

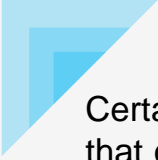


*Technology for the  
next decade, **today.***

HCL Technologies Investor Presentation  
Q2 FY20

Wednesday, Oct 23, 2019  
6:30 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 Q2 FY20 Earnings Call



**C Vijayakumar**

President & Chief Executive Officer

“

HCLites have delivered yet another outstanding quarter with a 20.5% YoY growth, translating to a more than 14% industry leading organic growth. Our sharp focus on pricing and cost levers over the last 6 months have helped deliver a solid EBIT of 20%. I am also very excited about the progress we have made in our newly formed, HCL Software business. I am confident that this momentum combined with our diversified portfolio of services and software will deliver great value to our clients, our shareholders and most importantly, our employees

”

# HCL Technologies Q2 FY20 Earnings Call



**Prateek Aggarwal**

Chief Financial Officer

“

I am extremely pleased to report yet another quarter of industry leading growth of 20.5% YoY in constant currency at an EBIT margin of 20.0%. The overall robust performance validates the resilience of our business model as well as our evolving business mix. Cash EPS has increased by 12.9% on LTM YoY basis, and is now at ₹88.4 per share

”

# Business Updates

– Q2 FY20

C Vijayakumar

President & Chief Executive Officer

# Performance Summary

QoQ			YoY
5.2%	↑	REVENUE <b>\$2.49B</b>	↑ 18.4%
6.0%	↑	GROWTH in CC	↑ 20.5%
22.9%	↑	EBIT <b>\$0.50B</b>	↑ 18.8%
287 bps	↑	EBIT% <b>20.0%</b>	↑ 7 bps
330 bps	↑	MODE 2 & 3 MIX <b>33.0%</b>	↑ 504bps

# Revenue Performance by Geo / Vertical\*

Particulars	Segment	Mix	QoQ CC	YoY CC
	<b>Consolidated</b>	<b>100.0%</b>	<b>6.0%</b>	<b>20.5%</b>
<b>Geography</b>	Americas	<b>67.9%</b>	5.5%	22.6%
	Europe	<b>25.7%</b>	6.9%	19.9%
	RoW	<b>6.4%</b>	7.3%	4.4%
<b>Verticals</b>	Financial Services	<b>20.4%</b>	7.4%	8.5%
	Manufacturing	<b>18.7%</b>	-0.2%	26.0%
	Technology & Services	<b>21.7%</b>	20.7%	41.5%
	Retail & CPG	<b>9.1%</b>	1.5%	9.9%
	Telecom & Media	<b>8.0%</b>	6.1%	34.3%
	Life Sciences & Healthcare	<b>12.6%</b>	3.4%	16.3%
	Energy & Utilities, Public Services, TTL	<b>9.5%</b>	-4.4%	7.1%

\* HCL Software reported as single client

# Revenue Performance by Geo / Vertical\*

Particulars	Segment	Mix	QoQ CC	YoY CC
	<b>Consolidated</b>	<b>100.0%</b>	<b>6.0%</b>	<b>20.5%</b>
<b>Geography</b>	Americas	<b>64.4%</b>	0.1%	16.3%
	Europe	<b>28.2%</b>	17.1%	30.9%
	RoW	<b>7.4%</b>	24.4%	20.8%
<b>Verticals</b>	Financial Services	<b>22.4%</b>	18.0%	19.0%
	Manufacturing	<b>19.8%</b>	5.4%	33.0%
	Technology & Services	<b>15.4%</b>	-14.3%	0.5%
	Retail & CPG	<b>10.0%</b>	12.2%	21.3%
	Telecom & Media	<b>8.4%</b>	10.8%	40.1%
	Life Sciences & Healthcare	<b>12.9%</b>	6.6%	19.9%
	Energy & Utilities, Public Services, TTL	<b>11.0%</b>	10.7%	23.7%

\* HCL Software reported under respective geographies and verticals



# Business Segment / Mode wise Performance

Quarter Ended 30-Sep-19	Revenue (in US\$ M)	Revenue Mix	EBIT Margin	QoQ Growth (in Constant Currency)
<b>IT and Business Services</b>	1,775	71.4%	17.5%	0.9%
<b>Engineering and R&amp;D Services</b>	421	16.9%	21.4%	5.4%
<b>Products &amp; Platforms</b>	290	11.7%	32.9%	56.8%
<b>Total</b>	<b>2,486</b>	<b>100.0%</b>	<b>20.0%</b>	<b>6.0%</b>

