Q1 FY '19 Earnings
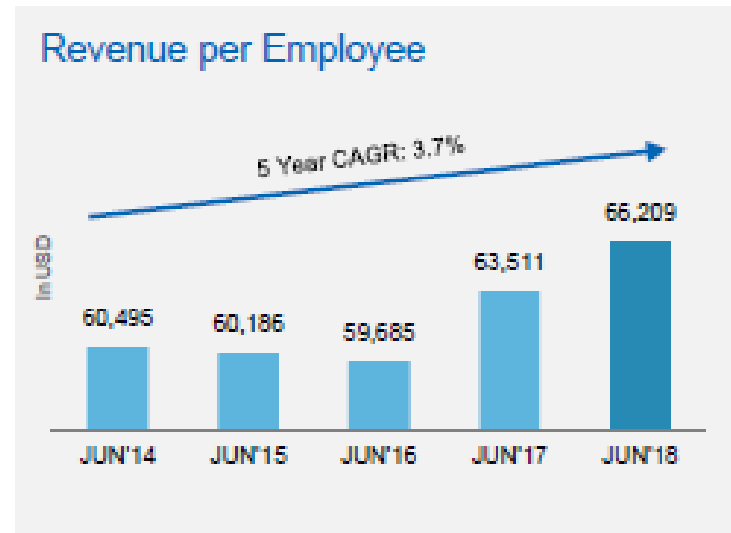
C Vijayakumar,
President & CEO
Friday, July 27, 2018

