




Technology for the
next decade, **today.**

HCL Technologies

Investor Presentation
Q3 FY20

Friday, Jan 17, 2020
7:00 PM

Safe Harbor Statement




Certain statements in this release are forward-looking statements, which involve a number of risks, uncertainties, assumptions and other factors that could cause actual results to differ materially from those in such forward-looking statements. All statements, other than statements of historical fact are statements that could be deemed forward looking statements, including but not limited to the statements containing the words 'planned', 'expects', 'believes', 'strategy', 'opportunity', 'anticipates', 'hopes' or other similar words.

The risks and uncertainties relating to these statements include, but are not limited to, risks and uncertainties regarding impact of pending regulatory proceedings, fluctuations in earnings, our ability to manage growth, intense competition in IT services, Business Process Outsourcing and consulting services including those factors which may affect our cost advantage, wage increases in India, customer acceptances of our services, products and fee structures, our ability to attract and retain highly skilled professionals, our ability to integrate acquired assets in a cost effective and timely manner, time and cost overruns on fixed-price, fixed-time frame contracts, client concentration, restrictions on immigration, our ability to manage our international operations, reduced demand for technology in our key focus areas, disruptions in telecommunication networks, our ability to successfully complete and integrate potential acquisitions, the success of our brand development efforts, liability for damages on our service contracts, the success of the companies / entities in which we have made strategic investments, withdrawal of governmental fiscal incentives, political instability, legal restrictions on raising capital or acquiring companies outside India, and unauthorized use of our intellectual property, other risks, uncertainties and general economic conditions affecting our industry.

There can be no assurance that the forward-looking statements made herein will prove to be accurate, and issuance of such forward looking statements should not be regarded as a representation by the Company, or any other person, that the objective and plans of the Company will be achieved.

All forward-looking statements made herein are based on information presently available to the management of the Company and the Company does not undertake to update any forward-looking statement that may be made from time to time by or on behalf of the Company.



HCL Technologies Q3 FY20 Earnings Call



C Vijayakumar

President & Chief Executive Officer

“

We continue our stellar performance over the years and have now crossed a revenue run rate of \$10 B this quarter. Our revenues have grown 16.4% YoY in constant currency and we have delivered a strong 20.2% EBIT. Within two quarters of its inception, HCL Software has already onboarded 4,600 customers. I am pleased that our results continue to validate and reinforce our growth, profitability and investment strategies.

”

HCL Technologies Q3 FY20 Earnings Call



Prateek Aggarwal

Chief Financial Officer



We have delivered best-in-class 16.4% revenue growth in constant currency. EBITDA margin at 24.7% expanded 152 bps, and EBIT margin at 20.2% expanded 68 bps on YoY basis. OCF as percentage of Net Income at 109% on YTD basis demonstrates the expected improvement in Cash Flows, we have been guiding over the past few quarters. This is also evident by LTM Cash EPS now at ₹ 48.6, up by robust 20.6% on YoY basis. Cash generation this quarter has been extremely strong, with Operating Cash flow above \$700M and Free Cash Flow above \$ 650M. Net Cash is now at \$1.1B. We are also happy to have secured “A-” credit rating, with Stable Outlook, from S&P Global.



Business Updates

Q3 FY20

C Vijayakumar

President & Chief Executive Officer

Performance Summary

QoQ			YoY
2.3%	↑	REVENUE \$2.54B	↑ 15.5%
2.1%	↑	GROWTH in CC	↑ 16.4%
3.8%	↑	EBIT \$0.51B	↑ 19.5%
28 bps	↑	EBIT% 20.2%	↑ 68 bps
100 bps	↑	MODE 2 & 3 MIX 34.0%	↑ 492bps

Business Segment / Mode wise Performance

Quarter Ended 31-Dec-19	Revenue (in \$ M)	Revenue Mix	EBIT Margin	QoQ Growth (in Constant Currency)
IT and Business Services	1,786	70.2%	17.8%	0.1%
Engineering and R&D Services	424	16.7%	20.7%	0.7%
Products & Platforms	334	13.1%	32.9%	16.8%
Total	2,543	100.0%	20.2%	2.1%