Quarter Ended 30-Sep-19	Revenue (in US\$ mn)	Revenue Mix	EBIT Margin	QoQ Growth (in Constant Currency)
<b>Mode 1</b>	1,665	67.0%	20.0%	1.2%
<b>Mode 2</b>	455	18.3%	14.0%	3.0%
<b>Mode 3</b>	365	14.7%	27.1%	42.0%
<b>Total</b>	<b>2,486</b>	<b>100.0%</b>	<b>20.0%</b>	<b>6.0%</b>

# Key Highlights

- 1 **HCL Software became operational**, with thousands of new customers through multiple channels, onboarding more than 1300 partners, and completing over 1500 total sales transactions comprising both renewals and new licenses, in more than 50 countries. And also announced its first major new product release of **HCL Digital Experience 9.5**.
- 2 Q2 saw **15 transformational deals** in financial services, life sciences and healthcare, manufacturing, retail and CPG.
- 3 Announced **first delivery center in New Zealand** in Hamilton, further reinforcing the commitment to enhance its service offerings to global clients through innovative technology solutions.
- 4 Signed MoU with Maharashtra Airport Development Company (MADC) for **expansion of our MIHAN campus to 140+ acres** in Nagpur.
- 5 Acquired **Sankalp Semiconductor**, an advanced technology design services provider offering comprehensive digital & mixed signal SoC services and solutions from concept to prototype, in the semiconductor space.
- 6 Winner of the **ISG Star of Excellence Awards** in:  
Technologies: Data Centre | Industries: Retail | Regions: Australia/New Zealand ('Most Customer Centric Services Provider')

# Key Wins



## US-based oil and gas major

Provide end-to-end, consistent and globally integrated digital field engineering services supported by HCL's products and IPs in the digital workplace value chain. HCL will provide site-related IT support and end-user related digital enablement services.



## US-based life sciences company

Integrated application, infrastructure and security services. HCL will be responsible for end-user computing services, onsite services, service desk, data center, messaging and collaboration, managed network services, security services and automation.



## Leading US-based pharmaceutical & bio-tech company

Scaled agile digital transformation partner. Help transform the product landscape and modernize the platform – API First and Micro-Services based approach – with the intent to improve the user experience while performing technology upgrades.



## Leading US-based medical technology company

Governance, risk and compliance automation support. Help provide the support and enhancement services to client's risk and compliance environment, which also includes cloud transition roadmap, strategy and planning.



## Large US-based financial services company

The engineering partner for digital transformation, HCL will help the client transform itself from a traditional company to a fully digital enterprise that offers its end-customers an omni-channel experience.



