



# Investor Update Q4 2015

**Shrink IT. Grow Digital.**

*4 February 2016*

# 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

# Industry leading Growth for FY15

**Our primary goal was to  
establish growth momentum**



**Industry leading  
14.9% growth**



**2015 NN TCV at  
USD 120 million**

# Key Financials for FY15

	FY15	GROWTH YoY
Revenue	485.47	14.9%
EBITDA* <i>(before ESOP Cost)</i>	86.59	10.9%
EBITDA <i>(after ESOP Cost)</i>	83.32	6.7%
PAT	60.65	15.8%
EPS Diluted **	12.94	22.1%

# Key Financials for Q4 2015

	Q4 2015	Q3 2015	GROWTH QoQ	GROWTH YoY
Revenue	124.11	125.13	-0.8%	8.4%
EBITDA* (before ESOP Cost)	19.85	24.05	-17.4%	-13.0%
EBITDA (after ESOP Cost)	19.74	22.34	-11.7%	-13.5%
PAT	14.68	17.05	-13.9%	4.5%
EPS Diluted **	3.27	3.67	-10.9%	13.2%

\* Excludes ESOP Cost of \$0.12 M in Q4 and \$1.71 M in Q3

# Performance Highlights

After ESOP Cost

## REVENUE

1 Year CQGR: 2.6%



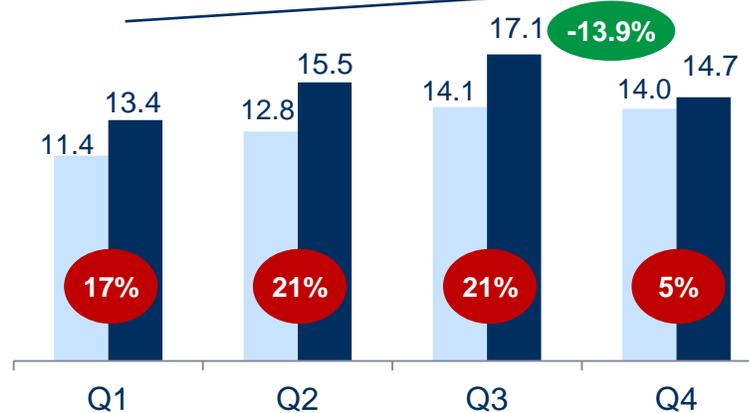
## EBITDA

1 Year CQGR: -1.2%



## PAT

1 Year CQGR: 3.1%



## EPS Diluted (in INR)

1 Year CQGR: 5.9%



# Strategy Proof Points

**2015 NN Deal wins at USD 120 million**

## NEW WINS IN Q4 2015

- Multi-million development, ASM support & testing deal for the leading Workday implementation & BPaaS service provider
- Multi-year deal to develop and support flagship total health platform for a leading wellness company
- Multi-year multi-million deal to modernize compliance management application for a information, technology provider to healthcare industry
- Multi-million Infrastructure Management deal for a leading airline

