



Investor Update Q4 2016

07 Feb 2017

Safe Harbor Statement

Certain statements on this presentation concerning our future growth prospects are forward-looking statements, which involve a number of risks, and uncertainties that could cause actual results to differ materially from those in such forward-looking statements. The risks and uncertainties relating to these statements include, but are not limited to, risks and uncertainties regarding fluctuations in earnings, our ability to manage growth, intense competition in IT services including those factors which may affect our cost advantage, wage increases, our ability to attract and retain highly skilled professionals, time and cost overruns on fixed-price, fixed-time frame contracts, client concentration, restrictions on immigration, our ability to manage our international operations, reduced demand for technology in our key focus areas, disruptions in telecommunication networks, our ability to successfully complete and integrate potential acquisitions, liability for damages on our service contracts, the success of the companies in which Hexaware has made strategic investments, withdrawal of governmental fiscal incentives, political instability, legal restrictions on raising capital or acquiring companies outside India, and unauthorized use of our intellectual property and general economic conditions affecting our industry

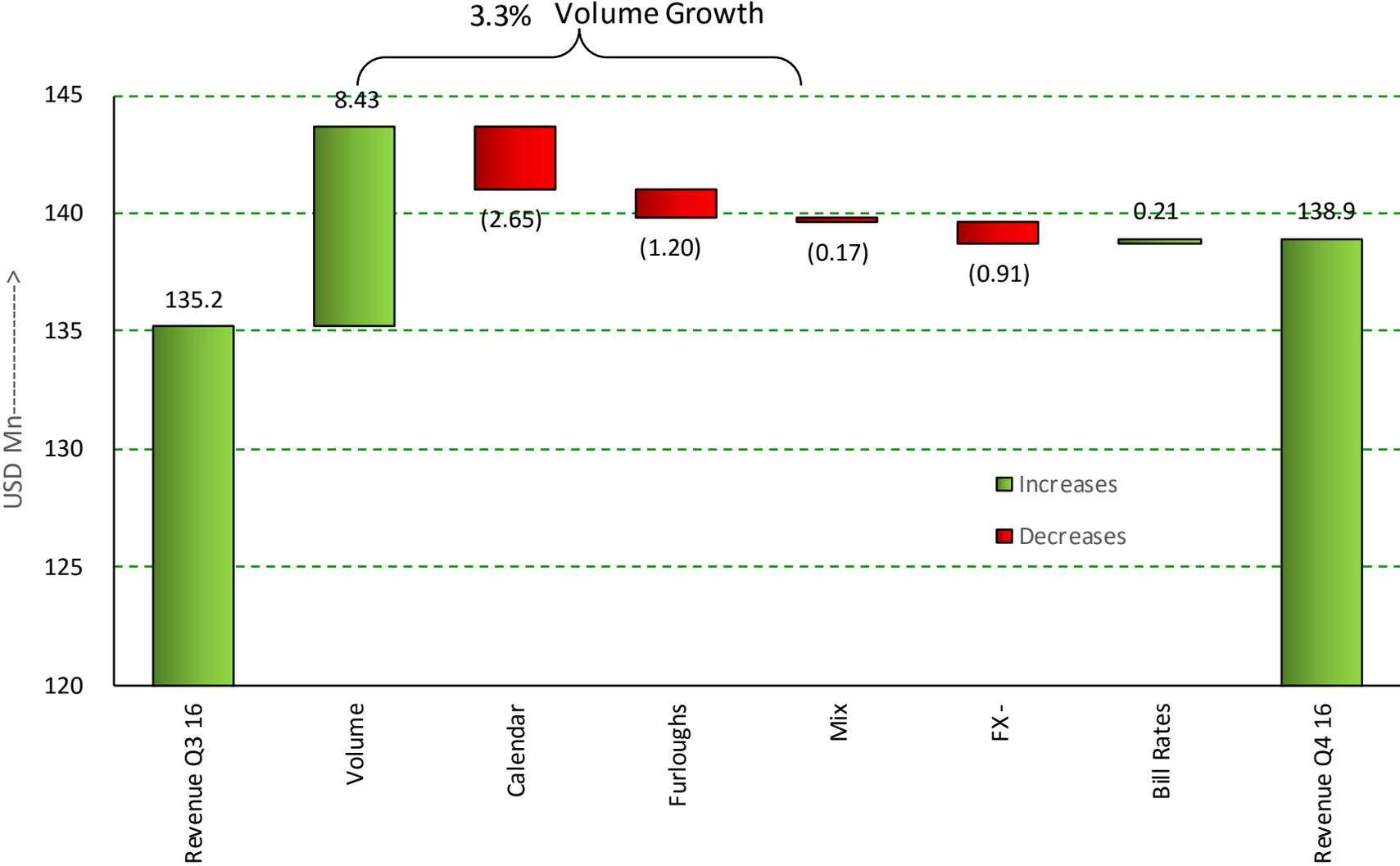
Business Update

Key Financials for Q4 2016

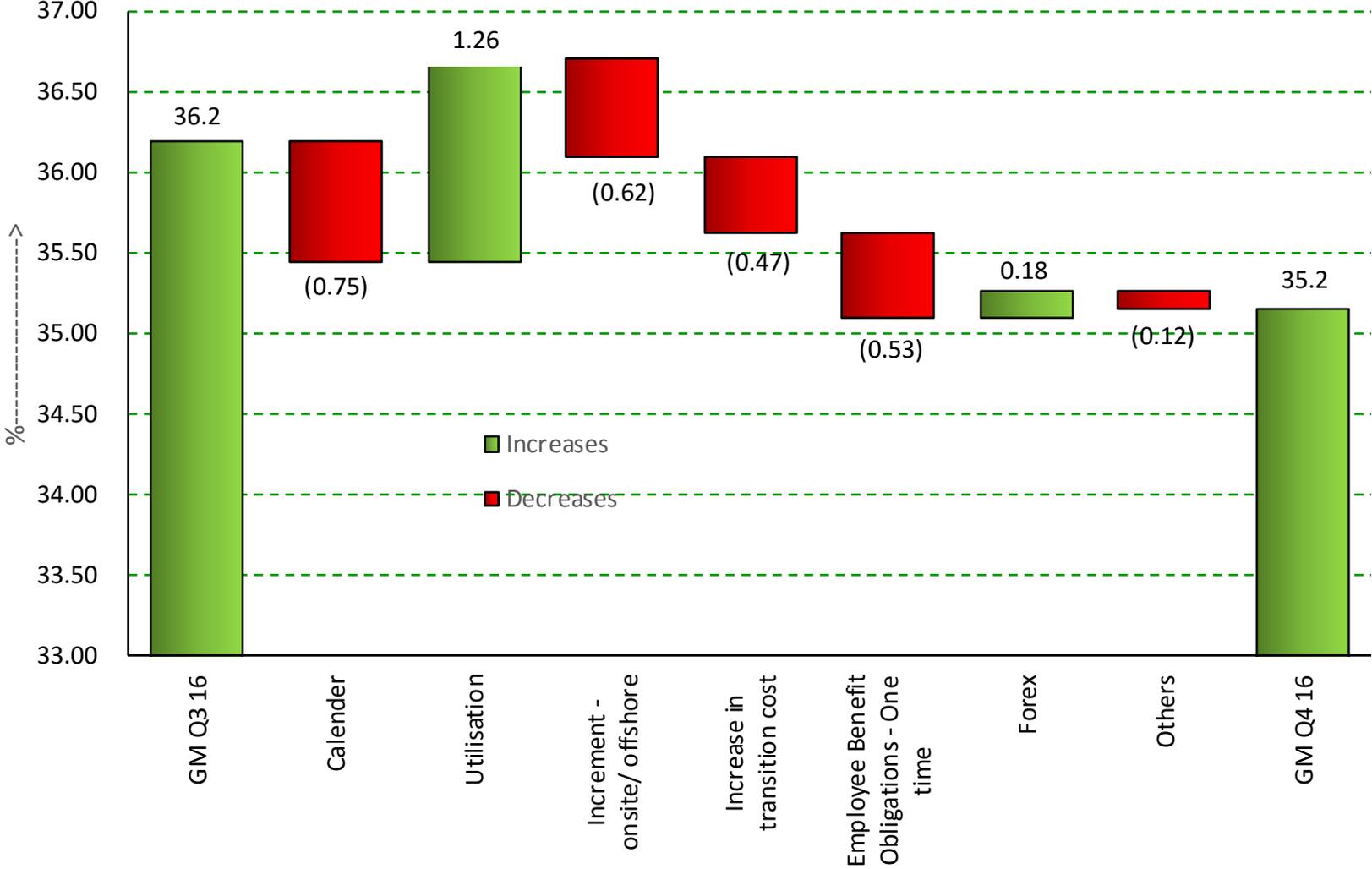
	Q4 2016	Q3 2016	GROWTH QoQ	GROWTH YoY
Revenue	138.95	135.24	2.7%	12.0%
EBITDA* (before ESOP Cost)	24.78	24.65	0.5%	24.8%
EBITDA (after ESOP Cost)	23.96	23.58	1.6%	21.4%
PAT	17.93	16.67	7.5%	22.1%
EPS Diluted **	3.99	3.66	0.33	0.72

* Excludes ESOP Cost of \$0.82 M in Q4 and \$1.07 M in Q3

Revenue Analysis - QoQ



Gross Margin Analysis - QoQ



SG&A ↓ 70 bps QoQ

- SG&A at \$ 24.0 mn in Q4 16 vs \$24.3 mn in Q3 16
 - Increment : (7) bps
 - Forex : 9 bps
- Lower SG&A% mainly on account of volume impact

