

# Technology for the next decade, **Today.**

**HCL Technologies Investor Presentation**

Q4 FY19

Thursday, May 09, 2019 | 7:30PM

# Safe Harbor Statement

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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 Q4 and Annual FY19 Earnings Conference Call

## Presenters



**C Vijayakumar**

President & Chief Executive Officer



**Prateek Aggarwal**

Chief Financial Officer

[hcltech.com/investors](https://hcltech.com/investors)

# Business Updates

**C Vijayakumar**

President & Chief Executive Officer

# Performance Summary

## Quarter ended Mar 31, 2019

QoQ

Revenue	\$2.28B	3.5%▲
Growth in CC		3.3%▲
EBIT	\$0.43B	0.1%▲
EBIT%	18.9%	
Net Income	\$0.36B	0.1%▲

- **Posted 3.3% QoQ growth following a 5.6% QoQ growth in Q3**

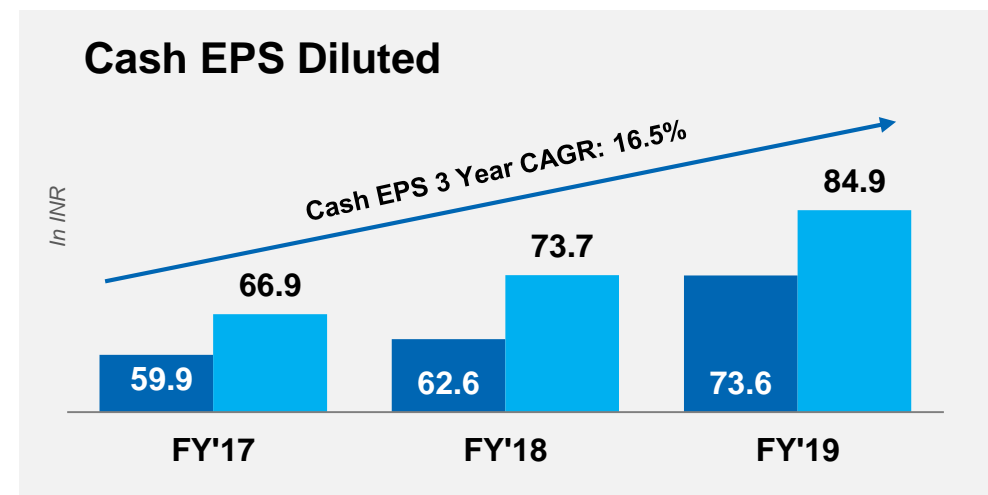
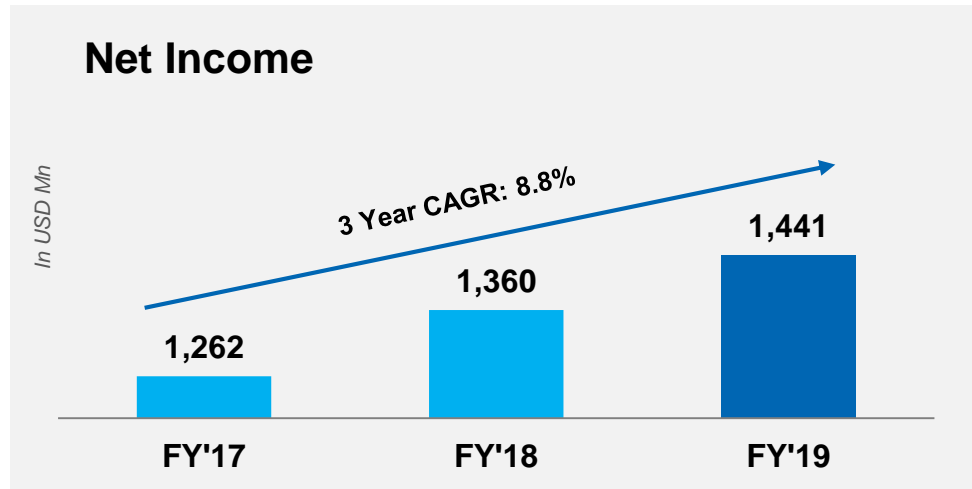
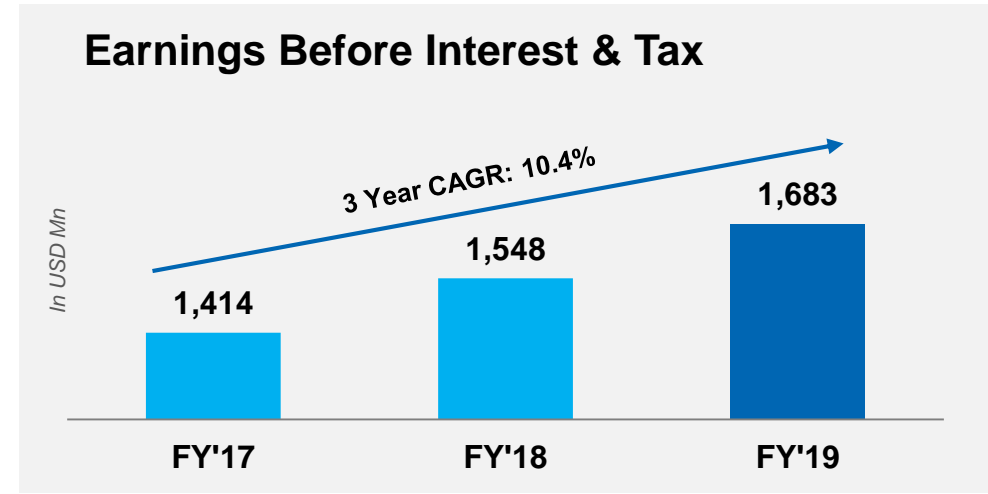
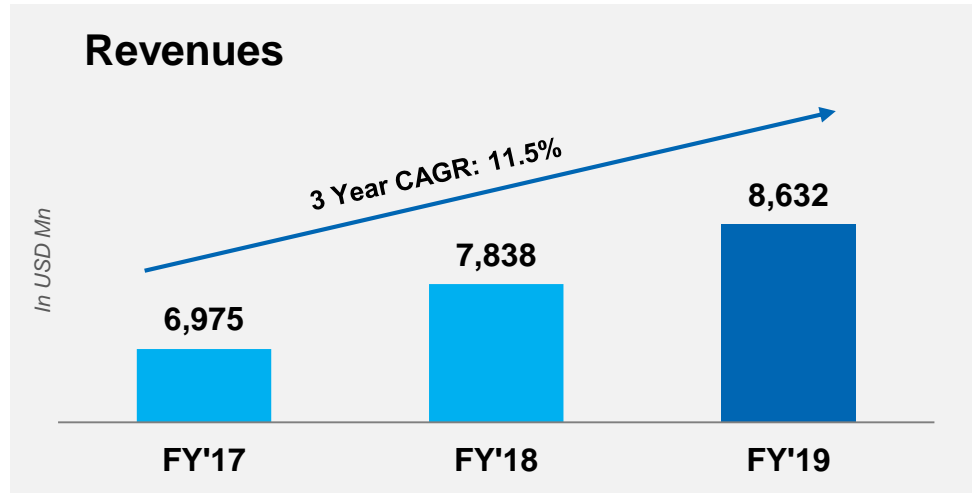
## Fiscal Year 2018-19

