

Continued Focus on Micro in an uncertain Macro

Mphasis Earnings Q4 and FY 2023

Nitin Rakesh

CEO & Managing Director

Manish Dugar

CFO



Certain statements mentioned in this presentation concerning our future growth prospects are forward looking statements (the “Forward Statements”) and are based on reasonable expectations of the management, which involves a number of risks, and uncertainties that could cause actual results to differ materially from those in such Forward Statements. The risks and uncertainties relating to these Forward Statements include, but are not limited to, risks and uncertainties regarding fluctuations in our earnings, fluctuations in foreign exchange rates, revenue and profits, our ability to generate and manage growth, intense competition in IT services, wage increases in India, our ability to attract and retain highly skilled professionals, time and cost overruns on fixed-price and fixed-time frame contracts, restrictions on immigration, industry segment concentration, our ability to manage our international operations, our revenues being highly dependent on clients in the United States of America, reduced demand for technology in our key focus areas, disruptions in telecommunication networks or system failures, our ability to successfully complete and integrate potential acquisitions, liability for damages on our service contracts, withdrawal of fiscal governmental incentives, political instability, adverse impact of global pandemics (including COVID-19 impact), war, legal restrictions on raising capital or acquiring companies, unauthorized use of our intellectual property(ies) and general economic conditions affecting our businesses and industry. We may, from time to time, make additional written and oral Forward Statements . We do not undertake to update any Forward Statements that may be made from time to time by us or on our behalf, unless required under the law.



Strategic Spend Priorities

What we heard from CIOs?

“ ”

Analytics has become mission critical, new use cases being deployed in pricing and actuaries

— CIO, ~\$70B insurance player

Cost becomes key, accelerated pressure to drive vendor consolidation, adopting ‘Champion’ and ‘Challenger model across service lines

— CIO, ~\$25B lifesciences player

Spend priorities in current macroeconomic environment

~75%



to increase spend in cloud and digital

60%+



focus on variabilization of cost structures

Buying preferences change, ‘transformation partners’ preferred over vendors

~50%



likely to switch / consolidate providers in at-least 1 service line

~60%



expect 40% of deals to be proactively originated

~80%



to preserve relationships with transformation partners vs. vendors

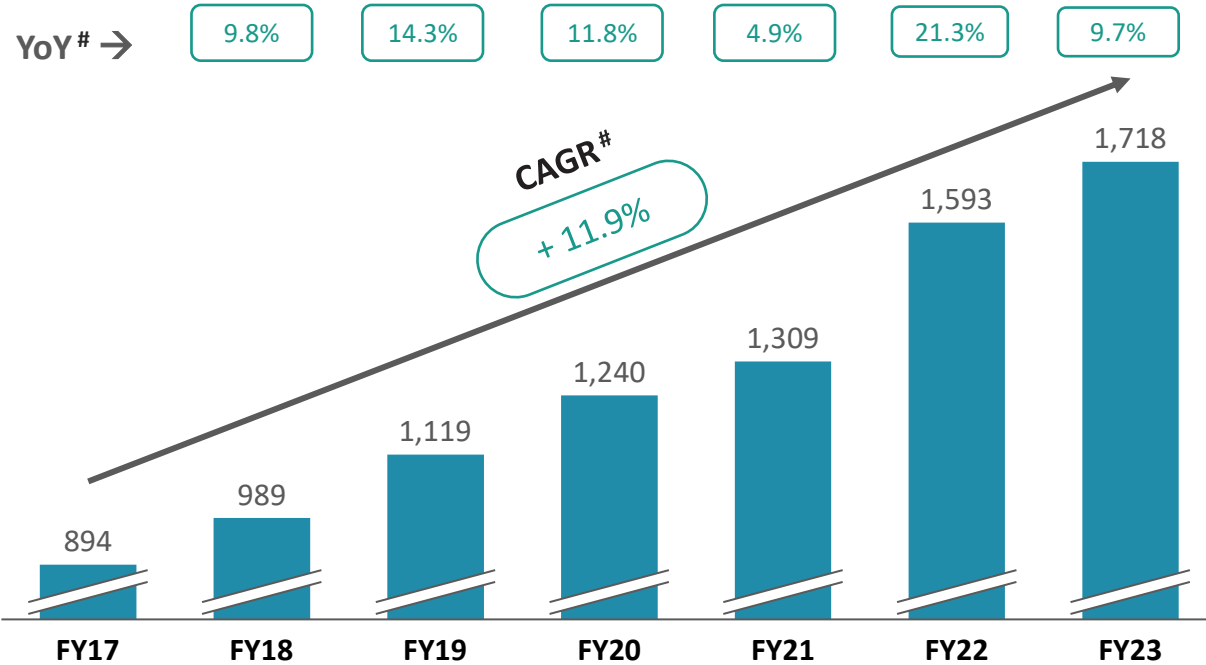
Source: CIO Survey on enterprise tech spend priorities, McKinsey and Company, 2022 (n=204)

