

Hexaware Reports Second Quarter 2019 results

Mumbai – August 08, 2019: Hexaware Technologies Limited, one of the fastest growing automation-led, next-generation providers of IT, BPO and Consulting services has reported strong numbers for the second quarter of the calendar year ended June 30, 2019.

Key Highlights

Revenue

- Q2 2019 revenue at \$ 188.5 Mn
 - QoQ growth of 4.7%, 5.0% in cc
 - YoY growth of 12.0%, 13.0% in cc
- Q2 2019 revenue at ₹ 13,083 Mn; up 3.5% QoQ; up 15.1% YoY

EPS

- Q2 2019 EPS at Rs 5.08 up 9.2% QoQ

New Wins

- 5 new clients signed in Q2 2019 with TCV of US\$ 36 Mn

Dividend

- Interim Dividend of Rs 1.50 (75%) for Q2 19

Leadership Speak

“Hexaware’s differentiated strategy has helped us deliver yet another strong quarter with revenue growth of 12.0% YoY and 13.0% YoY in constant currency.” remarked **Atul Nishar, Chairman, Hexaware Technologies Limited.**

“While it is early days, we are very pleased with the progress in bringing Mobiquity and Hexaware together. We are also delighted to have delivered a substantial and sustainable margin improvement, especially when the industry is challenged for margins.” stated **R Srikrishna, CEO & Executive Director, Hexaware Technologies Limited.**

Financial Summary

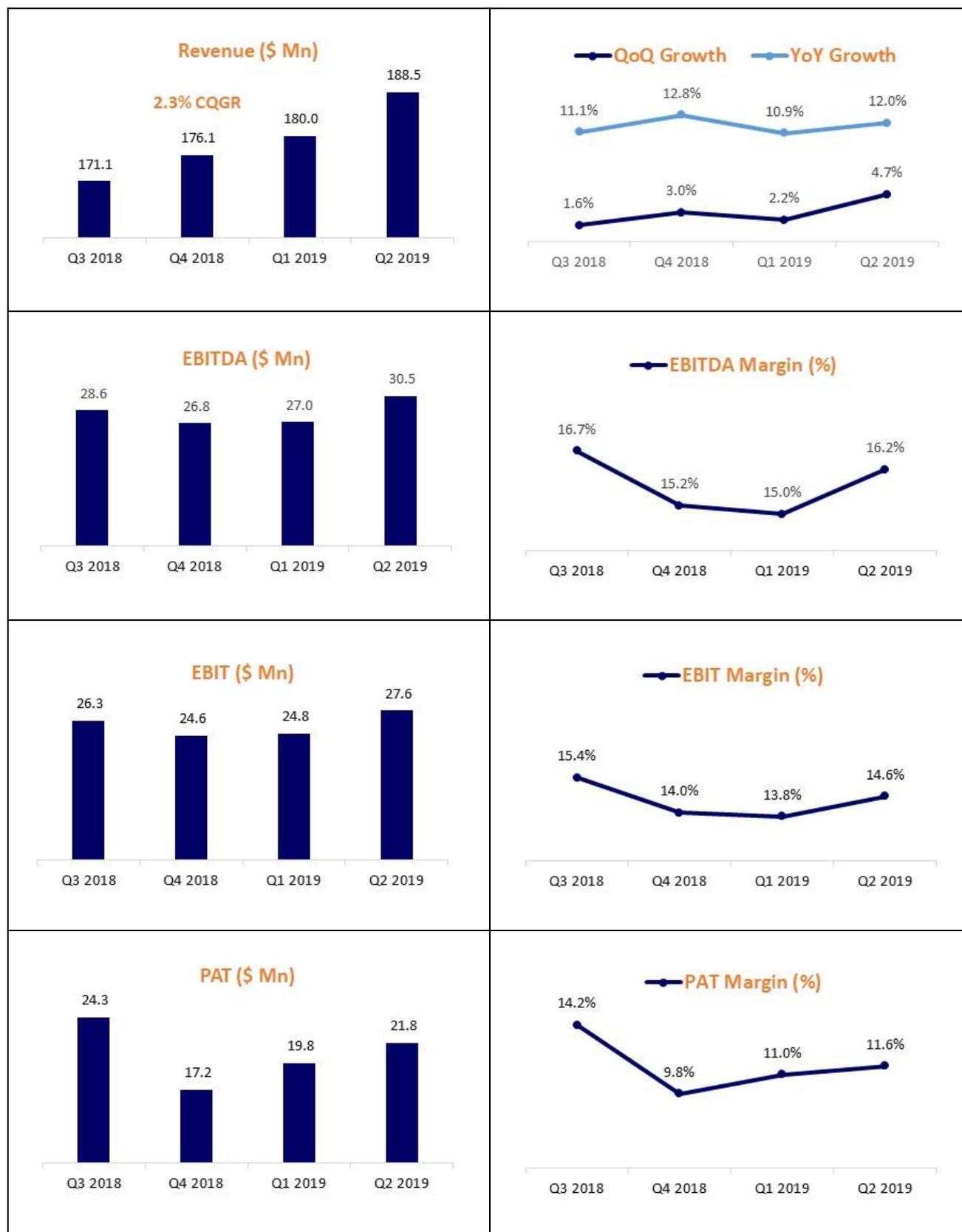
USD Mn	Growth	
	QoQ	YoY
Revenue (Constant Currency)	5.0%	13.0%