YoY

Revenue	\$8.63B	10.1%▲
Growth in CC		11.8%▲
EBIT	\$1.68B	8.8%▲
EBIT%	19.5%	
Net Income	\$1.44B	5.9%▲

- **Industry leading revenue growth at 11.8% YoY in constant currency (CC) exceeding the upper end of the guided range.**

# Performance Trend



■ EPS ■ Cash EPS

# Key Highlights

- We again hit a new record for our bookings this quarter. This is the third time we have set an **all time bookings record this fiscal**
- Q4 saw **17 transformational deals** led by Retail & CPG, Manufacturing, Public Services and Financial Services; **for the year 78** such deals
- Acquired **Strong-Bridge Envision** (SBE), a digital transformation consulting firm with offices in Seattle, Denver, Atlanta, and New York City; in FY19 HCL had announced **5 strategic acquisitions** to strengthen its portfolio
- Actian, a HCL company announced the **Actian Avalanche™** cloud data warehouse that delivers breakthrough levels of speed, flexibility and exponential price/performance advantage

# Key Wins

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## **Large technology manufacturer in USA**

*Managed Services including global administrative and support functions, information and finance functions*

## **Leading Danish pharmaceutical giant**

*Technology Services including Digital, Agile & DevOps, Applications Development and Advisory Services*

## **Leading integrated telecom & media conglomerate in USA**

*Digital Workplace Transformation & Operations*

## **American state agency that controls all facets of public transportation**

*Security Operations, Audit, Assessment & Compliance Services*

## **Leading British Multinational Investment Bank and Financial Services Company**

*DRYiCE™ Lucy as a cognitive virtual assistant*



# Mode 1-2-3 Performance

Mode	FY17	FY18	FY19	FY19 CC Growth	FY19 Growth
Revenue	6,975	7,838	8,632	11.8%	10.1%
Mode 1	81.4%	76.6%	71.6%	4.5%	2.9%
Mode 2	12.8%	14.7%	17.0%	28.7%	27.3%
Mode 3	5.8%	8.7%	11.4%	48.4%	44.3%
Total Mode 2 + 3	18.6%	23.4%	28.4%		

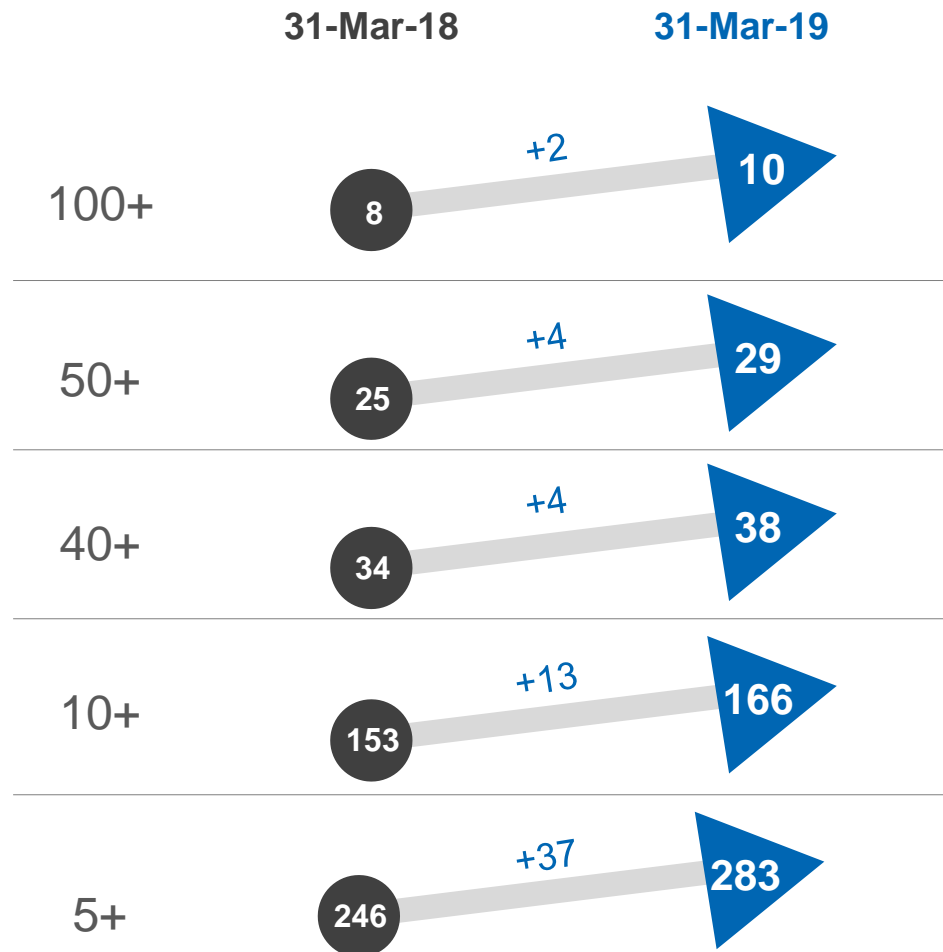
# Revenue Momentum Continues ...