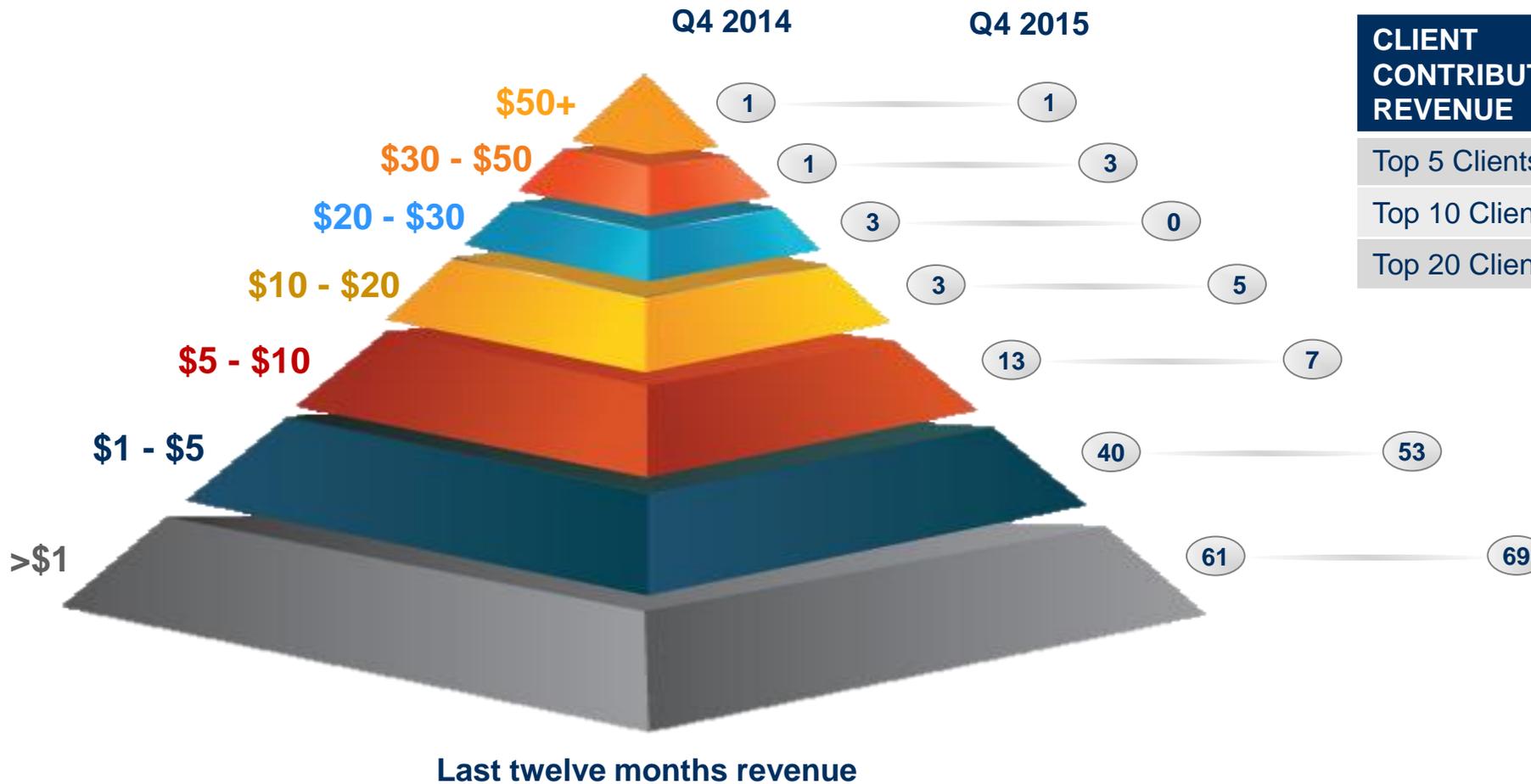
## NEW CLIENTS ADDED IN Q4 2015

GEOGRAPHY	NEW ADDS
North America	5
Europe	3
APAC	1

VERTICAL	NEW ADDS
Manufacturing & Consumer	5
Healthcare & Insurance	2
Banking & Financial Services	2

HORIZONTAL	NEW ADDS
Infrastructure Management	5
Enterprise Solutions	2
Business Intelligence & Analytics	1
Quality Assurance & Testing	1

# Improved Depth of Customer Relationships



CLIENT CONTRIBUTION TO REVENUE	GROWTH QoQ	ANNUAL GROWTH YoY
Top 5 Clients	-1.8%	31.5%
Top 10 Clients	-0.3%	23.5%
Top 20 Clients	-0.8%	16.2%

# Movement of Top 20 Customers

## NEW DEFINITION

**Top 20 Accounts by Revenue for the Quarter  
(instead of LTM)**

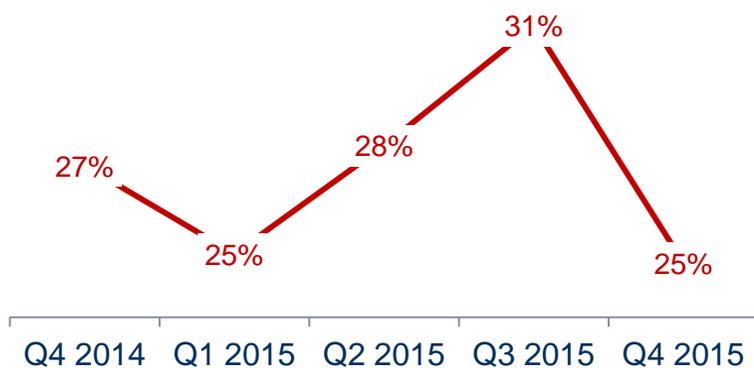
**Two Accounts (existing clients)  
added to Top 20 in Q4**



