

virtusa

# Earnings Presentation

Quarter Ended 31<sup>st</sup> December, 2019



# Forward Looking Statements

## Forward-looking statements

This presentation contains forward-looking statements which are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. This presentation may make express or implied forward-looking statements relating to, among other things, Virtusa's expectations concerning management's forecast of financial performance; the growth of our business and management's plans, objectives, and strategies; the ability of Virtusa's clients to realize benefits from the use of Virtusa's IT services; Virtusa's ability to assimilate and integrate the operations of acquired businesses, including the eTouch & Polaris acquisitions, and management's plans, objectives, and strategies. Existing and prospective investors are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof. Virtusa undertakes no obligation to update or revise the information contained in this presentation, whether as a result of new information, future events or circumstances or otherwise. For additional disclosure regarding these and other risks faced by Virtusa, see the disclosure contained in our public filings with the Securities and Exchange Commission, including our Annual Report on Form 10-K for the fiscal year ending March 31, 2019 and subsequent Quarterly Reports on form 10-Q, as filed with the Securities and Exchange Commission.

## Use of Non-GAAP measures

This presentation includes certain non-GAAP financial measures as defined by Regulation G by the Securities and Exchange Commission. These non-GAAP financial measures are not based on any comprehensive set of accounting rules or principles and should not be considered a substitute for, or superior to, financial measures calculated in accordance with GAAP, and may be different from non-GAAP measures used by other companies. In addition, these non-GAAP measures should be read in conjunction with Virtusa's financial statements prepared in accordance with GAAP. This presentation includes non-GAAP consolidated statement of income measures including non-GAAP selling, general and administrative expense as a percentage of reported revenue (selling, general and administrative expenses, as reported on Virtusa's consolidated statements of income (loss) as a percentage of reported revenue, excluding stock-based compensation expense, acquisition-related charges and restructuring charges); non-GAAP operating margin, non-GAAP effective tax rate, non-GAAP minority interest and non-GAAP diluted earnings per share to provide further insights into the comparison of Virtusa's operating results among the periods, as well as enhancing comparability with operating results of peer companies. For more information regarding non-GAAP financial measures, including a qualitative and quantitative reconciliation of non-GAAP measures to the most directly comparable GAAP financial performance measures, see our earnings press release for the Third quarter fiscal 2020 and our supplemental Analyst Data Sheet on our Investor Relations website at <http://www.virtusa.com/investors/company-overview/> and our "Non-GAAP Reconciliations Summary" slide in the appendix of this presentation.



## Q3 FY20 AT A GLANCE

**\$335.1M**

REVENUE

**21.9%**

10-year CAGR  
through FY19

**216**

ACTIVE CLIENTS  
6 NEW CLIENTS

**12.1%**

OPM  
(NON-GAAP)

**\$0.78**

EPS  
(NON-GAAP)

**\$237.5M**

CASH, CASH EQUIVALENTS &  
INVESTMENTS

**22,267**

EMPLOYEES  
0.6% QoQ DECLINE

**82%**

UTILIZATION  
28% ONSITE EFFORT

**6.7%**

In-quarter ATTRITION  
25.7% LTM ATTRITION



## MANAGEMENT PERSPECTIVE

### Mr. Kris Canekeratne, Chairman and CEO's message

Kris Canekeratne, Virtusa's Chairman and CEO, stated, "Virtusa's competitive advantages, market position and performance remain strong. Demand for Digital and Cloud Transformation is expanding rapidly across the globe. We will continue to capitalize on this trend and expect to deliver greater than industry growth over the long term. We are winning some of the largest and most strategic Transformation engagements because of our end-to-end digital engineering and deep domain expertise, understanding of emerging technologies, and our commitment to delivery excellence. Together, these form the foundation of our competitive advantage and are largely responsible for our recognition as the Transformation market leader."

### Mr. Ranjan Kalia, CFO's message

Ranjan Kalia, Chief Financial Officer, said, "In the fiscal third quarter we generated 170 basis points of year-over-year non-GAAP operating margin accretion, non-GAAP EPS above the midpoint of our guidance, and strong operating cash flow. We expect strong 25% non-GAAP EPS growth for the full fiscal year 2020 supported by top-line growth in line with our prior expectations at the midpoint, margin expansion, significant tax benefits, and our share buyback program."