		Q4 FY 2019 (QoQ CC)	FY 2019 (LTM CC)
<b>Consolidated for the Company</b>		<b>3.3%</b>	<b>11.8%</b>
<b>Mode 1-2-3</b>	Mode 1	2.5%	4.5%
	Mode 2	14.3%	28.7%
	Mode 3	-7.6%	48.4%
<b>Geography</b>	Americas	1.1%	13.8%
	Europe	8.4%	11.5%
	Rest of the World (RoW)	3.6%	-0.9%
<b>Services</b>	Application Services	5.2%	3.5%
	Infrastructure Services	7.3%	11.1%
	Business Services	-5.8%	51.5%
	Engineering and R&D Services	-3.0%	19.5%
	Financial Services	0.9%	1.0%
<b>Verticals</b>	Manufacturing	2.5%	0.0%
	Technology & Services	3.9%	30.7%
	Retail & CPG	1.4%	16.8%
	Telecommunications, Media, Publishing & Entertainment	-3.8%	17.5%
	Lifesciences & Healthcare	3.5%	22.5%
	Public Services	17.7%	11.6%

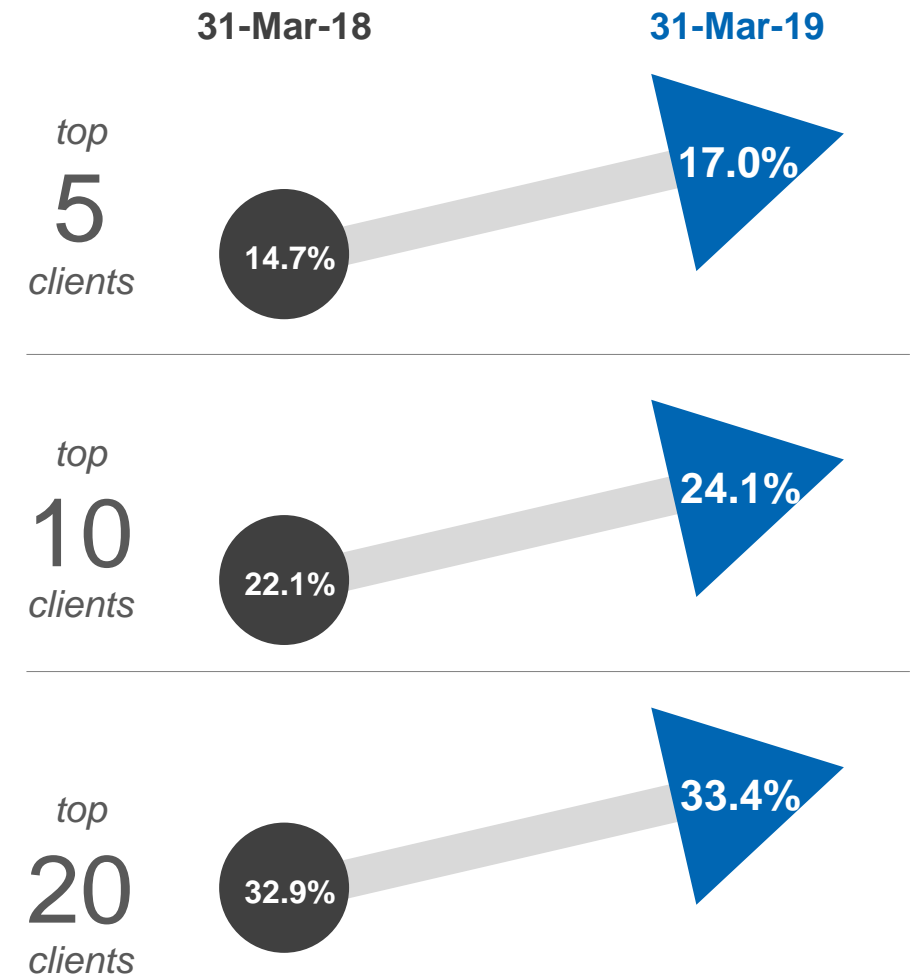
- During Q4 FY'19, **Infrastructure services delivered solid growth of 7.3% QoQ CC** on back of robust **10.4%** sequential growth (in CC) in the previous quarter. During FY'19, it posted double digit growth at **11.1% YoY CC**.
- Application services grew 5.2% QoQ CC** on back of strong scale digital projects
- FY'19 witnessed a **broad based growth across verticals and geos (ROW excluding India)**