**Top 20 list to be more  
Dynamic**

# Shareholder Metrics

## RETURN ON EQUITY



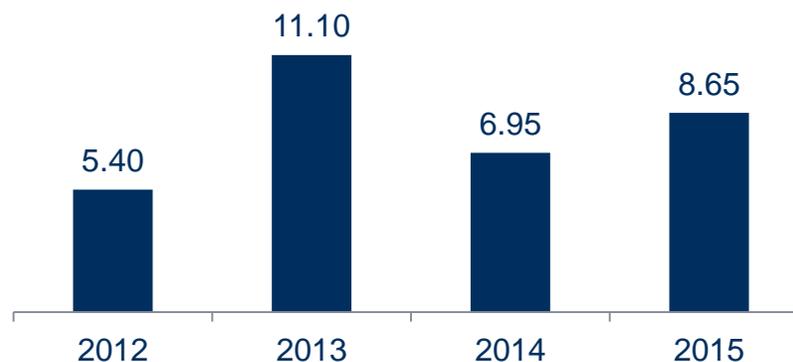
## TOTAL SHAREHOLDER RETURNS

Stock price as at the end of each quarter



## DIVIDEND PAYOUT

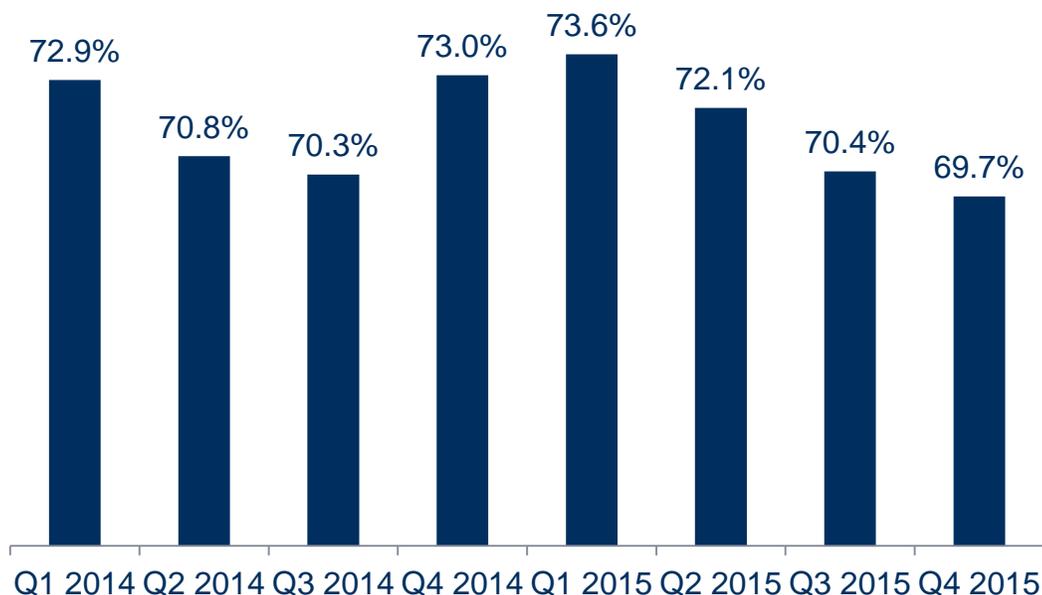
Dividend declared for the year