# Q3 FY20 FINANCIAL PERFORMANCE

	Q3FY19		Q2FY20		Q3FY20		QoQ		YOY		YTD	
REVENUE (\$ Mn)	\$314.7		\$328.5		\$335.1		2.0%		6.5%		\$982.6	
GM %	29.6%		27.4%		29.4%		2.0%		-0.2%		27.8%	
	GAAP	NON GAAP	GAAP	NON GAAP	GAAP	NON GAAP	GAAP	NON GAAP	GAAP	NON GAAP	GAAP	NON GAAP
SG&A %	23.5%	19.2%	21.5%	18.4%	20.4%	17.4%	-1.1%	-1.0%	-3.1%	-1.8%	21.4%	18.2%
OPM %	6.1%	10.4%	5.9%	8.9%	9.1%	12.1%	3.2%	3.2%	3.0%	1.7%	6.4%	9.6%
DILUTED EPS	\$0.37	\$0.61	\$0.20	\$0.54	\$0.38	\$0.78	\$0.18	\$0.24	\$0.01	\$0.17	\$0.73	\$1.73

## INCOME STATEMENT RELATED

	Q2FY20	Q3FY20	YTD
EFFECTIVE TAX RATE (ETR)			
GAAP	40.0%	44.7%	43.3%
Non GAAP	29.1%	27.9%	29.1%
NON GAAP ADJUSTMENT* (\$M)	\$10.1	\$10.1	\$31.0
DEPRECIATION (\$M)	\$4.5	\$4.5	\$13.5
OTHER INCOME (\$M) :			
INVESTMENT INCOME	\$0.6	\$0.5	\$1.7
INTEREST EXPENSE	(\$4.8)	(\$4.9)	(\$14.6)
FX & OTHER	(\$2.9)	(\$2.9)	(\$4.2)
TOTAL OTHER INCOME (EXPENSE)	(\$7.2)	(\$7.2)	(\$17.0)
DEBT INTEREST RATE**	5.0%	4.7%	5.0%
PREFERENCE DIVIDENDS	(\$1.1)	(\$1.1)	(\$3.3)
MINORITY INTEREST (\$M)			
GAAP	(\$0.1)	(\$0.1)	(\$0.4)
Non GAAP	(\$0.1)	(\$0.1)	(\$0.5)
EFFECTIVE EXCHANGE RATE			
GBP	1.23	1.30	1.27
EUR	1.11	1.11	1.11
INR	71.9	72.1	71.4

\* to determine Non GAAP OPM

\*\* including debt issuance and amortization

## BALANCE SHEET & CASH FLOW RELATED

(\$M) * EXCLUDING DSO	Q2FY20	Q3FY20
CASH & CASH EQUIVALENT*	\$198.5	\$237.5
CASHFLOW FROM OPERATIONS	\$21.6	\$50.7
CAPEX	\$3.7	\$2.4
FREE CASH FLOWS (FCF)	\$17.9	\$48.3
DSO	74	69
Debt**	\$384.5	\$389.8
Series A Convertible Preferred Stock**	\$107.2	\$107.3