Mn	Q2 19	Growth	
		QoQ	YoY
Revenue	13,083	3.5%	15.1%
EBITDA	2,118	12.3%	19.5%
EBIT	1,913	10.0%	20.2%
PAT	1,514	9.3%	-1.4%

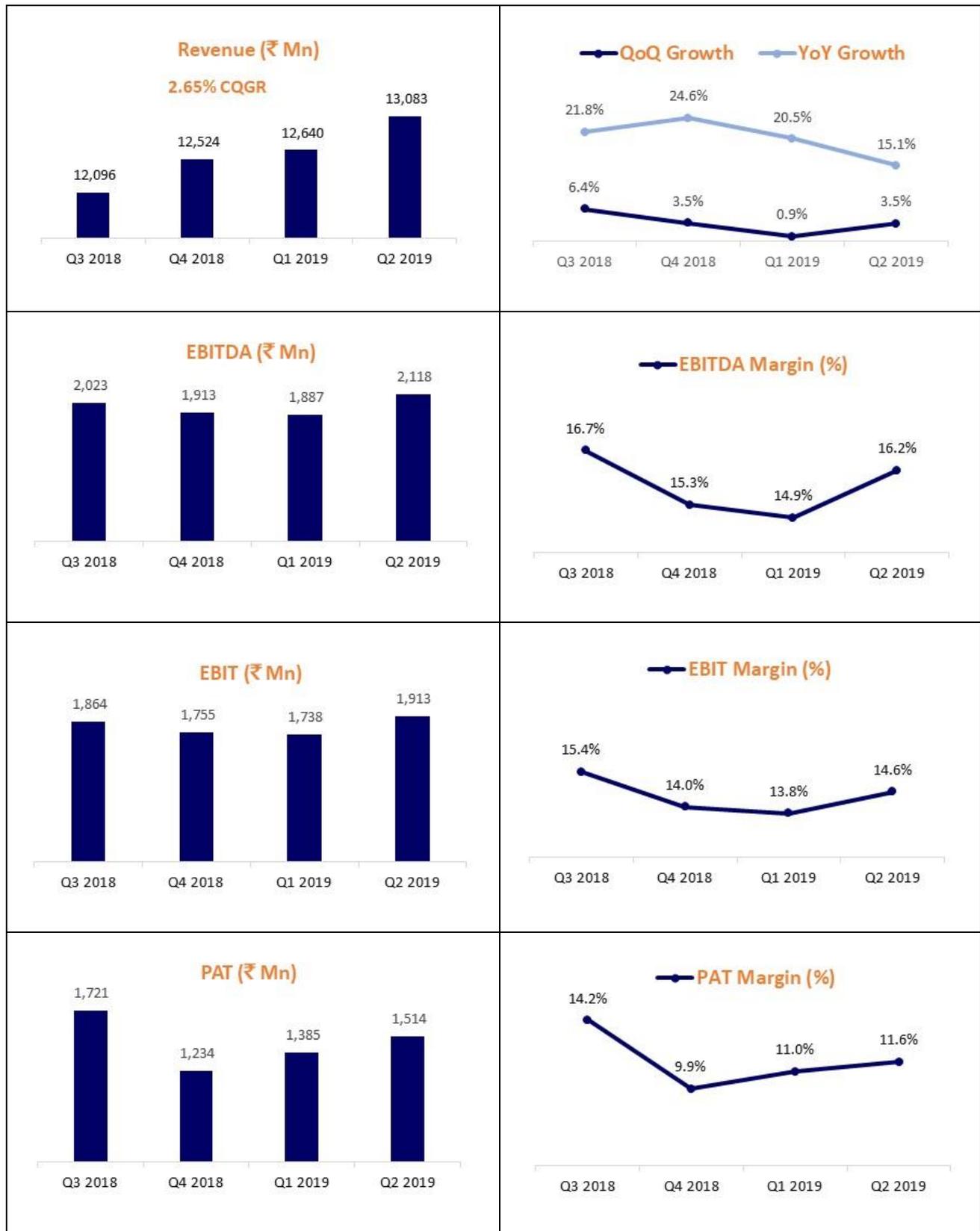
USD Mn	Q2 19	Growth	
		QoQ	YoY
Revenue	188.5	4.7%	12.0%
EBITDA	30.5	13.2%	16.5%
EBIT	27.6	10.9%	17.2%
PAT	21.8	10.1%	-4.0%



