

# Firstsource Solutions Limited

## Q3 FY2017 Earnings Update

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January 31, 2017

# 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



# Q3 FY2017 Highlights

## Q3 FY2017 Performance Analysis

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- **Operating revenue**

- Q3 FY17 Revenues at INR 885.4 crore compared to INR 884.4 crore in Q2 FY17 and INR 818.6 crore in Q3 FY16
- Y-o-Y growth of 8.2% in INR terms and growth of 13.9% in constant currency terms
- Q-o-Q growth of 0.1% in INR terms and growth of 2.1% in constant currency terms

- **Operating EBIT**

- Q3 FY17 operating EBIT at INR 91.6 crore compared to INR 96.5 crore in Q2 FY17 and INR 85.3 crore in Q3 FY16
- Y-o-Y growth of 7.4%, margin contraction by 8 bps from 10.42% to 10.35%
- Q-o-Q de-growth of 5.1%, margin contraction by 57 bps from 10.92% to 10.35%

- **PAT**

- Q3 FY17 PAT at INR 70 crore compared to INR 71.3 crore in Q2 FY17 and INR 67.4 crore in Q3 FY16
- Y-o-Y growth of 3.8%, margin contraction by 33 bps, from 8.24% to 7.91%
- Q-o-Q de-growth of 1.8%, margin contraction of 15 bps from 8.06% to 7.91%



# 9M FY2017 Highlights

## 9M FY2017 Performance Analysis

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- **Operating revenue**

- 9M FY17 Revenues at INR 2,663.3 crore compared to INR 2,347.8 crore in 9M FY16
- Y-o-Y growth of 13.4% in INR terms and growth of 14.7% in constant currency terms

- **Operating EBIT**

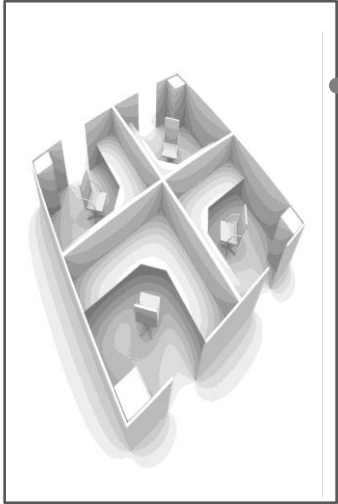
- 9M FY17 operating EBIT at INR 291.1 crore compared to INR 227.5 crore in 9M FY16
- Y-o-Y growth of 28.0%, margin expansion by 124 bps from 9.69% to 10.93%

- **PAT**

- 9M FY17 PAT at 214.6 crore compared to INR 179.0 crore in 9M FY16
- Y-o-Y growth of 19.9%, margin expansion by 44 bps, from 7.62% to 8.06%



## Other Highlights (1/2)



### Employee Strength, Seat Capacity And Utilization

- **25,992 employees as on December 31, 2016; Seat capacity of 22,370 seats worldwide**
  - 15,573 employees in India and 10,419 employees based outside India, net addition of 1,082 employees in Q3 FY17
  - 48 delivery centers as on December 31, 2016, same as on September 30, 2016
  - Seat fill factor at 74.5% as on December 31, 2016, compared to 72.1% as on September 30, 2016



### Attrition

- **Offshore (India and Philippines)** – 37.5% compared to 43.7% in Q2 FY17
- **Onshore (US and Europe)** – 38.2% compared to 49.9% in Q2 FY17
- **Domestic (India and Sri Lanka)** – 76.4% compared to 71.7% in Q2 FY17

## Other Highlights (2/2)



### Cash and Debt Position

- **Cash and cash equivalents** of INR 126.5 crore as of December 31, 2016 as compared to INR 122.0 crore in previous quarter
  - Repayment of seventh principal installment of \$ 11.25 million on December 31, 2016
  - Capex spend in Q3 FY17 of INR 17.7 crore
  
- **Net Long Term Debt** of \$ 72 million as of December 31, 2016



### Foreign Exchange Hedges

- **Outstanding FX hedges at \$55 million for USD and £53 million for GBP**
  - **Next 12 months:** 70% coverage for USD at INR 71.0 levels, 82% coverage for GBP at INR 110.0 levels, 17% coverage for GBP at PHP 68.7 levels and 8% coverage for USD at PHP 48.3
  - **Next 12 – 24 months:** 37% coverage for USD rates at INR 74.1 levels and 45% coverage for GBP at INR 106.3 levels
  - **Next 24 – 36 months:** 46% coverage for GBP at INR 102.6 levels