\* including ST & LT Investments

\*\* Net of issuance costs

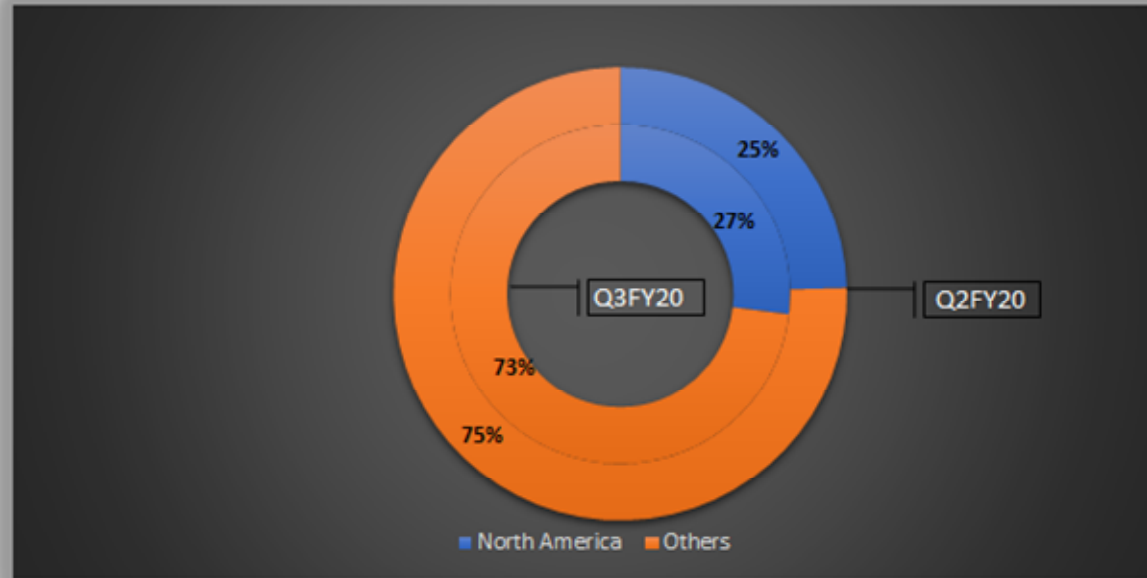
## PERFORMANCE RATIOS

	Q2FY20	Q3FY20
FIXED CHARGED COVERAGE	1.85	2.34
LEVERAGE RATIO	2.43	2.17



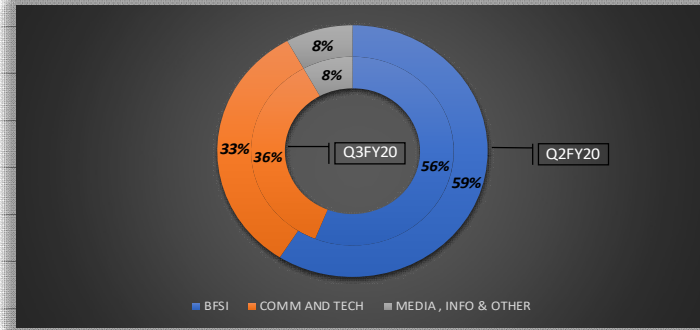
# CASH PROFILE

## CASH BY GEO

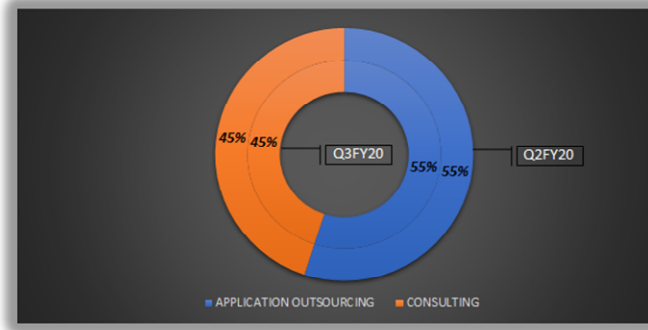


# REVENUE PROFILE

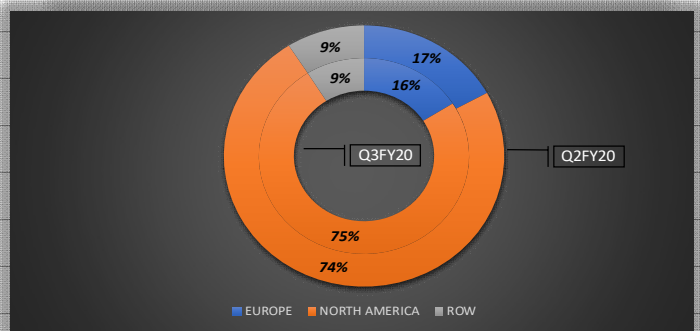
REVENUE BY VERTICAL



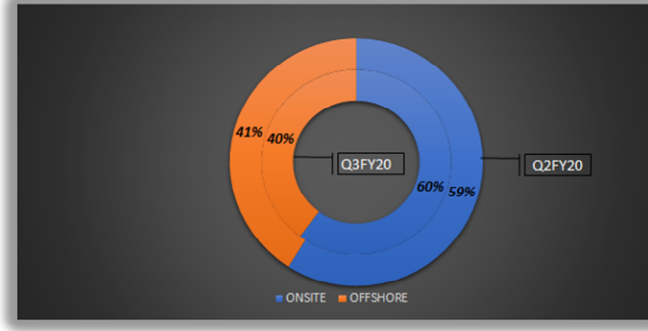
REVENUE BY SERVICE OFFERING



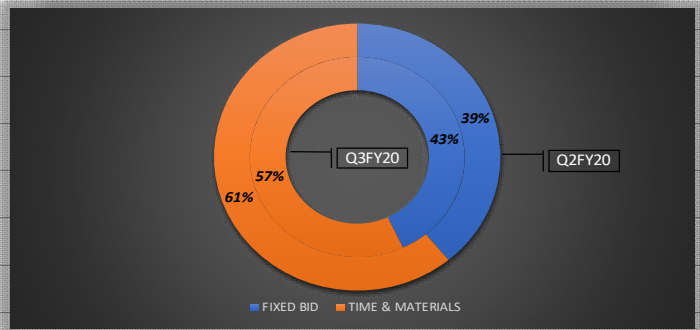
REVENUE BY GEOGRAPHY



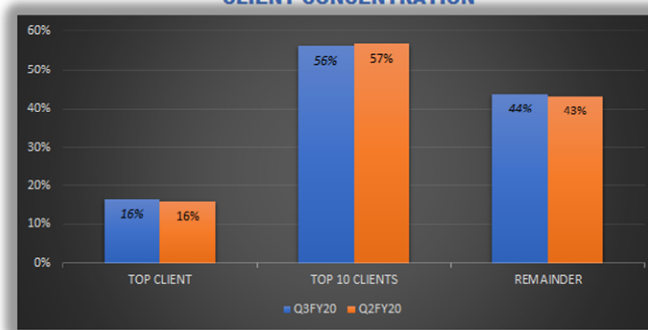
ONSITE / OFFSHORE REVENUE MIX



REVENUE BY PRODUCT TYPE



CLIENT CONCENTRATION



## REVENUE PROFILE (CONT.)

CATEGORIES	SEGMENTS	Q3FY19		Q2FY20		Q3FY20		QoQ		YOY	
		\$ (Mn)	%	\$ (Mn)	%	\$ (Mn)	%	\$ (Mn)	%	\$ (Mn)	%
REVENUE BY GEOGRAPHY	EUROPE	\$ 65.0	21%	\$ 57.0	17%	\$ 55.2	16%	\$ (1.9)	-3%	\$ (9.9)	-15%