Movement of Top 20 Customers

Top 20 Accounts by Revenue for the Quarter

Q4 2016 vs. Q3 2016

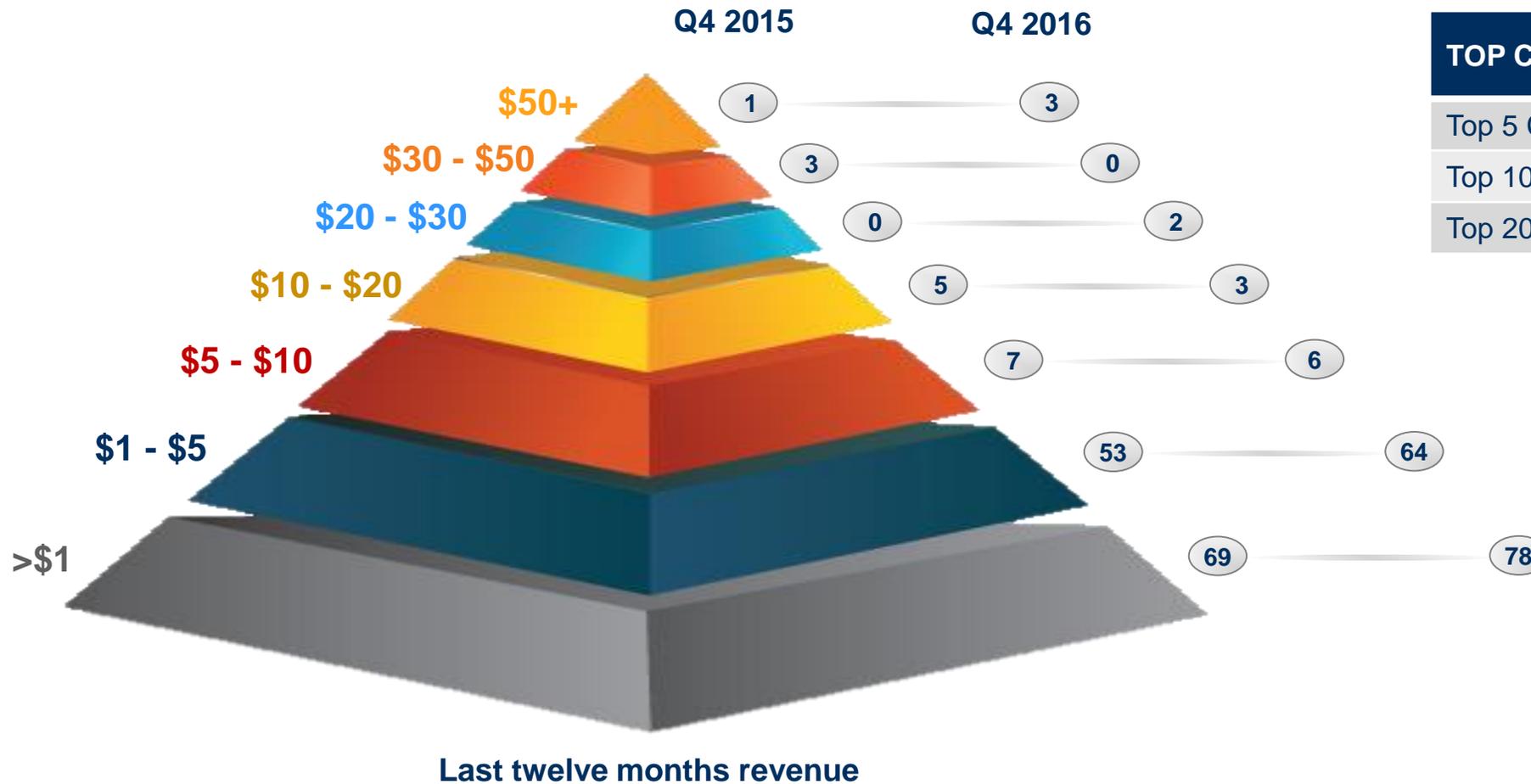
In

- Top Skincare Lines
- Major Telecommunications Operator
- American Investment Management Firm
- Multinational Information Technology Company

Out

- Leading Airline
- Global Banking and Financial Services Co.
- Multinational Insurance Firm
- Multinational Conglomerate Corporation

Improved Depth of Customer Relationships



TOP CLIENTS	GROWTH QoQ
Top 5 Clients	1.2%
Top 10 Clients	1.0%
Top 20 Clients	1.9%

Strategy Proof Points

USD 55 million NN Deal wins in Q4-16

Shrink IT

Next Gen Application Modernization and Support for a Specialized Payment products and services Provider

Won from top 3 IOP

Shrink IT

Automation-led Service Integration and Service Management for one of the top ten global Steel Companies

