

Hexaware Reports Fourth Quarter and FY 2018 results

Key Highlights

Revenue

- Q4 2018 revenue at \$ 176.1 Mn
 - YoY growth of 12.8%, 14.2% in cc
 - QoQ growth of 3.0%, 3.4% in cc
- FY 2018 revenue at \$ 677.7 Mn; up 11.6% YoY
- Q4 2018 revenue at ₹ 12,524; up 24.6% YoY
- FY 2018 revenue at ₹ 46,478; up 17.9% YoY

EPS

- FY 2018 EPS at Rs 19.65, up 17.0% YoY

New Wins

- Strongest quarter ever for NN bookings – First \$ 100M+ New Logo deal win
- FY18 saw largest New Logo and Existing client deal win for the company - \$ 100M+ deals each

Dividend

- Interim Dividend of Rs 2.50 (125%) for Q418
- FY dividend pay-out of Rs 8.50 (425%) above the guidance of Rs 8.00 given at the beginning of year

2019 Guidance

- Organic FY revenue growth of 12-14%
 - Majority of growth will happen in later part of the year (calendar impact, impact of Q4 deal ramp-up)
- EBITDA: In line with revenue growth
- Dividend: Inline with FY18, subject to M&A activity.

Leadership Speak

"Hexaware has seen sustained organic revenue growth with CAGR of 12.5% over the last 5 years. This is acknowledgement of our excellent client relationships and strong execution capabilities." remarked **Atul Nishar, Chairman, Hexaware Technologies Limited.**

"On the back of strong bookings in 2018 and ongoing strength in client mining, we expect to deliver industry leading organic growth in 2019." stated **R Srikrishna, CEO & Executive Director, Hexaware Technologies Limited.**



Financial Summary

USD Mn	2018	Growth YoY	Q4 18	Growth	
				QoQ	YoY
Revenue (Constant Currency)	677.41	11.5%	176.9	3.4%	14.2%

₹ Mn	2018	Growth YoY	Q4 18	Growth	
				QoQ	YoY
Revenue	46,478	17.9%	12,524	3.5%	24.6%
EBITDA*	7,708	11.7%	2,004	-5.3%	18.5%
EBIT	6,684	12.9%	1,755	-5.9%	21.9%
PAT	5,835	16.8%	1,234	-28.3%	2.0%

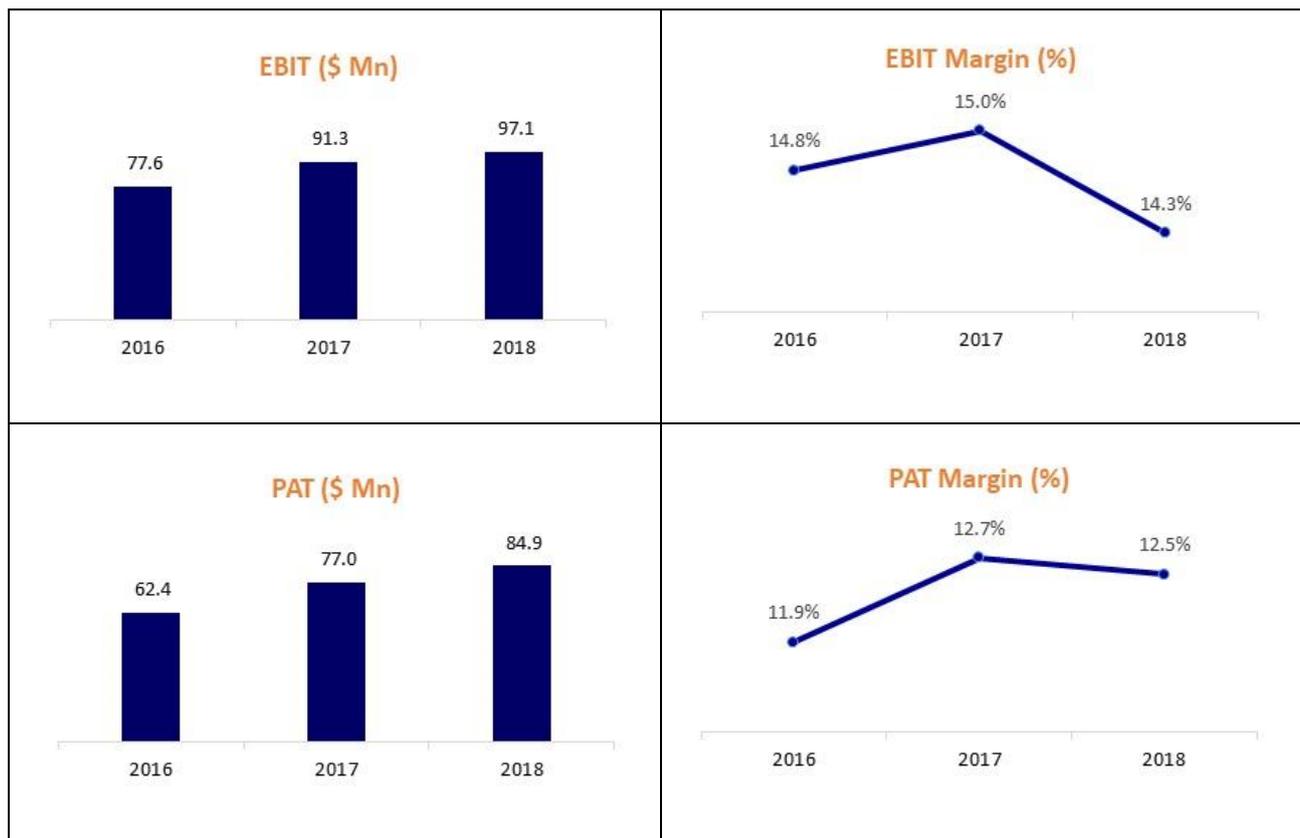
USD Mn	2018	Growth YoY	Q4 18	Growth	
				QoQ	YoY
Revenue	677.7	11.6%	176.1	3.0%	12.8%
EBITDA*	112.1	5.4%	28.1	-6.1%	6.9%
EBIT	97.1	6.4%	24.6	-6.6%	9.9%
PAT	84.9	10.2%	17.2	-29.2%	-8.6%