## Leading US based Hi-Tech company

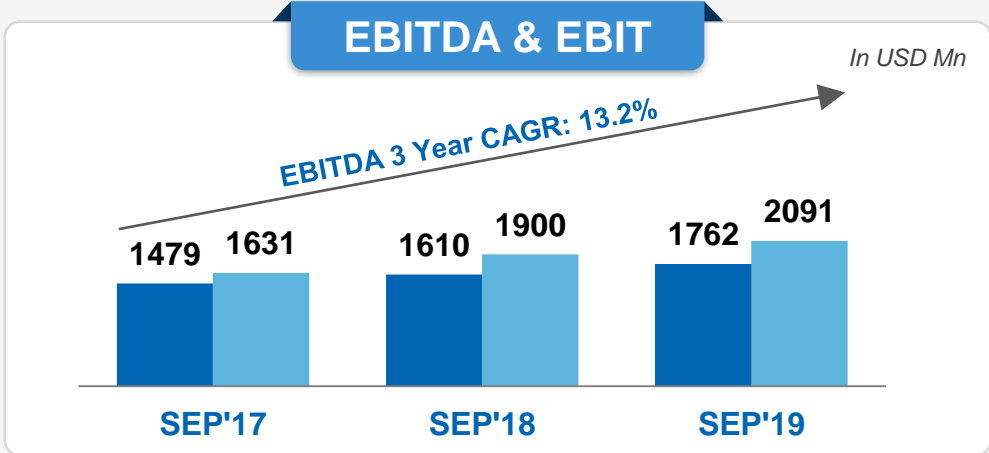
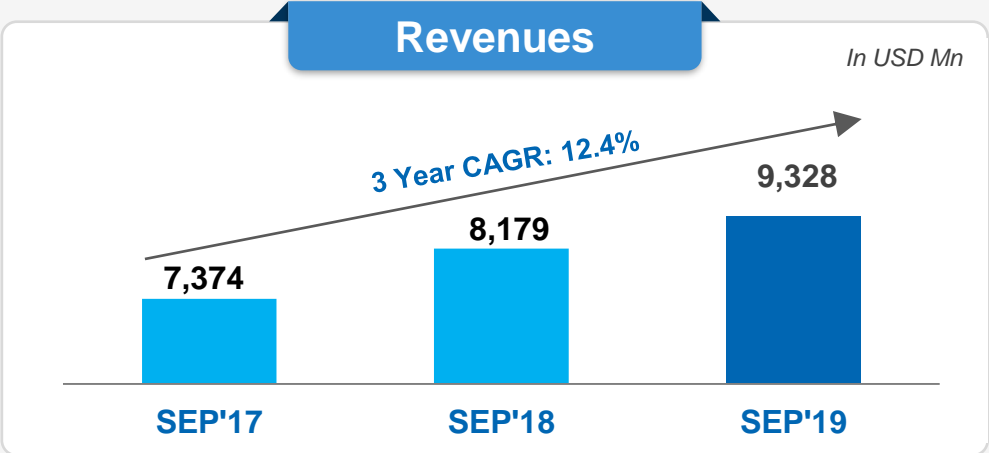
Working on a complex, high performance chip design in an advanced technology node. Engagement includes the complete silicon development lifecycle, from architecture to GDS2 (end-to-end silicon design).