Won against top 3 IOP

Grow Digital

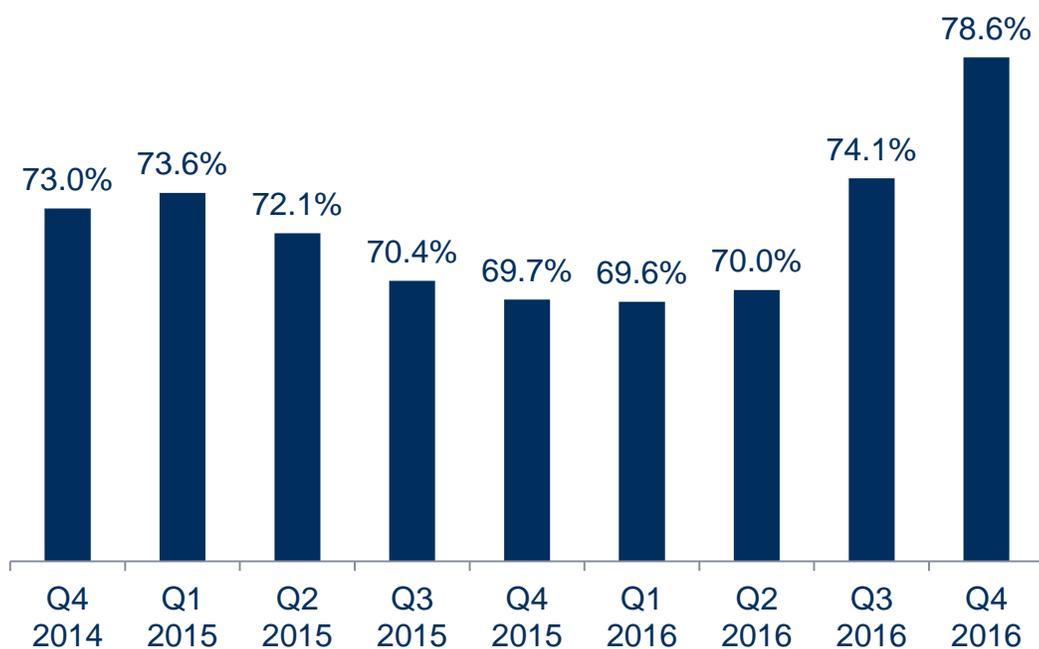
Migration of application landscape to hybrid cloud for a Facilities Management and Maintenance Company