# Client Trends

## Category (in \$ M)



## Concentration (in %age)



# Key Analyst Recognitions - Mode 2

56 Mode 2 reports mentions in FY19; 51% increase over FY18

Challengers in **Gartner Magic Quadrant** for CRM and CX implementation Services

Challengers in **Gartner Magic Quadrant** for Data and Analytics

'Leader' in the **Forrester Wave™**: Global IoT Services Wave for Connected Business Operations, 2018

Leaders in **IDC MarketScape** Worldwide DevOps Service, 2018

Leaders in **Everest PEAK Matrix** for Digital Workplace Services

Leaders in **Everest's** Life Sciences Digital in North America **PEAK Matrix Assessment**, 2018

Leader in **Everest Group PEAK Matrix** for L&P Insurance Digital Services, 2019

Leader and Star Performer in **Everest PEAK** for Cloud Services, 2019

Leaders in **Zinnov Zones** for Digital Services in Retail

'Leader' in **ISG Provider Lens™ Research Quadrant** for Digital Business Transformation, 2019, US

'Leader' in **ISG Provider Lens™ Research Quadrant** for Blockchain as a Service, 2019, US

'Leader' in **ISG Provider Lens™ Research Quadrant** for Cyber Security Solutions & Services, US

# FY20 Business Trends

## Market Opportunities

- **Digital Transformation to grow 18%** to \$1.2 T in 2019
- **New Technologies to grow at 14.5% CAGR.** Traditional Products & Services to grow at 3.1%, but is still 80% of the \$6.4 T market
- **Shift in market buying patterns** – As a Service Outsourcing (27% growth) compared to traditional sourcing (8%)

## Technology Trends

- **Every Business is Software Defined** at its core now - Technology led business models in every vertical
- **Cybersecurity / IoT / Digital Reality** - Key drivers of new opportunities compared to Mobile / Social in the recent past
- **Infrastructure – Digital Foundation** - Hybrid cloud & Platform centric approach. Digital Workplace shift from device to users to experience

**FY20 will continue to be a good year enabled by digital transformation spend**

# FY20 Business Trends

## Geopolitical factors

- **Delays in visa processing** / Increase in rejection rates and Request for Evidence risks/delays demand fulfillment
- **Expansion beyond the normal economic cycle in US** may limit further increase in discretionary spend by corporates
- **Client businesses impacted by tariff wars** in the near term
- **BREXIT outcome & Euro currency headwinds** to cause uncertainties in the European market

## Cost Drivers

- **Increase in Industry Attrition** – Primarily due to demand pickup offshore and resource shortage onsite
- **Shortage of onshore and digital talent** - US labor market at full utilization with one of the lowest unemployment rates constraining onsite fulfillment and increase in sub-contracting costs

**Business to be challenged in FY20 by labor market conditions and labor mobility**

# Our Core Strategy

Scale Growth Opportunities

Focused Cost Management



Integrated Propositions

Localization, Diversity & Inclusiveness

# Financial Updates

**Prateek Aggarwal**

Chief Financial Officer



# Performance Summary

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Growth in CC **11.8%** ▲

EBIT **\$1.68B** **8.8%** ▲

EBIT% **19.5%**

Net Income **\$1.44B** **5.9%** ▲

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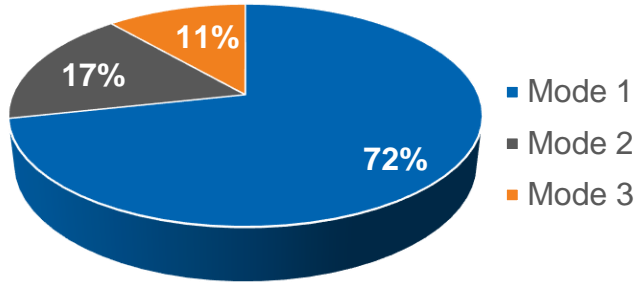
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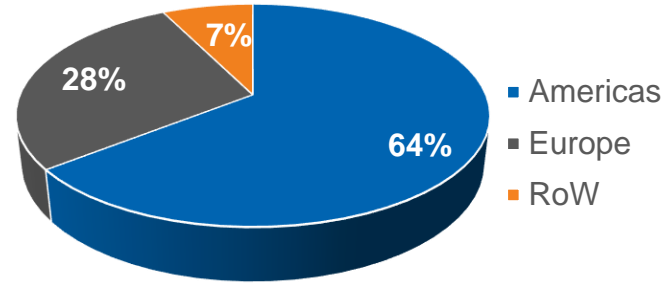
Net Income **\$0.36B** **0.1%** ▲