EBITDA* - Excludes ESOP Cost;

EPS# - of 20.33 (YTD Q3 actuals plus Q4 at Sept rates); YoY growth of 21.1%

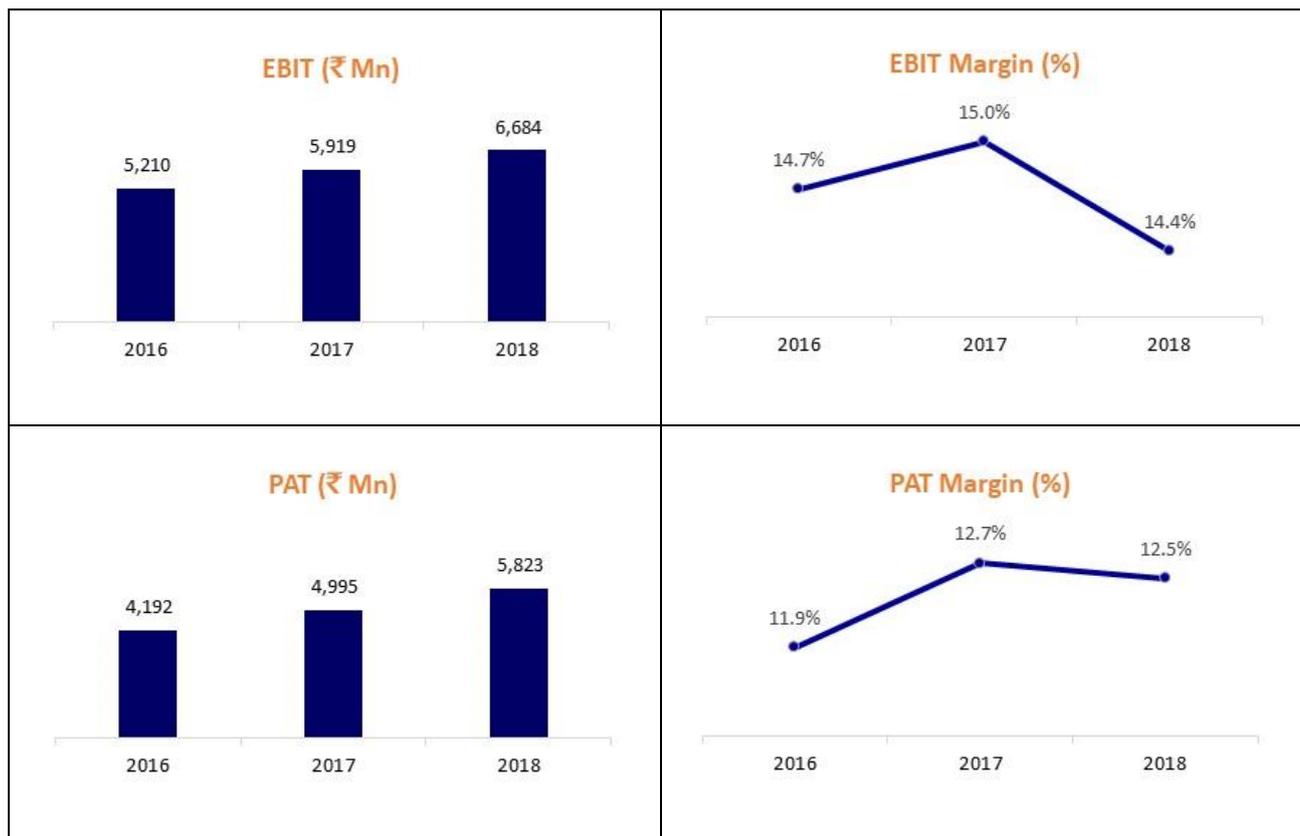
2018 Performance Highlights in US\$ terms