	NORTH AMERICA	\$ 224.1	71%	\$ 242.3	74%	\$ 251.2	75%	\$ 8.9	4%	\$ 27.1	12%
	ROW	\$ 25.5	8%	\$ 29.2	9%	\$ 28.7	9%	\$ (0.5)	-2%	\$ 3.2	13%
REVENUE BY INDUSTRY GROUP	BFSI	\$ 197.3	63%	\$ 193.3	59%	\$ 187.3	56%	\$ (6.0)	-3%	\$ (10.0)	-5%
	COMM AND TECH	\$ 89.2	28%	\$ 108.4	33%	\$ 119.6	36%	\$ 11.2	10%	\$ 30.4	34%
	MEDIA , INFO & OTHER	\$ 28.2	9%	\$ 26.8	8%	\$ 28.2	8%	\$ 1.5	6%	\$ 0.0	0%
REVENUE BY PRODUCT TYPE	FIXED BID	\$ 125.5	40%	\$ 129.1	39%	\$ 144.7	43%	\$ 15.5	12%	\$ 19.1	15%
	TIME & MATERIALS	\$ 189.1	60%	\$ 199.4	61%	\$ 190.4	57%	\$ (8.9)	-4%	\$ 1.3	1%
REVENUE BY SERVICE OFFERING	APPLICATION OUTSOURCING	\$ 166.0	53%	\$ 181.6	55%	\$ 183.8	55%	\$ 2.2	1%	\$ 17.8	11%
	CONSULTING	\$ 148.7	47%	\$ 146.9	45%	\$ 151.3	45%	\$ 4.4	3%	\$ 2.6	2%
DIGITAL VS. NON DIGITAL	DIGITAL	\$ 128.9	41%*	\$ 135.8	41%	\$ 140.4	41%	\$ 4.6	3%	\$ 11.4	9%
	NON DIGITAL	\$ 185.8	59%	\$ 192.7	59%	\$ 194.8	59%	\$ 2.0	1%	\$ 9.0	5%