Q2 Performance Highlights in US\$ terms



Q2 Performance Highlights in ` terms



ROI



Cash

- Cash & Cash equivalents at the end of June 2019 at US\$ 25.0 Mn; ` 173 crores
- Days of Sales Outstanding (DSO) was 54 days (billed DSO) and 77 days (including unbilled) at the end of Q2 2019
- Second Interim Dividend of Rs 1.50 (75%) for Q2 2019.

New Wins

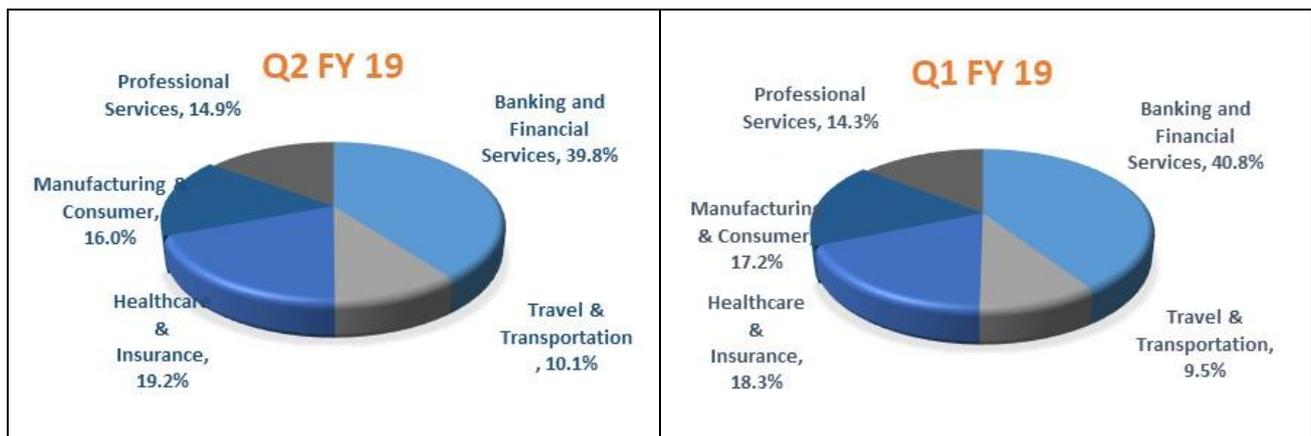
- 5 new clients signed in Q2 2019 with TCV of US\$ 36 Mn

Human Capital

- Headcount stood at 18,294 at the end of Q2 2019; up 2,937 YoY, up 1,785 QoQ
- Utilization stood at 80.7% (including trainees) in the Quarter
- Attrition at the end of June 2019 was at 18.2%

