

# Firstsource Solutions Limited

## Q1 FY2017 Earnings Update

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July 26, 2016

# 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 | Financial Performance

03 | Business Outlook



# Q1 FY2017 Highlights (1/3)

## Q1 FY2017 Performance Analysis

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- **Operating revenue**

- Q1 FY17 Revenues at INR 893.5 crore compared to INR 869.4 crore in Q4 FY16 and INR 741.4 crore in Q1 FY16 and
- Q-o-Q growth of 2.8% in INR terms and growth of 3.3% in constant currency terms
- Y-o-Y growth of 20.5% in INR terms and growth 16.2% in constant currency terms

- **Operating EBIT**

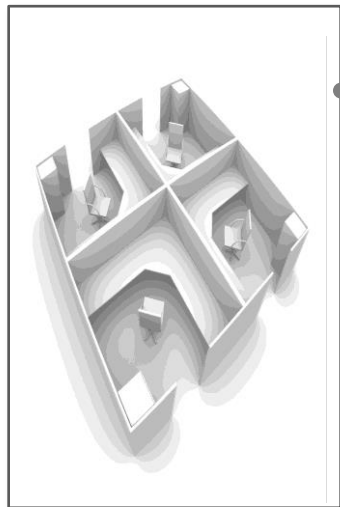
- Q1 FY17 operating EBIT at INR 102.9 crore compared to INR 96.7 crore in Q4 FY16 and INR 66.9 crore in Q1 FY16
- Q-o-Q growth of 6.4% while margins expansion by 39 bps from 11.13% to 11.52%
- Y-o-Y growth of 53.8%, margin expansion by 249 bps from 9.03% to 11.52%

- **PAT**

- Q1 FY17 PAT at INR 73.4 crore compared to INR 76.2 crore in Q4 FY16 and INR 52.9 crore in Q1 FY16
- Q-o-Q de-growth of 3.7%, margin contraction of 57 bps from 8.78% to 8.21%
- Y-o-Y growth of 38.8%, margin expansion by 106 bps, from 7.15% to 8.21%



# Q1 FY2017 Highlights (2/3)



## Employee Strength, Seat Capacity And Utilization

- **24,148 employees as on June 30, 2016; Seat capacity of 23,920 seats worldwide**
  - 14,606 employees in India and 9,542 employees based outside India, net addition of 262 employees in Q1 FY17
  - 47 delivery centers as on June 30, 2016, compared to 45 as on March 31, 2016
  - Seat fill factor at 71.8% as on June 30, 2016, compared to 68.0% as on March 31, 2016



## Attrition

- **Offshore (India and Philippines)** – 50.1% compared to 56.7% in Q4 FY16
- **Onshore (US and Europe)** – 49.3% compared to 43.5% in Q4 FY16
- **Domestic (India and Sri Lanka)** – 76.8% compared to 85.1% in Q4 FY16

# Q1 FY2017 Highlights (3/3)



## Cash and Debt Position

- **Cash and cash equivalents** of INR 114.7 crore as of June 30, 2016 as compared to INR 145.4 crore in previous quarter
  - Repayment of fifth principal installment of \$ 11.25 million on June 30, 2016
  - Capex spend in Q1 FY17 of INR 27.2 crore
  - Completed acquisition of ISGN BPO business for a total consideration of \$13M
  
- **Net Long Term Debt** of \$ 97 million as of June 30, 2016



## Foreign Exchange Hedges

- **Outstanding FX hedges at \$30 million for USD and £66 million for GBP**
  - **Next 12 months:** 76% coverage for USD at INR 70.2 levels, 82% coverage for GBP at INR 110.5 levels, 38% coverage for GBP at PHP 68.8 levels
  - **Next 12 – 24 months:** 36% coverage for USD rates at INR 74.2 levels and 80% coverage for GBP at INR 110.0 levels
  - **Next 24 – 36 months:** 17% coverage for GBP at INR 105.3 levels