# Employee Metrics

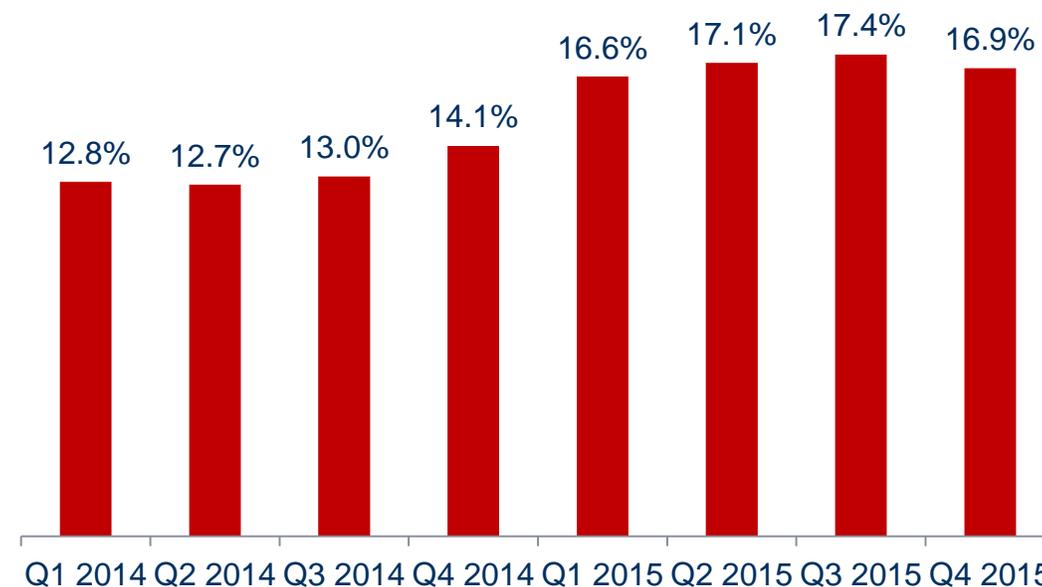
## UTILIZATION

Range Bound



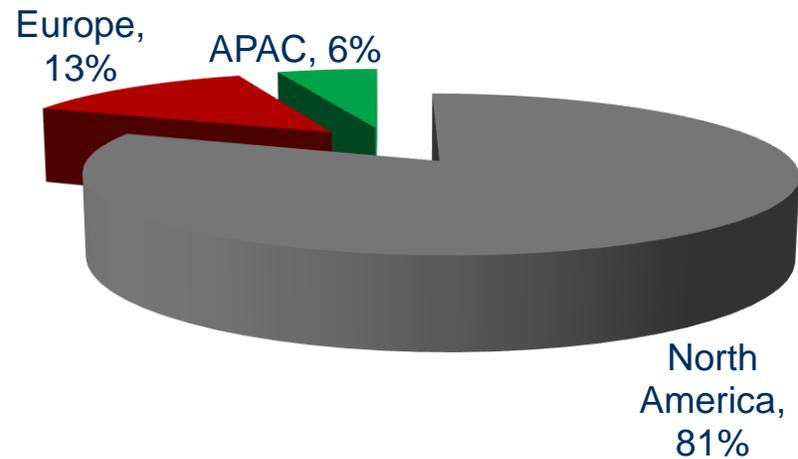
## EMPLOYEE ATTRITION

Significant efforts taken to contain attrition



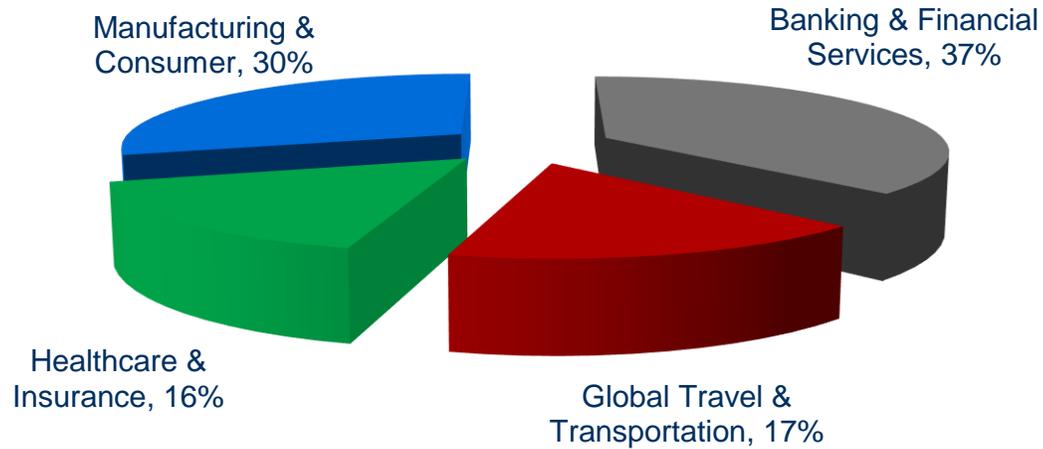
**Net headcount addition during the quarter (incl. trainees) - 34**

