 2021 and this is even though the volume of text messages has been almost unchanged since the beginning of 2020.<sup>83 84</sup> In our opinion, newly additions Mailjet and Onvoy could not be accounted for such an increase in revenue, because both segments' turnover was only shy of SEK 24m.<sup>85</sup> And Sinch's second UK-based subsidiary Sinch UK, used as an umbrella for its South African subsidiary, can be neglected as well based on the currency exposure in ZAR.<sup>86</sup>

Subsidiary name	Corporate ID	Registered office	Registered	
Dialogue Group Ltd	06766972	United Kingdom	Registered	on 05/12/2008
Dialogue Communications Ltd	3042634	United Kingdom	Registered	on 06/04/1995
<b>SINCH AUSTRALIA PTY LTD</b>	<b>812 155 238</b>	<b>Australia</b>	<b>Not found</b>	

Figure 29 information about entities held by Sinch AB, source: NINGI Research, ASIC, company filings

We therefore also consider this part of the turnover of SEK 1,500m to be questionable and doubt the sustainability. Since the auditor does not seem to have noticed obvious inconsistencies, we wonder how closely Deloitte looked at the financial figures and the conclusiveness.

## Questions for Sinch and Mr. Zethraeus<sup>87</sup> directly, which are of interest to the public:

- How is it possible to conduct business without a valid ACN or ABN?
- How does an Australian company invoice any services without a valid ACN or ABN?
- How many invoices with the wrong ACN/ABN did Sinch issue?
- Why did Sinch rename the company to A.C.N. 608 286 979 PTY Limited?
- What's the purpose for the UK-based Dialogue Group operating an independent subsidiary solely in Australia next to other Australian subsidiaries for years?

<sup>83</sup> Sinch AB (2022), annual report 2021, p. 91

<sup>84</sup> <https://www.statista.com/statistics/288581/uk-mobile-network-quarterly-sms-and-mms-message-volumes/>

<sup>85</sup> Sinch AB (2022), annual report 2021, p. 91

<sup>86</sup> Sinch AB (2022), annual report 2021, p. 112

<sup>87</sup> Mr. Bjorn Zethraeus is a board member and employed by Sinch as Head of Corporate Development

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## Ignorance is bliss

Ultimately, in our opinion, accounts receivables and accrued income depend on the existence and solvency of the underlying customers. The auditor even points out that the revenue consists of many small transactions, which are very customer-specific with an inherent risk of incompleteness.

**Revenue recognition of messaging services**  
 Sinch's revenues arise mainly from sales of mobile messaging services. The group's revenues contain many small transactions individually priced based on customer specific agreements. Accurate revenue recognition requires adequate accounting principles, systems and internal controls. There is a risk that revenues are not complete, that transactions are not accurately recorded and that revenues are not reported in the correct period.  
 Disclosures regarding revenues from sales of messaging services are included in note 1 Accounting principles and note 3 Revenue from contracts with customers.

Figure 30 extract from auditors report, source: Sinch 2021 annual report, p. 124

As Deloitte notes in Sinch's annual report, accurate revenue recognition is only guaranteed by adequate financial accounting and internal financial controls. This has been explicitly criticized and questioned by the same auditing firm for the Indian subsidiary.

Based on our analysis we have significant doubts about the valuation of Sinch's receivables.

In contrast, Sinch states in its 2021 annual report (on page 115, for those who want to follow along) that 30% of all accounts receivables are generated by the five largest customers – all given an investment-grade rating by the rating agencies.<sup>88</sup>

that many of the Group's customers are highly reputable companies with high credit ratings. Sinch has some concentration of credit risk among large customers. The five largest customers account for about 30 percent of accounts receivable and contract assets. The largest customers operate primarily in the tele-

Figure 31 extract from 2021 annual report about TOP 5 customers credit rating, source: Sinch 2021 annual report, p. 115

Interestingly, this mentioned 'about 30%' almost coincides with the share of accounts receivables, which is, relative to absolute figures, neither unbilled nor overdue. If a service has not yet been invoiced, the corresponding contract asset can't be due and therefore overdue.