Won from top 3 IOP

Employee Metrics

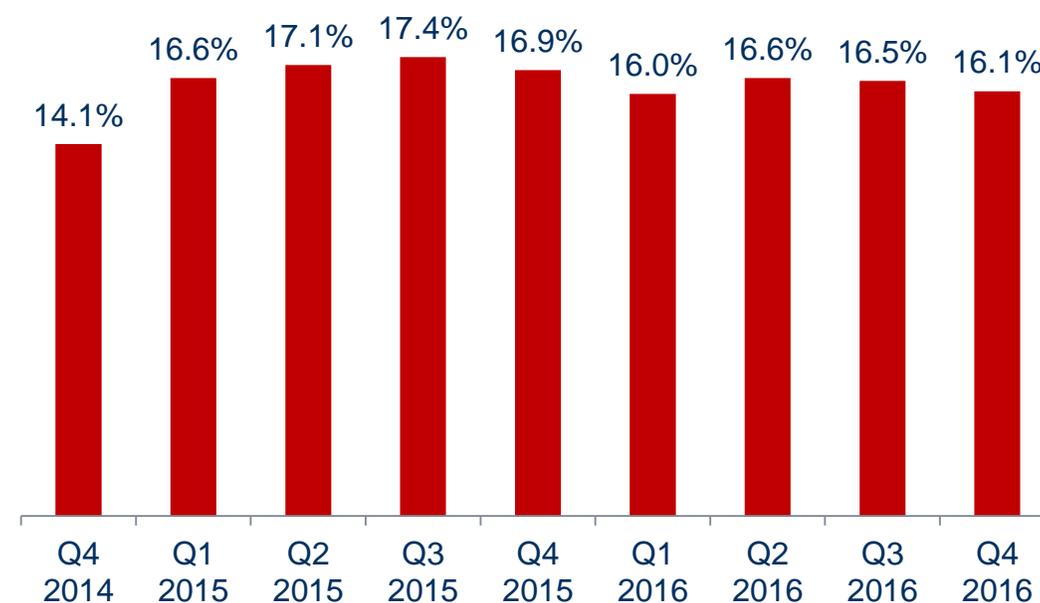
UTILIZATION *

Utilization back to high levels



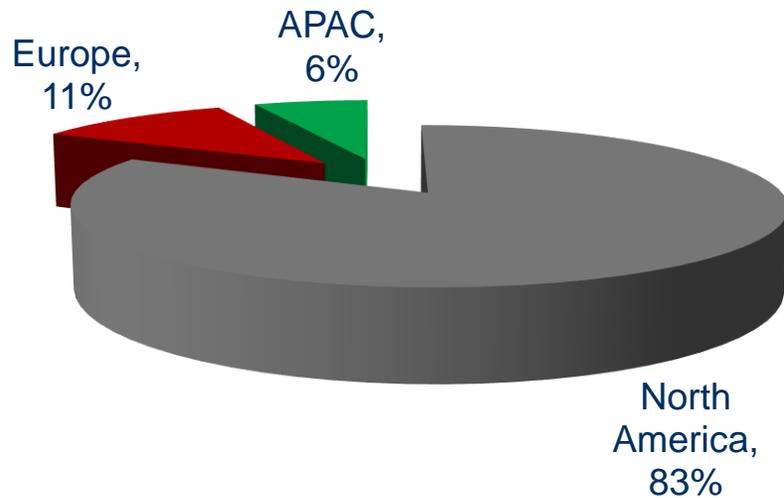
EMPLOYEE ATTRITION

Significant efforts taken to contain attrition



Net headcount addition during the quarter (incl. trainees) – 296

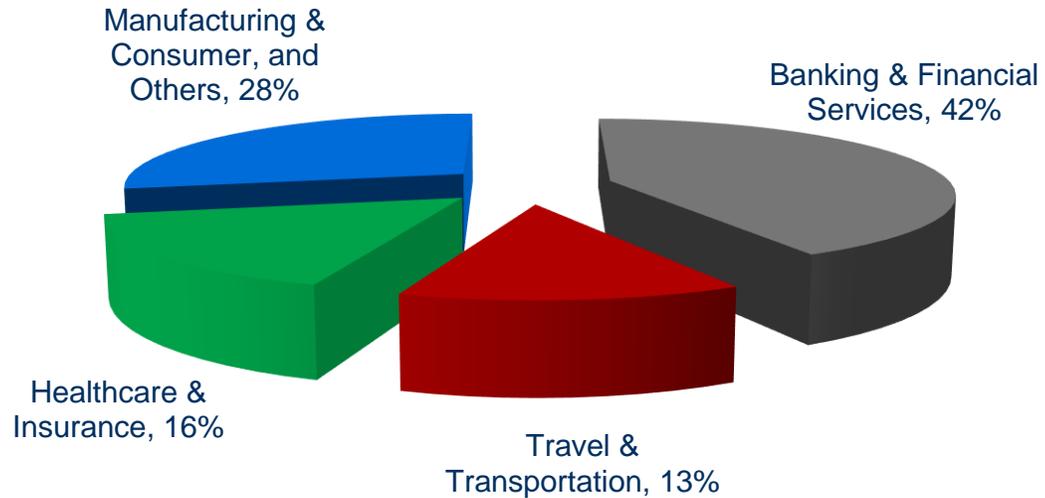
North America led Growth



GEOGRAPHY	GROWTH QoQ	GROWTH YoY	ANNUAL GROWTH YoY
North America	3.4%	14.3%	10.0%
Europe ⁽¹⁾	-1.4%	-1.0%	-1.7%
APAC	1.7%	8.3%	6.4%
TOTAL	2.7%	12.0%	8.3%

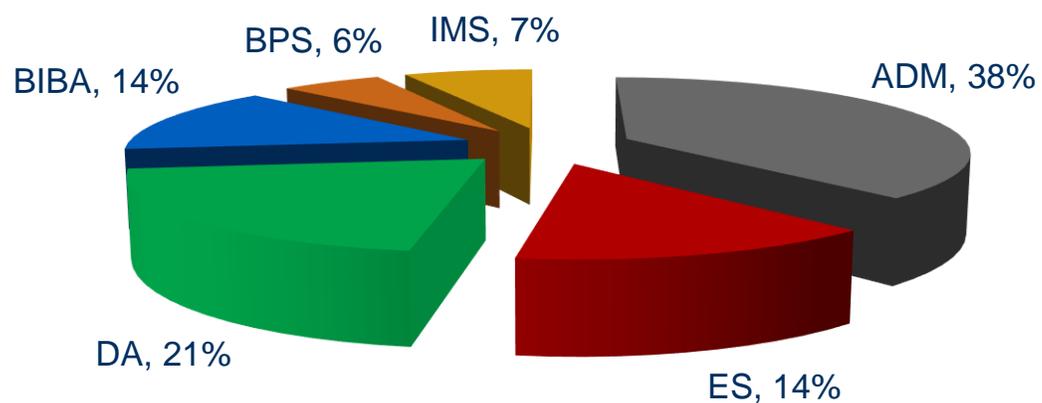
(1) In constant currency terms, Europe grew 3.0% QoQ and 7.9% YoY; and 3.3% for the year 2016