# Geography Split



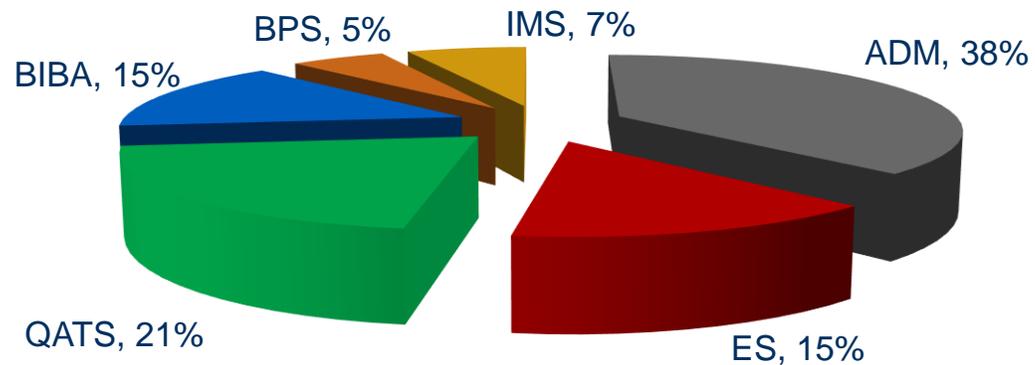
GEOGRAPHY	GROWTH QoQ	ANNUAL GROWTH YoY
North America	-0.2%	18.4%
Europe	-5.6%	6.1%
APAC	1.8%	-5.9%
<b>TOTAL</b>	<b>-0.8%</b>	<b>14.9%</b>

# Broad based Growth across Verticals



VERTICAL	GROWTH QoQ	ANNUAL GROWTH YoY
Banking & Financial Services	-1.1%	23.2%
Global Travel & Transportation	-1.5%	13.9%
Healthcare & Insurance	4.9%	14.5%
Manufacturing & Consumer	-3.2%	6.7%
<b>TOTAL</b>	<b>-0.8%</b>	<b>14.9%</b>

# Broad based Growth across Service Lines



HORIZONTAL	GROWTH QoQ	ANNUAL GROWTH YoY
Application Development & Maintenance (ADM)	1.4%	18.0%
Enterprise Solutions (ES)	-2.7%	-4.1%
Quality Assurance & Testing Services (QATS)	-1.8%	16.1%
Business Intelligence & Analytics (BIBA)	-5.0%	16.0%
Business Process Services (BPS)	-1.4%	51.7%
Infrastructure Management Services (IMS)	3.9%	19.9%
<b>TOTAL</b>	<b>-0.8%</b>	<b>14.9%</b>

# Awards & Recognition

- Hexaware has been mentioned as one of the major contenders in the Everest Report titled “**Multi-Process Human Resource Outsourcing (MPHRO) – Service Providers’ Assessment**”, by analysts Rajesh Ranjan, Arkadev Basak and Harsh K.
- Hexaware’s revenue has been mentioned to have recorded a 14% jump Year-on-Year in the Ovum report titled “**India IT Services Vendor Quarterly, 3Q15**”, dated 08 December 2015, by analyst Hansa Iyengar.
- Hexaware has been mentioned as one of the IT service providers having **Critical Capabilities for SAP Application Management Services**, Worldwide, dated 15 October 2015 by analysts Gilbert van der Heiden, Kris Doering, Frances Karamouzis.
- Hexaware has been mentioned as one of the IT service providers having **Critical Capabilities for Oracle Application Management Services**, Worldwide, dated 15 October 2015 by analysts Gilbert van der Heiden, Kris Doering, Frances Karamouzis.
- Hexaware has been mentioned as one of the three Application-management-service-centric providers of Workday in the Gartner report titled “**Market Guide for Workday Service Providers**”, dated 19 November 2015, by analysts Susan Tan, Frances Karamouzis and Dean Blackmore.

