

Firstsource Solutions Limited

Q4 and FY2018 Earnings Update

May 07, 2018

Disclaimer

Certain statements in 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 BPO services including those factors which may affect our cost advantage, wage increases, our ability to attract and retain highly skilled professional, time and cost overruns on client contracts, client concentration, our ability to manage ramp-ups and growth, our ability to manage our international operations, reduced demand in our key focus verticals, disruptions in telecom infrastructure and technology, our ability to successfully complete and integrate potential acquisitions, liability for damages on our service contracts, performance of our subsidiaries, withdrawal of government fiscal incentives, political instability, legal restrictions on raising capital and acquiring companies outside India, unauthorized use of our intellectual property and general economic conditions affecting our industry. Firstsource may, from time to time, make additional written and oral forward-looking statements, including our reports to shareholders. The company does not undertake to update any forward-looking statements that may be made from time to time by or on behalf of the company.

Agenda

01 | Performance Highlights

02 | Business Outlook



Q4FY18 Highlights

- **Operating Revenue: Q4 FY18 Revenues at INR 897.3 crore compared to INR 887.2 crore in Q3 FY18 and INR 892.3 crore in Q4 FY17**
 - QoQ growth of 1.1% in INR terms and flat in constant currency terms
 - YoY growth of 0.6% in INR terms and growth of 0.5% in constant currency terms
 - *Proforma Domestic business, then YoY growth of 6.9 % in INR terms and 6.7% in constant currency terms*
- **Operating EBITDA: Q4 FY18 operating EBITDA at INR 132.5 crore compared to INR 116.1 crore in Q3 FY18 and INR 99.0 crore in Q4 FY17**
 - QoQ growth of 14.1%, margin expansion by 168 bps from 13.09% to 14.77%
 - YoY growth of 33.8%, margin expansion by 367 bps from 11.10% to 14.77%
 - *Proforma Domestic business, then growth of 40.6% YoY*
- **Operating EBIT: Q3 FY18 operating EBIT at INR 115.3 crore compared to INR 99.0 crore in Q3 FY18 and INR 88.0 crore in Q4 FY17**
 - QoQ growth of 16.5%, margin expansion by 170 bps from 11.15% to 12.85%
 - YoY growth of 31.0%, margin expansion by 299 bps from 9.86% to 12.85%
 - *Proforma Domestic business, then growth of 36.5% YoY*
- **PAT: Q4 FY18 PAT at INR 92.8 crore compared to Operating PAT of INR 75.5 crore and Reported PAT of INR 99.5 crore in Q3 FY18 and INR 65.4 crore in Q4 FY17**
 - QoQ growth of 23% on operating PAT, margin expansion of 184 bps from 8.51% to 10.35%
 - QoQ de-growth of 6.7% on reported PAT, margin reduction of 87 bps from 11.22% to 10.35%
 - YoY growth of 42.0%, margin expansion by 302 bps, from 7.33% to 10.35%
 - *Proforma Domestic business, then growth of 50.1% YoY*
- **Board recommended a maiden dividend of 15% (INR 1.50 per share)**

FY2018 Highlights

- **Operating Revenue: FY18 Revenues at INR 3,535.2 crore compared to INR 3,555.6 crore in FY17**
 - Y-o-Y de-growth of 0.6% in INR terms and growth of 2.8% in constant currency terms
 - Proforma Domestic business, then growth of 3.7 % in INR terms and 7.1% in constant currency terms
- **Operating EBITDA: FY18 operating EBITDA at INR 458.9 crore compared to INR 438.0 crore in FY17**
 - Y-o-Y growth of 4.8%, margin expansion by 66 bps from 12.32% to 12.98%
 - Proforma Domestic business, then growth of 8.9% YoY
- **Operating EBIT: FY18 operating EBIT at INR 393.0 crore compared to INR 379.0 crore in FY17**
 - Y-o-Y growth of 3.7%, margin expansion by 46 bps from 10.66% to 11.12%
 - Proforma Domestic business, then growth of 7.5% YoY
- **Operating PAT: FY18 PAT at INR 302.4 crore compared to INR INR 280.0 crore in FY17**
 - Y-o-Y growth of 8.0%, margin expansion by 68 bps, from 7.88% to 8.56%
 - Proforma Domestic business, growth of 13.4% YoY
- **Reported PAT: FY18 PAT at INR 326.5 crore (operating PAT of INR 302.4 crore) compared to INR INR 280.0 crore in FY17**
 - Y-o-Y growth of 16.6%, margin expansion by 136 bps, from 7.88% to 9.24%
 - Proforma Domestic business, then growth of 22.2% YoY
- **Repayment of Debt of \$61.7 million in FY2018**
 - Full and final repayment of \$135 million Term Loan and \$20 million ECB
- **Successfully divested our Domestic Business in FY18**