Revenue Split

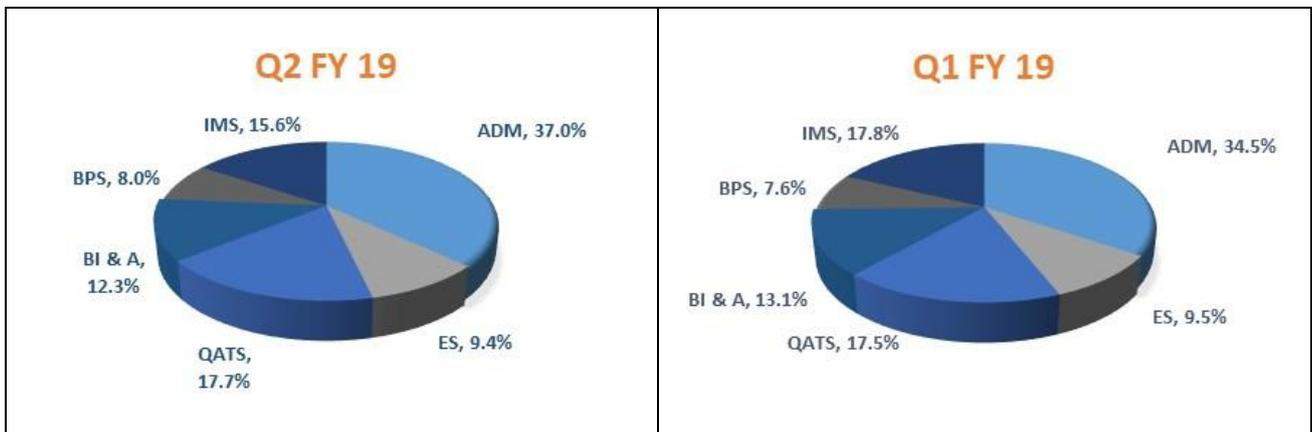
Vertical Split



Geography Split



Service Lines Split



Revenue Growth

Particulars	Segments	Q2 2019	
		Q o Q	Y o Y
Geography	Americas	5.8%	11.7%
	Europe	16.1%	23.1%
	Asia Pacific	-14.6%	0.9%
Service Lines Split	Application Devt & Maint (ADM)	12.1%	13.0%
	Enterprise Solutions (ES)	3.5%	-0.2%
	Testing / Digital Assurance (QATS)	6.0%	8.0%
	Business Intelligence & Analytics (BI&A)	-1.5%	2.2%
	Business Process Services (BPS)	10.6%	24.8%
	Infrastructure Management Services (IMS)	-8.1%	27.0%
Vertical Split	Banking & Financial Services	2.0%	4.0%
	Travel & Transportation	11.0%	1.3%
	Healthcare & Insurance	10.1%	25.7%
	Manufacturing & Consumer	-2.5%	11.1%
	Professional Services	10.2%	30.9%
Total		4.7%	12.0%

Business Update

In Q2 2019, Europe showed 16.1% QoQ and 23.1% YoY growth. Travel & Transportation (GTT), Healthcare & Insurance (H&I) and Professional Services (PS) all showed double digit QoQ growth in Q2 19. Professional Services (PS) displayed 30.9% YoY growth. In Q2 2019, Application Development & Maintenance (ADM) showed 12.1% QoQ and 13.0% YoY growth. Business Process Services (BPS) clocked 10.6% QoQ and 24.8% YoY growth. Infrastructure Management Services (IMS) clocked 27.0% YoY growth.

Second Interim Dividend of 2019

The Board of Directors declared second interim dividend of ` 1.50 per share (75%) on equity shares of ` 2.00 each. The record date is fixed as Thursday, 22nd August 2019 for determining the shareholders entitled for this second interim dividend of the year 2019. The payment shall be made on Tuesday, 27th August 2019. This would result in a cash outflow of ` 53.9 Crores for dividend payment including tax, resulting in a dividend payout ratio of 36% for Q2 2019.

Earlier in the year, the Board of Directors declared a first interim dividend of ` 2.50 per share (125%) on equity shares of ` 2.00 each. This had resulted in a cash outflow of ` 89.8 Crores for dividend payment including tax, resulting in a dividend pay-out ratio of 65% for Q1 2019



Foreign Exchange Cover

The Company has hedges worth \$ 197.20 Mn at an average exchange rate of ` 73.54, € 6.18 Mn at an average exchange rate of ` 89.57 and £ 13.08 Mn at an average exchange rate of `99.27 maturing over the course of the next eight quarters (from July 2019 to June 2021).