# Financial Updates

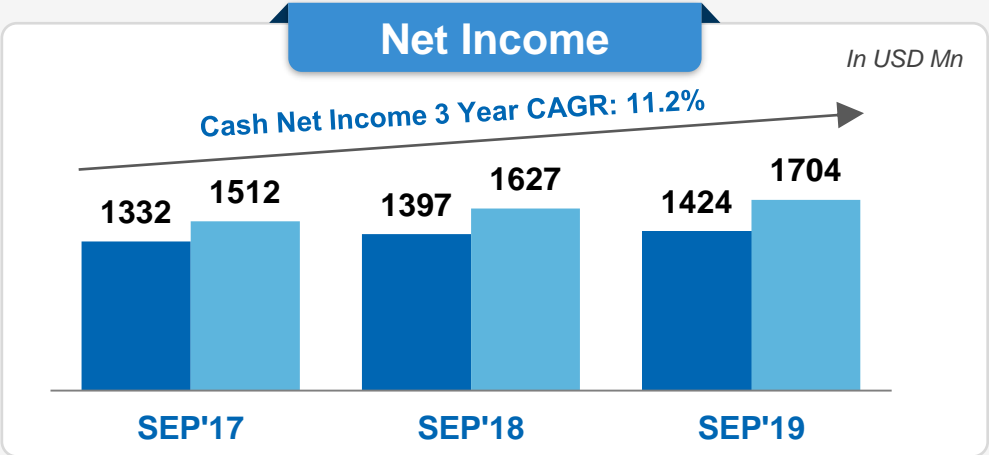
## – Q2 FY20

**Prateek Aggarwal**  
Chief Financial Officer

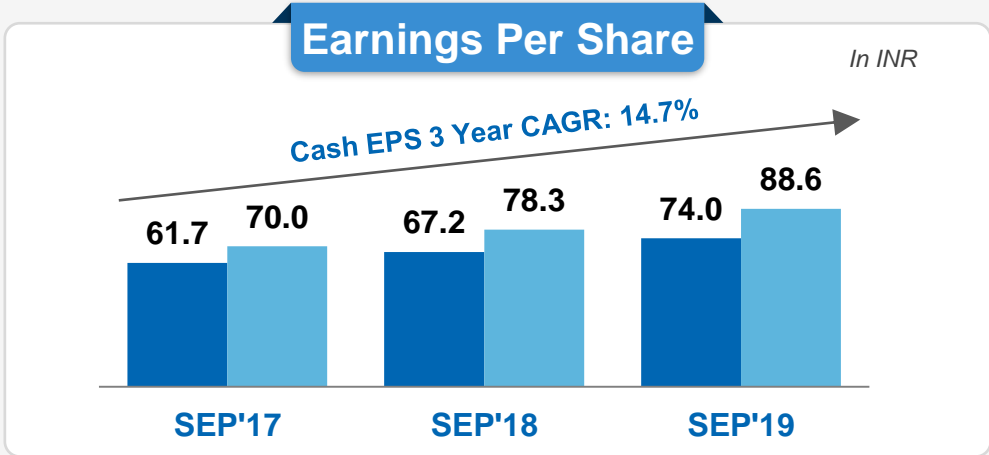
# Performance Trend



■ EBIT ■ EBITDA



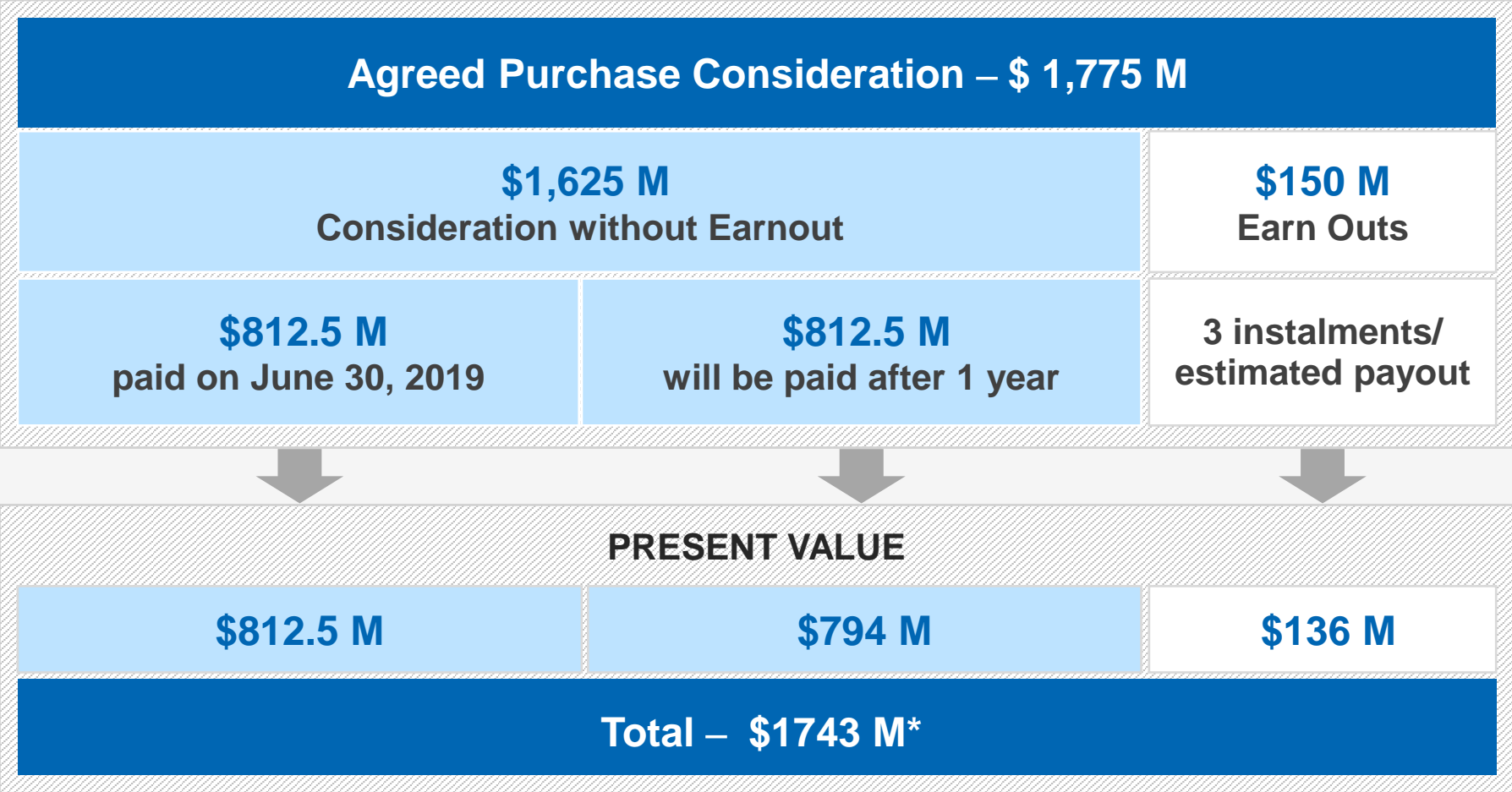
■ Net Income ■ Cash Net Income\*



■ 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.