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PERFOMANCE HIGHLIGHTS

Revenues

5 Year CAGR: 11.3%

In USD Mn

JUN'14	JUN'15	JUN'16	JUN'17	JUN'18
5,360	5,952	6,389	7,169	8,008

Earnings Before Interest & Tax

5 Year CAGR: 11.2%

In USD Mn

JUN'14	JUN'15	JUN'16	JUN'17	JUN'18
1,292	1,324	1,290	1,445	1,573

Headcount

5 Year CAGR: 7.7%

Number of Employees

JUN'14	JUN'15	JUN'16	JUN'17	JUN'18
91,691	106,107	107,968	117,781	124,121

Revenue per Employee

5 Year CAGR: 3.7%

In USD

JUN'14	JUN'15	JUN'16	JUN'17	JUN'18
60,495	60,186	59,685	63,511	66,209

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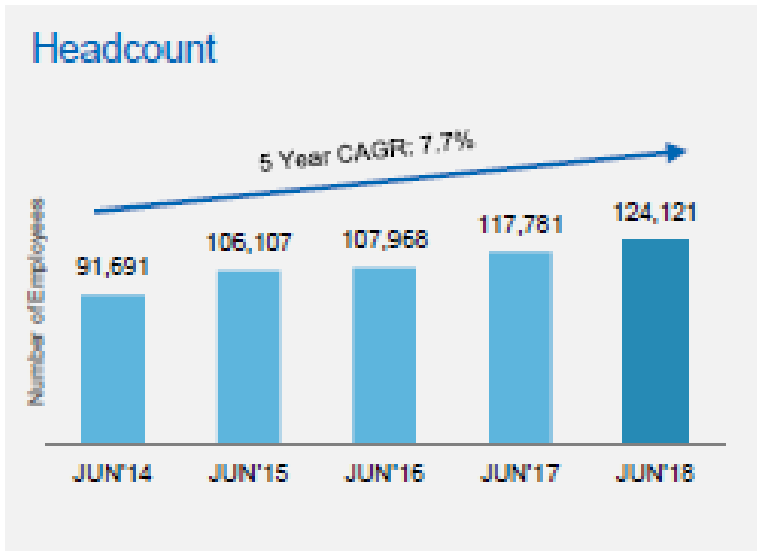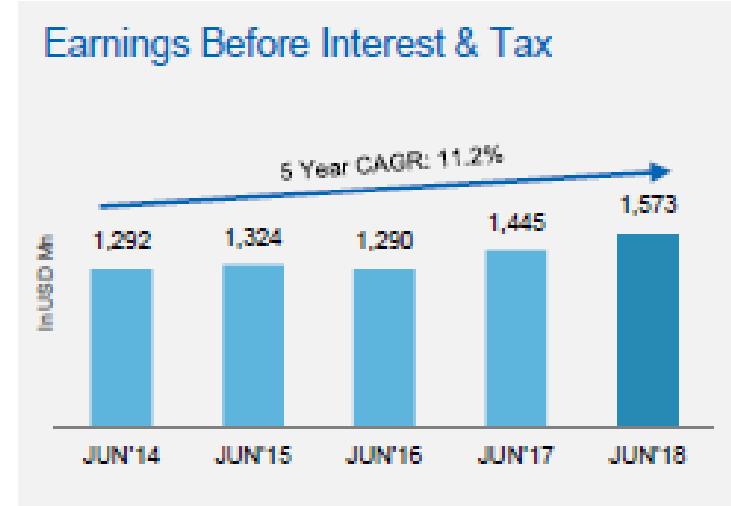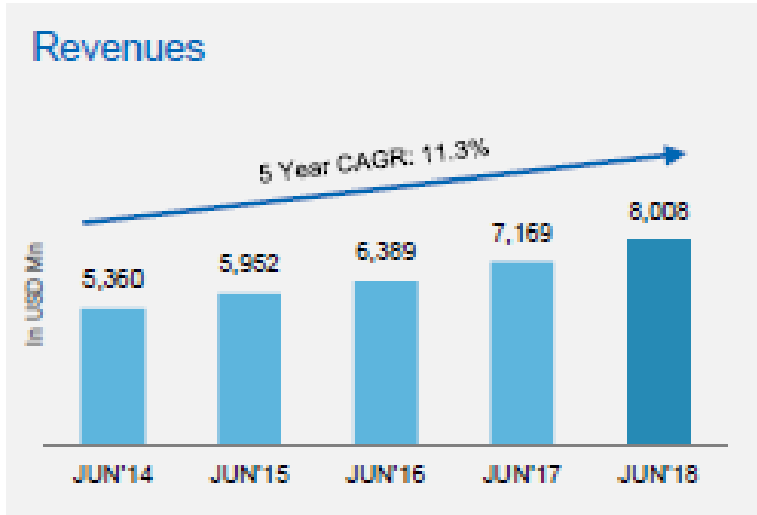
BUSINESS SUMMARY Q1 '19

- Financial performance in line with our plan

- Highest ever booking this quarter led by next gen Infrastructure services & Mode 2 offerings

- 27 transformational deals including large strategic programs like Nokia

- Booking & number of deals excludes renewal

- Strong momentum across Financial Services, Telecom, Retail, CPG and Utilities

- $100+ M clients up by 1 & $50+ M clients up by 4 this quarter

- India SI business reduction as per plan

- Successful integration of C3i acquisition; quarter's performance in line with the plan

- New acquisition – H&D in Germany for in country front-office & delivery capabilities and domain expertise in the automotive sector

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MODE 1-2-3 – PERFORMANCE METRICS

	% of Revenues	EBIT %	QoQ Revenue Growth
Mode 1	73.3%	19.9%	0.5%
Mode 2	15.6%	14.8%	8.2%
Mode 3	11.0%	25.2%	11.7%
Total	**100.0%**	**19.7%**	**2.7%**
Mode 2 & 3	**26.6%**	**19.1%**	**9.6%**

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Financial Summary

Anil Chanana

CFO

FINANCIAL SUMMARY

	Q1 '19	Q4 '18	QoQ	Q1 '18	YoY
Revenues (US $ M)	2,055	2,039	0.8%	1,884	9.0%
Revenues (in ₹ crores)	13,878	13,179	5.3%	12,149	14.2%
Revenue Growth – CC	-	-	2.7%	-	8.5%
EBIT (US $ M)	404	399	1.2%	379	6.6%
EBIT %	19.7%	19.6%	10 bps	20.1%	(40 bps)
Net Income (US $ M)	356	344	3.4%	337	5.7%
Net Income %	17.3%	16.9%	40 bps	17.9%	(60 bps)
Annualized EPS (in ₹)	**69.0**	**63.9**	**7.9%**	**60.6**	**13.9%**