McKinsey & Company

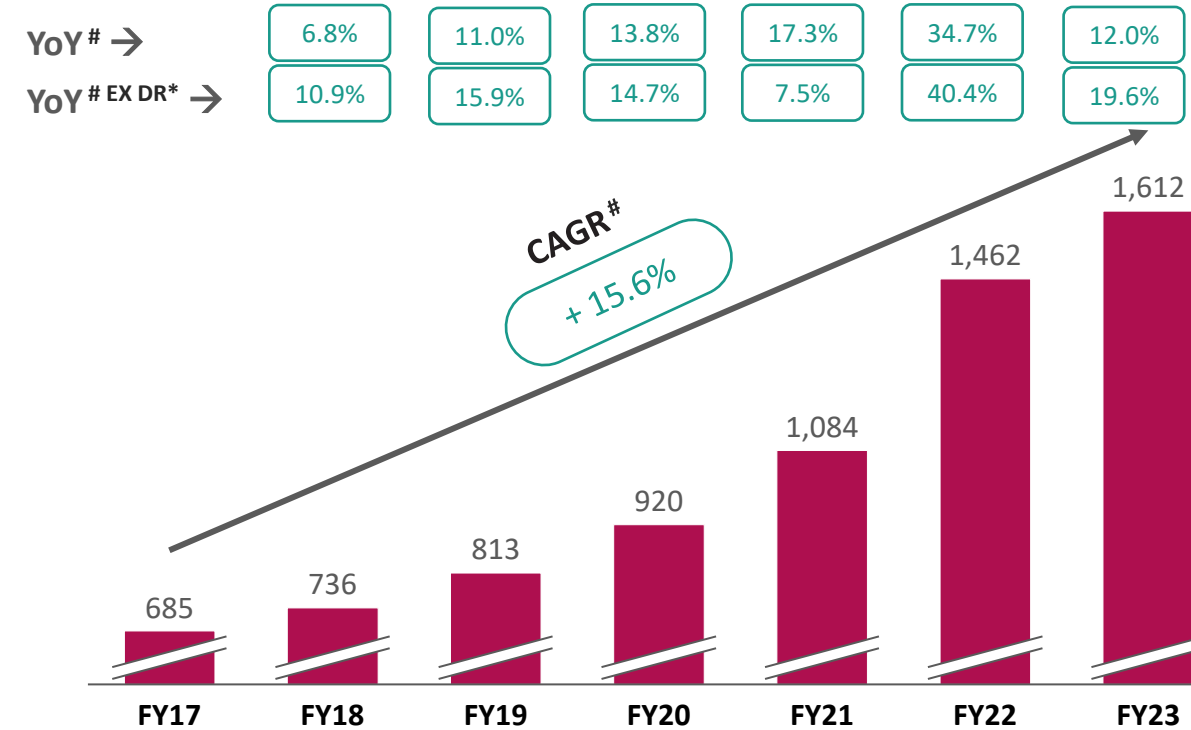


Our Overall Growth: A Snapshot

FY23 Gross revenue grew 9.7% in Constant Currency
FY23 Direct revenue grew 12.0% in Constant Currency



Growth with larger scale in Direct



Direct as % of revenues

FY17	76%
FY23	94%

Clients > \$ 20 Mn revenues

FY17	6
FY23	13

Clients > \$ 10 Mn revenues

FY17	12
FY23	25

Annual TCV (\$ Mn)

FY17	365
FY23	1313

Operating profit (Rs Mn)