# Payment Schedule – Purchase Consideration



**IBM 7 Products Owned by HCL**

**Existing Products**  
(earlier under IP partnership)

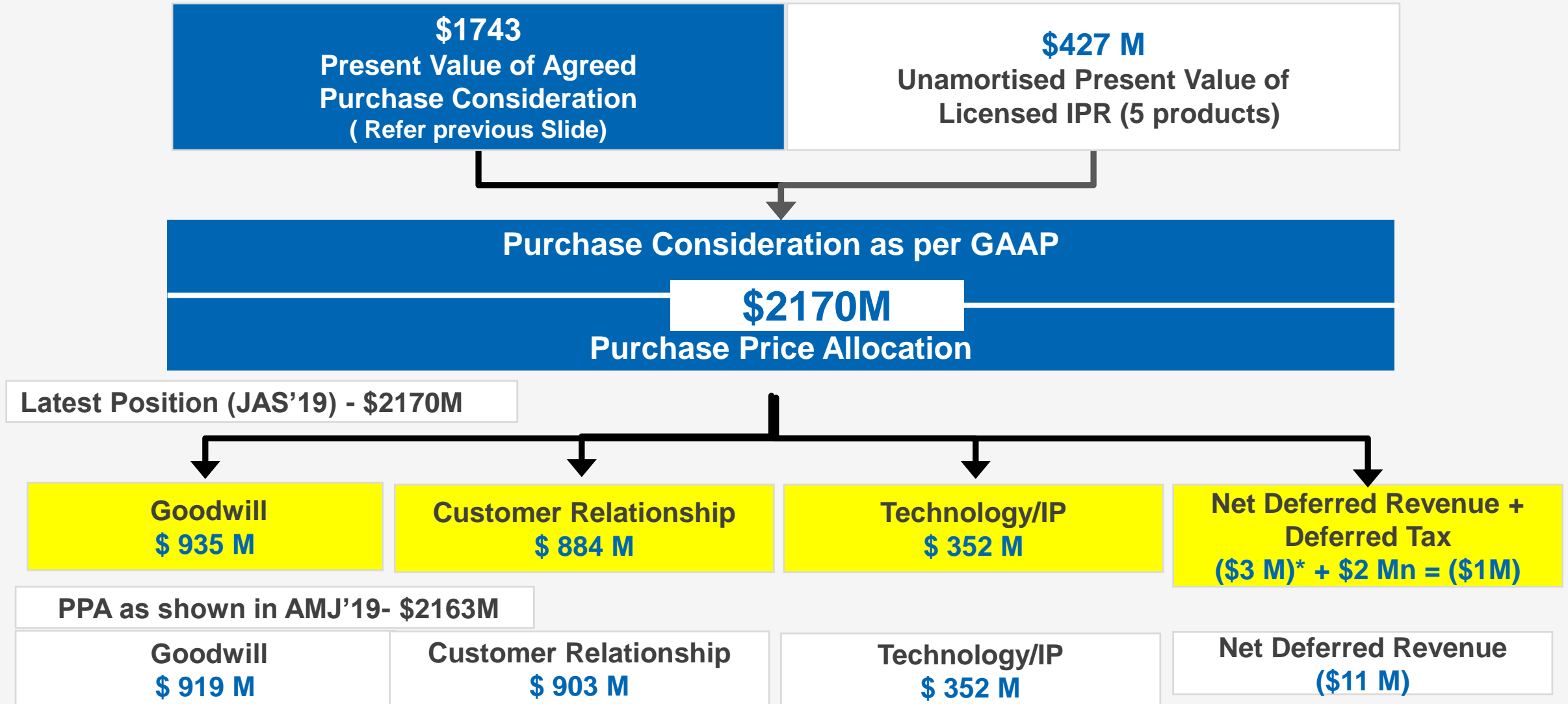
- 1) BigFix
- 2) Appscan
- 3) Digital Experience Software
- 4) Domino + Notes
- 5) Unica/Marketing Software