# Balanced Portfolio (FY'19)

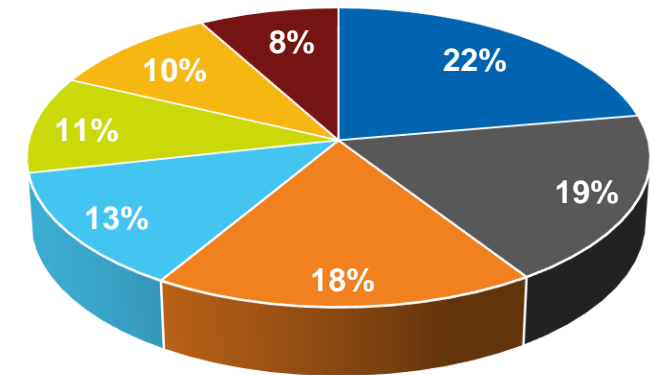
## Mode 1-2-3



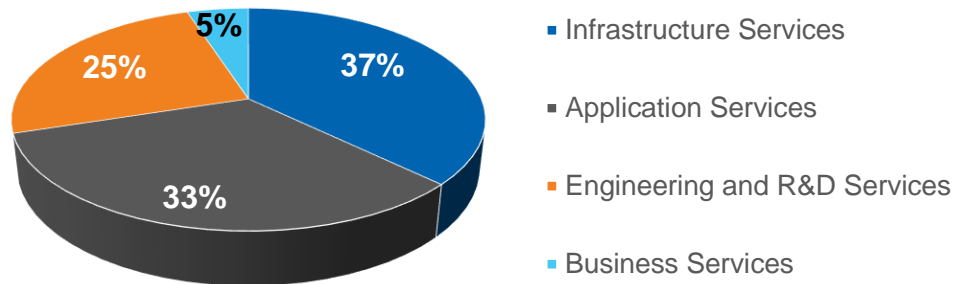
## Geography



## Verticals



## Services



- Financial Services
- Technology & Services
- Manufacturing
- Lifesciences & Healthcare
- Public Services
- Retail & CPG
- Telecommunications, Media, Publishing & Entertainment

# Strong-Bridge Envision Acquisition

- **Business**

Digital Transformation Strategy Consulting, Agile Program Management and Organizational Change Management

- **Revenue**

**\$45.6 M**

in CY18

- **Investment**

**\$45 M**

(\$42 M upfront; Balance on performance achievement)

- **Headquarters**

Seattle (Washington) and Denver (Colorado)

- **Employees**

**~200**

(across Seattle, Denver, Atlanta and New York)