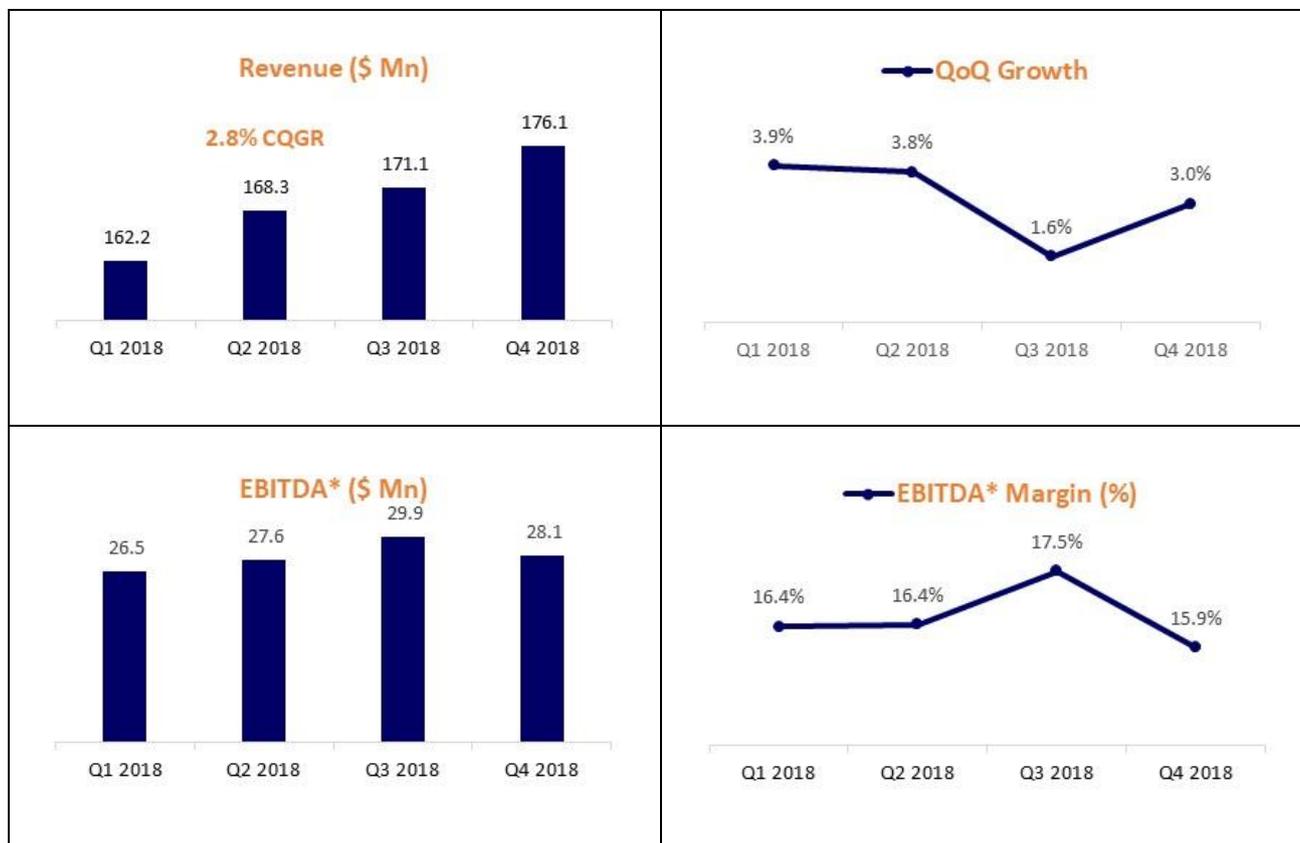


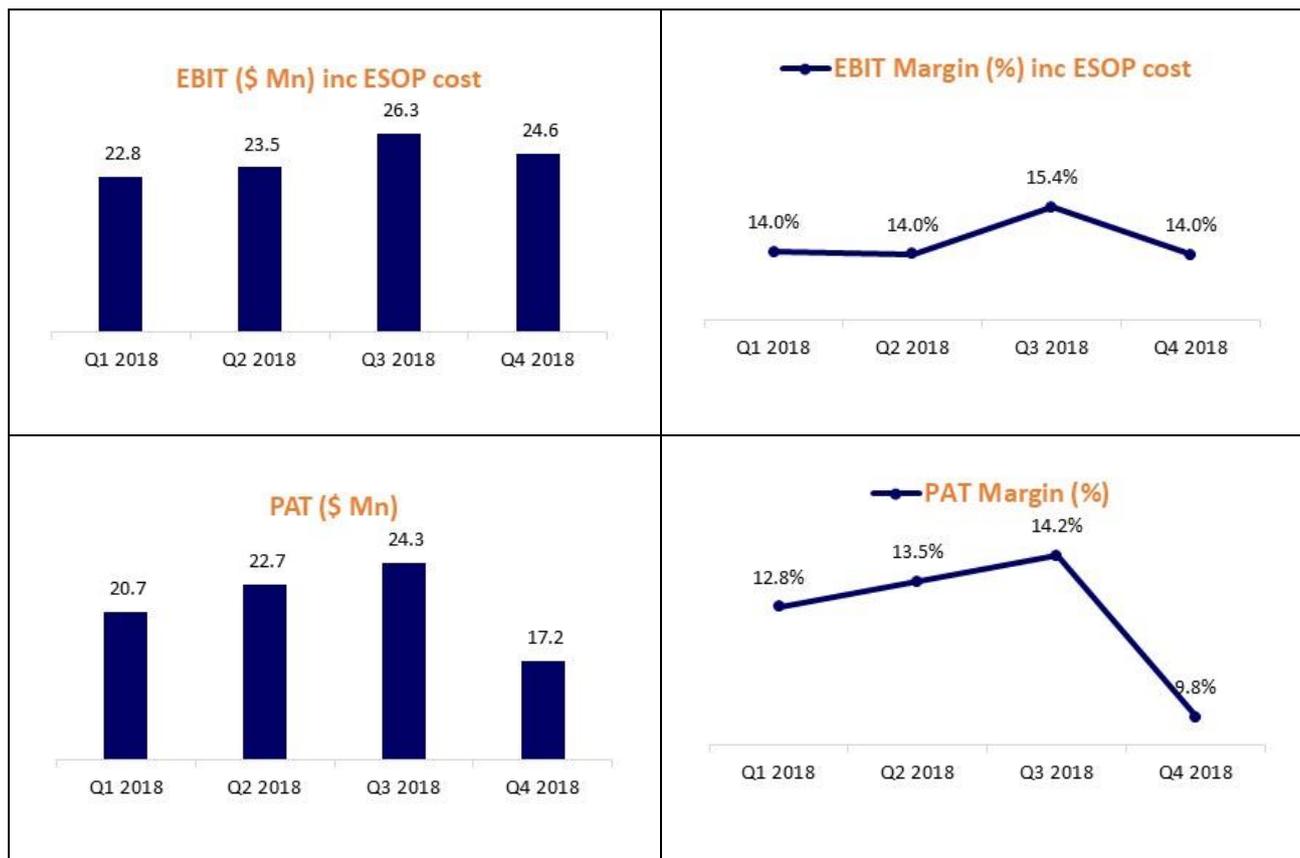
2018 Performance Highlights in ₹ terms



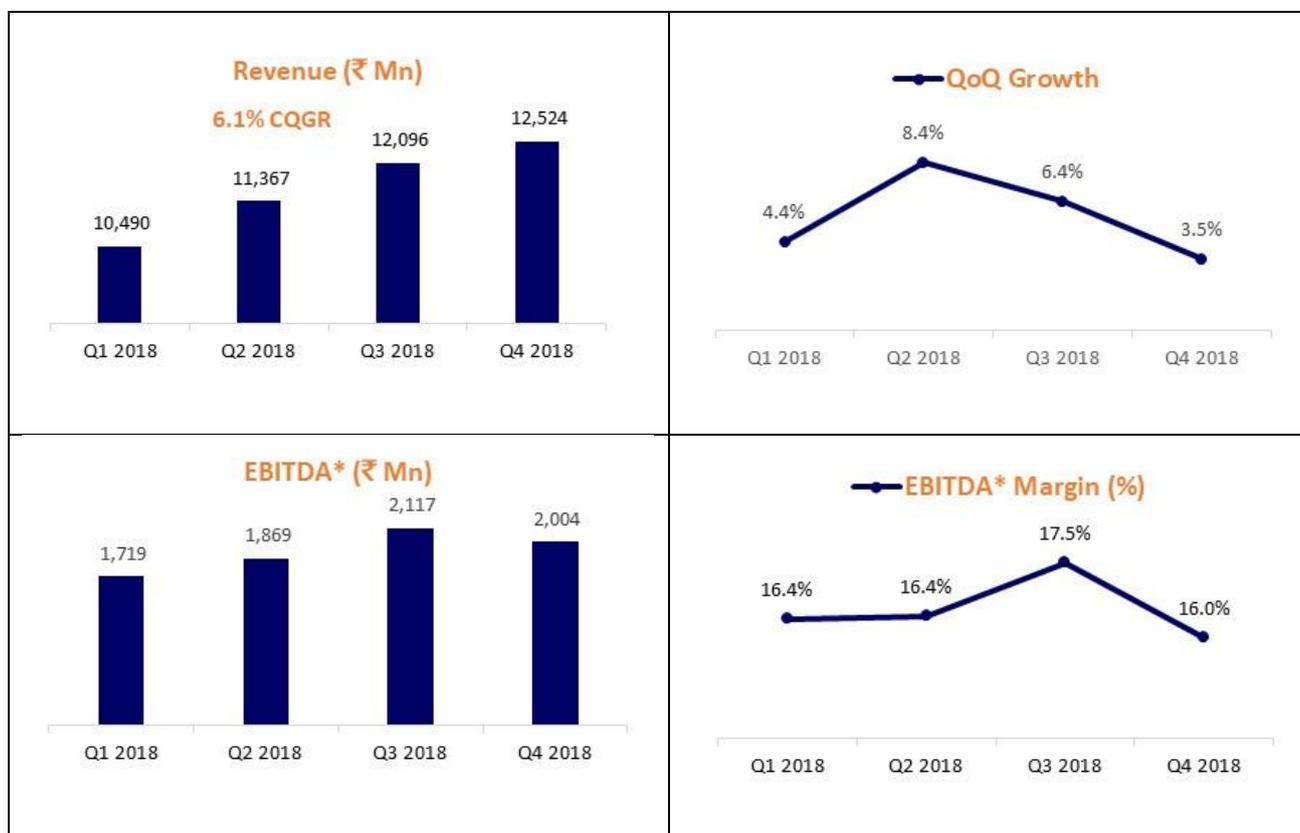


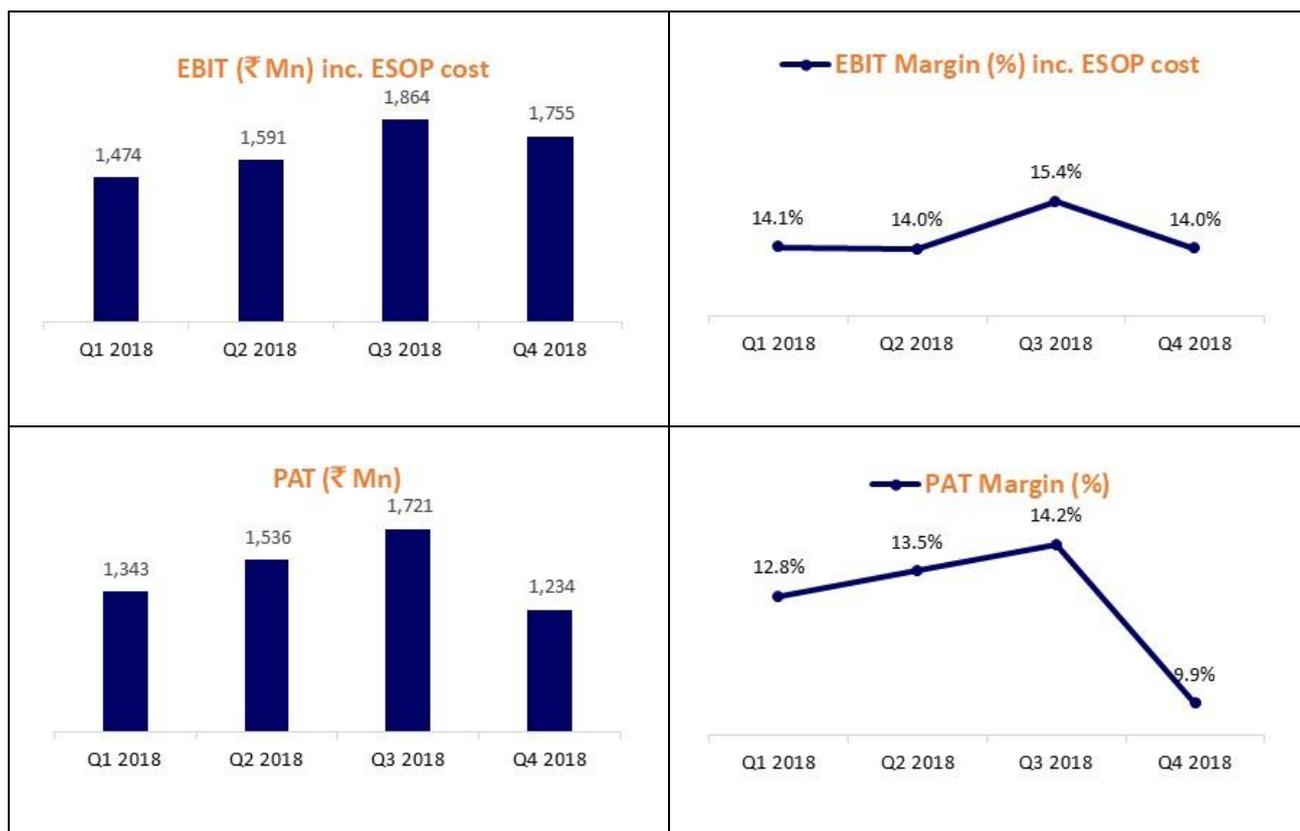
Q4 Performance Highlights in US\$ terms



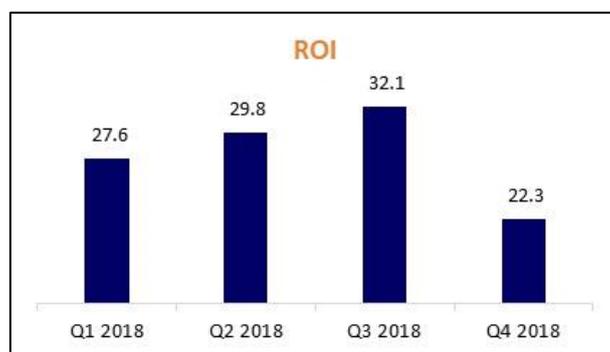


Q4 Performance Highlights in ₹ terms





ROI



Cash

- Cash & Cash equivalents at the end of December 2018 at US\$ 119.5 Mn; ₹ 834 crores
- Days of Sales Outstanding (DSO) was 60 days at the end of Q4 2018
- Fourth Interim Dividend of Rs 2.50 (125%) for Q4 2018.