Awards and Recognition

Everest mentions Hexaware as

- "Major Contenders" for Healthcare Payer Business Process Services
- "Aspirants" for Contact Center Outsourcing Services
- "Aspirants" for IT Infrastructure Services in Insurance Services
- "Aspirants" for Workday HCM IT Services

HfS mentions Hexaware as

- one of the vendors offering Manufacturing Services in the report titled " HfS Top 10 Manufacturing Service Providers 2019"
- one of the vendors offering Finance & Accounting Services in the report titled " HfS Top 10 Finance & Accounting Service Providers"

Leading Independent Research Firm mentions Hexaware as "Strong Performer" for API Services in the report titled "The Forrester Wave: Specialist API Strategy & Delivery Service Providers Q2 2019 "

Gartner mentions Hexaware as one of the sample vendors offering Healthcare Payer Services in their Market Guide report.

About Hexaware

Hexaware is the fastest growing next-generation provider of IT, BPO and consulting services. Our focus lies on taking a leadership position in helping our clients attain customer intimacy as their competitive advantage. Our digital offerings have helped our clients achieve operational excellence and customer delight by 'Powering Man Machine Collaboration.' We are now on a journey of metamorphosing the experiences of our customer's customers by leveraging our industry-leading delivery and execution model, built around the strategy— 'Automate Everything, Cloudify Everything, Transform Customer Experiences.'

We serve customers in Banking, Financial Services, Capital Markets, Healthcare, Insurance, Manufacturing, Retail, Education, Telecom, Professional Services (Tax, Audit, Accounting and Legal), Travel, Transportation and Logistics. We deliver highly evolved services in Rapid Application prototyping, development and deployment; Build, Migrate and Run cloud solutions; Automation-based Application support; Enterprise Solutions for digitizing the back-office; Customer Experience Transformation; Business Intelligence & Analytics; Digital Assurance (Testing); Infrastructure Management Services; and Business Process Services.

Hexaware services customers in over two dozen languages, from every major time zone and every major regulatory zone. Our goal is to be the first IT services company in the world to have a 50% digital workforce. Learn more about Hexaware at <http://www.hexaware.com>

Safe Harbor Statement

Certain statements in this press release 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 in India, 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.

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Consolidated Income Statement - Ind AS

₹ Mn

Head	Quarterly Data				
	Q2 19	Q1 19	QoQ%	Q2 18	YoY%
Revenues	13,083	12,640	3.5%	11,367	15.1%
Direct Costs	8,808	8,781	0.3%	7,659	15.0%
Gross Profit	4,276	3,859	10.8%	3,708	15.3%
Selling / General And Administration	2,117	1,929	9.7%	1,839	15.1%
EBITDA* excluding ESOP Costs	2,159	1,930	11.9%	1,869	15.5%
ESOP Costs	41	43	-4.7%	96	-57.4%
EBITDA	2,118	1,887	12.3%	1,773	19.5%
Depreciation and Amortization	205	148	38.6%	182	13.0%
Operating Profit = EBIT	1,913	1,738	10.0%	1,591	20.2%
Other Income (net)	25	41	-39.1%	37	-33.6%
Forex Gains / (Losses)	74	(83)	-189.5%	290	-74.5%
Transaction Expense	(170)				
Profit Before Tax	1,842	1,697	8.6%	1,918	-4.0%
Provision for Tax	329	312	5.4%	384	-14.3%
Profit After Tax	1,513	1,384	9.3%	1,534	-1.4%
Share of Profit in associate	(0.85)	(0.61)	39.3%	(1.71)	-50.3%
PAT After Loss in Associate	1,514	1,385	9.3%	1,536	-1.4%

Key Ratios	Q2 19	Q1 19	QoQ%	Q2 18	YoY%
Gross Margin	32.7%	30.5%	2.2%	32.6%	0.1%
SG&A to Revenue	16.2%	15.3%	0.9%	16.2%	0.0%
EBITDA* excluding ESOP Costs	16.5%	15.3%	1.2%	16.4%	0.1%
EBITDA	16.2%	14.9%	1.3%	15.6%	0.6%
Operating / EBIT Margin	14.6%	13.8%	0.8%	14.0%	0.6%
Profit before tax	14.1%	13.4%	0.7%	16.9%	-2.8%
Profit after Tax	11.6%	11.0%	0.6%	13.5%	-1.9%
EPS- INR					
Basic	5.08	4.65	0.43	5.17	(0.09)
Diluted	5.01	4.58	0.43	5.09	(0.08)