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01 | Performance Highlights

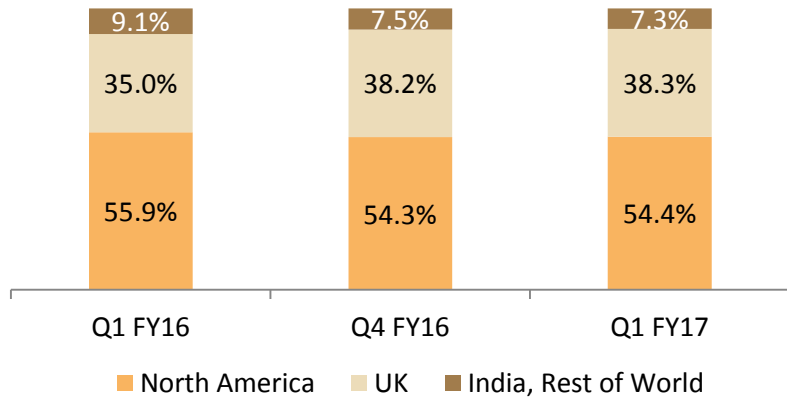
02 | **Financial Performance**

03 | Business Outlook

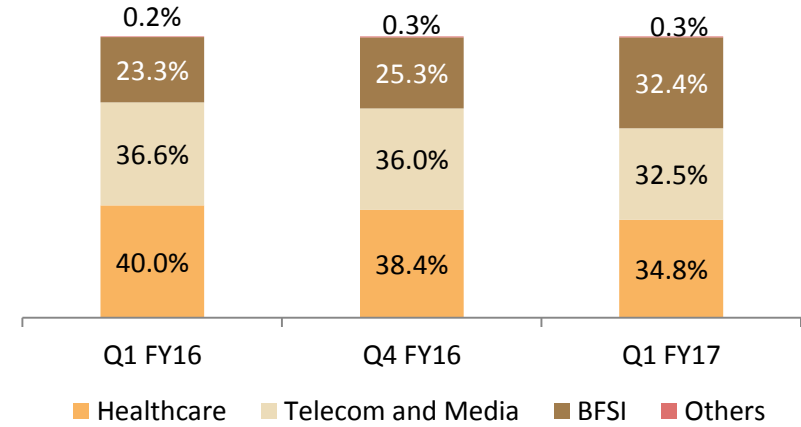


# Q1 FY2017 Financial Summary

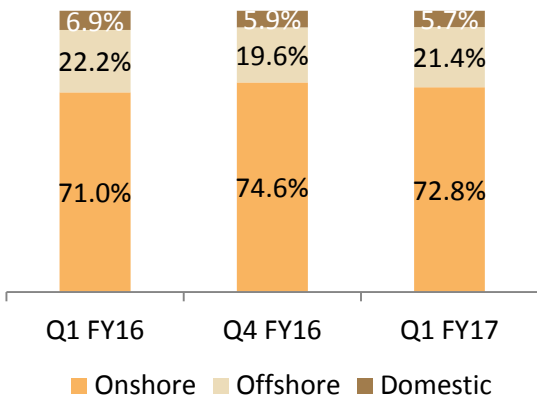
## Revenue By Geography



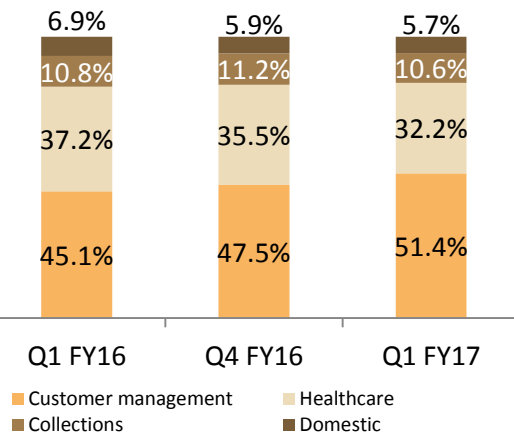
## Revenue By Verticals



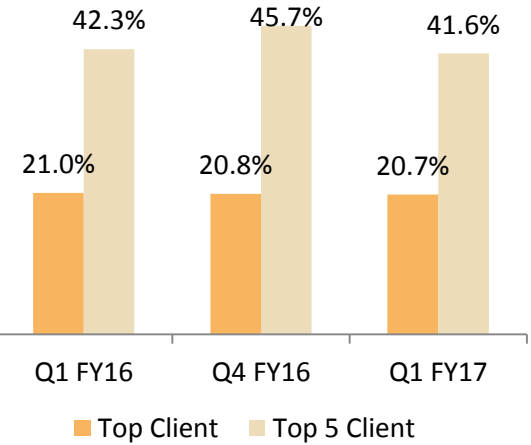
## Revenue By Delivery



## Revenue By Segment



## Revenue By Client Concentration

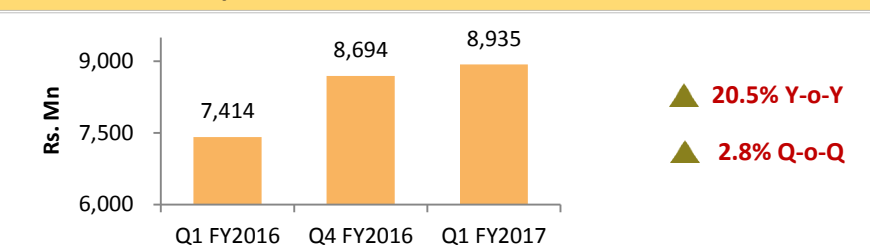




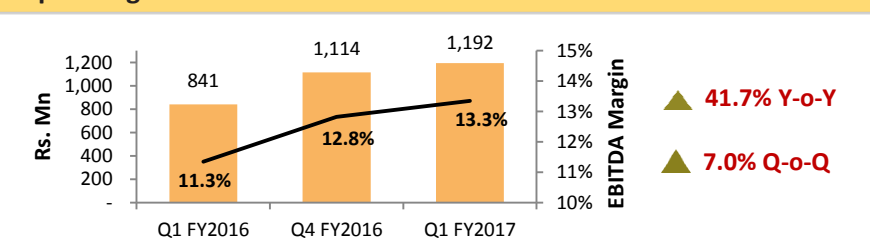
# Financial Performance – Q1 FY2017

(IN INR Million)	Q1 FY 2016	Q4 FY 2016	Q1 FY 2017
Income from services	7,329	8,525	8,753
Other operating Income	85	169	183
<b>Revenue from operations</b>	<b>7,414</b>	<b>8,694</b>	<b>8,935</b>
Personnel and Operating Expense	6,573	7,580	7,743
<b>Operating EBITDA</b>	<b>841</b>	<b>1,114</b>	<b>1,192</b>
<i>Operating EBITDA %</i>	<i>11.3%</i>	<i>12.8%</i>	<i>13.3%</i>
Depreciation / amortization	172	147	163
<b>Operating EBIT</b>	<b>669</b>	<b>967</b>	<b>1,029</b>
<i>Operating EBIT %</i>	<i>9.0%</i>	<i>11.1%</i>	<i>11.5%</i>
Other Income / (expense)	43	13	13
Interest Income / (expense), net	(139)	(123)	(126)
<b>PBT</b>	<b>572</b>	<b>857</b>	<b>916</b>
<i>PBT (% of total income)</i>	<i>7.7%</i>	<i>9.9%</i>	<i>10.3%</i>
Taxes and Minority Interest	44	95	183
<b>PAT</b>	<b>529</b>	<b>762</b>	<b>734</b>