New Wins

- 5 new clients signed in Q4 2018 with TCV of US\$ 116 Mn
- 15 new clients signed in FY 2018 with TCV of US\$ 210 Mn

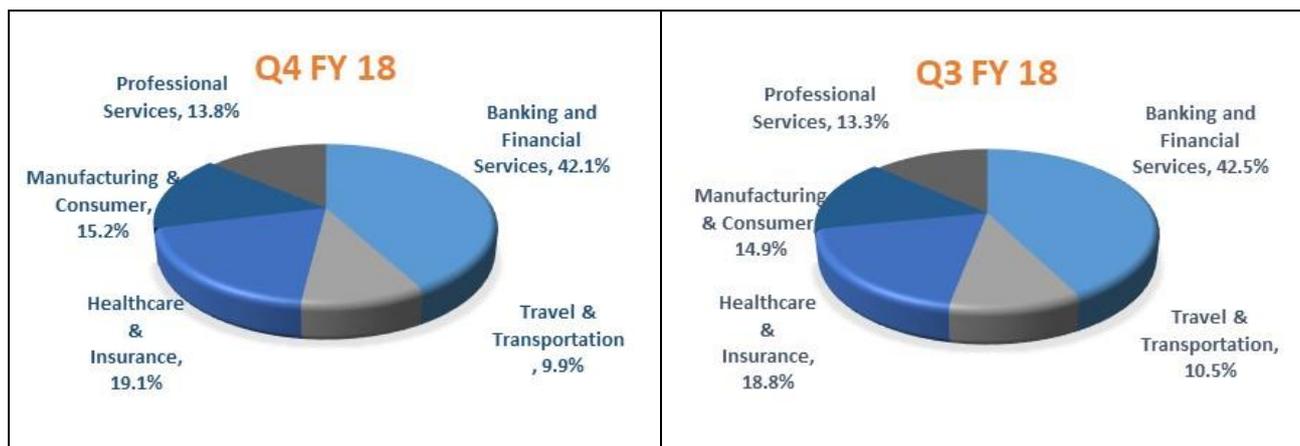


Human Capital

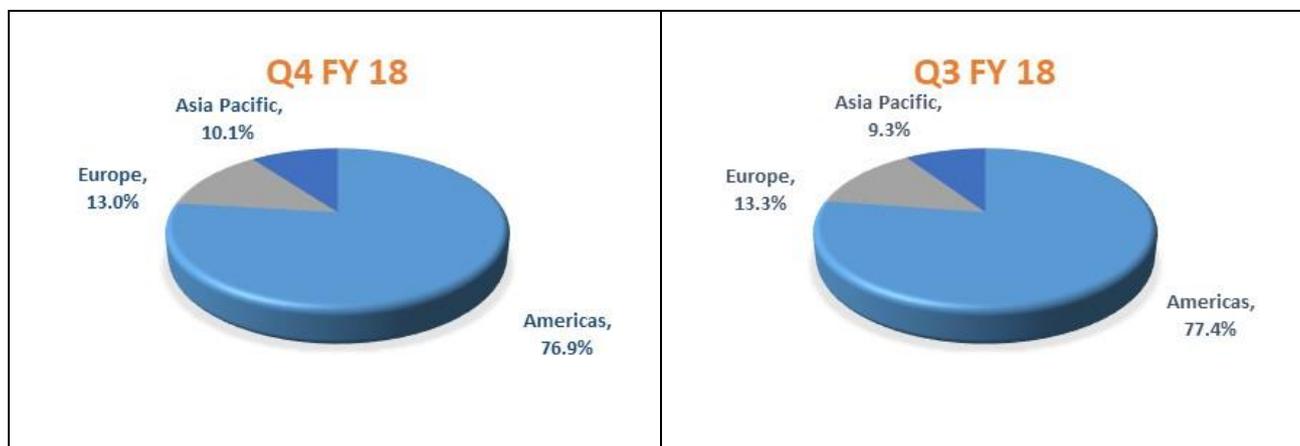
- Headcount stood at 16,205 at the end of Q4 2018; up 2,500 YoY, up 155 QoQ
- Utilization stood at 78.7% (including trainees) in the Quarter
- Attrition at the end of December 2018 was at 17.0%