FY17	8,896
FY23	21,087

Revenue in USD Mn at average USD/INR rate for the respective periods

© Mphasis 2023 Proprietary and confidential information | 4/27/2023

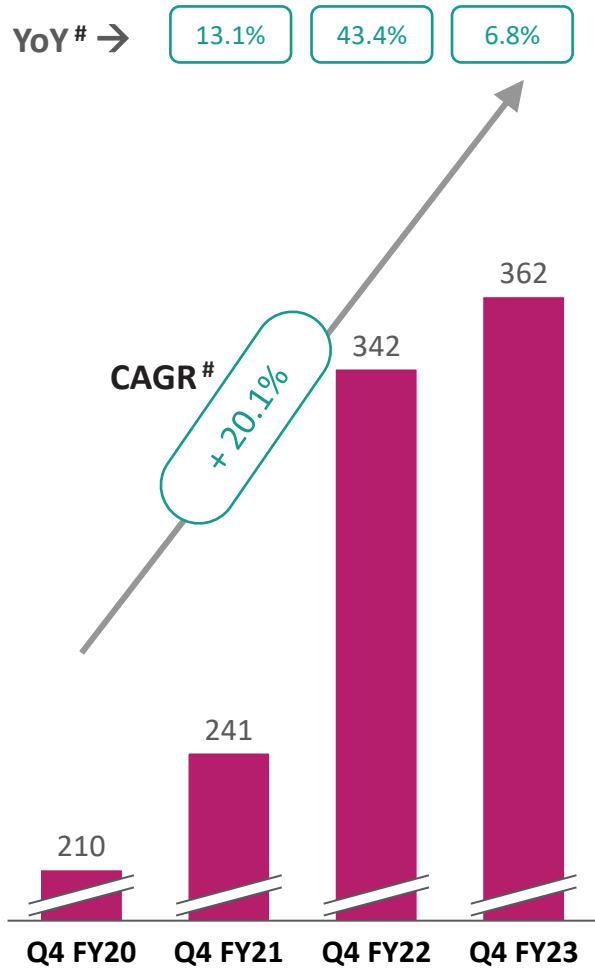
*DR- Digital Risk

Revenue Growth in Constant Currency

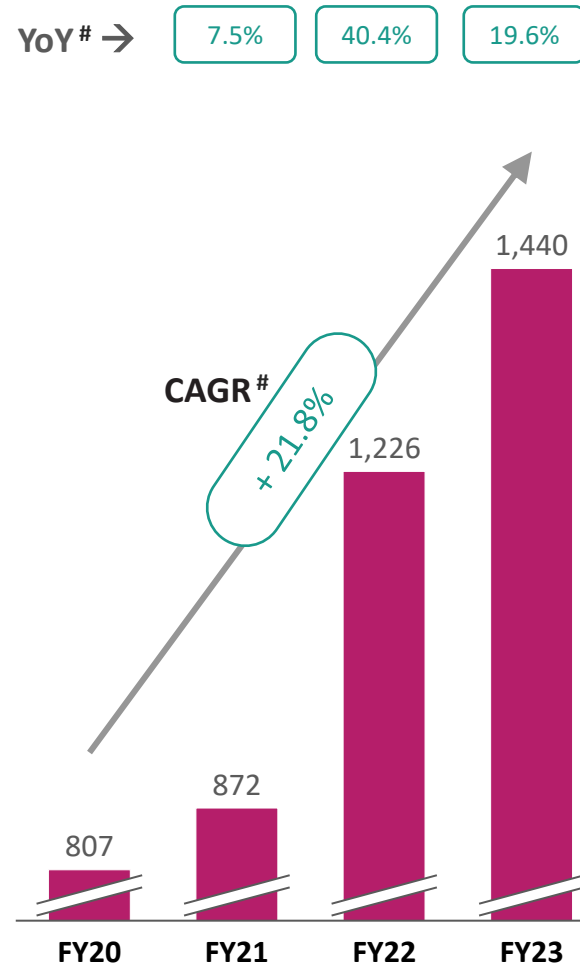


Direct Channel: The Duality of FY23

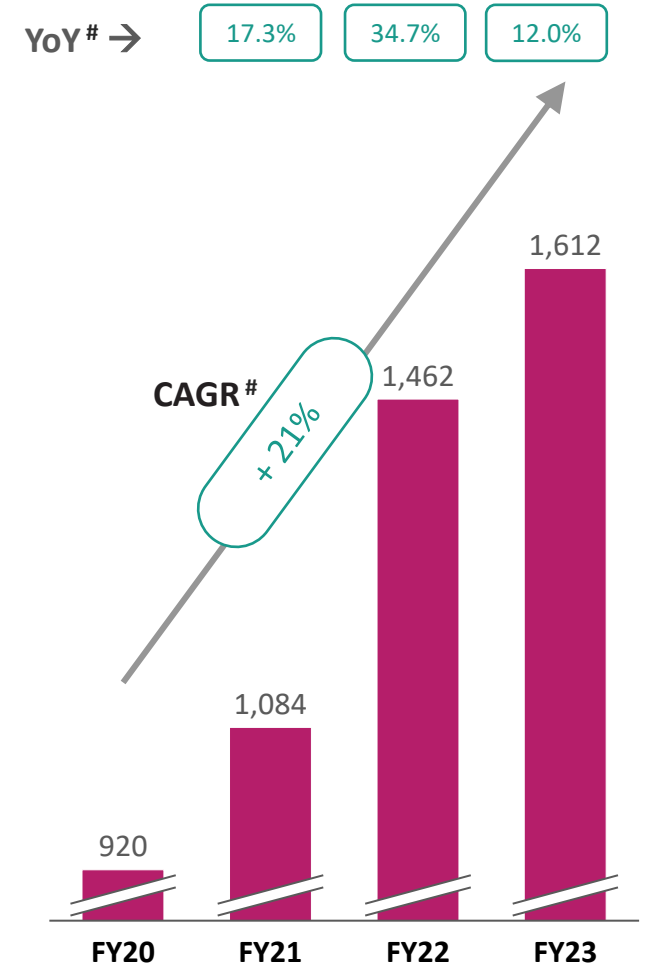
Direct excluding DR (Qtr)



Direct excluding DR (FY)



Direct including DR (FY)



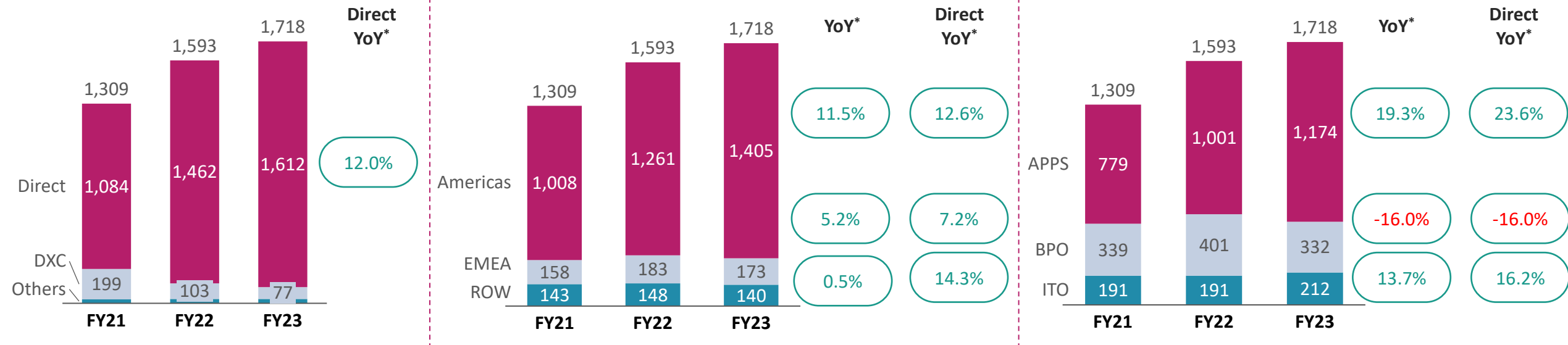
Revenue in USD Mn at average USD/INR rate for the respective periods

Revenue Growth in Constant Currency



Growth by Segment: An Annual View

Revenue in USD Mn



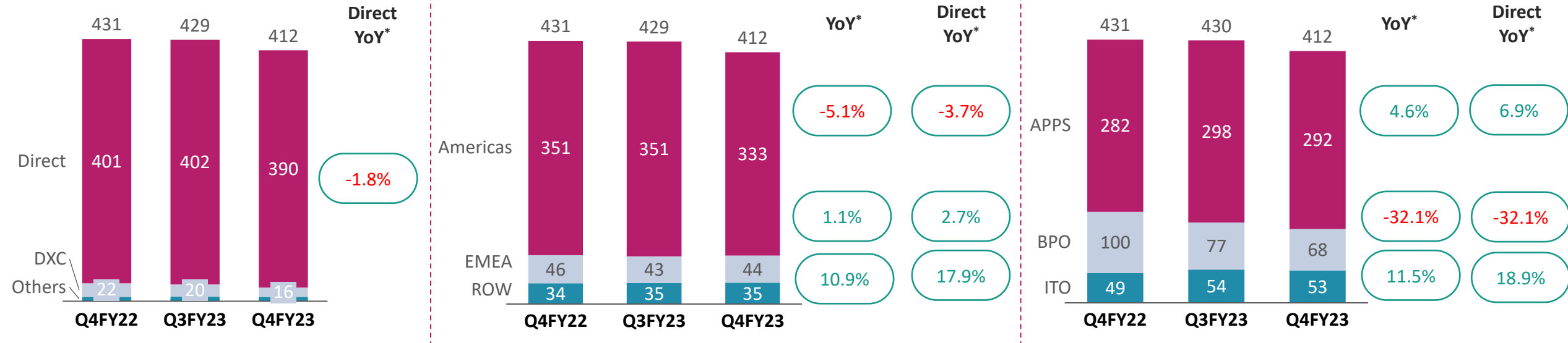
Direct performance in FY23

- Direct excluding DR grew 19.6%
- Focus segments continue to grow driven by wallet and market share growth
- Applications segment (Direct) at 23.6% YoY growth drives overall business growth
- BPO segment affected by overall mortgage weakness declined 16% YoY