Healthcare & Insurance led QoQ Growth



VERTICAL	GROWTH QoQ	GROWTH YoY	ANNUAL GROWTH YoY
Banking & Financial Services	3.9%	25.6%	18.2%
Travel & Transportation	-6.4%	-10.8%	-7.5%
Healthcare & Insurance	5.5%	6.2%	11.2%
Manufacturing & Consumer, and Others	4.1%	10.7%	3.0%
TOTAL	2.7%	12.0%	8.3%

IMS led Growth



HORIZONTAL ⁽¹⁾	GROWTH QoQ	GROWTH YoY	ANNUAL GROWTH YoY
Application Development & Maintenance (ADM)	4.0%	7.0%	5.2%
Enterprise Solutions (ES)	-0.4%	-0.9%	-2.8%
Digital Assurance/ Testing (DA)	6.1%	13.7%	6.4%
Business Intelligence & Analytics (BIBA)	-4.6%	12.3%	9.8%
Business Process Services (BPS)	2.0%	32.8%	30.9%
Infrastructure Management Services (IMS)	7.7%	41.1%	33.6%
TOTAL	2.7%	12.0%	8.3%

Impact of Changing Environment on Immigration

Summary

- There has been no executive action or legislation signed yet
- Executive action has an important sphere of influence, but important changes need legislative action
- There are two competing bills on immigration reform
 - One is by Democrat is less likely to be heard
 - The other is bi-partisan; though similar bills have failed to pass in the past
- Changes through the legislative process will only be prospective, not retrospective
- Given that April 2017 is the date for 2017 petitions and changes to legislation are unlikely before that, our supply for 2018 is also largely unaffected (2017 supply is from the 2016 allocations, and so on)

Background – Executive Action

- **Executive Action has an important sphere of influence**

- **Current draft of Executive Action proposes:**
 - Within 90 days, review of all regulations to determine which of the regulations violate immigration laws or are otherwise not in the national interest.
 - Review of parole program and terminate all existing parole programs that do not comply with immigration regulations. May seem to affect the International Entrepreneur Rule, which is a parole program.
 - Within 90 days, submit a report listing options to incentivize employers to use E-verify.
 - Initiate site visits for L-1 work sites (including end-client work locations) within 180 days and develop a plan to expand site visits for all programs.
 - Reform the practical training programs (OPT) for foreign students in the STEM program to prevent disadvantages to U.S. students.
 - Propose for notice and comment a regulation that could reform the AOS filings.
 - Propose for notice and comment a regulation that could reform the E-2 treaty investor visa category.
 - Provide report within 9 months on injuries caused by work performed by nonimmigrant workers in H-1B, L-1, and B-1 visa categories.
 - Publish report on EADs issued.
 - Publish report (twice a year) detailed number of foreign-born persons authorized to work in U.S.
 - Publish reports on immigration patterns.

Background – Legislative Action

But larger changes need legislative action

Two Recently Introduced H-1B Related Bills

HR 170 – The Protect and Grow American Jobs Act (introduced January 4, 2017)

1. Co-sponsored by Rep. Darrell Issa (R-CA) and Rep. Scott Peters (D-CA).
2. Raises the H-1B salary requirement for an H-1B exempt worker from \$60k to \$100k.
3. Eliminates the master's degree provision which currently allows the foreign national to be classified as an exempt H-1B worker.
4. Many lawmakers believe that the bill does not go far enough to satisfy President Trump's plans for visa reform:
 - President-Elect Trump appears intent at enacting across-the-board raises in the prevailing wage rate for H-1B salaries.
 - H.R. 170 only touches a subset of H-1B employers and the "vast majority of employers that hire H-1B workers to replace Americans will continue to do so." (Prof. Ron Hira, Howard University).

The High-Skilled Integrity and Fairness Act (introduced January 24, 2017)

1. Sponsored by Rep. Zoe Lofgren ([D-CA](#)).
2. Increases prevailing wage requirements by replacing the current 4-level wage calculation with a geographically based 3-level formula which eliminates the lowest wage level and puts upward pressure on the wages in the remaining levels.
3. Prioritizes market-based allocation of H-1B visas as follows:
 1. Employers paying 200% of level 3 prevailing wage, then 150% of level 3.
 2. Employers paying 200% of level 2 prevailing wage, then 150% of level 2.
 3. Employers paying 200% of level 1 prevailing wage, then 150% of level 1.
4. Removes the 'per country' cap for employment based immigrant visas.
5. Raises the salary level at which H-1B dependent employers are exempt from attestation requirements to a new required wage level of 35 percentile points above the median national annual wage for Computer and Mathematical Occupations published by the Department of Labor Occupational Employment Statistics (roughly \$132,000), which would be adjusted in the future without the need for new legislation, and eliminates the Master's Degree exemption for dependent employers.
6. Sets aside 20% of the annually allocated H-1B visas for small and start-up employers (50 or fewer employers).
7. Removes visa hurdles for students and other temporary visa holders by building a bridge from F-1 student status to Lawful Permanent Residence.