**New Products**

- 6) Connections
- 7) Commerce

\*Total value has been increased from \$1736M to \$1743Mn due to increase in earnout estimates by \$7Mn

# Accounting as per GAAP



\*Present value of "Receivable from IBM" \$ 450M less Deferred Revenue is \$ 453 M resulting in Net Deferred Revenue of (\$3M)

# Total Future Amortization Schedule

(including IBM 7 Products and previous intangibles)

Year	Q1 FY20 - Reported A	Q2 FY20 - Reported B	Q2 FY20 - recasted @ June Exchange rate C	C-A
	Amount	Amount	Amount	Diff
Year ending March 31 '2020	\$ 196	\$ 107	\$ 109	
Amortization charge for JAS'19		\$ 38	\$ 38	
Year ending March 31 '2020 (Total)	<b>\$ 196</b>	<b>\$ 145</b>	<b>\$ 147</b>	<b>\$ -49</b>
Year ending March 31 '2021	\$ 276	\$ 265	\$ 271	<b>\$ -5</b>
Year ending March 31 '2022	\$ 248	\$ 249	\$ 253	<b>\$ 5</b>
Year ending March 31 '2023	\$ 227	\$ 226	\$ 231	<b>\$ 4</b>
Year ending March 31 '2024	\$ 208	\$ 208	\$ 211	<b>\$ 3</b>
Thereafter	\$ 868	\$ 872	\$ 890	<b>\$ 22</b>
<b>Total</b>	<b>\$ 2,023</b>	<b>\$ 1,965</b>	<b>\$ 2,003</b>	<b>\$ -19.6</b>



# Amortization

- ❑ At end of last quarter (Jun'19), we did the initial Purchase Price Accounting (PPA) in the Balance Sheet, based on the data provided by IBM. This got updated subsequently during Q2/JAS, based on which we have increased ~\$50m extra in Deferred Revenue and accordingly the “Receivable from IBM” amount has gone up. This is a increase in opening balance sheet which would get recognized over four to five quarters.
- ❑ During this quarter (JAS), we have further worked on the PPA, esp. on the P&L side. Revenue in an acquisition scenario is recognized either (a) from opening Deferred Revenue (DR) acquired on deal consummation, or (b) direct billing to customers post deal consummation. As per US GAAP, in respect of revenues recognized from DR, there is a charge which is recorded as reduction from revenue (technically this is known as recognizing opening deferred revenue at fair value); in case of revenues recognized from (b) above, there is a charge required to be recognized as amortization expense.
- ❑ In the very first quarter post deal consummation, a large portion of the revenue is recognized from DR, the proportion of revenue from DR (as on the deal consummation date) keeps reducing in %age terms in each subsequent quarter. As the portion of revenue recognition from (b) direct billing to customers increases QoQ, the related amortization charge would increase steadily quarter after quarter.
- ❑ Accordingly, the amortization charge for Q2 has been low at \$38M ( same as in AMJ quarter, H1 total \$76 M) and it is expected to increase to \$107M in H2.
- ❑ Accordingly amortization charge for the period July 19 to March 20 is now estimated to be \$145M against earlier estimate of \$ 196M ( as per AMJ accounts )

# Guidance



## REVENUE

FY'20 Revenues are expected to grow between **15.0% 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 **13.2% to 15.2%** in USD terms based on Sep 30, 2019 rates



## OPERATING MARGIN (EBIT)

FY'20 expected Operating Margin (EBIT) range is from **18.5% to 19.5%**

# Products & Platforms

Darren Oberst

Corporate Vice President

# Welcome to HCL Software

---

## **Outreach through multiple channels at large scale**

- 1000s of face-to-face customer meetings all over the world
- Outreach through multiple digital, social, email, events and webinars:
  - 52 webinars – 8000+ customers
  - 200,000+ visitors to the HCL Software web sites
  - 37 trade-shows and “tech connects”
  - 42,000+ videos viewed on Facebook / 7,800 videos on Twitter
  - 10M+ impressions across all social media channels

## **Our message to customers**

- We want to make the transition simple and easy
- We want to help you get up-and-running on HCL systems as quickly as possible
- We will be transparent, and where there is feedback or issues, we will address it quickly
- We are committed to your success and deriving value from these products