Growth by Segment: A Quarterly View

Revenue in USD Mn

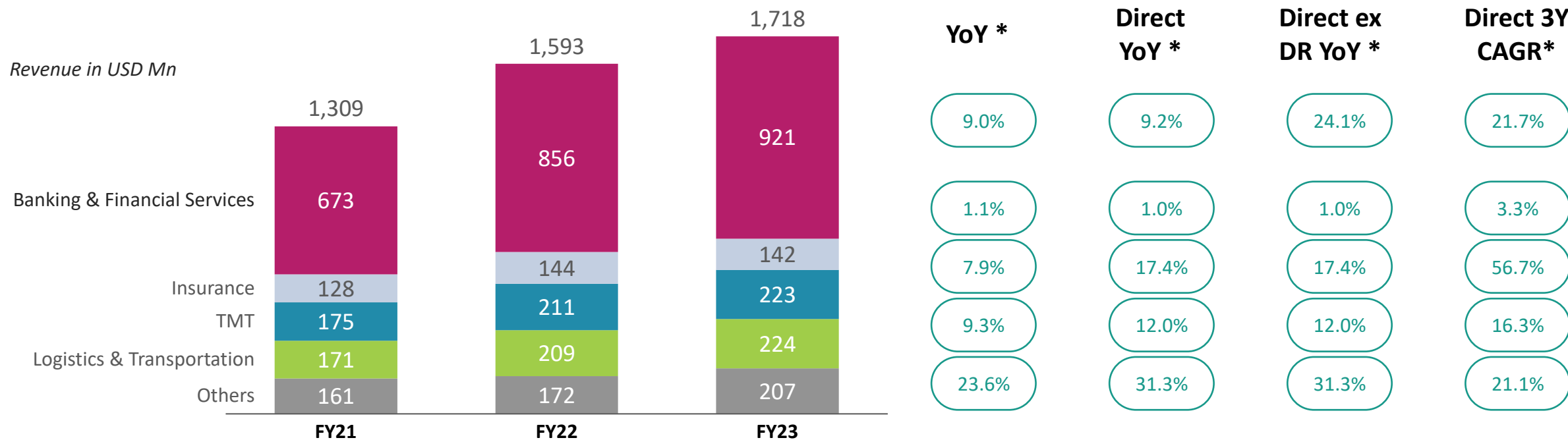


Direct performance in Q4FY23

- Direct excluding DR grew 6.8% YoY
- Focus segments continue to grow driven by wallet and market share growth
- BPO segment affected by overall mortgage weakness



Growth by Vertical: An Annual View

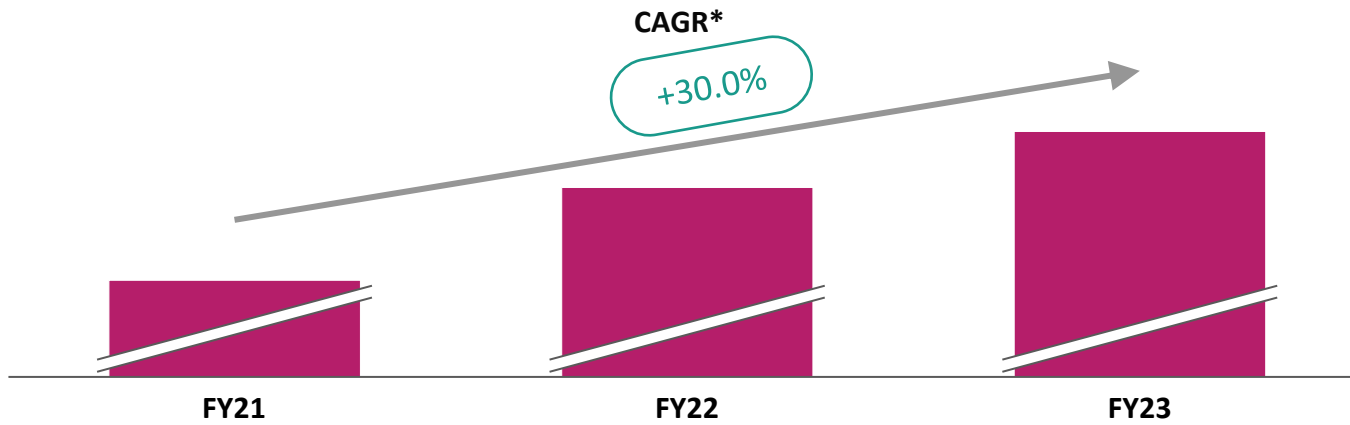


- BFS: Consistent growth track record – specialization at scale, excluding DR clocks healthy growth
- Supplemented by new engines of growth – Logistics & Transportation and Healthcare
- Insurance: TCV wins and pipeline remain healthy; revenue impacted by client specific issues
- With our tech-led positioning, we are replicating our performance in BFS in other verticals of Direct
 - Healthcare (Others segment): Grew 21% CAGR over the last 3 years; 53% YoY in FY23
 - Logistics and Transportation: Grew 16% CAGR over the last 3 years; 12% YoY in FY23



Sources of Growth

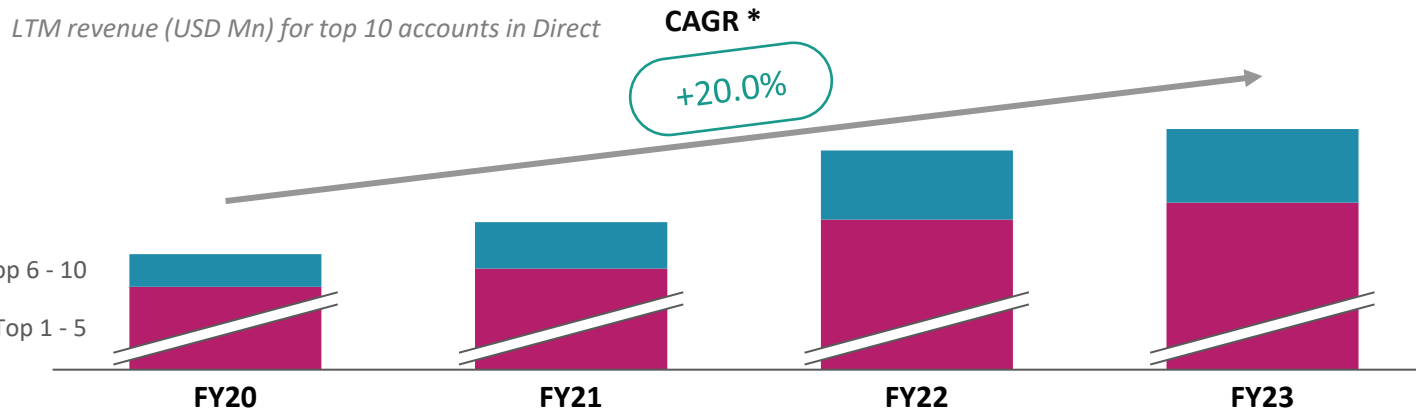
Growth in Revenue (Direct ex DR)



Revenue in USD Mn at average USD/INR rate for the respective periods

Top 10 Accounts Performance

LTM revenue (USD Mn) for top 10 accounts in Direct



* Revenue growth in constant currency

Overall

Direct YoY growth of 12%

- Direct growth ex DR 19.6% YoY

Top 10 Accounts

Grew 8.6% YoY led by top accounts despite pockets of weakness in mortgage and BFSI