Not due and invoiced receivables in percent of...	Financial assets less deposits paid, cash and cash equivalents [Note 28]	Total accounts receivables excl. expected credit losses [Note 17]
Account receivables not due [Note 17]	3,161,577	3,161,577
Unbilled accounts receivable [Note 17]	1,605,810	1,605,810
Accrued revenue from contracts with customers [Note 19]	338,762	338,762
<b>Not due and invoiced receivables [Note 17]</b>	<b>1,217,005</b>	<b>1,217,005</b>
Financial assets less deposits and cash [Note 28]	4,216,132	
Expected credit losses [Note 17]	(135,823)	
Total accounts receivables excl. ECL [Note 17]		4,006,078
	<b>29.8%</b>	<b>30.4%</b>

Figure 32 reconciliation of not due and billed accounts receivables, source: NINGI Research, Sinch 2021 annual report

The reconciliation is possible via two methods. In method 1, the percentage share was calculated based on Note 28, whereby the expected credit losses were deducted, as the ECL should be close to zero on the

<sup>88</sup> Sinch AB (2022), annual report 2021, p. 115



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basis of Sinch's statements that the five top customers have an investment-grade rating. Method 2 calculated the percentage-based of Note 17 total accounts receivables. The delta for both results is a mere 0.6% and in our opinion, this reconciliation reveals how the figure of 30% came about.

Conversely, we believe that this also reveals that 70% of all accounts receivable and contract assets come from the remaining, less credit-worthy, customers.<sup>89</sup> And that the sales to these customers have not yet been billed or that these customers are already overdue. So future cash flows on 70% of financial assets are conditional, highly uncertain, or even in default.

Sinch's approach for counterparty credit risk, so a customer's default, is indirectly stated in Note 17: as long as a loss of receivables is not confirmed by a customer's bankruptcy, it is unconfirmed. Consequently, these assets are still carried at full value on the balance sheet.<sup>90</sup> In the 2019 annual report, a default was defined as an indication of the inability to settle based on external or internal information, or as soon as the customer was more than 90 days overdue.<sup>91</sup> Based on the 2019 definition, SEK 326m of overdue accounts receivables at the end of 2021 should be declared defaulted.<sup>92</sup> But the paragraph was cut from 2020 on.<sup>93</sup>

<p><b>Credit risk</b></p> <p>Credit risk describes the Group's risks in financial assets and arises if a counterparty fails to perform its contractual payment obligation towards Sinch. Credit risk is divided between financial credit risk, which refers to the risk in interest-bearing assets and derivatives, and customer credit risk, which refers to the risk in accounts payable and contract assets.</p>	<p><b>Credit risk</b></p> <p>Credit risk describes the Group's risk in the financial assets and arises if a counterparty fails to fulfill its contracted payment obligations towards Sinch. <b>Default is defined as when internal or external information indicates that it is high probability that the counterparty is unable to settle their debts or when payment is delayed by 90 days.</b> Credit risk is allocated to financial credit risk that relates to the risk in interest-bearing assets and derivatives and to customer credit risk relating to the risk in accounts receivable.</p>
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Figure 33 credit risk description in Sinch 2021 annual report (left) and 2019 annual report (right), source: company filings

In our opinion, this approach almost resembles the thought experiment "Schrodinger's cat". As long as one doesn't open the box, the cat is still alive. Sinch got ten boxes but three of them are see-through.

By cutting the paragraph above from 2020 on and by statements within the 2021 annual report we believe the routine check-up if the cats still meow, has been abandoned, and instead Sinch's management painted a cat on every outside of the seven remaining boxes.

<sup>89</sup> Based on the statement by Sinch that the largest customers have an IG rating.  
<sup>90</sup> Sinch AB (2022), annual report 2021, p. 106  
<sup>91</sup> Sinch AB (2020), annual report 2019, p. 80  
<sup>92</sup> Sinch AB (2022), annual report 2021, p. 106  
<sup>93</sup> Sinch AB (2021), annual report 2020, p. 114

# NINGI RESEARCH

## Doubtful audit opinion

We question Deloitte's unqualified opinion for the 2021 annual report based on the information presented herein.

The reconciliation of key balance sheet ratios, revenue ratios, and balance sheet accounts is not possible and in our opinion, the 2021 annual report does not present the true state of the company's financial position. We believe that Sinch is using obfuscation and synonyms to render the financial statements unreadable. The material weaknesses at ACL Mobile, which were never disclosed to the public, reveal that Sinch never intended to present its financial position in an accurate and fair matter. We believe Sinch's lenders will chime in on our analysis and draw consequences.

In our opinion, a significant portion of the revenue is dubious and has been booked far too early. We think, about SEK 1.2bn does not exist at all and assume that Sinch's published net sales, EBITDA and EBIT figures are to no extent accurate. Revenue should be lower by at least 7.8%, EBITDA by 38%, and EBIT by more than 100%. In our calculations, at worst this could even amount to an 18.5% reduction in revenue, negative EBITDA, and negative EBIT.