Hexaware Facts

Visa	Total Cumulative Count			Added In 2016		
	Count	%	Avg. Salary (basis H1 Cum.)	Count	%	Avg. Salary (basis H1 Cum.)
H1	782	46%	100	316	43%	97
L1 (70% L1A)	285	17%	100	86	12%	89
Citizens, GC & Others	620	37%	109	340	46%	88
Total	1687	100%	103	742	100%	92

- We have provided 2016 incremental data as we think changes, if any, will be prospective
- Cost of H1 employees does not include cost of H1 application/fees
- While average cost of Local hiring in 2016 was lower than H1 cost, they are always not replaceable skills

Our View

- **We are in no position to predict legislative changes in the US, but are monitoring developments very closely**

- **A range of actions are possible with different outcomes, but the following represents our view of elements with higher probability to be part of any change**
 - Change will be prospective, not retrospective.
 - The limits on number of H1 visas are unlikely to come down.
 - There maybe a revision on minimum wages.
 - There maybe some changes that have the impact of affecting outsourcing companies more than end-user companies.
 - No changes are likely before the 2017 application cycle.
 - Any changes are more likely to impact 2018 and later; we are still deploying people that got allocation in 2016. Existing allocations will work with salaries that were on the petition.
 - L1 visas will get audited more extensively. We have been through several audits on L1 and were rock solid in the past.

Our Strategy

- 2016 already saw reducing dependence on H1B
- Our channels of fulfilment include lateral hires in the US, hiring and training college grads, and transferring staff from our Mexico delivery center
- We will continue to develop other channels, with the highest focus being on recruitment and training of college graduates in the US

Outlook 2017

- Revenue likely to grow at 10% - 12%
- EBITDA growth likely to be in-line with Revenue growth
- Growth inclusive of top 5 client's decision to insource (H2 impact)
- Dividend Payout expected to be in-line with Q4 2016