Top 11-20 Accounts

Replicating success of account mining to next set of accounts; grew 19% YoY

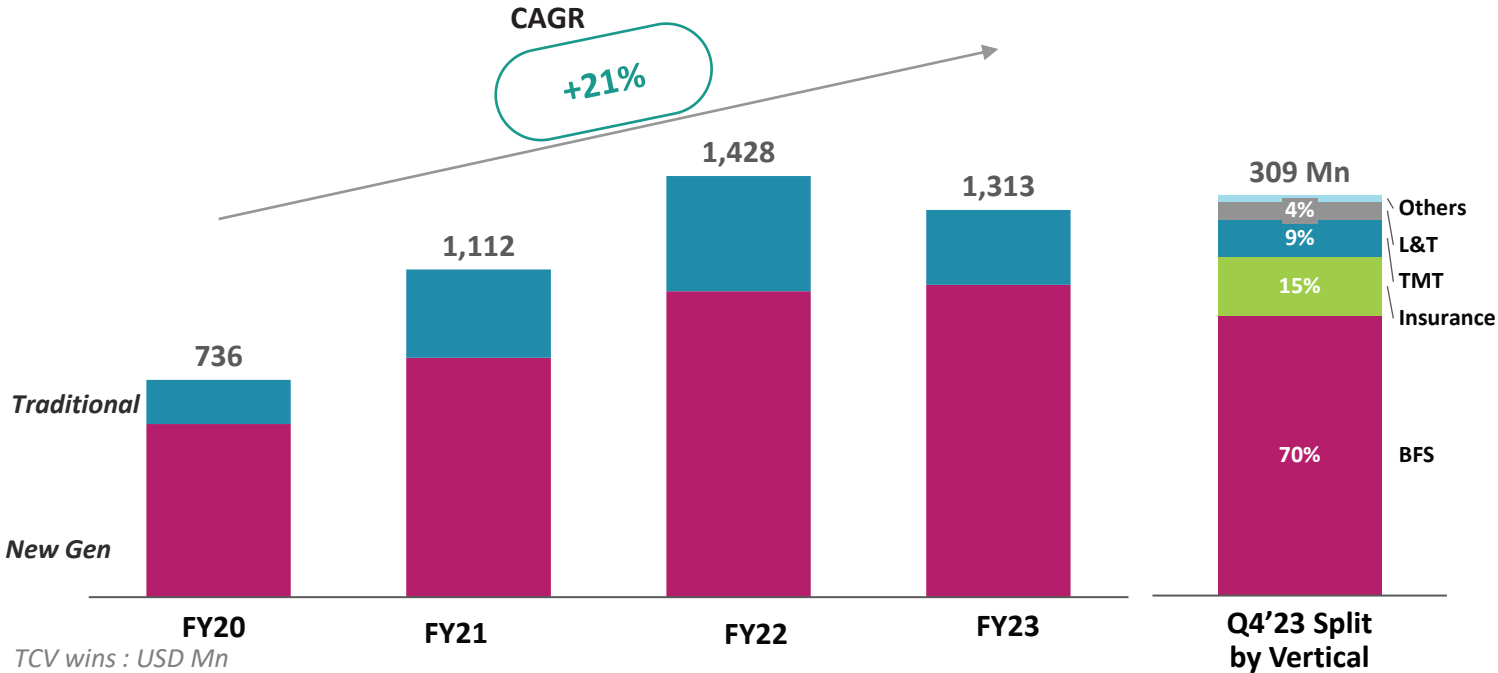
NCA

NCA continues to lead growth in Direct; YoY growth of 39%

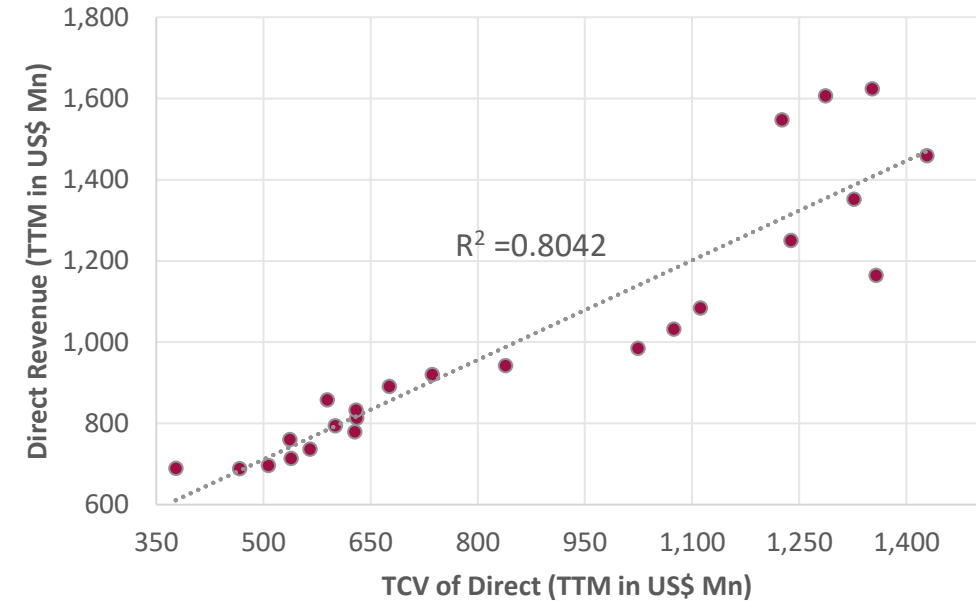


Direct: TCV Remains Robust

Direct TCV Wins



Direct Revenue / TCV Correlation



- FY23 TCV wins at \$1.3Bn; TCV wins of \$309M for Q4FY23; Consistently maintaining run rate of >\$300Mn TCV wins/Qtr
- 2 large deals in Q4FY23
 - >\$150Mn deal from a new customer
 - 95% of the deal wins are proactive
- 10 Large deal wins in FY23
- 81% of FY23 deal wins in New Gen areas