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Next Gen Infrastructure

Kalyan Kumar

CVP & CTO – IT Services

NEXT GEN INFRASTRUCTURE TRENDS

▸ What is changing in Next Gen Infrastructure

- Customer Spend is shifting towards building Foundation capability for their Digital Enterprise and modernization of the Infrastructure

- Reality Sinking that Cloud is a means to Innovate and not a cost out play

- Software Defined is the New Normal across Data Centers, Workplace and Networks

- Platform Definitions shifting to Application and data Infrastructure & Hybrid Cloud is the new Normal

- Employee Experience and Engagement using AI/Cognitive/CloudNative & SaaS is driving the Digital Workplace

▸ What are we doing to capture this shift

- NGIT Blueprint for Digital Transformation led offerings and solutions

- New Partnerships and Ecosystems

- Alternate Commercial and Consumption Models

- Modernization of People Skills & Culture (SRE/IaC/DevOps)

- Operations Model using DRYiCE Products at the core

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Digital & Analytics

Anand Birje

Corporate Vice President

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DIGITAL & ANALYTICS – UPDATES

- Fortune 100 customers rationalizing their service providers to those with strong digital capabilities

- Our "Scale Digital" capabilities and Experiences / Transition approaches are well received by clients

- Continued win momentum in "Scale Digital" deals leading to ongoing digital execution partner status in clients for multi year engagements

- Established a dedicated "Scale Digital Delivery Center" in Noida; key hub for delivering large digital transformation programs

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Products & Platforms

Darren Oberst

Corporate Vice President

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PRODUCTS & PLATFORMS – KEY UPDATES

- IP Partnership with a leading technology major in the area of Digital Experience Platforms
  - Helps large enterprises deliver a personalised and adaptive digital experience for their customers, with a single point of access to relevant applications, services, information and social connections

- Launched a Humanoid version of DRYiCE iEngage with Pepper robot

- 21 patents in various next gen technologies including AI / ML, data analytics & simulation and automation

- IP Partnerships continue to deliver better performance than the investment business cases

- Few products starting to show growth in line with broad market growth, while others stabilizing and on the way to growth
  - HCL branded versions for most IPP Products now available

- Significant product improvements addressing customer feature fixes and enhancements, UI / UX (incl. Mobile), cloud versions etc. – Key factor leading to improvement in renewal rates and new license sales
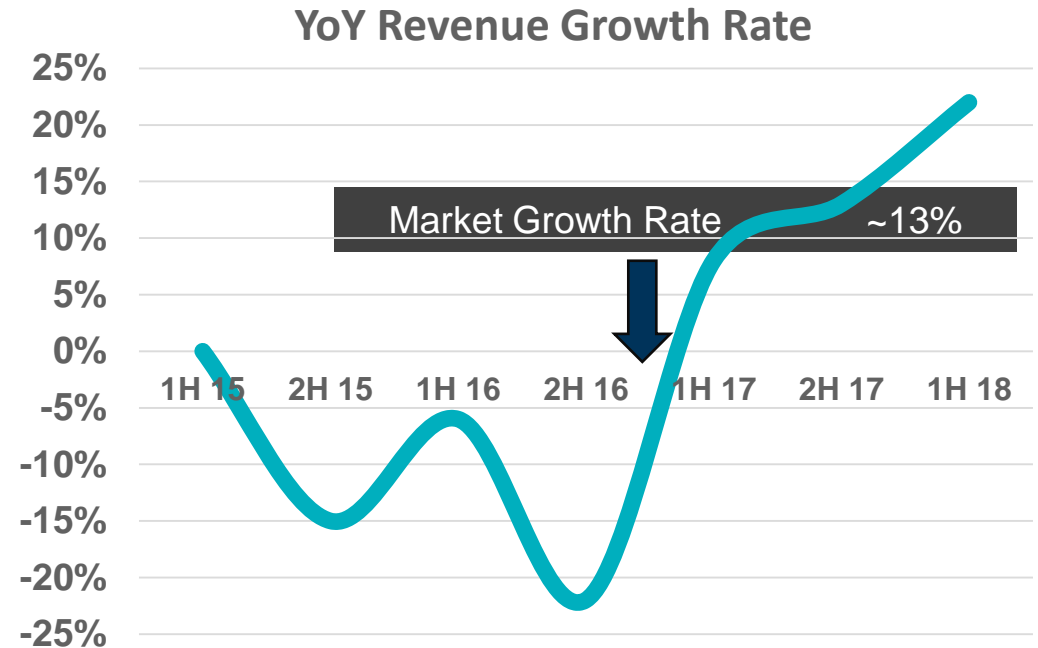
PRODUCT 1 – PERFORMANCE TRENDS