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# Financial Update

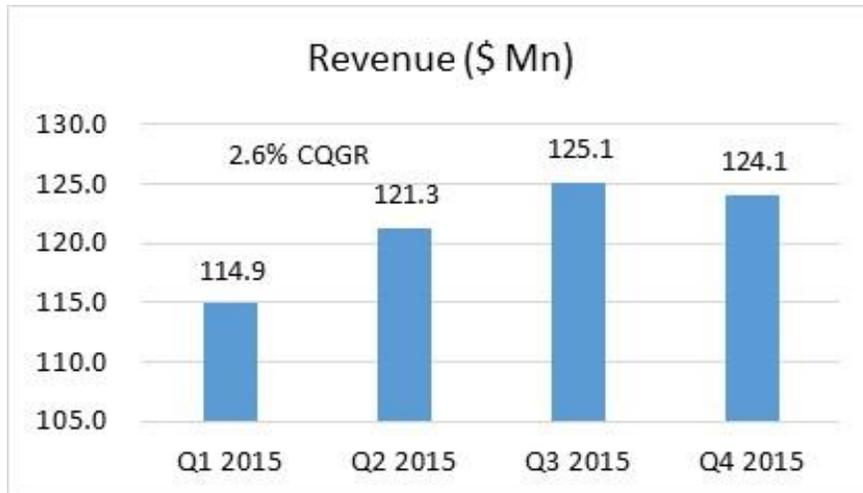
# Revenue

Q4 2015 constant currency revenue at \$124.5 mn; down 0.5% QoQ; up 10.1% YoY

Q4 Revenue at \$124.1 mn; down 0.8% QoQ; up 8.4% YoY

FY 2015 constant currency revenue at \$496.8 mn; up 17.6% YoY

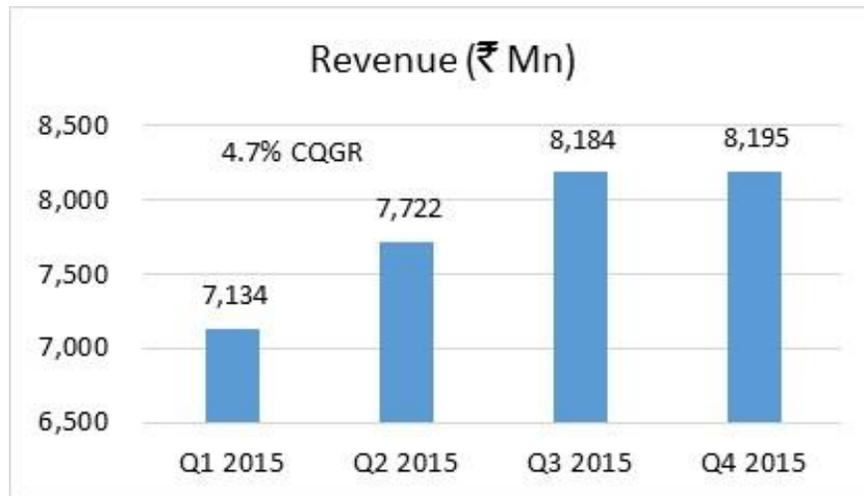
FY 2015 revenue at \$485.5 mn; up 14.9% YoY