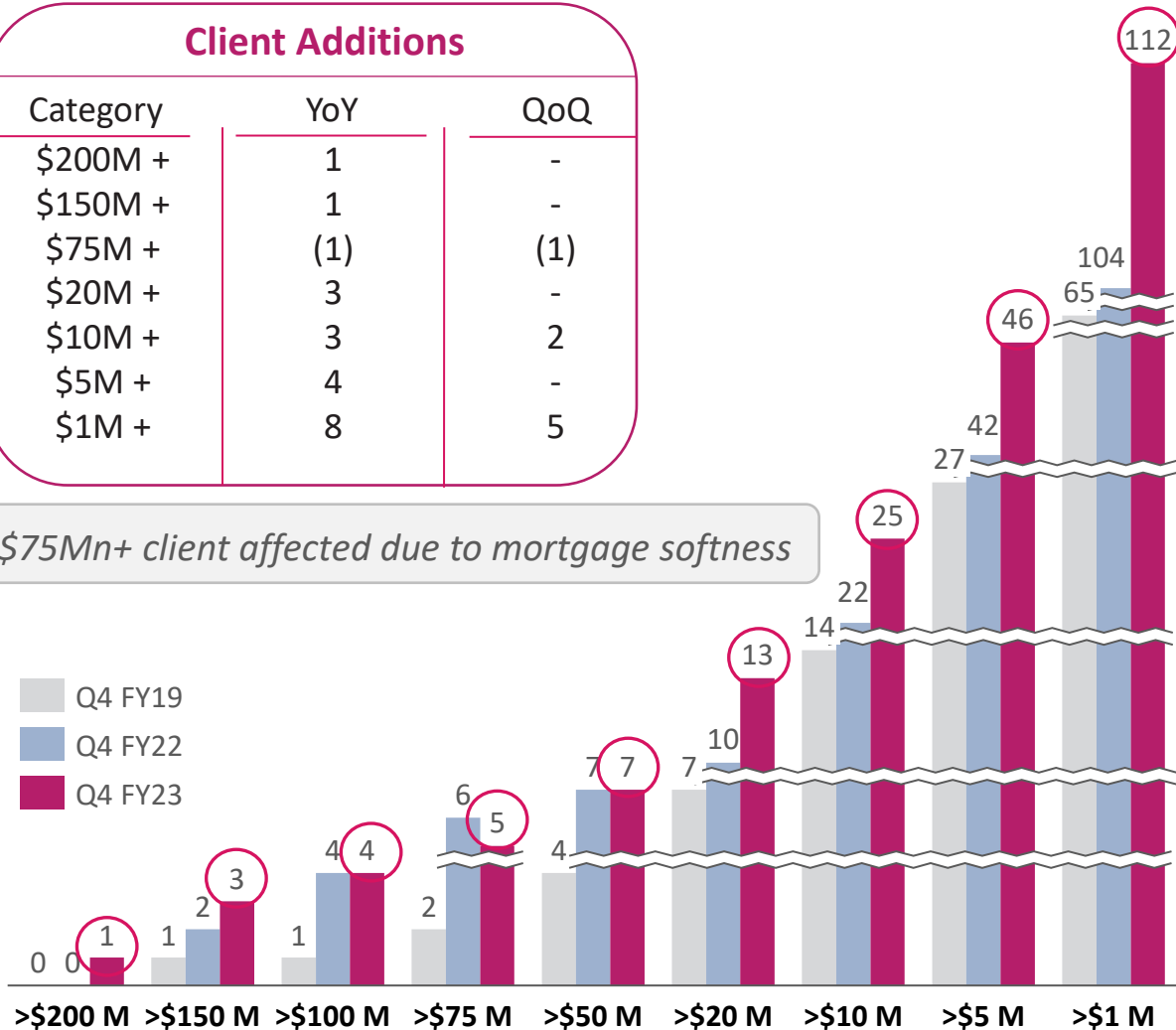
Direct: Improving Client Mining and Large-deal Metric

Client Pyramid

Client Additions

Category	YoY	QoQ
\$200M +	1	-
\$150M +	1	-
\$75M +	(1)	(1)
\$20M +	3	-
\$10M +	3	2
\$5M +	4	-
\$1M +	8	5

\$75Mn+ client affected due to mortgage softness

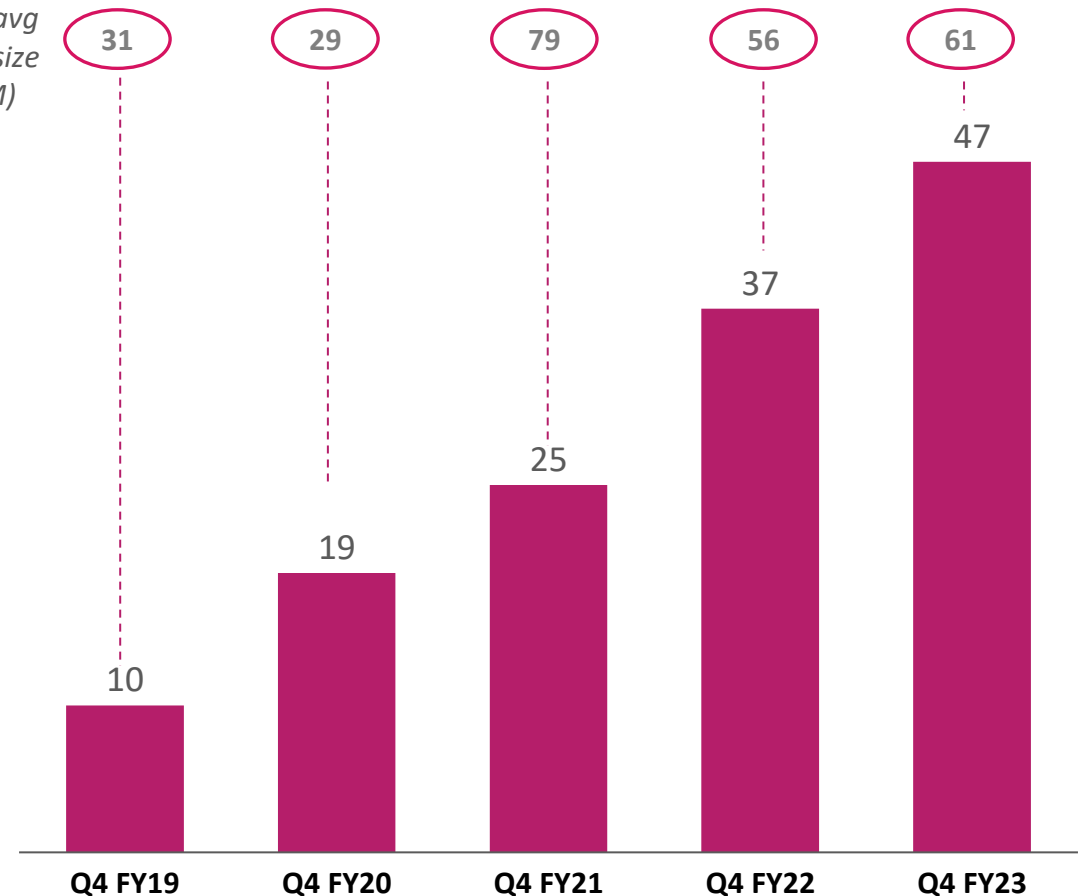


Robust large deal wins (>\$20M TCV)

of cumulative deal wins since Q1'18

- 10 Large deals in the past 1 year
- Two deal wins >\$100 Mn in FY23

LTM avg deal size (\$M)