## **Built the foundation to support a global transactional software business:**

- Worldwide network of 400+ dedicated software sales team across North America, Europe, Asia-Pacific, Japan, and Latin America, with software client directors, product sales specialists, customer success and renewals teams, technical specialists and partner leaders;
- Digital sales team and ecommerce system for high-volume, low value transactions;
- Registered over 1,300 partners and resellers globally who are ready to transact and provide additional global reach and advocacy for our products;
- Onboarded over 9,000+ customers already onto our support systems, and provided over 6,000 software packages downloaded through our software licensing system to existing customers &
- Completed over 1,500 total direct software transactions, including both renewals and new license deals, spanning 61 distinct countries.

# Product Innovation

---

- Modernization of the architecture, embracing cloud principles, and transforming the look-and-feel of the products is at the centerpiece of our product strategy,
- One major product release, HCL Digital Experience 9.5, with several high-impact features
  - Containerization of the product – embracing Kubernetes and Docker, resulting in 10X faster deployments, and enabling a continuous delivery model for future releases and enhancements, & making the product “cloud-ready” for customers to easily deploy on any cloud platform of their choice
  - A rich set of REST APIs – to enable micro-services and ‘headless’ operations around the product, as well as easy integration with other products and tools;
  - Modern UI and design templates – simplifying the use of the product, enabling faster time to deploy, as well as creating a beautiful out-of-the-box sample design.

