

Firstsource Solutions Limited

Q3 FY2018 Earnings Update

February 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



Q3 FY2018 Highlights

• Operating revenue

- Q3 FY18 Revenues at INR 887.2 crore compared to INR 873.0 crore in Q2 FY18 and INR 885.4 crore in Q3 FY17
 - Q-o-Q growth of 1.6% in INR terms and growth of 0.6% in constant currency terms
 - Y-o-Y growth of 0.2% in INR terms and growth of 2.4% in constant currency terms
 - Proforma for Domestic business divestment, YoY growth of 6% in INR terms and 7.3% in constant currency terms

• Operating EBITDA

- Q3 FY18 operating EBITDA at INR 116.1 crore compared to INR 109.7 crore in Q2 FY18 and INR 107.2 crore in Q3 FY17
 - Q-o-Q growth of 5.9%, margin expansion by 53 bps from 12.56% to 13.09%
 - Y-o-Y growth of 8.4%, margin expansion by 99 bps from 12.10% to 13.09%

• Operating EBIT

- Q3 FY18 operating EBIT at INR 99.0 crore compared to INR 93.4 crore in Q2 FY18 and INR 91.6 crore in Q3 FY17
 - Q-o-Q growth of 5.9%, margin expansion by 45 bps from 10.70% to 11.15%
 - Y-o-Y growth of 8.0%, margin expansion by 80 bps from 10.35% to 11.15%

• PAT

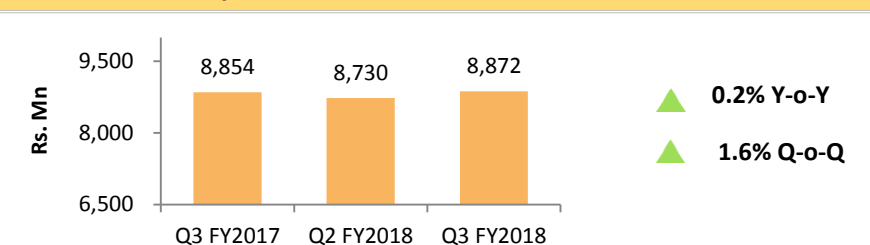
- Q3 FY18 PAT at INR 99.5 crore compared to INR 68.8 crore in Q2 FY18 and INR 70.0 crore in Q3 FY17
 - Reduction in US federal tax rate from 34% to 21% has resulted in one time deferred tax credit of INR 24 crore
 - Q-o-Q growth of 44.8%, margin expansion of 334 bps from 7.88% to 11.22%
 - Y-o-Y growth of 42.2%, margin expansion by 331 bps, from 7.91% to 11.22%



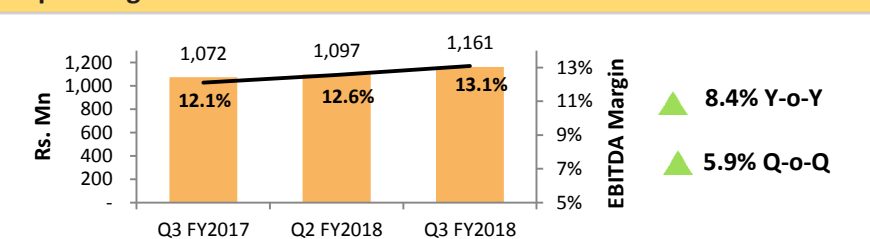
Financial Performance – Q3 FY2018

(IN INR Million)	Q3 FY 2017	Q2 FY 2018	Q3 FY 2018
Income from services	8,601	8,464	8,631
Other operating Income	253	266	241
Revenue from operations	8,854	8,730	8,872
Personnel and Operating Expense	7,782	7,633	7,711
Operating EBITDA	1,072	1,097	1,161
<i>Operating EBITDA %</i>	<i>12.1%</i>	<i>12.6%</i>	<i>13.1%</i>
Depreciation / amortization	156	162	172
Operating EBIT	916	934	990
<i>Operating EBIT %</i>	<i>10.3%</i>	<i>10.7%</i>	<i>11.2%</i>
Other Income / (expense)	8	(16)	12
Interest Income / (expense), net	(93)	(82)	(90)
PBT	831	837	912
<i>PBT (% of total income)</i>	<i>9.4%</i>	<i>9.6%</i>	<i>10.3%</i>
Taxes and Minority Interest	131	149	(83)
PAT	700	688	995
<i>PAT (% of total income)</i>	<i>7.9%</i>	<i>7.9%</i>	<i>11.2%</i>