Other Highlights

Employee and Attrition Details

Headcount:

18,703 employees as on March 31, 2018

- **8,809 employees in India**
- **9,894 employees based outside India**
- **Net reduction of 523 employees in Q4 FY18**

Attrition Details:

- **Onshore (US and Europe) – 47.3% compared to 39.4% in Q3 FY18**
- **Offshore (India and Philippines) – 46.6% compared to 39.8% in Q3 FY18**

Net Debt Position

- **Net Long Term Debt of \$27.4 million as of March 31, 2018**
- **Full and final repayment of \$135 Mn term-loan and \$20 Mn ECB in FY2018**

Foreign Exchange Hedges

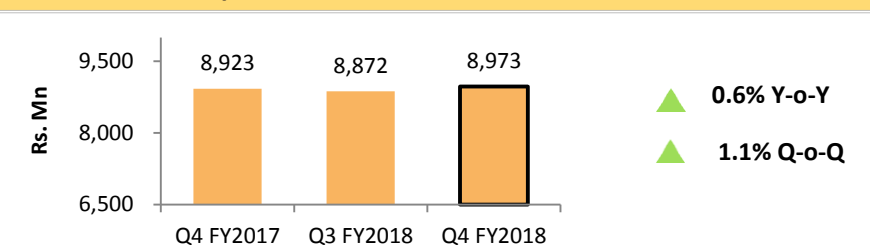
Outstanding FX hedges at \$71 million for USD and £107 million for GBP

- **Next 12 months:** 58% coverage for USD at INR 70.7 levels, 62% coverage for GBP at INR 101.1 levels, 38% coverage for USD at PHP 51.7 levels and 73% coverage for GBP at PHP 68.6 levels
- **Next 12 – 24 months:** 61% coverage for USD rates at INR 69.8 levels, 71% coverage for GBP at INR 99.2 levels and 25% of GBP at PHP 72.0 levels
- **Post 24 Months:** 83% coverage for GBP at INR 108.0 levels

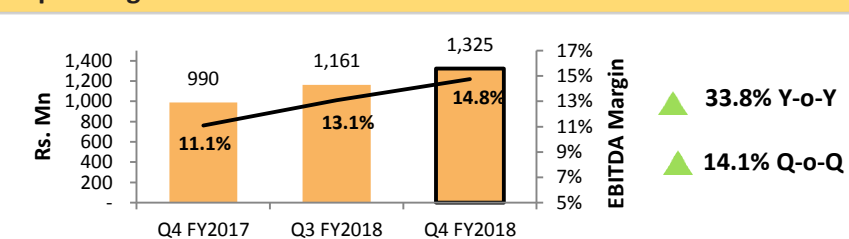
Financial Performance – Q4 FY2018

(IN INR Million)	Q4 FY 2017	Q3 FY 2018	Q4 FY 2018
Income from services	8,644	8,631	8,713
Other operating Income	279	241	260
Revenue from operations	8,923	8,872	8,973
Personnel and Operating Expense	7,933	7,711	7,648
Operating EBITDA	990	1,161	1,325
<i>Operating EBITDA %</i>	<i>11.1%</i>	<i>13.1%</i>	<i>14.8%</i>
Depreciation / amortization	110	172	172
Operating EBIT	880	990	1,153
<i>Operating EBIT %</i>	<i>9.9%</i>	<i>11.2%</i>	<i>12.8%</i>
Other Income / (expense)	(19)	12	(31)
Interest Income / (expense), net	(99)	(90)	(84)
PBT	761	912	1,038
<i>PBT (% of total income)</i>	<i>8.5%</i>	<i>10.3%</i>	<i>11.6%</i>
Taxes and Minority Interest	107	(83)	109
PAT	654	995	928
<i>PAT (% of total income)</i>	<i>7.3%</i>	<i>11.2%</i>	<i>10.3%</i>