Background

- Underperforming product, declining nearly double-digits in the two years before the IPP
- Rated as leading products by several analysts & well trusted by customer base

HCL Approach

- Expansion of the engineering team
- Innovated a first-of-a-kind machine learning capability
- HCL invested in new product management, lab-related services, and client advocacy
- This quarter, launched HCL-branded managed service version to be bundled in outsourcing deals

Key Outcomes

- Stabilized SaaS product version – High growth rates
- Acceleration in two mature on-prem offerings
- Consistent double-digit growth over the last 18 months, beginning to outpace the market growth

YoY Revenue Growth Rate

Market Growth Rate   ~13%

25%
20%
15%
10%
5%
0%
-5%
-10%
-15%
-20%
-25%

1H 15   2H 15   1H 16   2H 16   1H 17   2H 17   1H 18

Competing in a fast-moving, innovation-oriented market

High expectations for continued and even accelerated growth into CY19 with expansion of the SaaS offering and major functional enhancements

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PRODUCT 2 – PERFORMANCE TRENDS

Background

- Former market leading on-prem product in a market growing at 10% CAGR

- Backlog of customer feature and fix requests, falling behind the market leaders

HCL Approach

- Expanded engineering team by 50% capacity in six months

- Cleared over 25% of the total backlog of customer requests

- Recent launch of a major new release – the first in many years, and restoring customer confidence in the future of the product

Key Outcome

- Revenue curve stabilizing with chances of matching market growth over the next 24 months on the back of major release & innovation roadmap

YoY Revenue Growth Rate

Market Growth Rate ~10%

1H 15	2H 15	1H 16	2H 16	1H 17	2H 17	1H 18	

15%
10%
5%
0%
-5%
-10%
-15%
-20%
-25%
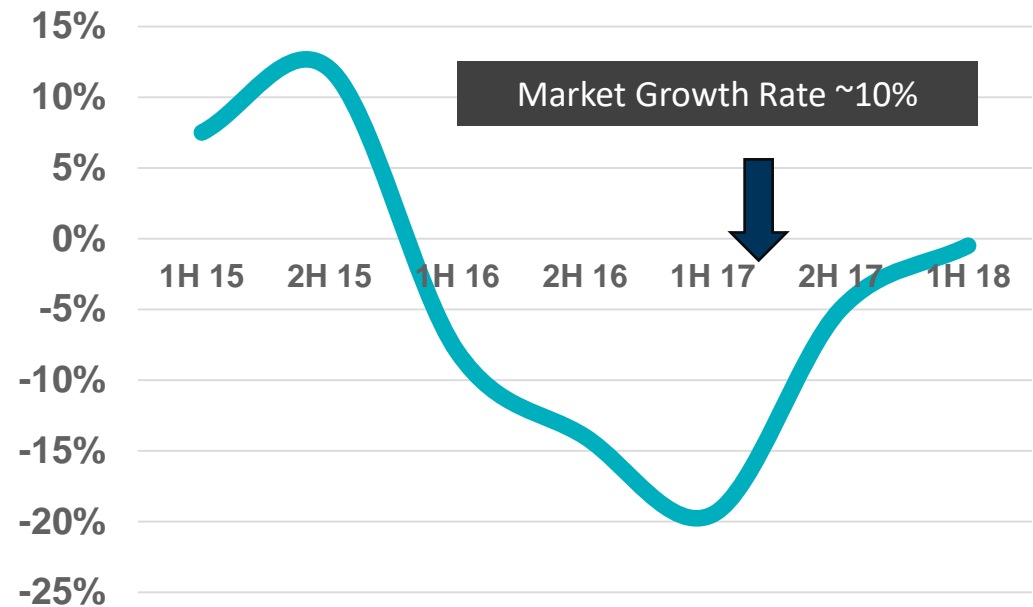
QUICK STABILIZATION ALREADY