<i>PAT (% of total income)</i>	<i>7.1%</i>	<i>8.8%</i>	<i>8.2%</i>

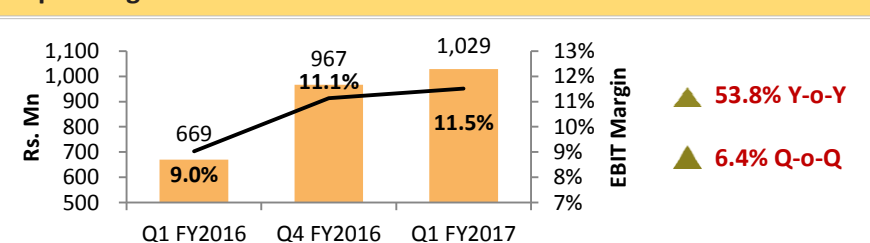
## Revenue From Operations



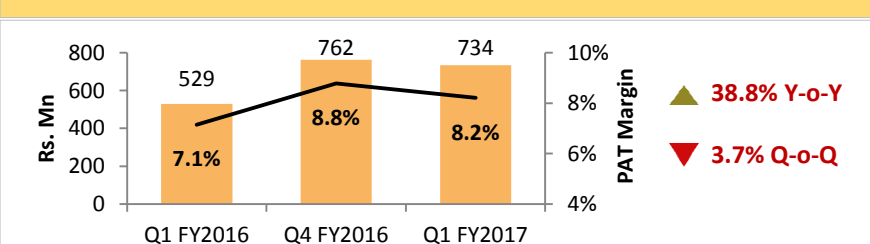
## Operating EBITDA



## Operating EBIT



## PAT



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## Business Outlook

- Announced a 10 year strategic partnership with Sky following a comprehensive partner review and being selected as the only preferred partner for TV and broadband services.
- ISGN BPO business acquisition completed. Business recovery and growth underway, better than anticipated and planned for.
- Macro conditions due to Brexit and US elections and its impact on business being closely monitored. Brexit to have a positive impact, especially in the Banking industry in the longer term given likely recessionary impact.
- Continue to maintain our growth and margin guidance for the year, with an upward bias
- Debt repayment continues as per plan

# THANK YOU

Firstsource (NSE: FSL, BSE: 532809, Reuters: FISO.BO, Bloomberg: FSOL@IN) is a global provider of customised BPO (Business Process Outsourcing) services to the Banking & Financial Services, Insurance, Telecom, Media & Publishing and Healthcare sectors. Its clients include FTSE 100, Fortune 500 and Nifty 50 companies. Firstsource has a “rightshore” delivery model with operations in India, Ireland, US, UK, Philippines and Sri Lanka. ([www.firstsource.com](http://www.firstsource.com))