Revenue Split

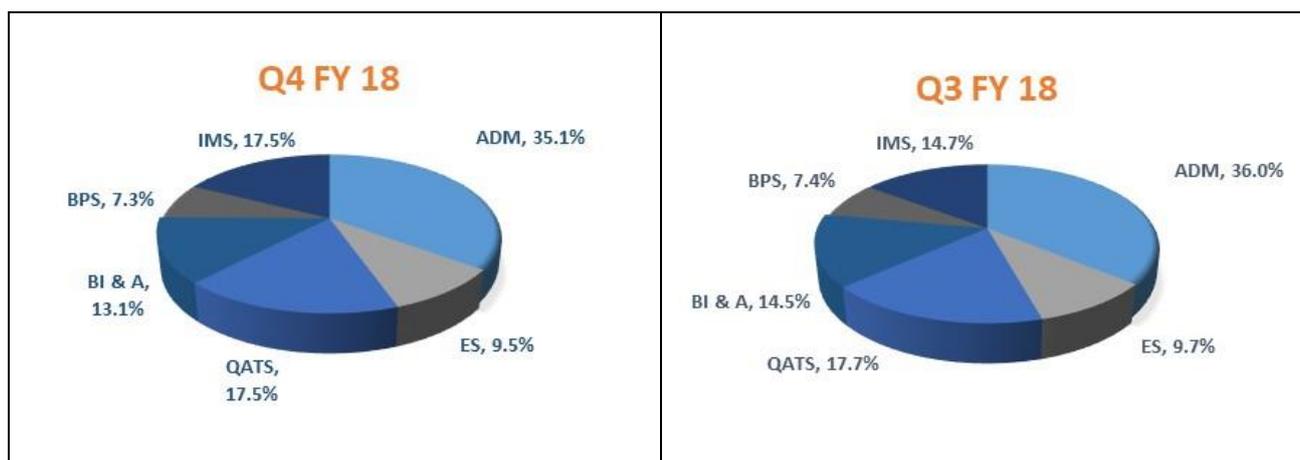
Vertical Split



Geography Split



Service Lines Split



Revenue Growth

Particulars	Segments	FY 2018	Q4 2018	
		YoY	QoQ	YoY
Geography	Americas	7.2%	2.3%	11.7%
	Europe	26.0%	0.8%	21.5%
	Asia Pacific	32.1%	11.0%	11.2%
Service Lines Split	Application Devt & Maint (ADM)	9.6%	0.5%	6.4%
	Enterprise Solutions (ES)	-1.3%	1.3%	-0.4%
	Testing / Digital Assurance (QATS)	1.2%	2.0%	1.4%
	Business Intelligence & Analytics (BI&A)	11.3%	-6.8%	7.3%
	Business Process Services (BPS)	15.5%	1.7%	17.8%
	Infrastructure Management Services (IMS)	47.7%	21.4%	67.4%
Vertical Split	Banking & Financial Services	9.8%	1.9%	6.9%
	Travel & Transportation	-4.7%	-3.5%	-7.3%
	Healthcare & Insurance	22.9%	4.7%	28.7%
	Manufacturing & Consumer	25.8%	4.7%	23.8%
	Professional Services	5.3%	7.1%	19.4%

Mumbai – January 30, 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 fourth quarter of the calendar year ended December 31, 2018.

Business Update

APAC was the fastest growing geography with 32.1% growth, followed by Europe with 26% growth in 2018. In Q4 2018, APAC showed 11% QoQ and 11.2% YoY growth. Manufacturing & Consumer (M&C) and Healthcare & Insurance (H&I) are the fastest growing verticals with growth of 25.8% and 22.9% respectively in 2018. Professional Services (PS) displayed 7.1% QoQ growth in Q4 2018. Infrastructure Management Services (IMS) clocked 47.7% growth for the year 2018. In Q4 2018, IMS led the service line growth with 21.4% QoQ and 67.4% YoY growth.



Fourth Interim Dividend of 2018

The Board of Directors declared a fourth interim dividend of ₹ 2.50 per share (125%) on equity shares of Rs 2.00 each. The record date is fixed as Monday, February 11, 2019 for determining the shareholders entitled for this fourth interim dividend of the year 2018. The payment shall be made on February 15, 2019. This would result in a cash outflow of ₹ 89.6 Crores for dividend payment including tax, resulting in a dividend payout ratio of 39% for Q4 2018.

Earlier in the year, the Board of Directors declared a first interim dividend of ₹ 1.00 per share (50%), a second interim dividend of ₹ 2.50 per share (125%) and a third interim dividend of ₹ 2.50 per share (125%) on equity shares of ₹ 2.00 each. Including the fourth interim dividend, the dividends declared including tax for the four quarters of 2018 total to ₹ 304.5 Crores, amounting to a dividend payout ratio of 56%. This brings the interim dividends for the four quarters of 2018 to ₹ 8.50 per share (425%).

Foreign Exchange Cover

The Company has hedges worth \$ 162.12 Mn at an average exchange rate of ₹ 71.83, € 5.84 Mn at an average exchange rate of ₹ 88.22 and £ 11.32 Mn at an average exchange rate of ₹98.70 maturing over the course of the next eight quarters (from January 2019 to December 2020).

Awards and Recognition

Forrester mentions Hexaware as one of the vendors offering Oracle Services in "Now Tech Report for Oracle Services, Q4 2018" and as one of the vendors offering RPA Services In "Now Tech Report for RPA Services, Q4 2018".

HfS mentions Hexaware among the vendors offering RPA services in the report titled "Top RPA Services vendors 2018 " and among the vendors offering Application Development Services in the report titled "Top Application Development Services Vendors 2018 "

IDC mentions Hexaware as "Major Players" for Devops Services.

Everest mentions Hexaware as

- "Major Contenders" for Cloud Enablement Services
- "Major Contenders & "Star Performer" for Property & Casualty (P&C) Insurance Digital Services
- " Major Contenders" for Digital Healthcare Payer Services
- " Aspirants" for Healthcare Provider Services

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				
	Q4 18	Q3 18	QoQ%	Q4 17	YoY%
Revenues	12,524	12,096	3.5%	10,048	24.6%
Direct Costs	8,476	8,038	5.5%	6,658	27.3%
Gross Profit	4,048	4,058	-0.3%	3,390	19.4%
Selling / General And Administration	2,044	1,941	5.3%	1,699	20.3%
EBITDA* excluding ESOP Costs	2,004	2,117	-5.3%	1,691	18.5%
ESOP Costs	91	94	-3.2%	92	-1.8%
EBITDA	1,913	2,023	-5.5%	1,598	19.7%
Depreciation and Amortization	158	159	-0.6%	159	-0.3%
Operating Profit = EBIT	1,755	1,864	-5.9%	1,440	21.9%
Other Income (net)	33	29	13.7%	4	822.6%
Forex Gains / (Losses)	(248)	235	-205.5%	128	-294.3%
Profit Before Tax	1,540	2,128	-27.6%	1,571	-2.0%
Provision for Tax	306	406	-24.6%	361	-15.3%
Profit After Tax	1,234	1,723	-28.3%	1,210	2.0%
Share of Profit in associate	(0.13)	1.23	-110.6%	(0.03)	333.3%
PAT After Loss in Associate	1,234	1,721	-28.3%	1,210	2.0%