# Q&A



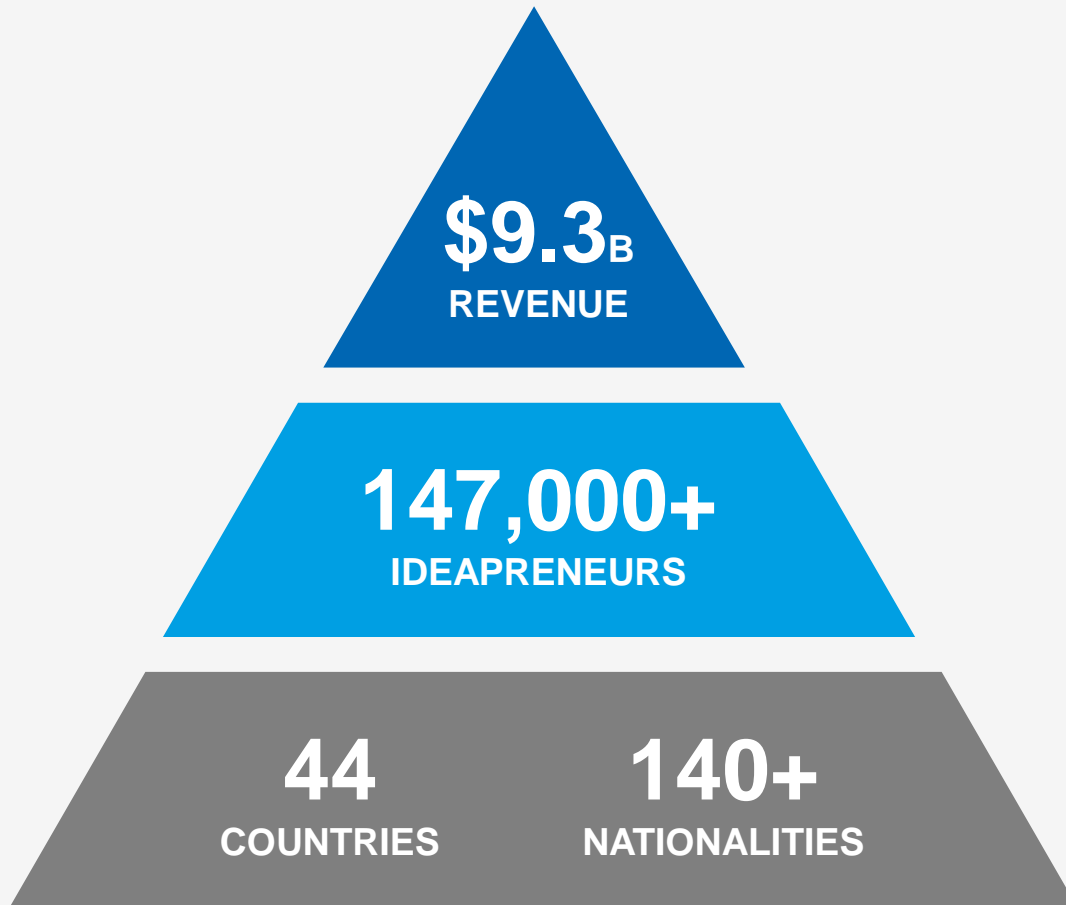
# HCL TECHNOLOGIES

## 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™**

# Key Awards & Analyst Recognitions

- Awarded **MuleSoft's APAC Growth and Emerging Partner of the Year** Award for 2019.
- Recognized as a **leader in the ISG Provider Lens™** in the following quadrants:
  - SAP HANA and Leonardo Ecosystem Partners - Global, Nordics, UK, USA 2019,
  - Network –Software Defined Solutions and Services, Global, Nordics, UK
  - IoT – Transformational Services, Technology, Solutions, Platforms and Industries- Nordics, Global, UK, US, Germany 2019
  - Private / Hybrid Cloud – Global, Nordics, UK, US

Leader in **IDC MarketScape** for Worldwide Intelligent Automation Services 2019 Vendor Assessment 2019

Leader in Life Sciences Digital Services - Service Provider Landscape with Services in **Everest Group's PEAK Matrix™ Assessment** 2019

Leader and Star Performer in **Everest Group's PEAK Matrix™ Assessment** for Banking BPS – Service Provider Landscape with Services Assessment, 2019

Leader in Software Product Engineering Services **Everest Group's PEAK Matrix™ Assessment** 2019

Leader in Automotive Engineering Services **Everest Group's PEAK Matrix™ Assessment** 2019

# Culture of 'Giving Back': Corporate Social Responsibility

## HCL GRANT

- **Committed \$7.25M** towards rural development in the areas of Environment, Health and Education through current HCL Grant projects.
- **More than 5,000 NGOs registered** for the fifth edition of the program.
- Through Grant, HCLF has already **touched the lives of more than 500,000 people**



- Implemented in 765 villages, the program reaches 90,000 households covering a total population base of around 600,000 people
  - More than **31,288 farmers** benefited from various **interventions under agriculture** vertical
  - More than **53,500 patients** have been treated at HCL Samuday **mobile health clinics**
  - More than **31,000 people** have been **learning to read and write**
  - More than **10,000 women** have been **economically empowered**
  - **25 villages** have been **electrified** with 20 solar mini grids



- More than **1,400 employee volunteers** continued to contribute to the social and economic betterment of vulnerable communities



- **Reached out to more than 300,000** underserved urban, migratory and displaced communities in India.
- **Harit:** On 43rd HCL Day, HCLites, partner NGOs and community members **planted 6,212 saplings** at Uday Upvan Sorkha (urban forest), making it to a total of **10,000+ saplings planted across various locations** as on September 2019.
- **Sports for Change:** 600 children from urban slums participated in various sports championships held across six southern cities.

# Culture of Ecosystem Experiences: Global to Local Platforms



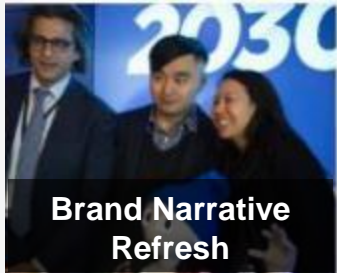
HCL Concerts at Carnegie Hall



HCL Ecosystem Experience Week



HCL at MWC'19



Brand Narrative Refresh



#10YearsinFrance – Global 2 Local campaigns



First delivery centre in Hamilton, New Zealand



#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](#).

Co-hosted the [first regional event of "Executive Women's Forum \(EWF\)"](#) in Bengaluru, India. Emerges as a winner in the International Women's Day 2019 Best Practice activity in the category - [Best IWD Cake](#)

HCL's corporate vision, programs and policies strongly endorse the principle of providing our women employees with a work environment free of biases and full of growth opportunities where women are enabled to reach their full potential.

Dedicated diversity Portal and Newsletter details out all the women career development programs and networking & advocacy initiatives.

Along with Career Development, women employees get an opportunity to connect with senior women leaders through various channels – Femispiration, iMotivate, etc.



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



**HCL**

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

**\$9.3 BILLION ENTERPRISE | 147,100 IDEAPRENEURS | 44 COUNTRIES**

 **WATCH THE FILM**