# Agenda

01 | Performance Highlights

02 | **Financial Performance**

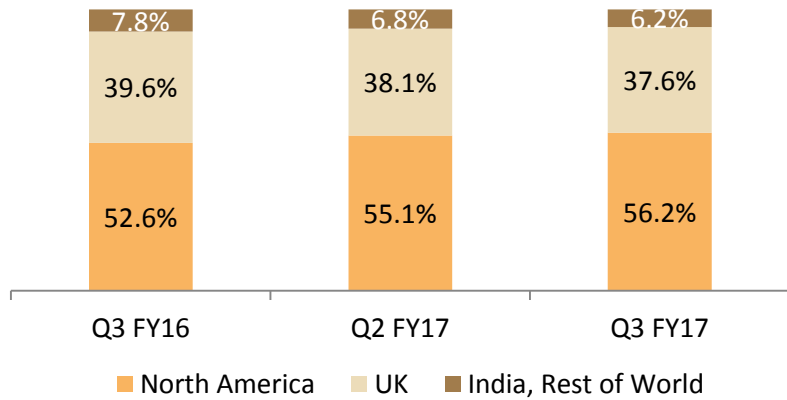
03 | Business Outlook



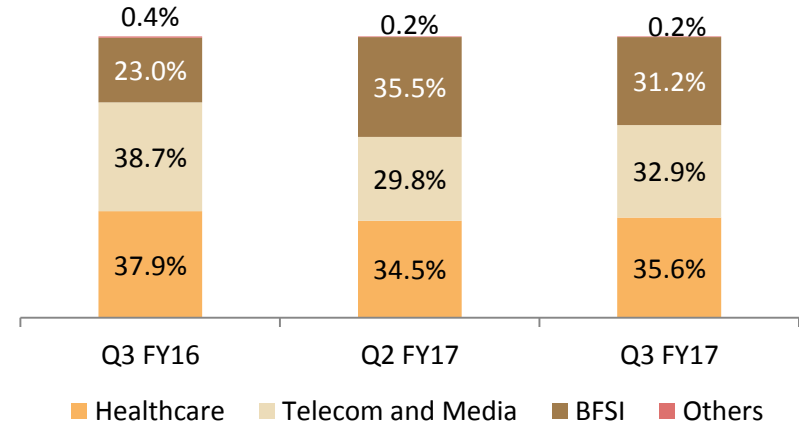


# Q3 FY2017 Financial Summary

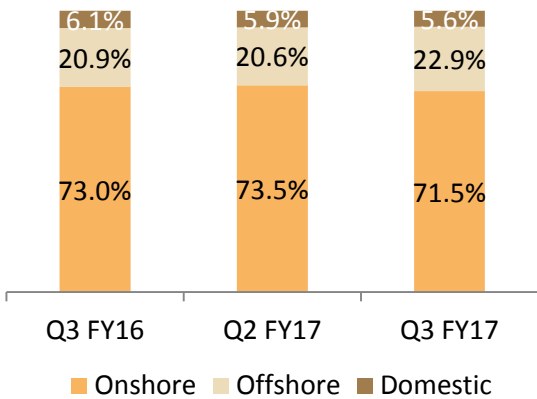
## Revenue By Geography



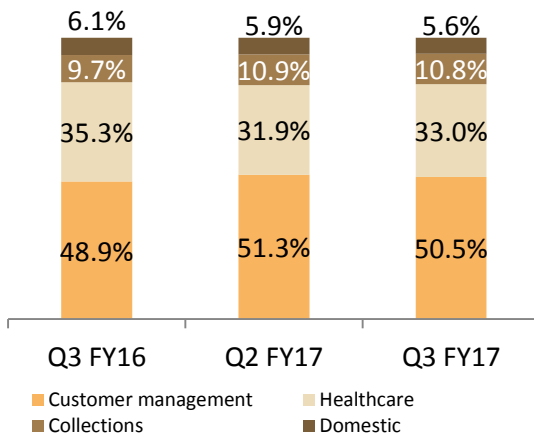
## Revenue By Verticals



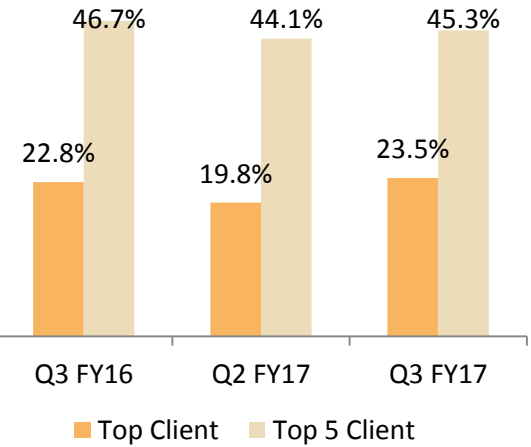
## Revenue By Delivery



## Revenue By Segment



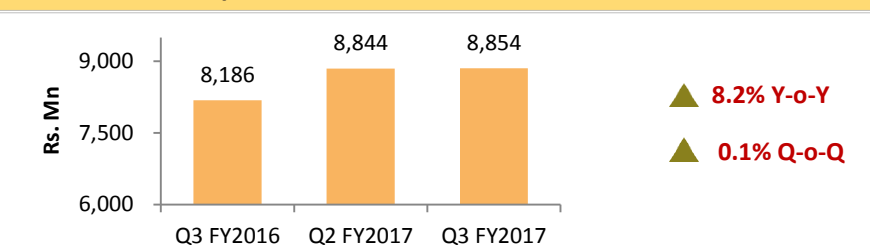
## Revenue By Client Concentration



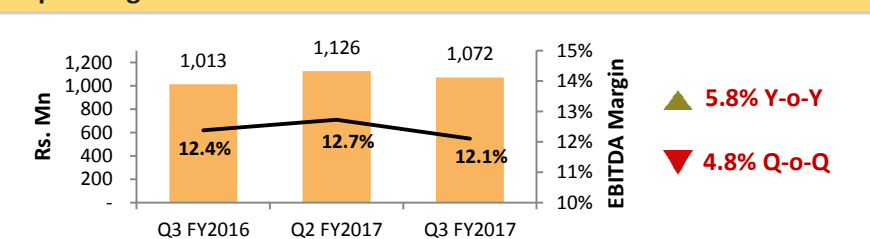
# Financial Performance – Q3 FY2017

(IN INR Million)	Q3 FY 2016	Q2 FY 2017	Q3 FY 2017
Income from services	8,016	8,572	8,601
Other operating Income	169	271	253
<b>Revenue from operations</b>	<b>8,186</b>	<b>8,844</b>	<b>8,854</b>
Personnel and Operating Expense	7,173	7,718	7,782
<b>Operating EBITDA</b>	<b>1,013</b>	<b>1,126</b>	<b>1,072</b>
<i>Operating EBITDA %</i>	<i>12.4%</i>	<i>12.7%</i>	<i>12.1%</i>
Depreciation / amortization	160	160	156
<b>Operating EBIT</b>	<b>853</b>	<b>965</b>	<b>916</b>
<i>Operating EBIT %</i>	<i>10.4%</i>	<i>10.9%</i>	<i>10.3%</i>
Other Income / (expense)	14	(2)	8
Interest Income / (expense), net	(118)	(103)	(93)
<b>PBT</b>	<b>749</b>	<b>861</b>	<b>831</b>
<i>PBT (% of total income)</i>	<i>9.2%</i>	<i>9.7%</i>	<i>9.4%</i>
Taxes and Minority Interest	75	148	131
<b>PAT</b>	<b>674</b>	<b>713</b>	<b>700</b>
<i>PAT (% of total income)</i>	<i>8.2%</i>	<i>8.1%</i>	<i>7.9%</i>