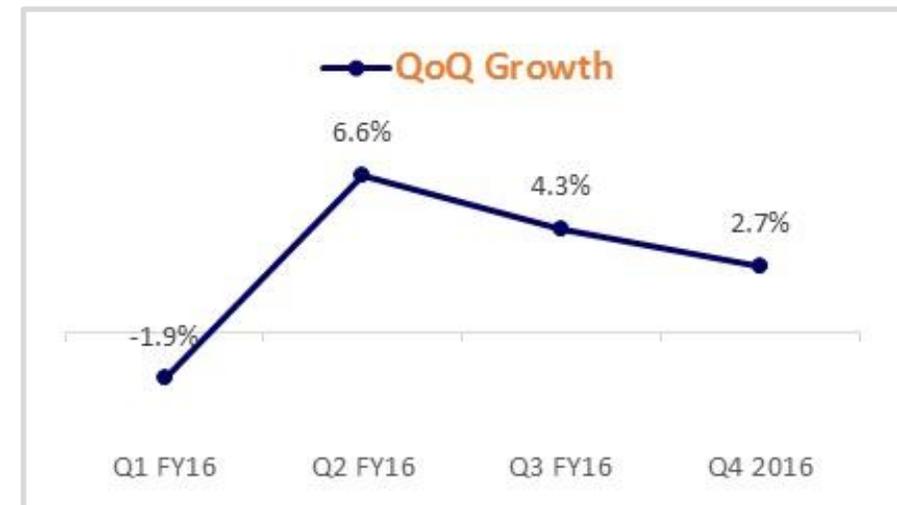
Financial Update

Revenue

Q4 2016 constant currency revenue at \$139.9 mn; ↑ 3.4% QoQ; ↑ 13.2% YoY

Q4 16 \$ Revenue at \$138.9 mn; ↑ 2.7% QoQ; ↑ 12.0% YoY

Q4 16 INR Revenue at RS 9,409 mn; ↑ 4.1% QoQ; ↑ 14.8% YoY



Outstanding Hedge Position and Rates

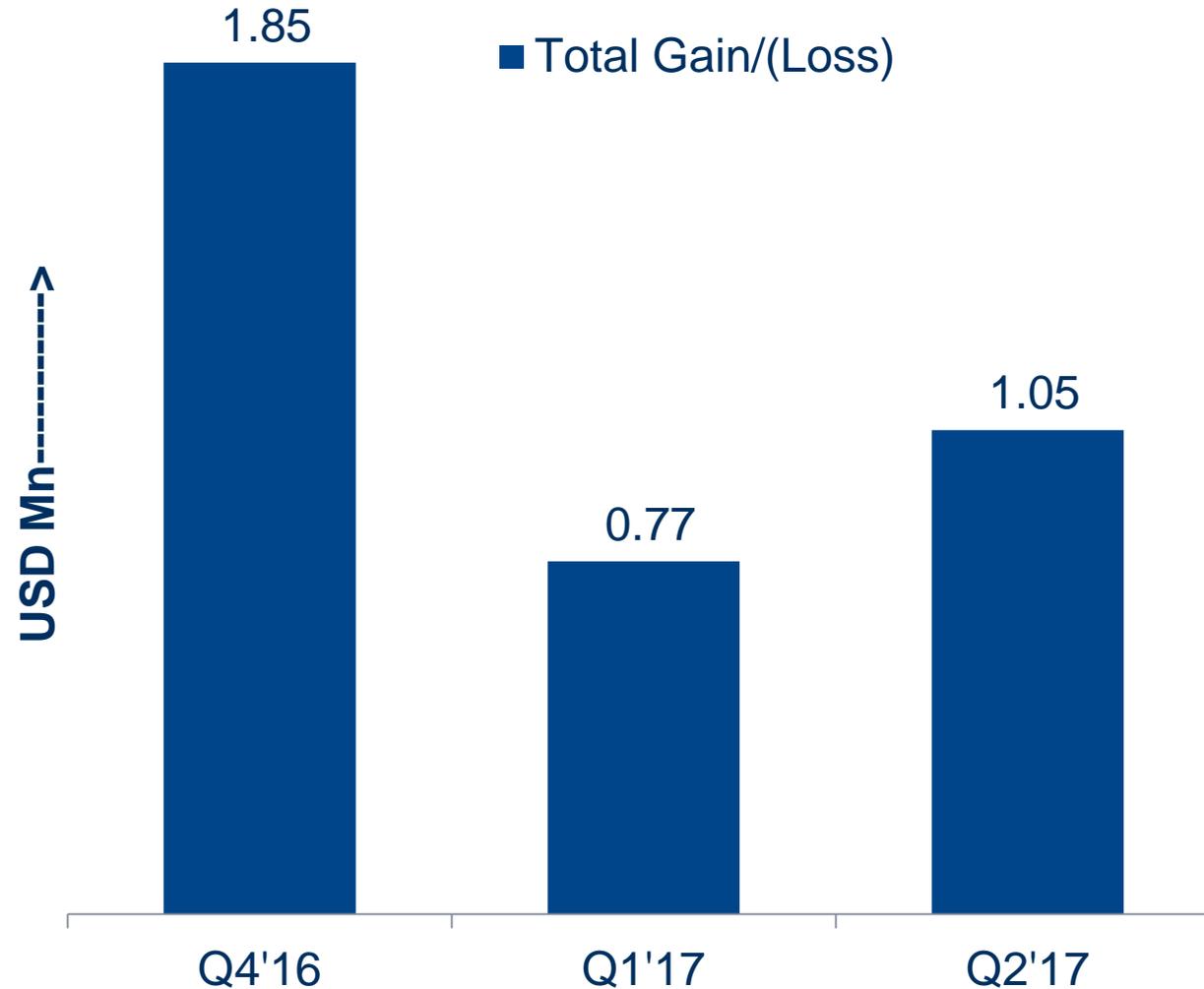
Outstanding Hedge Position

Currency Pair	Amount (Mn.)	Avg. Rate
USDINR (\$)	141.82	72.57
EURNR (€)	4.20	81.26
GBPNR (£)	4.20	101.71
Total (\$)	151.41	

Note -

- 1. Hedges outstanding are full-term hedges.*
- 2. EUR converted @ 1.0550/USD & GBP converted @ 1.2287/USD.*
- 3. Avg. Rate = Average of the forward rate at which the hedges have been booked with the banks.*

Forex Gain/(Loss)



- During the quarter, forex gain was \$ 1.85 Mn, this was almost double the gain of \$0.95 Mn recorded in Q3'16
- Forex gains expected are ~\$ 0.77 Mn in Q1'17 and ~\$ 1.05 Mn in Q2'17 at exchange rate of INR 67.9250/USD

Balance Sheet Updates

CASH & CASH EQUIVALENTS

Cash and Cash Equivalents* at US\$ 65.99 Mn (INR 4,482 Mn)

DAYS SALES OUTSTANDING

Days Sales Outstanding (DSO) for Q4 2016 at 43 days; 68 days including unbilled

DIVIDEND

INR 1.00 per share (50%)
Dividend Payout including taxes INR 363.5 Mn (\$ 5.35 Mn)

Capex 2016

	US\$ Mn	
	Q4 16	YTD
Siruseri Phase II	2.1	14.2
Hinjewadi - Phase I	5.6	11.5
Computers & Equipments & Others	1.5	7.4
Grand Total	9.2	33.1

US \$24 Mn of Capex expected in 2017; includes \$9 Mn of spillover from 2016

Tax: ETR at 25.1% in Q4 16 vs 25.8% in Q3 16 – due to ↑ in SEZ profit



Thank You