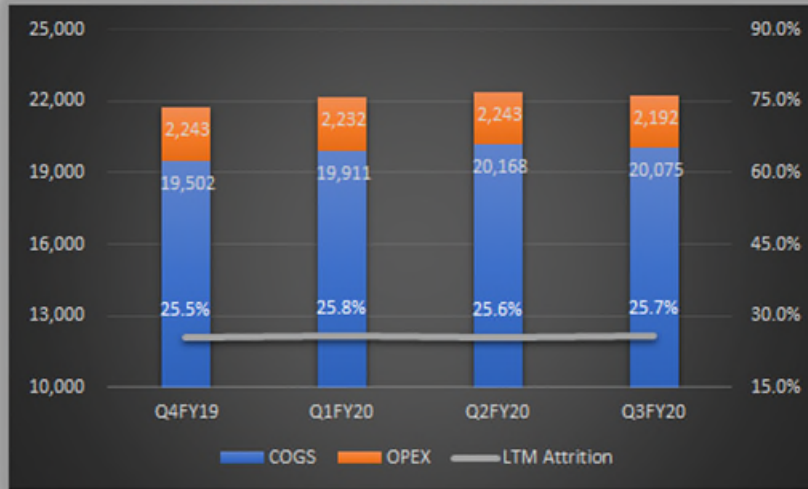
Numbers shown in millions and % are subject to rounding