Consolidated Audited Balance Sheet- Ind AS

₹ Mn

Head	As at June 30 2019	As at March 31
Assets		
Property, plant and equipment and intangible	7,274	4,255
Goodwill	11,486	1,793
Capital work-in-progress	2,107	2,078
Deferred tax assets	1,191	1,822
Other non-current assets & investments in associates	1,788	1,972
Trade receivables and unbilled revenue	11,969	10,288
Other current assets	1,221	1,059
Cash and cash equivalents (inc. restricted)	1,728	8,704
Total assets	38,764	31,971
Equity and liabilities		
Equity		
Equity Share capital	596	595
Other Equity and reserves	24,802	24,098
Total equity	25,398	24,693
Liabilities		
Non-current liabilities	11	11
Borrowings	1,658	
Trade payables	3,705	2,959
Other current liabilities	3,529	3,335
Deferred consideration	3,318	
Provisions	1,144	973
Total liabilities	13,366	7,278
Total equity and liabilities	38,764	31,971

Performance Review

Revenue Growth	INR, Mn	Q2 FY 19	Q1 FY 19	Q4 FY 18	Q3 FY 18	Q2 FY 18	FY 18
Revenue from Operations		13,083	12,640	12,524	12,096	11,367	46,478
% , q-o-q		4	1	4	6	8	18
Other Income		29	41	33	29	37	109

Vertical Split	%	Q2 FY 19	Q1 FY 19	Q4 FY 18	Q3 FY 18	Q2 FY 18	FY 18
Banking and Financial Services		39.8	40.8	42.1	42.5	42.8	42.8
Travel & Transportation		10.1	9.5	9.9	10.5	11.1	11.1
Healthcare & Insurance		19.2	18.3	19.1	18.8	17.1	17.8
Manufacturing & Consumer		16.0	17.2	15.2	14.9	16.1	15.3
Professional Services		14.9	14.3	13.8	13.3	12.9	13.0
Total		100.0	100.0	100.0	100.0	100.0	100.0

Service Lines Split	%	Q2 FY 19	Q1 FY 19	Q4 FY 18	Q3 FY 18	Q2 FY 18	FY 18
Application Development & Maintenance (ADM)		37.0	34.5	35.1	36.0	36.6	35.9
Enterprise Solutions		9.4	9.5	9.5	9.7	10.5	10.1
QATS /Digital Assurance		17.7	17.5	17.5	17.7	18.4	18.1
Business Intelligence & Analytics		12.3	13.1	13.1	14.5	13.5	13.8
Business Process Services (BPS)		8.0	7.6	7.3	7.4	7.2	7.2
Infrastructure Management Services (IMS)		15.6	17.8	17.5	14.7	13.8	14.9
Total		100.0	100.0	100.0	100.0	100.0	100.0

Geography	%	Q2 FY 19	Q1 FY 19	Q4 FY 18	Q3 FY 18	Q2 FY 18	FY 18
Americas		76.8	76.1	76.9	77.4	77.0	76.7
Europe		14.0	12.6	13.0	13.3	12.7	12.9
Asia Pacific		9.2	11.3	10.1	9.3	10.3	10.4
Total		100.0	100.0	100.0	100.0	100.0	100.0

Onsite: Offshore Mix with BPO	%	Q2 FY 19	Q1 FY 19	Q4 FY 18	Q3 FY 18	Q2 FY 18	FY 18
Onsite		63.0	63.4	63.9	64.9	65.2	64.8
Offshore (Incl.Nearshore)		37.0	36.6	36.1	35.1	34.8	35.2
Total		100.0	100.0	100.0	100.0	100.0	100.0

Client data

Repeat Business	%	Q2 FY 19	Q1 FY 19	Q4 FY 18	Q3 FY 18	Q2 FY 18
		96.4	93.9	95.6	93.8	94.3

Clients billed	No	Q2 FY 19	Q1 FY 19	Q4 FY 18	Q3 FY 18	Q2 FY 18
		255	223	224	223	226

Clients added	No	Q2 FY 19	Q1 FY 19	Q4 FY 18	Q3 FY 18	Q2 FY 18	FY 18
		15	7	5	9	7	26



DSO	Days	Q2 FY 19	Q1 FY 19	Q4 FY 18	Q3 FY 18	Q2 FY 18
	Billed		54	51	60	58
Including Unbilled Accruals		77	74	81	83	75

Revenue Concentration	%	Q2 FY 19	Q1 FY 19	Q4 FY 18	Q3 FY 18	Q2 FY 18	FY 18
	Top 5		37.3	41.7	42.0	42.1	42.4
Top 10		46.4	51.1	51.6	52.2	52.8	51.7

Q2 FY19 data considers revenue from Mobiquity for the full quarter. The historical revenue data is unchanged.