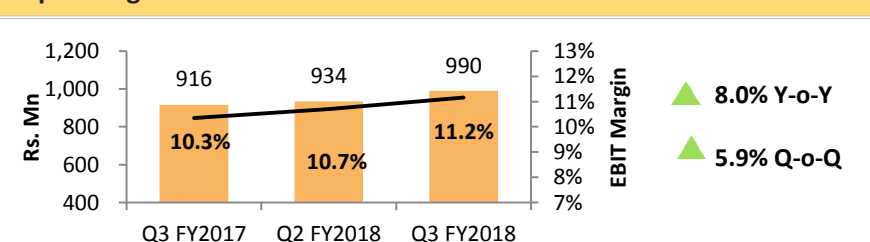
Revenue From Operations



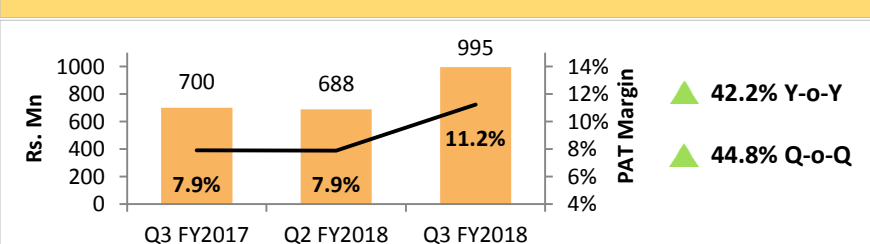
Operating EBITDA



Operating EBIT



PAT



Other Highlights

Employee and Attrition Details

Headcount:

19,226 employees as on December 31, 2017

- 8,850 employees in India
- 10,376 employees based outside India
- Net addition of 32 employees in Q3 FY18

Attrition Details:

- Onshore (US and Europe) – 39.4% compared to 53.0% in Q2 FY18
- Offshore (India and Philippines) – 39.8% compared to 38.8% in Q2 FY18

Net Debt Position

- Net Long Term Debt of \$50.4 million as of December 31, 2017
- Repayment of eleventh principal installment of \$ 11.25 million on December 31, 2017