Quarter Ended 31-Dec-19	Revenue (in \$ M)	Revenue Mix	EBIT Margin	QoQ Growth (in Constant Currency)
Mode 1	1,679	66.0%	19.9%	0.3%
Mode 2	462	18.2%	15.2%	1.1%
Mode 3	402	15.8%	27.3%	11.1%
Total	2,543	100.0%	20.2%	2.1%

Revenue Performance by Geo / Vertical

					ACQUISITION IMPACT PER PRIOR METHODOLOGY	
Particulars	Segment	Mix	QoQ CC	YoY CC	YoY CC	
Consolidated		100%	2.1%	16.4%	16.4%	
Geography	Americas	62.8%	-0.1%	12.9%	21.2%	
	Europe	29.2%	5.0%	21.4%	9.5%	
	RoW	8.0%	10.6%	27.3%	0.8%	
Verticals	Financial Services	21.6%	-2.1%	16.8%	4.3%	
	Manufacturing	20.9%	7.9%	38.1%	27.0%	
	Technology & Services	15.1%	0.4%	-6.1%	43.0%	
	Retail & CPG	10.3%	4.5%	16.9%	4.2%	
	Telecom & Media	9.0%	9.7%	13.6%	8.2%	
	Life Sciences & Healthcare	12.2%	-3.6%	8.9%	5.4%	
	Energy & Utilities, Public Services, TTL	10.9%	1.6%	31.3%	7.8%	

Key Highlights



HCL Software continued its operational momentum in Q3 as it on-boarded 4,600 customers.



HCL Software continues to invest in products and has released several product releases. The most notable launch in the quarter was Domino v11, representing a milestone in HCL's commitment to modernize and innovate the Domino ecosystem — and transform over 10 million enterprise-grade apps powering business for more than 15,000 customers.



12 transformational deals were signed led by key industry verticals of Hi Tech, Manufacturing, and Financial Services.



Launched HCL's Google Cloud Business Unit to accelerate enterprise cloud adoption worldwide. Currently has more than 1,300 professionals trained on Google Cloud, and plan to ramp this capacity to more than 5,000 specialists.



Won the **NASSCOM Corporate Award for “Excellence in Gender Inclusion”**. This award highlights HCL's best practices for gender inclusion to support organizational vision and create positive outcomes.



Opened **two new technology delivery centers in Lithuania**. These state-of-the-art centers provide leading-edge technology and digital transformation capabilities and services to clients in the Baltic, Nordic and Benelux regions.

Key Wins



US based hi-tech company

Chosen as engineering partner for select enterprise products. With this partnership, HCL will form integrated development and support teams to enhance implementation and maintenance capabilities of these product suites across multiple industries and geographies.

Financial services company based in the US

Selected as a digital transformation and run partner. HCL would be managing and modernizing the existing data center, workplace, helpdesk, network and security environment.

Switzerland based Multinational Banking company

Chosen to augment their existing user experience design by building a modern customer experience portal. These two initiatives are part of a larger International Wealth Management Platform transformation

Leading global automotive manufacturing company based out of Europe

Selected as digital workplace transformation partner. HCL will provide a global multilingual service desk, end-user services including field support to end users. And will also transform the workplace using its core IPs around automation, analytics and cognition.

Financial services company based in the US

Chosen to transform and modernize policy administration for annuities and life insurance. HCL will perform system integration of policy administration platform for annuities, modernize processes and launch new annuity and life products on the platform.

Retail company based in the US

Selected as one-shop IT outsourcing partner for a retail company based in US to provide holistic IT Infrastructure management services. HCL will improve their security posture by providing network and endpoint security operations solutions through its dynamic security accelerators and frameworks

Key Awards & Analyst Recognitions

HCL was named one of the best 50 companies globally as per the People Capital Index (PCI), 2019, a study inspired by the Human Capital Index published by the World Economic Forum.