### Key assumptions:

<i>Key Assumptions</i>	case #1	case #2	case #3
Subtracted net sales	1,263,585	1,944,572	2,999,127
Subtracted COGS	199,581	957,871	957,871
Tax rate (current and deferred tax combined)	24.2	24.2	24.2
	<b>case #1</b>	<b>case #2</b>	<b>case #3</b>
<b>Net sales</b>	<b>14,913,615</b>	<b>14,232,628</b>	<b>13,178,073</b>
Other operating income	191,682	191,682	191,682
Work performed by the entity and capitalized	98,049	98,049	98,049
Cost of goods and services sold	(12,044,772)	(11,286,482)	(11,286,482)
Other external expenses	(1,305,913)	(1,305,913)	(1,305,913)
Employee benefits expenses	(1,837,394)	(1,837,394)	(1,837,394)
Other operating expenses	(248,669)	(248,669)	(248,669)
<b>Operating profit before depreciation, amortization and impairments, EBITDA</b>	<b>(233,402)</b>	<b>(156,099)</b>	<b>(1,210,654)</b>
Depreciation, amortization and impairments	(672,679)	(672,679)	(672,679)
<b>Operating profit, EBIT</b>	<b>(906,081)</b>	<b>(828,778)</b>	<b>(1,883,333)</b>
Financial income	2,393,197	2,393,197	2,393,197
Finance expenses	(1,354,158)	(1,354,158)	(1,354,158)
<b>Profit before tax</b>	<b>132,958</b>	<b>210,261</b>	<b>(844,294)</b>
Current tax	(41,987)	(66,399)	(266,620)
Deferred tax	9,836	15,555	62,462
<b>Profit for the year</b>	<b>100,808</b>	<b>159,418</b>	<b>(1,048,452)</b>

Figure 34 key assumptions and income statement for all three scenarios<sup>94</sup>, source: NINGI Research

As already explained, we question the revenue from Australia, Dubai, and India and according to our analysis, this results in an EBITDA of SEK -233m (vs. SEK 830m published) and an EBIT of SEK -906m (vs. SEK 157m published). In our opinion, this is the favorable scenario (case #1) of three.

<sup>94</sup> Most line items were carried over from the published figures, even financial income and expenses, the effective tax rate is based on a 31.6% current tax rate and 7.4% deferred tax adjustment, hence 24.2%. This is in line with Sinch's stated effective tax rate on page 63 of its 2021 annual report.

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In our base-case scenario (case #2), we assume that any revenue from unbilled receivables and accrued income cannot be accounted for. Especially since there is no explanation for the unbilled accounts receivables and no reconciliation is possible. In our opinion, this balance sheet item is fictitious, which is why the figures were added to different balance sheet accounts in different notes in the first place.

Key Data	2021			
	case #1	case #2	case #3	published
Return on equity, %	0.5	0.8	(5.0)	4.2
Gross margin, %	19.2	20.7	14.4	24.3
EBITDA margin, %	(1.6)	(1.1)	(9.2)	5.1
EBIT margin, %	(6.1)	(5.8)	(14.3)	1.0
Net margin, %	0.9	1.5	(6.4)	7.4
EBITDA, SEK	(233,402)	(156,099)	(1,210,654)	830,626
EBITDA adjustments, SEK	(491,300)	(491,300)	(491,300)	(491,300)
Adjusted EBITDA, SEK	257,898	335,201	(719,354)	1,321,900
Adjusted EBITDA/gross profit, %	9.0	11.4	(38.0)	33.6
Net debt, SEK	10,658,400	10,658,400	10,658,400	10,658,400
Net debt/Adjusted EBITDA, multiple	41.3	31.8	(14.8)	8.1
Interest coverage ratio, multiple	(15.0)	(13.7)	(31.4)	2.8
Earnings per share, SEK	0.1	0.2	(1.5)	1.3

Figure 35 key data comparison, source: NINGI Research, company filings

Our third scenario (case #3) is based on the 30% accounts receivable rate of the top customers, which probably encouraged the public to believe that the accounts receivable are fairly valued. Hence 70% of all accounts receivable and contract assets, those which are overdue or unbilled and whose future cash flows are highly uncertain. However, with the knowledge of what we believe to be misstated balance sheets, this rate suddenly allows an accurate assessment of how overvalued the company's assets could be.

Compared to the published figures in the Key Data table on page 71 of the 2021 annual report, a frightening picture of Sinch's financial position emerges.

We are short Sinch AB for all information presented herein.

## Whistleblower

The fact that these financial misstatements went undetected for years may also be because Sinch shut down its whistleblower hotline.<sup>95 96</sup> Otherwise, employees could have contacted the board and internal offices anonymously. If you are a whistleblower in the Sinch case and would like to share information, you have the option of contacting the Finansinspektionen anonymously: <https://www.fi.se/en/about-fi/contact-us/whistleblowers/>

We can only encourage you that this is the right thing to do.

<sup>95</sup> <https://allvoices.co/employee-hotline/sinch>

<sup>96</sup> Sinch AB (2022), annual report 2021, p. 37