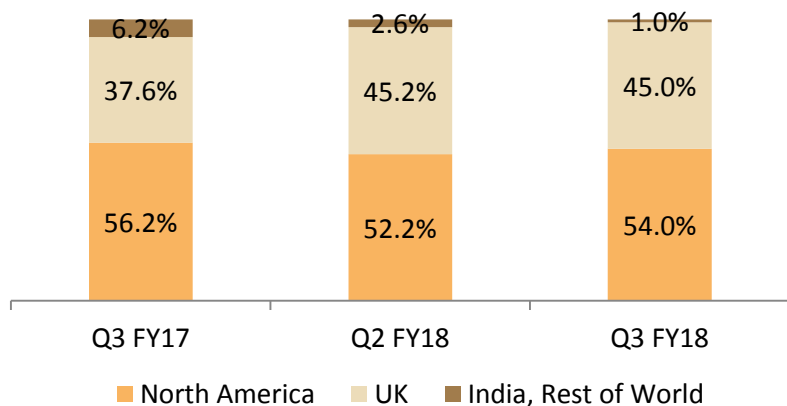
Foreign Exchange Hedges

Outstanding FX hedges at \$29 million for USD and £88 million for GBP

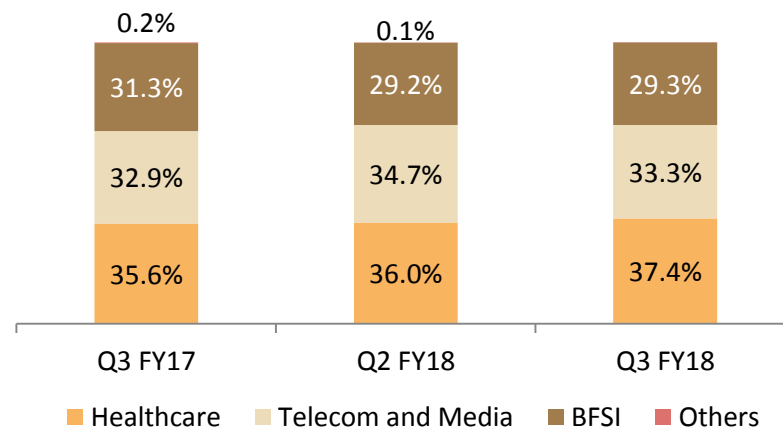
- **Next 12 months:** 33% coverage for USD at INR 73.3 levels, 65% coverage for GBP at INR 103.9 levels, 66% coverage for USD at PHP 51.3 levels and 78% coverage for GBP at PHP 67.5 levels
- **Next 12 – 24 months:** 8% coverage for USD rates at INR 70.3 levels, 53% coverage for GBP at INR 98.5 levels and 38% of GBP at PHP 71.8 levels
- **Post 24 Months:** 84% coverage for GBP at INR 104.8 levels

Q3 FY2018 Revenue Snapshot

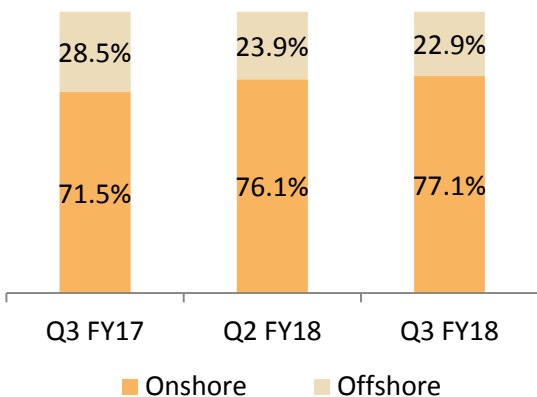
Revenue By Geography



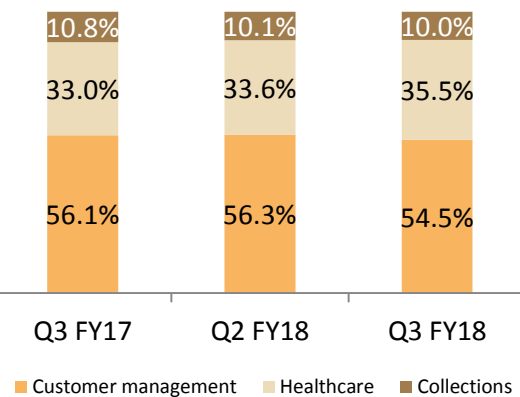
Revenue By Verticals



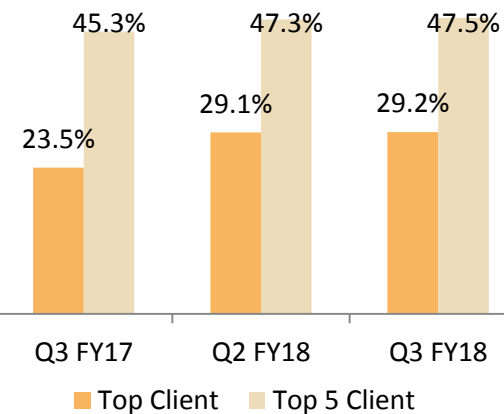
Revenue By Delivery



Revenue By Segment



Revenue By Client Concentration



Agenda

01 | Performance Highlights

02 | **Business Outlook**



Business Outlook

- **Core business performance continues to do well. Q4 seasonally the strongest quarter**
- **Quality of Sales Pipeline improving; focus on long term transformation led engagements. However, decision making cycles are lengthening**
- **In contracting stage with two long term engagements in Healthcare and Customer Management; both driven by transformation led solutions**
- **Reduction in US Tax rates a positive**
- **Revenue and profit movement in Q4 on a YoY basis will be significantly positive**

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)