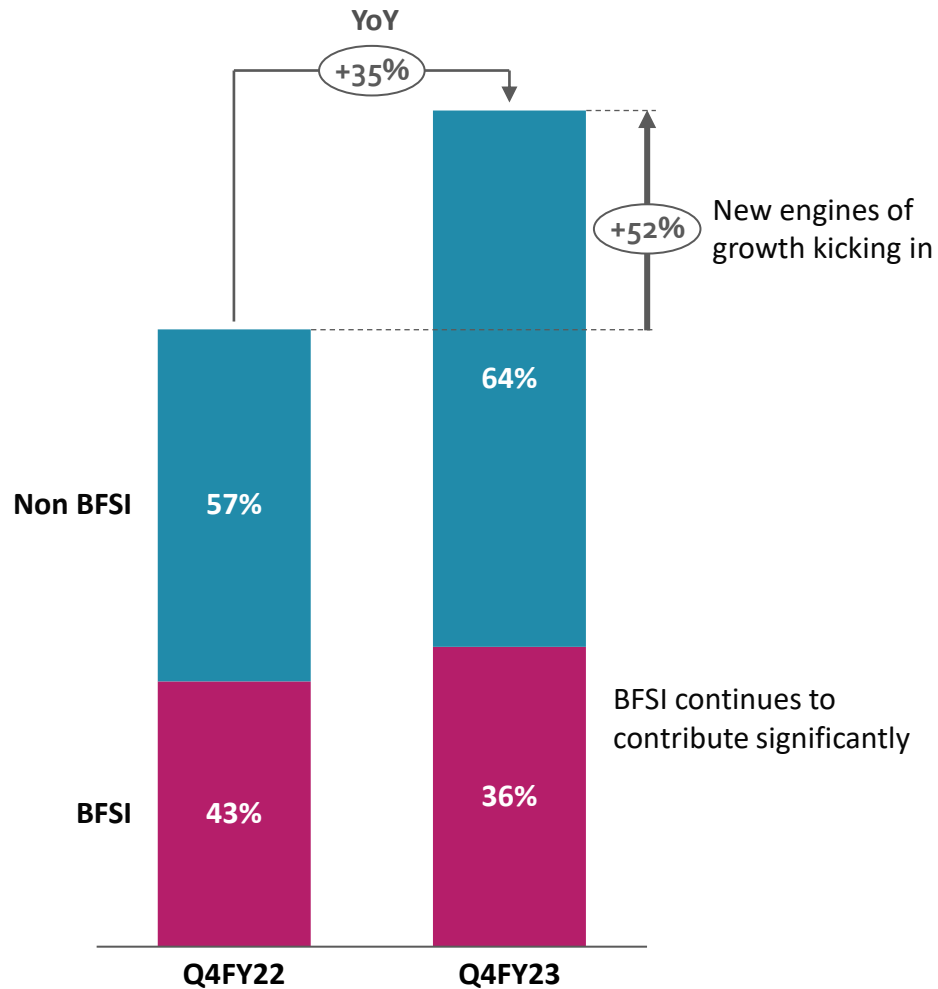


Note: All metrics based on LTM revenues

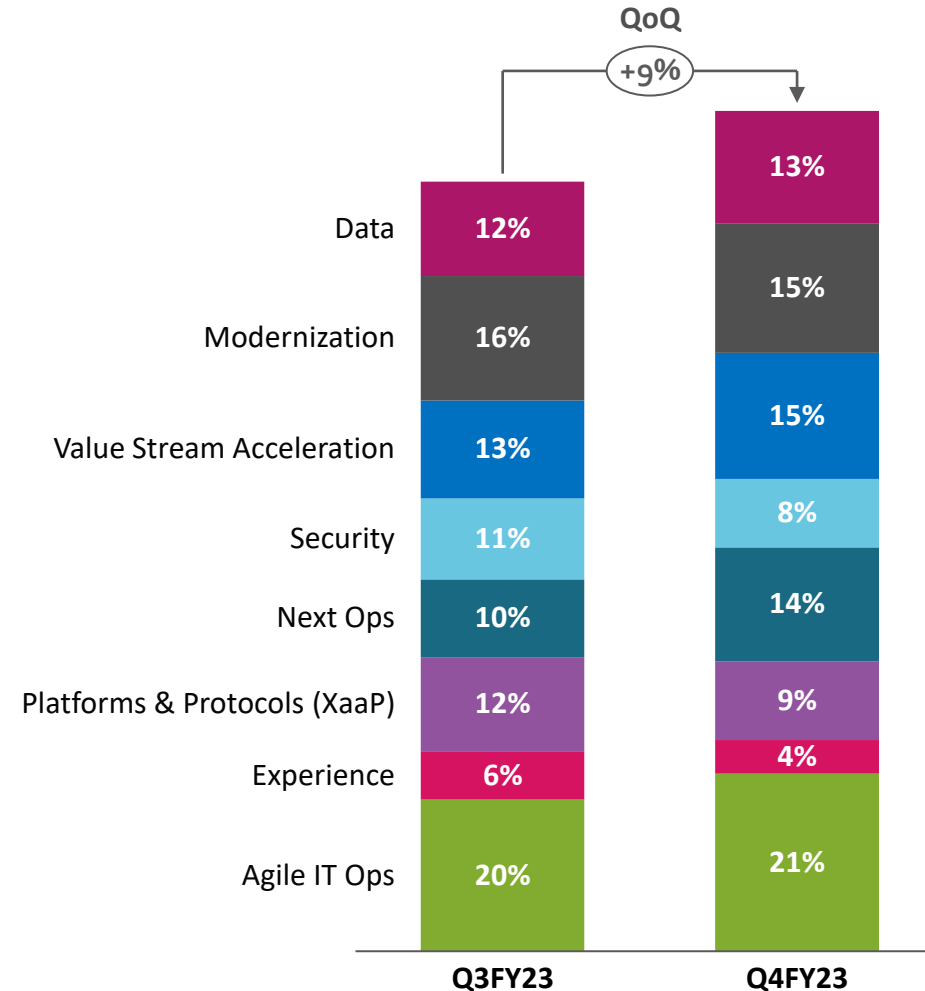


Strong Pipeline Growth Driven by Cloud & Transformation Deals

Industry Distribution



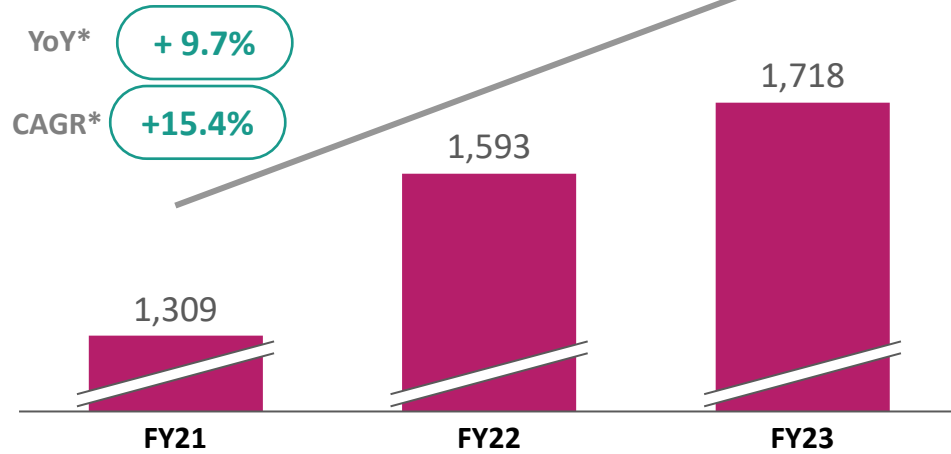
Solution Archetype Distribution





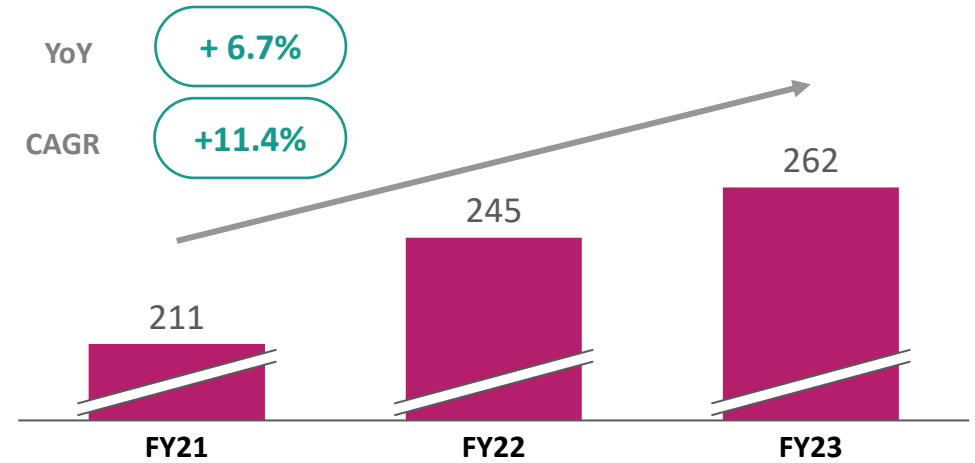
Financial Metrics: Reporting a Healthy Growth

Revenue Growth



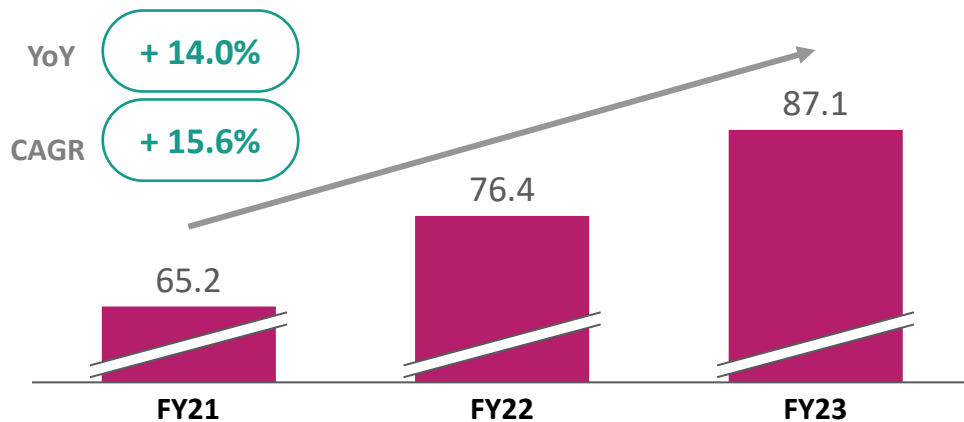
Gross Revenue in USD Mn at average USD/INR rate for respective periods
* Revenue growth in constant currency

Operating Profit Growth



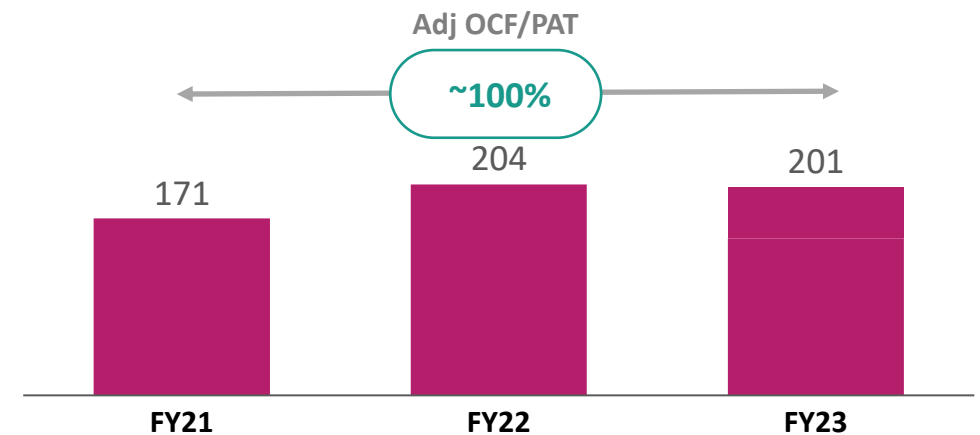
EBIT in \$Mn at average USD/INR rate for respective periods

EPS Growth



Basic EPS in INR for respective periods

Cash Flow Generation



Net Operating Cash flow as per MDA disclosures – adjusted for one timers
Converted at average USD/INR for respective periods



FY23: In Summary

- Rounded off a mixed FY23 marked by duality in business segments
 - Strong double-digit growth in Direct (ex DR) at 19.6%; FY23 Direct growth at 12% YoY, despite pronounced mortgage weakness, delayed conversions in H2FY23
- Market-share gains sustained in BFS our anchor vertical while smaller verticals showed strong growth
- Margins stable and stay in the stated EBIT margin band; cash generation continues to be healthy
 - Fresher deployment at all-time high; continued pyramid optimization
 - Focus on utilization and productivity
 - Focus on driving offshore leverage
- Operating cash flow at near 100% of PAT



FY24: An Outlook

- **Focused on Micro in an uncertain Macro**
 - Strong pipeline entering FY24 led by cloud, transformation and consolidation
 - Q1FY24 softness in BFS segment
 - Growth in Direct likely to be back-ended with strong sequential growth starting Q2FY24; YoY growth to increase through Q4FY24
 - Growth outlook in Direct ex-mortgage at industry level or higher
 - Mortgage segment close to bottoming out; incremental stability in mortgage through much of FY24
 - DXC – revenue stability visible
- **Target operating (EBIT) margin band of 15.25% - 16.25% through all four quarters of FY24**
 - Focus on productivity, efficiencies and offshore leverage

Q&A

Link to financial data for the past three years: <https://www.mphasis.com/home/corporate/investors.html>