- **Key customers**

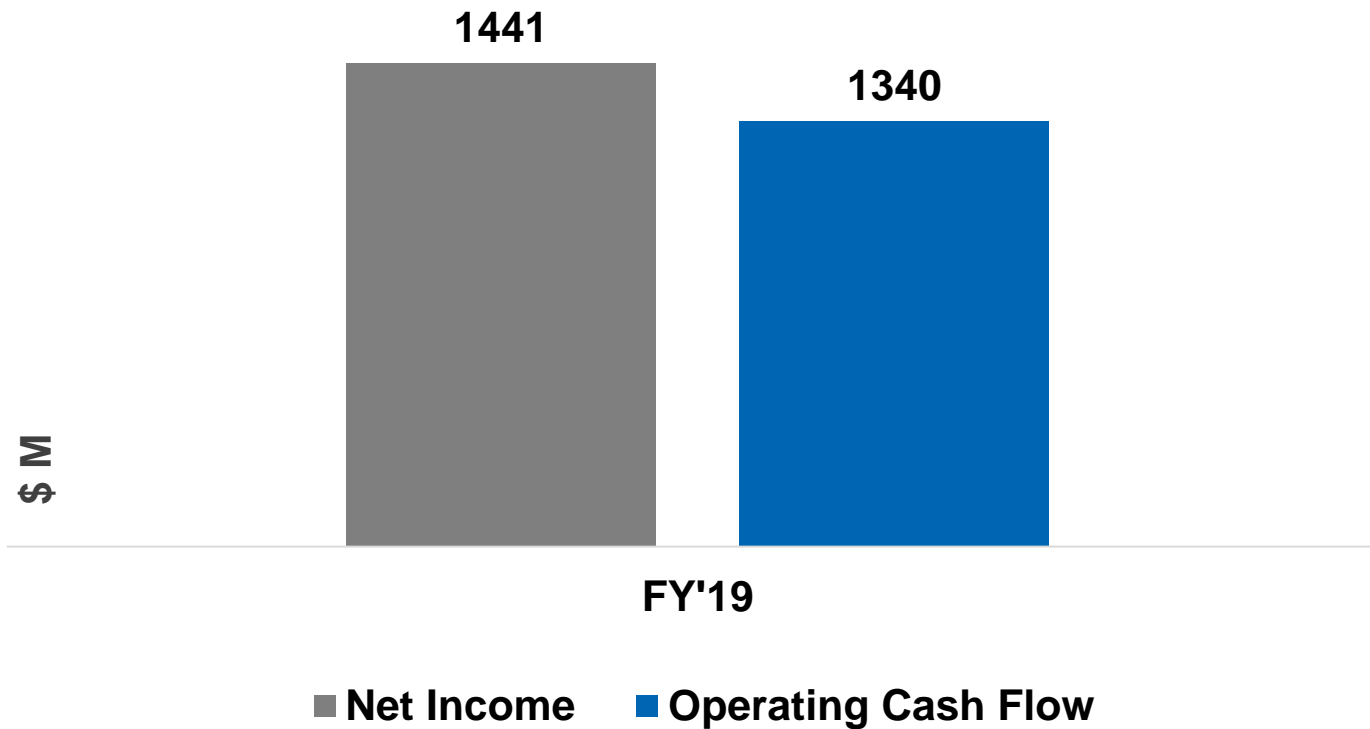
Telecom, Retail, Technology & Financial services Firms ranging from Fortune 10-500

- **Current Status**

Integration in Progress

**With Strong capabilities in digital strategy development, agile program management, business transformation, and organizational change management, SBE will help deliver end-to-end digital journeys to our customers.**

# Cash Conversion (OCF & NI)



## Profit to Cash Conversion

- Net Income to Operating Cash Flow conversion **healthy at 93%**.
- Announces **dividend of ₹ 2 per share**, 65th consecutive quarter of dividend payout.
- **Payout ratio** for FY'19 stands at healthy **52.6%**.

# Guidance

## Revenue

FY'20 Revenues are expected to grow between **14.0% to 16.0%\*** in Constant Currency

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

The above constant currency guidance translates to **13.4 to 15.4%** in USD terms based on March 31, 2019 rates