\*Adjusted to FY20 Digital definition

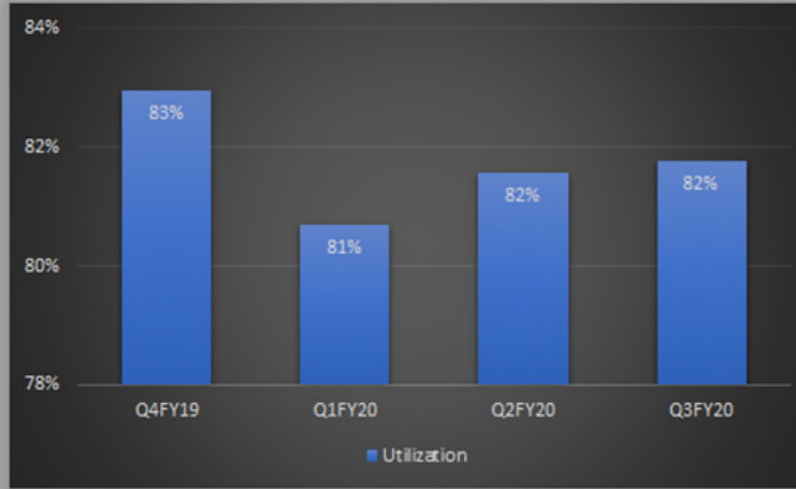


# OPERATIONAL METRICS - HEADCOUNT

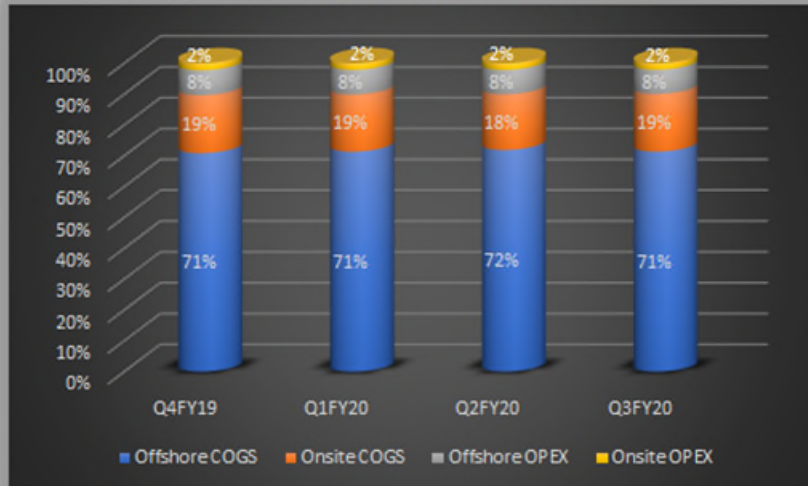
## HEADCOUNT & ATTRITION



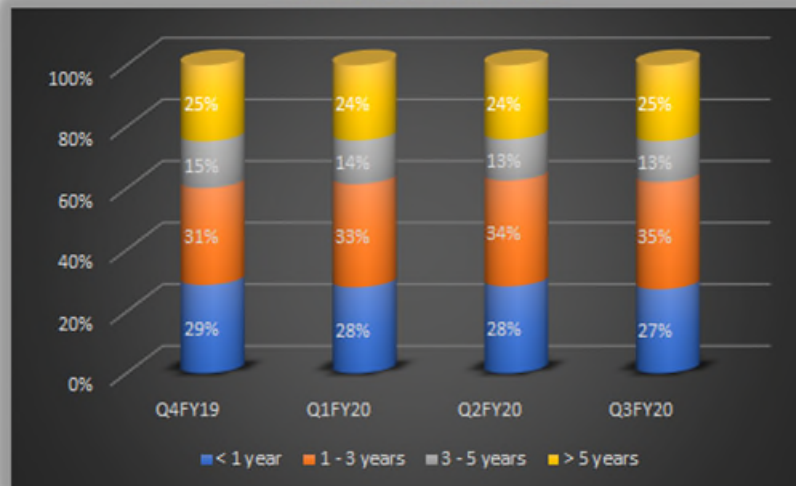
## UTILIZATION



## ONSITE / OFFSHORE HEADCOUNT MIX



## AVERAGE TENURE

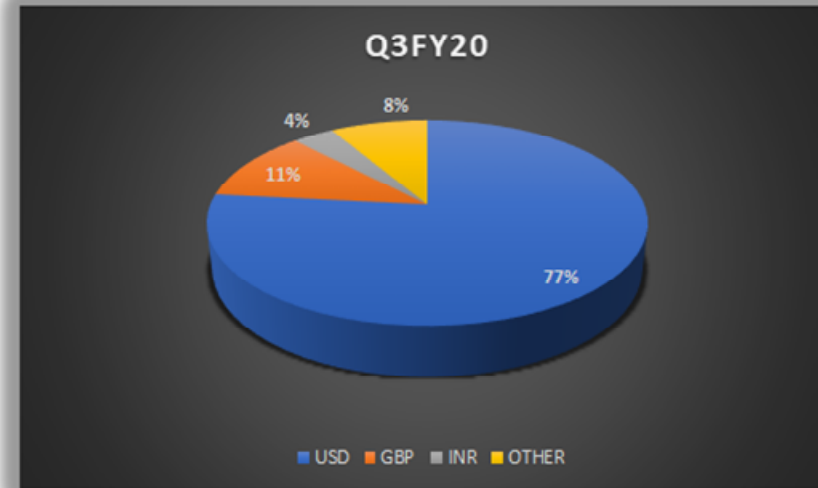
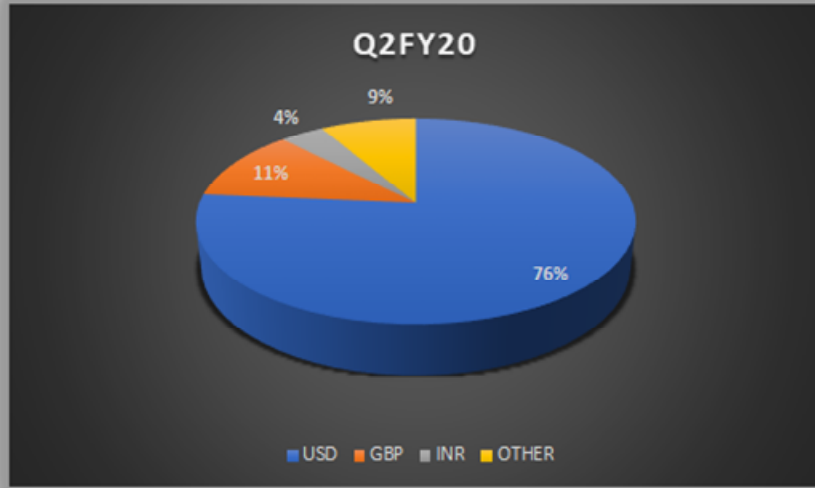