Client Size	Nos (Last Twelve Months)	Q2 FY 19	Q1 FY 19	Q4 FY 18	Q3 FY 18	Q2 FY 18
	More than \$ 1 Mn +		120	99	99	95
Between \$ 1 to 5 Mn		85	71	72	70	71
Between \$ 5 to 10 Mn		24	19	18	15	12
Between \$ 10 to 20 Mn		6	4	4	6	6
Over \$ 20 Mn		5	5	5	4	4

Q2 FY19 data considers revenue from Mobiquity for the full quarter. The historical revenue data is unchanged.

People Numbers	%	Q2 FY 19	Q1 FY 19	Q4 FY 18	Q3 FY 18	Q2 FY 18
	Billable Personnel (IT + BPS Services)					
Onsite		19.2%	19.1%	19.0%	18.4%	18.8%
Offshore		73.2%	73.5%	73.6%	74.2%	73.7%
Total		92.4%	92.6%	92.6%	92.6%	92.5%
Marketing (Incl. Sales Support)		3.0%	2.9%	3.0%	3.0%	3.0%
Others (Incl. Tech. Support)		4.6%	4.5%	4.4%	4.4%	4.5%
Grand Total		100.0%	100.0%	100.0%	100.0%	100.0%

Utilization	%	Q2 FY 19	Q1 FY 19	Q4 FY 18	Q3 FY 18	Q2 FY 18	FY 18
			80.7	79.0	78.7	79.0	78.2

Attrition Rate	%	Q2 FY 19	Q1 FY 19	Q4 FY 18	Q3 FY 18	Q2 FY 18
	Last Twelve Months		18.2	18.2	17.0	15.7

Rupee Dollar Rate		Q2 FY 19	Q1 FY 19	Q4 FY 18	Q3 FY 18	Q2 FY 18	FY 18
	Period Closing rate		69.02	69.16	69.78	72.49	68.47
Period average rate		69.42	70.32	71.11	70.68	67.52	68.49



Consolidated Income Statement - Ind AS

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Head	Quarterly Data				
	Q2 19	Q1 19	QoQ%	Q2 18	YoY%
Revenues	188,500	179,964	4.7%	168,288	12.0%
Direct Costs	126,962	124,979	1.6%	113,414	11.9%
Gross Profit	61,538	54,985	11.9%	54,874	12.1%
Selling / General And Administration	30,433	27,414	11.0%	27,260	11.6%
EBITDA* excluding ESOP Costs	31,105	27,571	12.8%	27,614	12.6%
ESOP Costs	591	612	-3.4%	1,425	-58.5%
EBITDA	30,514	26,959	13.2%	26,190	16.5%
Depreciation and Amortization	2,964	2,110	40.4%	2,688	10.2%
Operating Profit = EBIT	27,550	24,849	10.9%	23,501	17.2%
Other Income (net)	355	578	-38.6%	545	-34.9%
Forex Gains / (Losses)	1,048	(1,205)	-187.0%	4,298	-75.6%
Transaction Expense	(2,445)				
Profit Before Tax	26,508	24,222	9.4%	28,344	-6.5%
Provision for Tax	4,737	4,453	6.4%	5,675	-16.5%
Profit After Tax	21,772	19,769	10.1%	22,669	-4.0%
Share of Profit in associate	(12)	(9)	40.5%	(25)	-50.9%
PAT After Loss in Associate	21,784	19,778	10.1%	22,694	-4.0%

Key Ratios	Q2 19	Q1 19	QoQ%	Q2 18	YoY%
Gross Margin	32.6%	30.6%	2.0%	32.6%	0.0%
SG&A to Revenue	16.1%	15.2%	0.9%	16.2%	-0.1%
EBITDA* excluding ESOP Costs	16.5%	15.3%	1.2%	16.4%	0.1%
EBITDA	16.2%	15.0%	1.2%	15.6%	0.6%
Operating / EBIT Margin	14.6%	13.8%	0.8%	14.0%	0.6%
Profit before tax	14.1%	13.5%	0.6%	16.8%	-2.7%
Profit after Tax	11.6%	11.0%	0.6%	13.5%	-1.9%