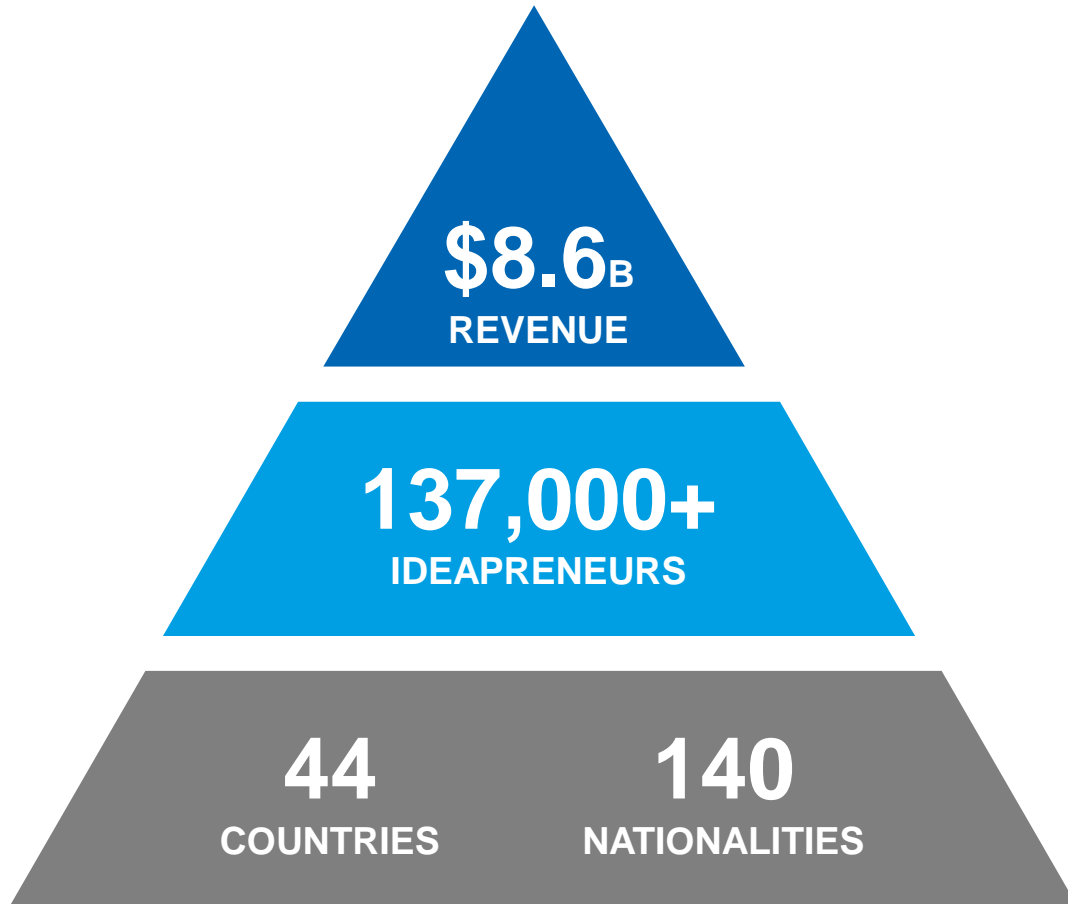
## Operating Margin (EBIT)

FY'20 expected Operating Margin (EBIT) range is from **18.5% 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™**



# HCL 2030 Platform Launched at World Economic Forum

- **HCL 2030 platform** was launched to drive thought leadership, executive dialogue, and strategic solutions to key challenges facing business, society, and technology over the next decade – with a focus on implementing practical solutions today.

- HCL initiated its **Goodwill Champions Awards Series** at WEF to honour humanitarian leaders from around the world. The awards celebrate heroic organizations committed to pursuing distinct noble causes, primarily focused on global education, youth development, and women empowerment.



# Culture of 'Giving Back': Corporate Social Responsibility

HCL partners with non-profit organizations around the world to strengthen the communities that we work, and live in.



  Prince's Trust			
 www.emusic4hope.org	 American Red Cross Triangle Area Chapter		
		 United Way of Jackson County	
			
 SAFEchild Building Strong Families	 BOYS & GIRLS CLUBS	 NELSON MANDELA FOUNDATION Living the Legacy	 SOS CHILDREN'S VILLAGES INTERNATIONAL

# Culture of Ecosystem Experiences: Global to Local Platforms



HCL Concerts at Carnegie Hall



HCL Ecosystem Experience Week



HCL at MWC'19



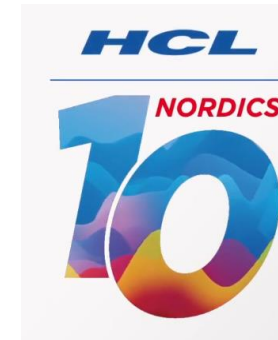
Brand Narrative Refresh



#Celebrate30withUS – Global 2 Local campaigns



#HCLatDavos – HCL 2030 and #FCDavosDialogues at WEF 2019



#UnitedByHCL Digital Story



HCL & VOR #MadeForTough



#HCLforBalance



#10YearsinNordic



# Diversity and Inclusion

As one of the two global strategic sponsors, HCL celebrated International Women's Day with events across 21 offices globally, designed around its Diversity & Inclusion theme #BalanceforBetter.

HCL runs the Women Lead program to mentor the next generation of women leaders



**HCL**

*Relationship*<sup>TM</sup>  
BEYOND THE CONTRACT

**\$8.6 BILLION ENTERPRISE | 137,000 IDEAPRENEURS | 44 COUNTRIES**



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