- **Positioned as a Leader in IDC MarketScape:**

- Asia / Pacific (Excluding Japan) Microsoft Dynamics 365 Implementation Services 2019 Vendor Assessment (Doc #AP45028019, October 2019).
- Asia / Pacific (Excluding Japan) Managed Cloud Services 2019 Vendor Assessment (Doc #AP44706419, October 2019).

- **Positioned as a Leader in Everest Group's**

- Talent Readiness for Next- Gen IT Services PEAK Matrix® Assessment 2020.
- Application and Digital Services in Capital Markets – Services PEAK Matrix® Assessment 2020
- Enterprise Blockchain Services PEAK Matrix® Assessment 2020.
- Cloud Services PEAK Matrix® Assessment 2020
- Application and Digital Services in Banking – Services PEAK Matrix® Assessment 2020.
- Network Transformation and Managed Services PEAK Matrix® Assessment 2020
- Application Transformation Services PEAK Matrix® Assessment 2020.
- HealthCare IT Security Services PEAK Matrix® Assessment with Service Provider Landscape 2020.

- **Positioned in Leadership zone in Zinnov Zones for RPA services, 2019**

- **Recognized as a Leader in ISG Provider Lens™ Research Quadrant for:**

- **SAP HANA and Leonardo Ecosystem Partners:**

- SAP S/4HANA & Business Suite on HANA Transformation, Global 2019.
- SAP S/4HANA & Business Suite on HANA Managed Services, Global 2019.
- SAP Leonardo Transformation, Global 2019.
- SAP Cloud Platform Support Services, Global 2019.
- SAP BW/4 on HANA and BW on HANA Transformation & Operations, Global 2019.

- **Next-Gen Application Development & Maintenance (ADM) Services:**

- Next- Gen ADM, USA 2019.
- DevOps Consulting, USA 2019.
- Continuous Testing, USA 2019.
- Agile Development, USA 2019.

- **IoT - Transformational Services, Technology, Solutions, Platforms and Industries:**

- Manufacturing, USA 2019.
- Managed Solutions and Services, USA 2019.
- Consulting and Services, USA 2019.

- **Digital Business – Solutions and Service Partners:**

- Blockchain Services, Nordics 2019 -20
- Customer Journey Services, Nordics 2019 -20.
- Digital Backbone Managed Services, Nordics 2019 -20.
- Digital Product Lifecycle Services, Nordics 2019 -20.

Products & Platforms

Darren Oberst

Corporate Vice President

Products & Platforms Highlights

HCL Software continued to build operational momentum in Q3; It is now in second full quarter since the closing of the IBM software products acquisition.



“Open for Business at Global Scale”– transactional momentum.

- 5,000+ product sales transactions completed in Q3, representing 3X+ increase in transactional volume from Q2
- Transactions closed in 90+ countries with large-scale customer wins in each major geography, especially EMEA, Latin America and Japan
- 1800+ total partners and resellers onboarded in last 6 months, “ready to transact and complete business” together – approximately 50% q-t-q increase
- Scalable ecommerce system, e.g., 700+ ecommerce transactions closed in Japan



New Footprints, Growth & Key Wins

- Acceleration in new customers, e.g., “new footprints” – Appscan alone had 27 new footprint wins; Bigfix had 23 new footprint wins
- 700+ new license transactions (both new and existing customers) through business partners – important validation that partners are embracing HCL Software, making new recommendations to customers, and looking for future growth together
- Significant increase in \$1M+ transactions, including large customers expanding their deployments, and increase in overall deal sizes.
- Marketing and lead generation efforts expanding: 28 webinars, 21 events/conferences, and 157,000+ unique visitors to HCL Software web sites.
- Growing traction with joint selling with HCL services – highlighted by major ‘new footprint’ win with Bigfix.