Numbers shown in % are subject to rounding

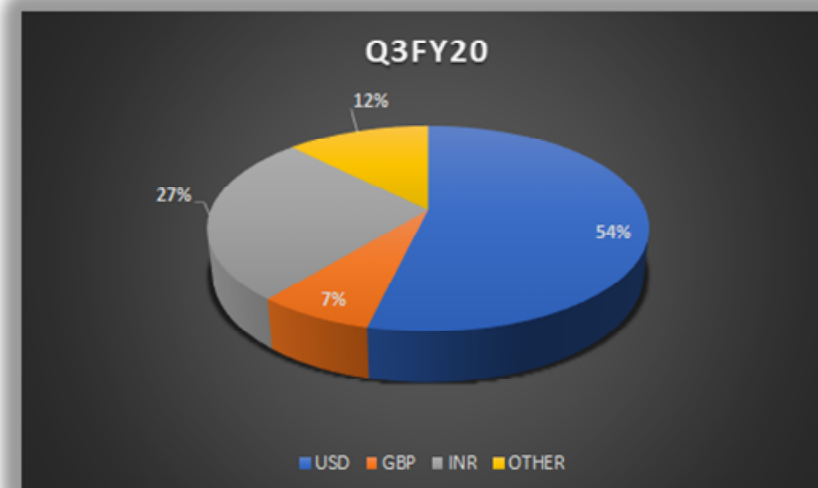
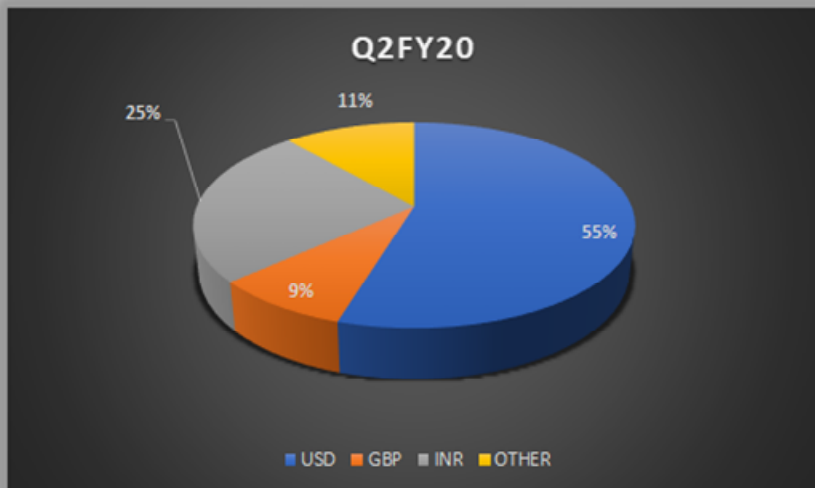


# Revenue and Cost Mix by Currency

## REVENUE BY CURRENCY



## COST BY CURRENCY



## AWARDS & RECOGNITIONS



Healthcare and Life Sciences practices earned HITRUST CSF Certified status for information security to manage risk, improve security posture, and meet compliance requirements



Achieved Amazon Web Services (AWS) Financial Services Competency status, recognizing our deep expertise in building financial services solutions on AWS



Achieved Amazon Web Services (AWS) Big Data Competency status, recognizing our success helping clients achieve big data goals on AWS



Positioned as a Major Contender in the Healthcare Payer Digital Services PEAK Matrix Assessment with Service Provider Landscape 2020



Positioned as a Major Contender and Star Performer in the Life & Annuities (L&A) Insurance Application and Digital Services PEAK Matrix 2020



Named a winner in the 2019 North American Candidate Experience (CandE) Awards by Talent Board

# THANK YOU