Key Ratios	Q4 18	Q3 18	QoQ%	Q4 17	YoY%
Gross Margin	32.3%	33.5%	-1.2%	33.7%	-1.4%
SG&A to Revenue	16.3%	16.0%	0.3%	16.9%	-0.6%
EBITDA* excluding ESOP Costs	16.0%	17.5%	-1.5%	16.8%	-0.8%
EBITDA	15.3%	16.7%	-1.4%	15.9%	-0.6%
Operating / EBIT Margin	14.0%	15.4%	-1.4%	14.3%	-0.3%
Profit before tax	12.3%	17.6%	-5.3%	15.6%	-3.3%
Profit after Tax	9.9%	14.2%	-4.4%	12.0%	-2.2%
EPS-INR					
Basic	4.15	5.80	(1.65)	4.08	0.07
Diluted	4.09	5.70	(1.61)	4.02	0.07



Consolidated Income Statement - Ind AS

₹ Mn

Head	FY 18	FY 17	YoY%
Revenues	46,478	39,420	17.9%
Direct Costs	31,123	25,701	21.1%
Gross Profit	15,354	13,719	11.9%
Selling / General And Administration	7,646	6,818	12.2%
EBITDA* excluding ESOP Costs	7,708	6,901	11.7%
ESOP Costs	374	349	6.9%
EBITDA	7,334	6,552	11.9%
Depreciation and Amortization	651	633	2.8%
Operating Profit = EBIT	6,684	5,919	12.9%
Other Income (net)	109	34	216.6%
Forex Gains / (Losses)	471	450	4.9%
Profit Before Tax	7,264	6,403	13.4%
Provision for Tax	1,431	1,411	1.5%
Profit After Tax	5,833	4,993	16.8%
Share of Profit in associate	(2)	(3)	-38.5%
PAT After Loss in Associate	5,835	4,995	16.8%

Key Ratios	FY 18	FY 17	YoY%
Gross Margin	33.0%	34.8%	-1.8%
SG&A to Revenue	16.5%	17.3%	-0.8%
EBITDA* excluding ESOP Costs	16.6%	17.5%	-0.9%
EBITDA	15.8%	16.6%	-0.8%
Operating / EBIT Margin	14.4%	15.0%	-0.6%
Profit before tax	15.6%	16.2%	-0.6%
Profit after Tax	12.6%	12.7%	-0.1%
EPS-INR			
Basic	19.65	16.79	2.86
Diluted	19.31	16.56	2.75



Consolidated Audited Balance Sheet- Ind AS

₹ Mn

Head	As at Dec 31 2018	As at Sept 30 2018
Assets		
Property, plant and equipment and intangible	5,742	5,672
Capital work-in-progress	2,244	2,434
Deferred tax assets	1,784	1,885
Other non-current assets & investments in associates	1,661	1,513
Trade receivables and unbilled revenue	10,761	11,159
Other current assets	802	831
Cash and cash equivalents (inc. restricted)	8,341	7,292
Total assets	31,335	30,787
Equity and liabilities		
Equity		
Equity Share capital	595	594
Other Equity and reserves	23,324	22,730
Total equity	23,919	23,324
Liabilities		
Non-current liabilities	76	325
Trade payables	3,300	3,138
Other current liabilities	3,125	3,053
Provisions	916	947
Total liabilities	7,416	7,463
Total equity and liabilities	31,335	30,787



Performance Review

Revenue Growth	₹, Mn	Q4 FY 18	Q3 FY 18	Q2 FY 18	Q1 FY 18	Q4 FY 17	FY 18	FY 17
	Revenue from Operations		12,524	12,096	11,367	10,490	10,048	46,478
% q-o-q		4	6	8	4	1	18	12
Other Income		33	29	37	9	4	109	34

Vertical Split	%	Q4 FY 18	Q3 FY 18	Q2 FY 18	Q1 FY 18	Q4 FY 17	FY 18	FY 17
	Banking and Financial Services		42.1	42.5	42.8	43.7	44.4	42.8
Travel & Transportation		9.9	10.5	11.1	13.1	12.0	11.1	13.0
Healthcare & Insurance		19.1	18.8	17.1	16.0	16.7	17.8	16.2
Manufacturing & Consumer		15.2	14.9	16.1	15.1	13.9	15.3	13.6
Professional Services		13.8	13.3	12.9	12.1	13.0	13.0	13.7
Total		100.0	100.0	100.0	100.0	100.0	100.0	100.0

Service Lines Split	%	Q4 FY 18	Q3 FY 18	Q2 FY 18	Q1 FY 18	Q4 FY 17	FY 18	FY 17
	Application Development & Maintenance (ADM)		35.1	36.0	36.6	35.9	37.2	35.9
Enterprise Solutions		9.5	9.7	10.5	10.9	10.8	10.1	11.4
QATS /Digital Assurance		17.5	17.7	18.4	19.1	19.5	18.1	20.0
Business Intelligence & Analytics		13.1	14.5	13.5	14.2	13.8	13.8	13.8
Business Process Services (BPS)		7.3	7.4	7.2	6.9	7.0	7.2	7.0
Infrastructure Management Services (IMS)		17.5	14.7	13.8	13.0	11.7	14.9	11.3
Total		100.0	100.0	100.0	100.0	100.0	100.0	100.0

Geography	%	Q4 FY 18	Q3 FY 18	Q2 FY 18	Q1 FY 18	Q4 FY 17	FY 18	FY 17
	Americas		76.9	77.4	77.0	75.3	77.7	76.7
Europe		13.0	13.3	12.7	12.5	12.1	12.9	11.4
Asia Pacific		10.1	9.3	10.3	12.2	10.2	10.4	8.8
Total		100.0	100.0	100.0	100.0	100.0	100.0	100.0

Onsite: Offshore Mix with BPO	%	Q4 FY 18	Q3 FY 18	Q2 FY 18	Q1 FY 18	Q4 FY 17	FY 18	FY 17
	Onsite		63.9	64.9	65.2	65.4	65.1	64.8
Offshore (Incl. Nearshore)		36.1	35.1	34.8	34.6	34.9	35.2	35.1
Total		100.0	100.0	100.0	100.0	100.0	100.0	100.0

Client data

Repeat Business	%	Q4 FY 18	Q3 FY 18	Q2 FY 18	Q1 FY 18	Q4 FY 17
			95.6	93.8	94.3	94.3

Clients billed	No	Q4 FY 18	Q3 FY 18	Q2 FY 18	Q1 FY 18	Q4 FY 17
			224	223	226	224