Product Innovation – major release – Domino v11

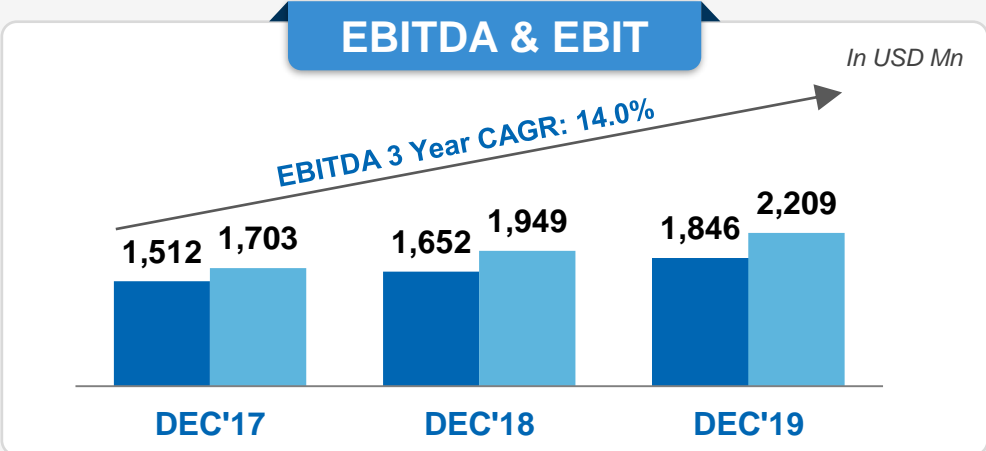
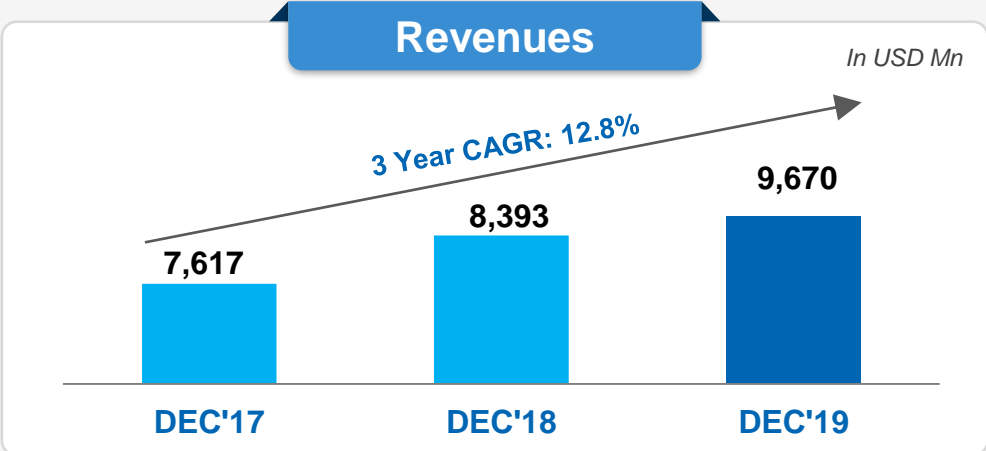
- Domino v11 – “major milestone in HCL’s multi-year commitment to modernize and innovate the Domino ecosystem – and transform over 10 million enterprise-grade workflow applications powering business for more than 15,000 customers.”
- 10,000+ views of the keynote video, “Live from Tokyo”.
- 18 customers “re-start” with Domino in Q3 – with pipeline of many more in the first few weeks after the release of Domino v11.