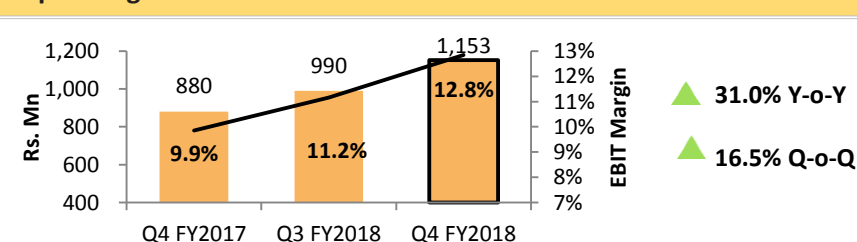
Revenue From Operations



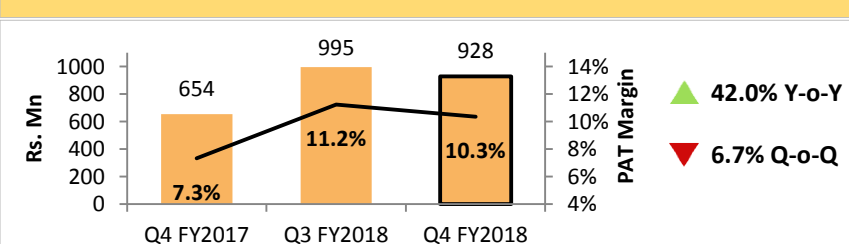
Operating EBITDA



Operating EBIT



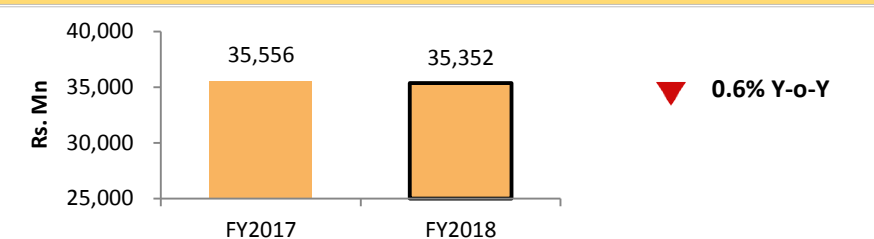
PAT



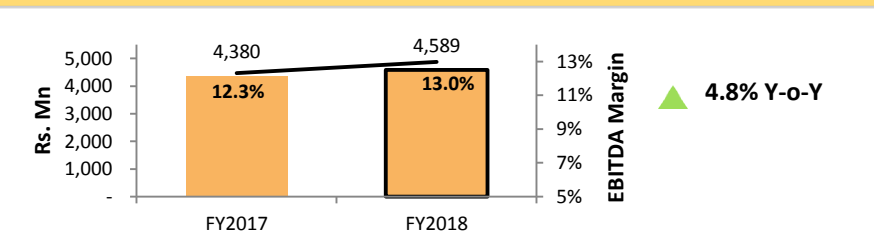
Financial Performance – FY2018

(IN INR Million)	FY 2017	FY 2018
Income from services	34,569	34,315
Other operating Income	987	1,037
Revenue from operations	35,556	35,352
Personnel and Operating Expense	31,176	30,763
Operating EBITDA	4,380	4,589
<i>Operating EBITDA %</i>	<i>12.3%</i>	<i>13.0%</i>
Depreciation / amortization	590	659
Operating EBIT	3,790	3,930
<i>Operating EBIT %</i>	<i>10.7%</i>	<i>11.1%</i>
Other Income / (expense)	(21)	(11)
Interest Income / (expense), net	(400)	(338)
PBT	3,369	3,580
<i>PBT (% of total income)</i>	<i>9.5%</i>	<i>10.1%</i>
Taxes and Minority Interest	569	315
PAT	2,800	3,265
<i>PAT (% of total income)</i>	<i>7.9%</i>	<i>9.2%</i>