Clients added	No	Q4 FY 18	Q3 FY 18	Q2 FY 18	Q1 FY 18	Q4 FY 17	FY 18	FY 17
			5	9	7	5	8	26



DSO	Days	Q4 FY 18	Q3 FY 18	Q2 FY 18	Q1 FY 18	Q4 FY 17
	Billed		60	58	47	47
Including Unbilled Accruals		81	83	75	74	71

Revenue Concentration	%	Q4 FY 18	Q3 FY 18	Q2 FY 18	Q1 FY 18	Q4 FY 17	FY 18	FY 17
	Top 5		42.0	42.1	42.4	42.1	42.8	41.6
Top 10		51.6	52.2	52.8	52.8	52.9	51.7	55.0

Client Size	Nos (Last Twelve Months)	Q4 FY 18	Q3 FY 18	Q2 FY 18	Q1 FY 18	Q4 FY 17
	More than \$ 1 Mn +		99	95	93	89
Between \$ 1 to 5 Mn		72	70	71	69	71
Between \$ 5 to 10 Mn		18	15	12	10	7
Between \$ 10 to 20 Mn		4	6	6	6	6
Over \$ 20 Mn		5	4	4	4	4

People Numbers	%	Q4 FY 18	Q3 FY 18	Q2 FY 18	Q1 FY 18	Q4 FY 17
	Billable Personnel (IT + BPS Services)					
Onsite		19.0%	18.4%	18.8%	19.0%	19.7%
Offshore		73.6%	74.2%	73.7%	73.3%	72.5%
Total		92.6%	92.6%	92.5%	92.3%	92.2%
Marketing (Incl. Sales Support)		3.0%	3.0%	3.0%	3.2%	3.3%
Others (Incl. Tech. Support)		4.4%	4.4%	4.5%	4.5%	4.5%
Grand Total		100.0%	100.0%	100.0%	100.0%	100.0%

Utilization	%	Q4 FY 18	Q3 FY 18	Q2 FY 18	Q1 FY 18	Q4 FY 17	FY 18	FY 17
			78.7	79.0	78.2	81.3	80.9	79.3

Attrition Rate	%	Q4 FY 18	Q3 FY 18	Q2 FY 18	Q1 FY 18	Q4 FY 17
	Last Twelve Months		17.0	15.7	14.4	13.4

Rupee Dollar Rate		Q4 FY 18	Q3 FY 18	Q2 FY 18	Q1 FY 18	Q4 FY 17	FY 18	FY 17
	Period Closing rate		69.78	72.49	68.47	65.18	63.88	69.78
Period average rate		71.11	70.68	67.52	64.65	64.36	68.49	64.93



Consolidated Income Statement - Ind AS

USD K

Head	Quarterly Data				
	Q4 18	Q3 18	QoQ%	Q4 17	YoY%
Revenues	176,110	171,063	3.0%	156,104	12.8%
Direct Costs	119,279	113,692	4.9%	103,436	15.3%
Gross Profit	56,831	57,372	-0.9%	52,667	7.9%
Selling / General And Administration	28,755	27,482	4.6%	26,401	8.9%
EBITDA* excluding ESOP Costs	28,076	29,890	-6.1%	26,267	6.9%
ESOP Costs	1,277	1,328	-3.8%	1,435	-11.0%
EBITDA	26,799	28,562	-6.2%	24,831	7.9%
Depreciation and Amortization	2,227	2,253	-1.2%	2,467	-9.7%
Operating Profit = EBIT	24,572	26,309	-6.6%	22,365	9.9%
Other Income (net)	470	414	13.5%	56	735.3%
Forex Gains / (Losses)	(3,623)	3,296	-209.9%	1,984	-282.6%
Profit Before Tax	21,418	30,018	-28.6%	24,404	-12.2%
Provision for Tax	4,249	5,733	-25.9%	5,613	-24.3%
Profit After Tax	17,169	24,286	-29.3%	18,791	-8.6%
Share of Profit in associate	(2)	17	-111.1%	(0)	320.0%
PAT After Loss in Associate	17,171	24,269	-29.2%	18,792	-8.6%

Key Ratios	Q4 18	Q3 18	QoQ%	Q4 17	YoY%
Gross Margin	32.3%	33.5%	-1.2%	33.7%	-1.4%
SG&A to Revenue	16.3%	16.1%	0.2%	16.9%	-0.6%
EBITDA* excluding ESOP Costs	15.9%	17.5%	-1.6%	16.8%	-0.9%
EBITDA	15.2%	16.7%	-1.5%	15.9%	-0.7%
Operating / EBIT Margin	14.0%	15.4%	-1.4%	14.3%	-0.3%
Profit before tax	12.2%	17.5%	-5.3%	15.6%	-3.4%
Profit after Tax	9.8%	14.2%	-4.4%	12.0%	-2.2%



Consolidated Income Statement - Ind AS

USD K

Head	FY 18	FY 17	YoY%
Revenues	677,665	607,486	11.6%
Direct Costs	453,878	396,036	14.6%
Gross Profit	223,786	211,450	5.8%
Selling / General And Administration	111,665	105,037	6.3%
EBITDA* excluding ESOP Costs	112,122	106,413	5.4%
ESOP Costs	5,471	5,397	1.4%
EBITDA	106,651	101,016	5.6%
Depreciation and Amortization	9,510	9,755	-2.5%
Operating Profit = EBIT	97,141	91,261	6.4%
Other Income (net)	1,562	528	196.1%
Forex Gains / (Losses)	6,971	6,960	0.2%
Profit Before Tax	105,674	98,748	7.0%
Provision for Tax	20,838	21,756	-4.2%
Profit After Tax	84,836	76,992	10.2%
Share of Profit in associate	(26)	(41)	-37.2%
PAT After Loss in Associate	84,862	77,033	10.2%

Key Ratios	FY 18	FY 17	YoY%
Gross Margin	33.0%	34.8%	-1.8%
SG&A to Revenue	16.5%	17.3%	-0.8%
EBITDA* excluding ESOP Costs	16.5%	17.5%	-1.0%
EBITDA	15.7%	16.6%	-0.9%
Operating / EBIT Margin	14.3%	15.0%	-0.7%
Profit before tax	15.6%	16.3%	-0.7%
Profit after Tax	12.5%	12.7%	-0.2%