Financial Updates

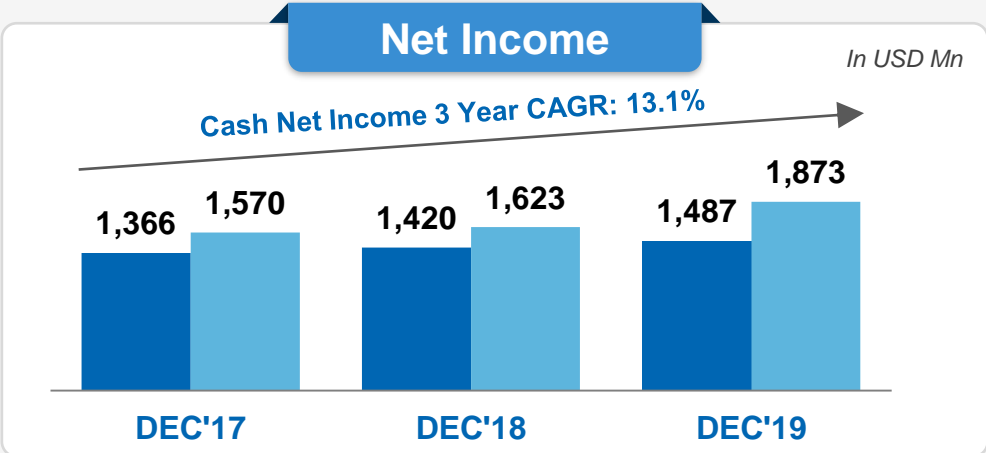
Q3 FY20

Prateek Aggarwal
Chief Financial Officer

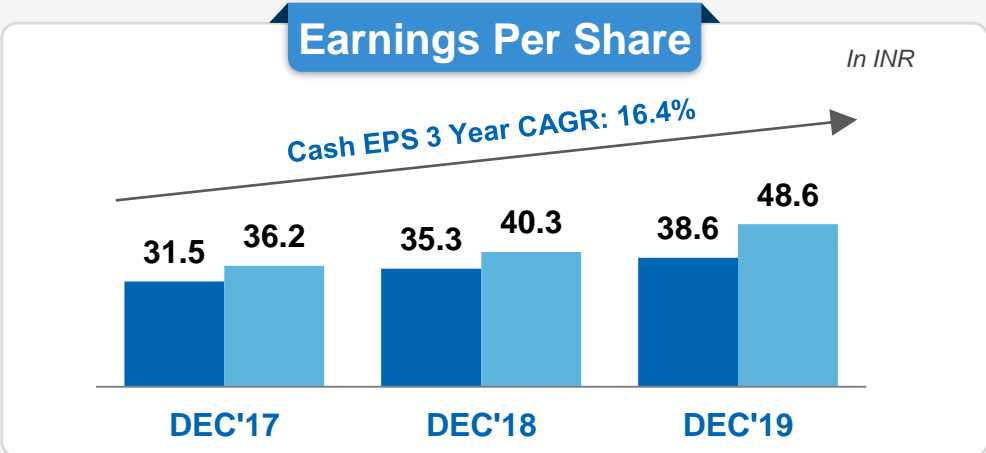
Performance Trend



■ EBIT ■ EBITDA



■ Net Income ■ Cash Net Income*



■ EPS ■ Cash EPS

1. Cash Net income is Net Income adjusted for non-cash items before working capital changes.

2. Cash EPS is Cash Net Income divided by Average Number of Diluted Equity Shares.

Purchase Price Allocation (Update)

(amount in \$ M)

Particulars	Sep'19	Dec'19
Recoverable from IBM (against contract liabilities)	449.9	505.6
Contract liabilities	(452.8)	(509.6)
Deferred tax	1.8	1.4
Property and equipment	0.3	0.3
Customer related intangibles	884.0	919.9
Technology	351.7	351.7
Goodwill	934.8	900.4
Total preliminarily purchase consideration	2,169.7	2,169.7

Cash Flow

Particulars	Q1 FY20	Q2 FY20	Q3 FY20	YTD FY20
Net Income	321	377	428	1,126
Adjustments to Reconcile Net Income to Net Cash provided by Operating Activities				
Depreciation and amortization	86	86	112	284
Deferred income taxes	(0)	1	20	20
Others	(2)	10	9	17
Cash Profits	404	474	569	1,447
Changes in Assets and Liabilities, net				
Accounts receivable and unbilled receivable	(174)	(224)	106	(292)
Other assets	(61)	13	(17)	(65)
Other Liabilities	90	(8)	51	132
Net Cash provided by operating Activities	258	255	709	1,222
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of Property and Equipment (net)	(58)	(62)	(52)	(171)
Purchase of Licensed IPRs	(22)			(22)
(Purchase) / Sale of investment securities	31	(89)	(332)	(390)
Payments for acquisition of business, net of cash acquired	(856)	-	(22)	(878)
Others	0	0	2	3
Net Cash used in Investing Activities	(904)	(151)	(403)	(1,458)
CASH FLOWS FROM FINANCING ACTIVITIES				
Dividend paid	(46)	(46)	(46)	(137)
Others	36	(11)	(42)	(17)
Net Cash provided by (used in) Financing Activities	(10)	(58)	(87)	(155)
Effect of Exchange Rate on Cash and Cash Equivalents	6	(12)	(0)	(7)
Net Increase/ (Decrease) in Cash and Cash Equivalents	(650)	34	218	(398)
CASH AND CASH EQUIVALENTS				
Beginning of the Year/Period	858	208	242	858
End of the Year/Period	208	242	460	460
Free Cash Flow	178	193	657	1,029
OCF to Net Income Ratio	80%	68%	166%	109%
Free Cash flow to EBITDA Ratio	36%	33%	105%	61%