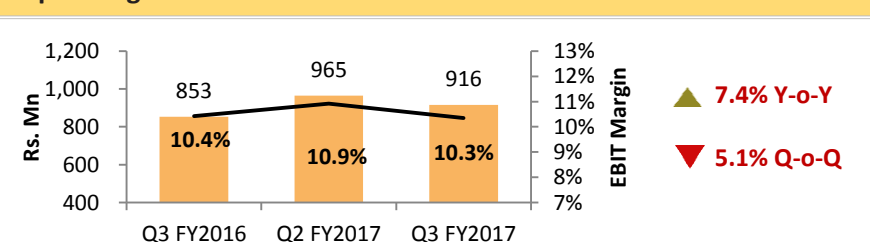
## Revenue From Operations



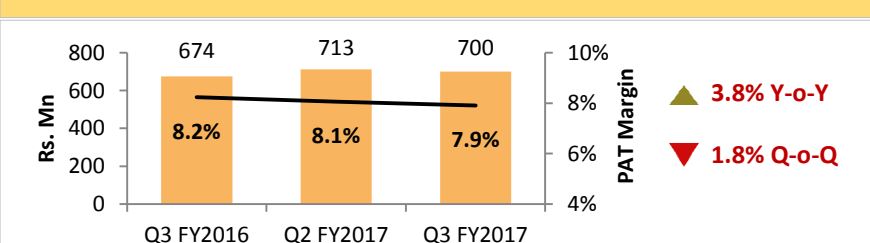
## Operating EBITDA



## Operating EBIT



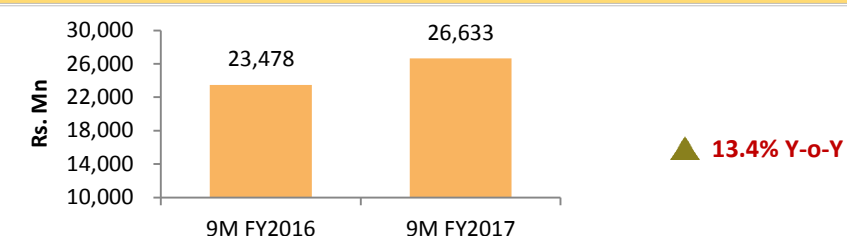
## PAT



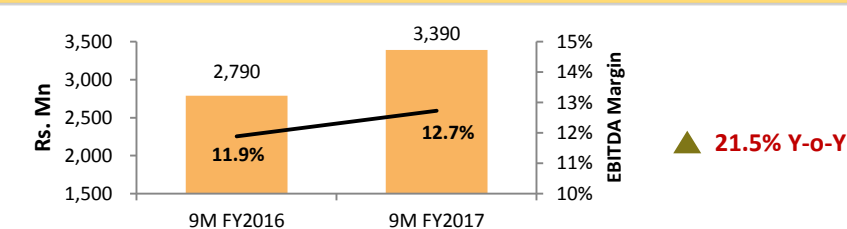
# Financial Performance – 9M FY2017

(IN INR Million)	9M FY2016	9M FY2017
Income from services	23,091	25,925
Other operating Income	387	708
<b>Revenue from operations</b>	<b>23,478</b>	<b>26,633</b>
Personnel and Operating Expense	20,689	23,243
<b>Operating EBITDA</b>	<b>2,790</b>	<b>3,390</b>
<i>Operating EBITDA %</i>	<i>11.9%</i>	<i>12.7%</i>
Depreciation / amortization	515	479
<b>Operating EBIT</b>	<b>2,275</b>	<b>2,911</b>
<i>Operating EBIT %</i>	<i>9.7%</i>	<i>10.9%</i>
Other Income / (expense)	61	19
Interest Income / (expense), net	(384)	(321)
<b>PBT</b>	<b>1,952</b>	<b>2,608</b>
<i>PBT (% of total income)</i>	<i>8.3%</i>	<i>9.8%</i>
Taxes and Minority Interest	162	462
<b>PAT</b>	<b>1,790</b>	<b>2,146</b>
<i>PAT (% of total income)</i>	<i>7.6%</i>	<i>8.1%</i>

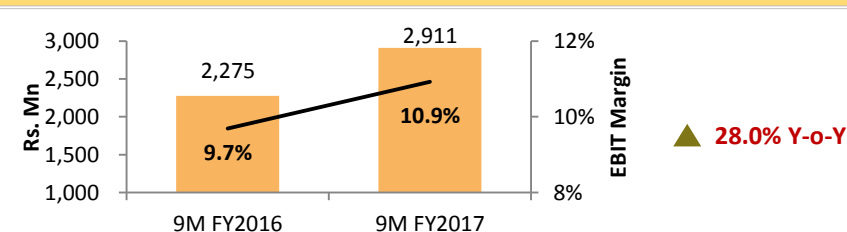
## Revenue From Operations



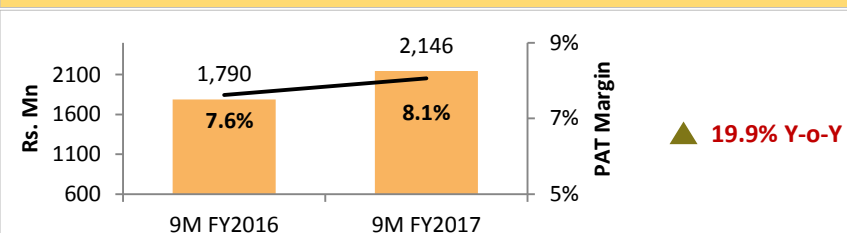
## Operating EBITDA



## Operating EBIT



## PAT



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# Business Outlook

- Macro environment headwinds present uncertainty in the months ahead
  - Keenly watching impending changes to Obamacare and other executive decisions by the current US administration
  - US interest rates and resultant bond yields impacting mortgage market in the US. Yields have moved from 1.5% to 2.5% thereby severely impacting refinance market segment
  - UK supreme court ruling on Parliament approval for Article 50 to be triggered
  - Continued weakness of the GBP
- Following the selection as a preferred partner to Sky, transition of services from the other partner is as per plan and the 2<sup>nd</sup> transition of approximately 900 to 1,000 people would be effected on Mar 1, 2017. MSA has been signed
- Focus continues to provide differentiated value through productized service offerings through automation, analytics and digital.
- Continue to maintain our growth guidance, however margins could be impacted slightly due to cost of growth, underperformance of the mortgage BU and the currency movements.
- 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))