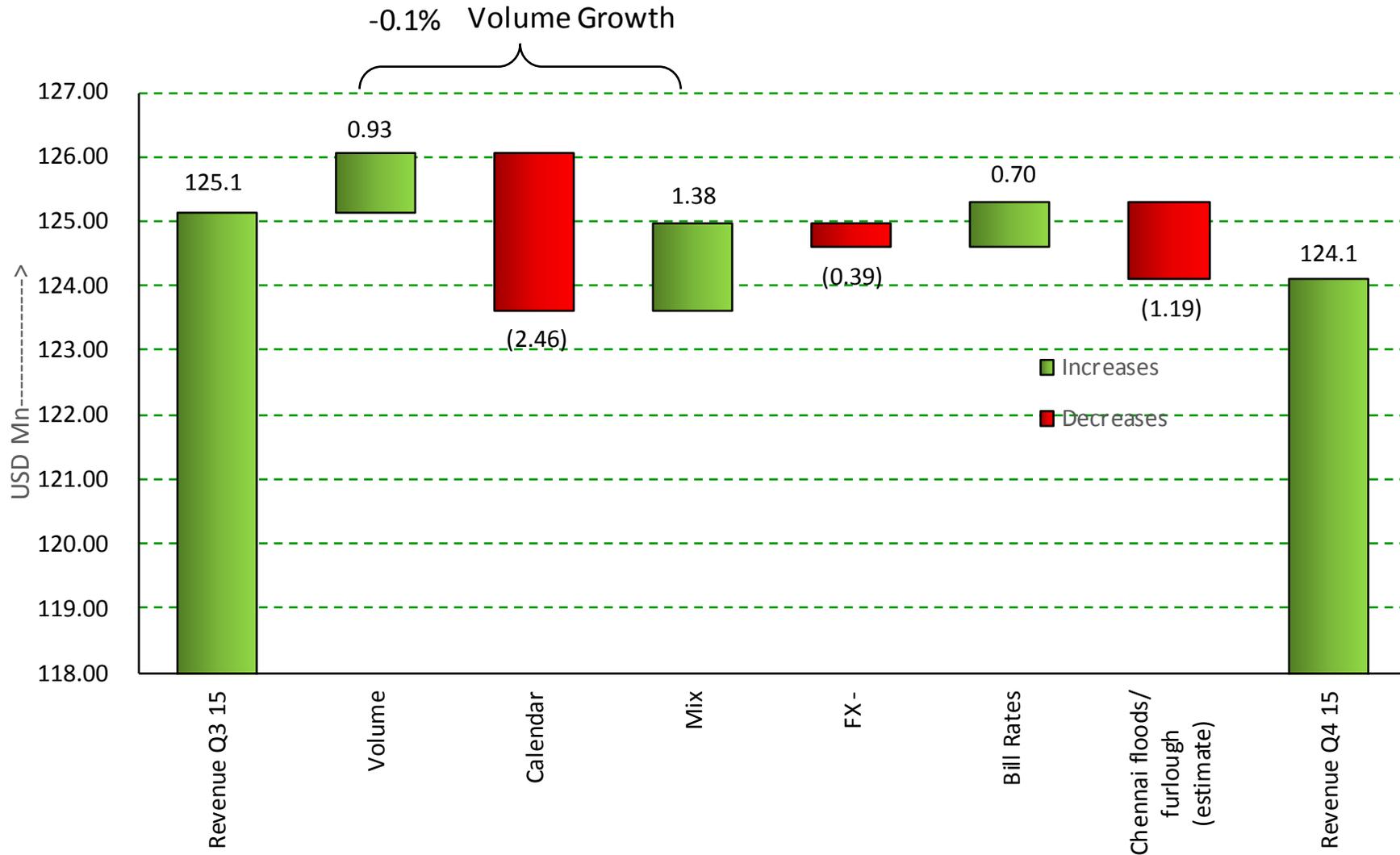
# Revenue

Q4 Revenue at ₹ 8,195 mn; up 0.1% QoQ; up 15.1% YoY

FY 2015 revenue at ₹31,235 mn; up 21% YoY



# Revenue Analysis - QoQ



# EBITDA Margin Walk - QoQ

- EBITDA\* margin for the quarter was 16.0%( Excludes ESOP cost), 320 bps lower than last quarter
- Gross margin for Q4 2015 at 34.8%; lower by 180 bps mainly due to following reasons

	bps
Calendar	-106
Higher Onsite Utilisation	60
Increments at offshore & onsite	-71
Forex Gain	15
Bonus (POBA)	-32
Higher Onsite Mix	-27
Other Cost Increase	-19

- Due to Chennai Floods / Furlough. Our estimate of margin impact is 70 bps.
- SG&A cost is 18.8% vs 17.4% in Q3 15 due to Investment in marketing & G&A cost increase including CSR – \$190k and one time consultancy cost – \$250k.