(amount in \$ Million)

Tax Expense

(amount in \$ Million)

Tax Expense	Q1 FY20	Q2 FY20	Q3 FY20	YTD FY20
As per Ind AS (A)	101	109	106	316
As per US GAAP (B)	101	118	97	316
Difference (A-B)	(0)	(9)	9	(0)
ETR% as per US GAAP	24.0%	23.9%	18.4%	21.9%
ETR% as per IND AS	23.9%	22.1%	20.1%	21.9%



REVENUE

FY'20 Revenues are expected to grow between **16.5% to 17.0%*** in **Constant Currency**

**Revenue Guidance is based on FY'19 (April to March) average exchange rates*

The above constant currency guidance translates to **15.2% to 15.7%** in USD terms based on Dec 31, 2019 rates



OPERATING MARGIN (EBIT)

FY'20 expected Operating Margin (EBIT) range is from **19.0% to 19.5%**

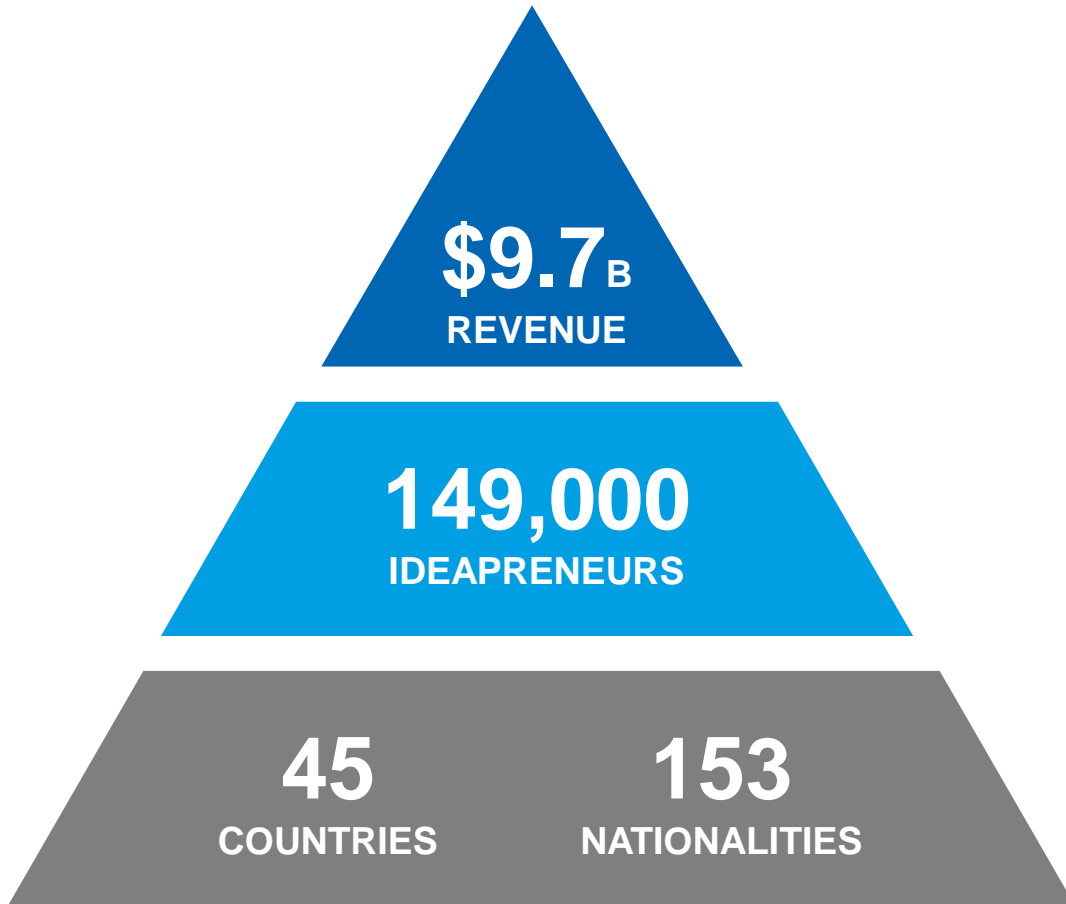
Q&A



HCL TECHNOLOGIES

AT A GLANCE

The Fastest Growing Global Technology Company



Key Differentiators



Product Engineering DNA



Digital at Scale



Partnership Ecosystem



Innovative Business Constructs



Relationship Beyond the Contract™

Culture of 'Giving Back': Corporate Social Responsibility

HCL GRANT

- **Committed \$7.25M** towards rural development in the areas of Environment, Health and Education. HCLF has already touched the lives of more than 575,000 people through the program.
- **More than 5,000 NGOs registered** for the fifth edition of the program, as a precursor to the upcoming Grant event.



- Implemented in 765 villages, the program reaches 90,000 households covering a total population base of around 600,000 people
 - **Farmer income increased 33%** with the help of traditional crop practice improvement
 - More than **55,000 children received education** in 326 Happy Schools and **nearly 40,000 people enrolled in Adult Literacy Centers**. Learning outcomes increased by 18% with **100% pass percentage** of literacy programs.
 - More than 20,000 pregnant women and 17,000 children provided improved care, Mobile healthcare, and specialized care through telemedicine
 - 12 health facilities and 113 government schools supported through rooftop/customized solar photo voltaic installation
 - 20,570 households with improved sources of income through various agri-allied and entrepreneurial activities