Launching next quarter an HCL-branded version to be sold as part of managed services offerings

- Key Success factor

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Background

- Mature, declining products with total of 5,000+ customer installed base

- Migration towards lightweight products integrated into open source DevOps tool chains

HCL Approach

- Expanded the velocity of releases and customer backlog requests to 50+ over the last 18 months

- Released HCL versions of several of these products, with wins integrated in managed services deals

- Focus on re-energizing the customer base with lab advocates assigned to 150+ top customers, with focus on improving renewal rates

- New vision with focus on simplification, while building on enterprise-grade strengths

Key Outcome

- Pockets of strength and growth – and improvements in renewal rates with growth in new license sales

YoY Revenue Growth Rate

Market Growth Rate ~4%

1H 15	2H 15	1H 16	2H 16	1H 17	2H 17	1H 18

5%
0%
-5%
-10%
-15%
-20%
-25%
-30%
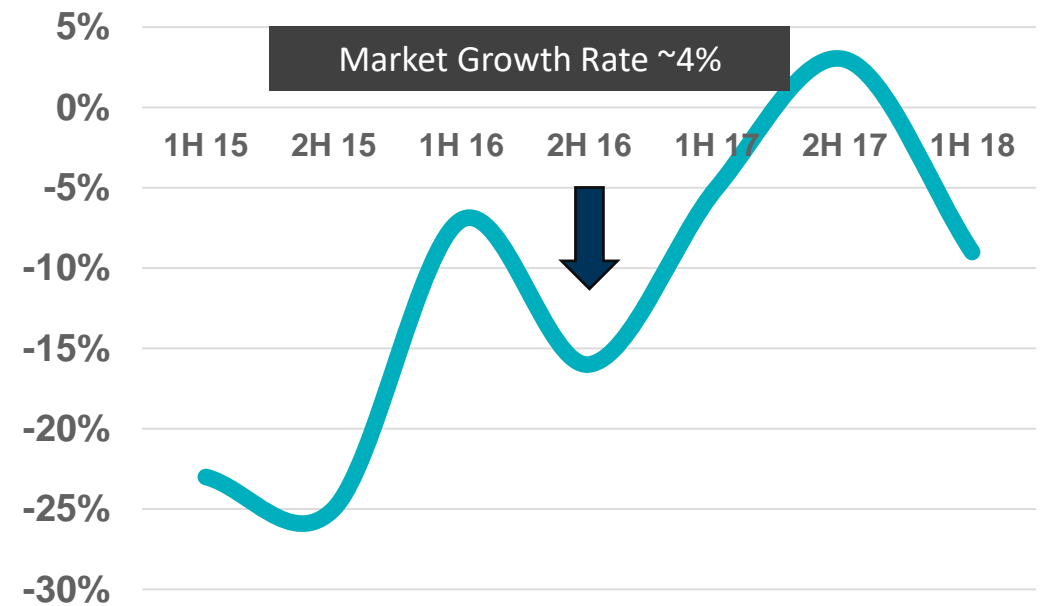
Large product family competing in multiple market segments

Significant modernization and innovation in the works to be delivered in early 2019 – Key to success

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Relationship
BEYOND THE CONTRACT ™

$8.0 BILLION ENTERPRISE | **124,000** IDEAPRENEURS | **41** COUNTRIES

▶ WATCH THE FILM