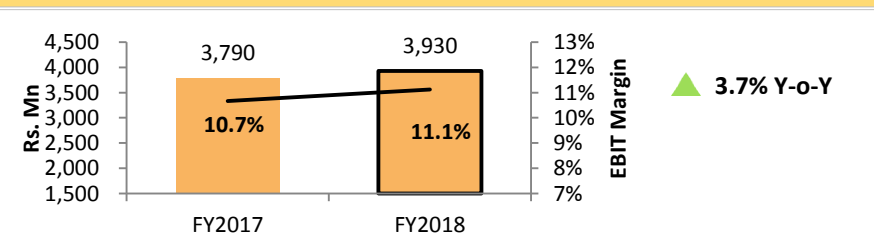
Revenue From Operations



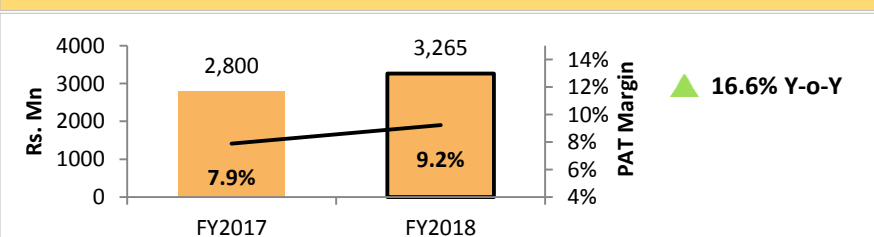
Operating EBITDA



Operating EBIT

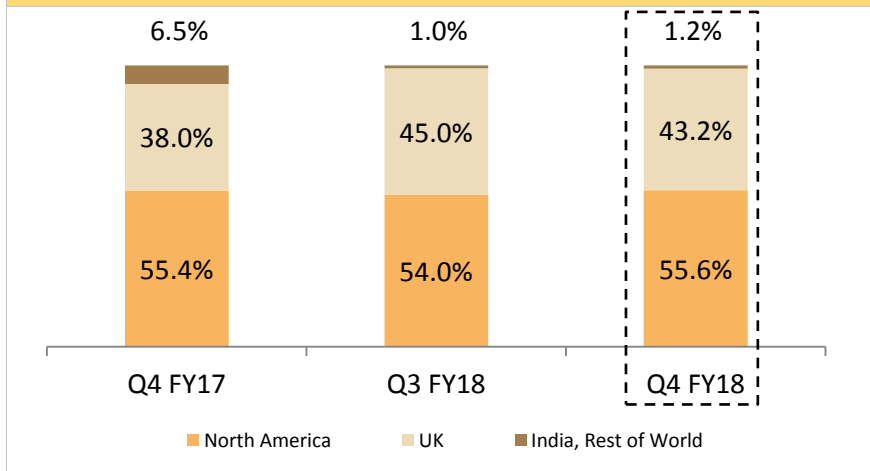


PAT

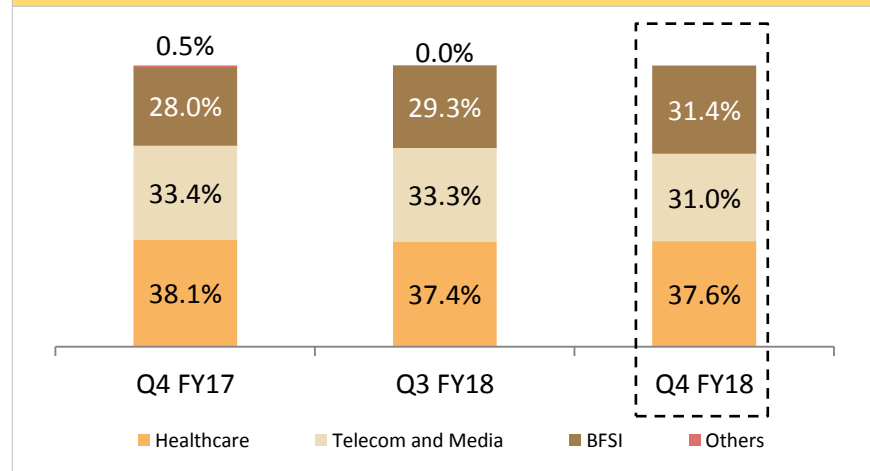


Q4 FY2018 Revenue Snapshot

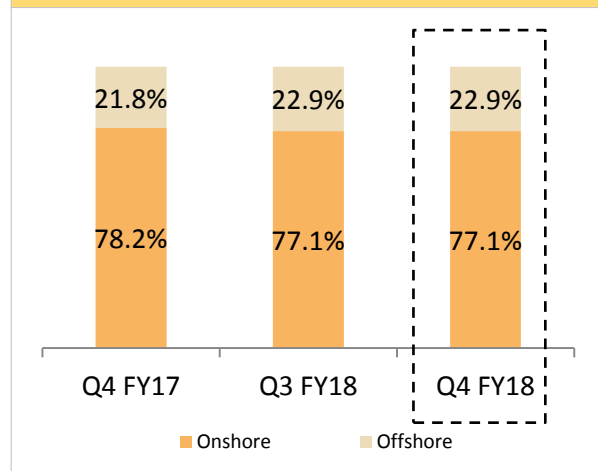
Revenue By Geography



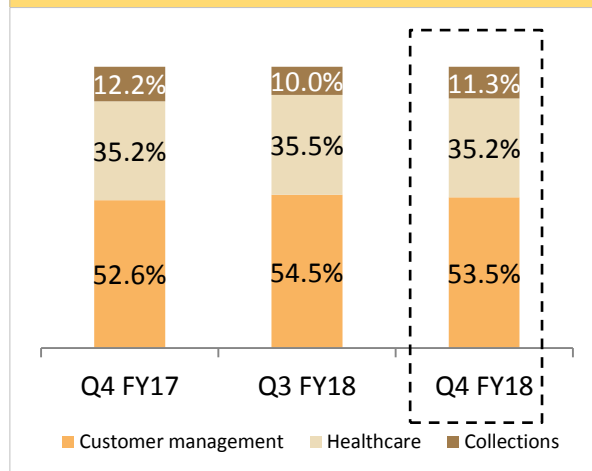
Revenue By Verticals



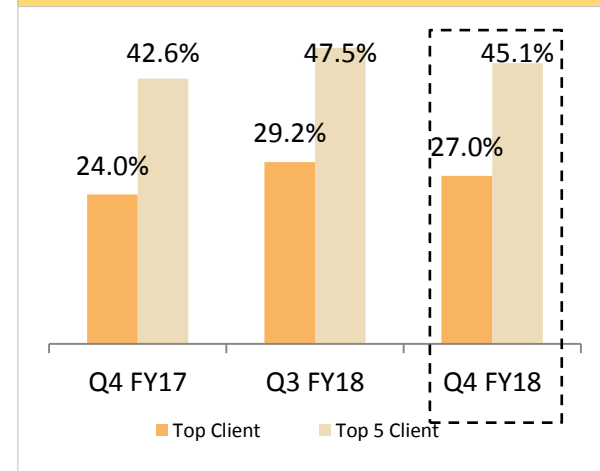
Revenue By Delivery



Revenue By Segment

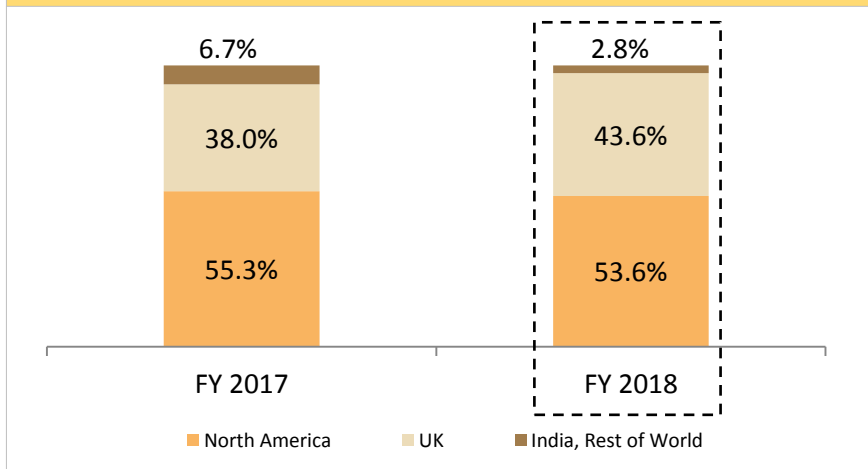