**Tax:** ETR @21.0% vs. 22.4% in Q3 due to higher profit in SEZ & Tax Credit in UK

# Outstanding Hedge Position and Rates

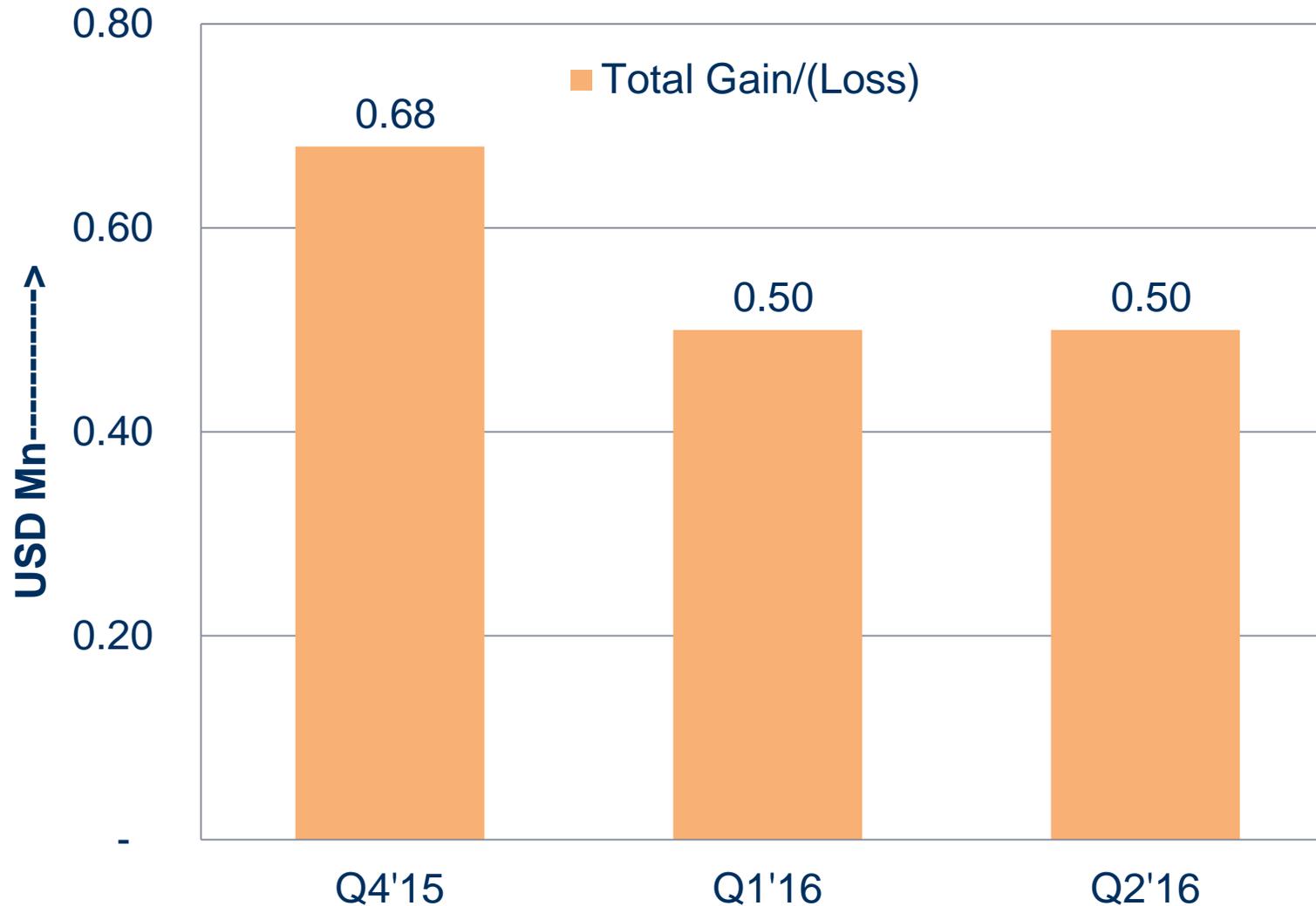
## Outstanding Hedge Position

Currency Pair	Amount (Mn.)	Avg. Rate
USDINR (\$)	156.94	69.64
EURNR (€)	5.60	76.93
GBPNR (£)	4.20	106.41
<b>Total (\$)</b>	<b>169.27</b>	

*Note -*

- 1. Hedges outstanding are full-term hedges.*
- 2. EUR converted @ 1.0901/USD & GBP converted @ 1.4824/USD.*
- 3. Avg. Rate = Average of the forward rate at which the hedges have been booked with the banks.*

# Forex Gains/(Losses)



- Forex gain of \$0.68 Mn this quarter as against a gain of \$1.2 Mn in Q3'15.
- Forex gain expected ~ \$ 0.50 Mn in Q1'16 and ~\$ 0.50 Mn Q2'16 at exchange rate of INR 67.00/USD.

# Balance Sheet Updates

## CASH & CASH EQUIVALENTS

Cash and Cash Equivalents\* at US\$ 66.93 M (INR 4428 M)

## DAYS SALES OUTSTANDING

Days Sales Outstanding (DSO) for Q4 2015 at 49 days; 72 days  
including unbilled

## DIVIDEND

INR 2.40 per share (120%)

Dividend Payout including taxes INR 871.1 mn (\$ 13.17 Mn)

Dividend Payout Ratio: 95.9%

# Capex 2015

Rs. In Crores

Particulars	Q4-2015	FY-15
SiruSeri	19.68	5.2
Pune - Hinjewadi	13.1	15.3
Computers & Equipment & Others	20.5	47.5
<b>Total</b>	<b>53.2</b>	<b>67.9</b>
USD (Mn)	8.04	21.26

**Overall Likely Capex Spend for 2016 – \$ 40 mn ( Rs 268 crs )**

# Outlook - 2016

- Revenue Aspiration to continue outgrowing industry
- Profitability in-line with CY15 full year profitability.
- Q2 (AMJ) and Q3 (JAS) are expected to deliver the vast majority of the growth, with Q1 and Q4 (JFM and OND) as seasonally soft quarters.
- Dividend Payout likely to be similar to CY 15.



# Thank you