- Nearly **40,000 employees** continued to donate towards the social and economic upliftment of vulnerable communities from April to December 2019. In this Quarter, **2,510 HCLites** were engaged in Po1 community service activities, **clocking 10,541 hours**.



- **Reached out to more than 300,000** underserved urban, migratory communities in India.
- **Sports for Change:** 400 children from 6 States & 1 UT of India participated in the Annual National Level Sports Meet. 136 Gold, Silver and Bronze medals were awarded to students across the sporting categories of Football, Volleyball, Kabaddi, Chess, Carrom, Badminton, Athletics (Track, Field & Throw).

Culture of Ecosystem Experiences: Global to Local Platforms



HCL Concerts at Carnegie Hall NY & Levi's Stadium, SF



HCL at Dreamforce 2019



Accelerate - HCL Analyst Day 2019



#10YearsinFrance – Global to Local campaigns



Two technology delivery centers in Lithuania



The Digital Forum, Frankfurt



Diversity and Inclusion

Recognized as International Women's Day (IWD) 2019 Best Practice Winner. HCL is one of the 18 companies across the globe, which has achieved this award in 2019, joining previous winners as members in the International Women's Day Best Practice Hall of Fame.

International Day for Persons with Disabilities was celebrated in HCL throughout the month of December with a series of activities and initiatives. The focus was on increasing awareness towards understanding and acceptance of people with special needs and celebrating their achievements and contributions. It was planned across various HCL campuses.



- The Stevie® Awards for Women in Business are the world's premier business awards for female entrepreneurs, executives, employees and the organizations they run.
- Of the 1550 nominations received for the awards this year from 25 countries, across all categories, 27 HCL customers won the award under six categories.

HCL runs the Women Lead program to mentor the next generation of women leaders in Australia & Nordics



HCL

www.hcltech.com

\$9.7 BILLION | 149,000 IDEAPRENEURS | 45 COUNTRIES