Revenue By Client Concentration

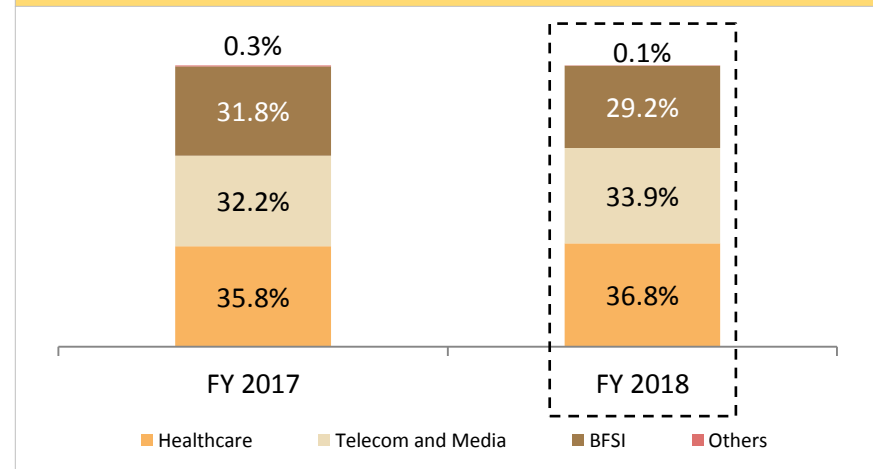


FY2018 Revenue Snapshot

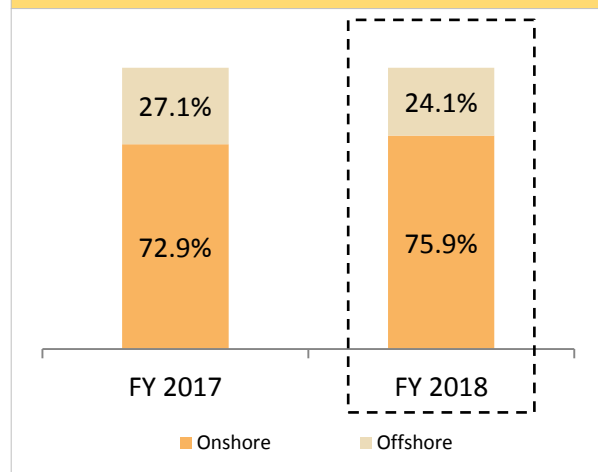
Revenue By Geography



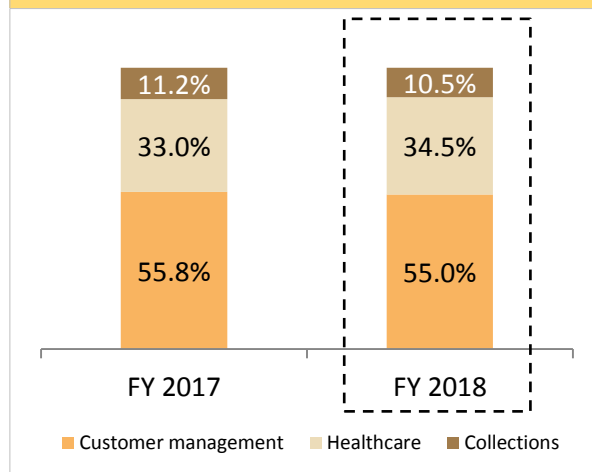
Revenue By Verticals



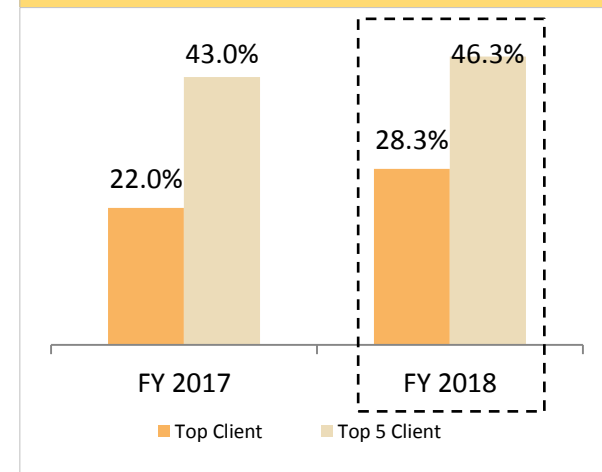
Revenue By Delivery



Revenue By Segment



Revenue By Client Concentration



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02 | **Business Outlook**



Business Outlook

- **Growth momentum looking good for FY2019. Constant currency revenue growth to be at the top-end of the Industry growth rates**
- **Healthcare and BFSI would lead the growth in FY19. Transformation led revenue acceleration will be evident. Sales pipeline across BFSI and Healthcare robust.**
- **Margin expansion to continue in FY2019; 60-80 bps expected. Transformation led gain-share and operating leverage provide continuing tailwinds for margin expansion**

THANK YOU

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