

Quess Corp delivers wins on multiple fronts; Shows strong operating growth and steady profitability; Demonstrates its robust business model amidst a slowing economy

Bengaluru, India – 30th October 2019: Quess Corp, India's leading business services provider announced its financial results for the **second quarter (Q2 FY20)** ended 30th September 2019 today.

The key consolidated financial parameters are:

(₹ cr)

Particulars	Q2 FY20	Q2 FY19	YoY(%)	Q1 FY20	QoQ(%)		H1 FY20	H1 FY19	YoY(%)
Headcount ('000s)	377	280	27%	357	6%		377	280	35%
Revenue	2,650	2,092	27%	2,395	11%		5,045	4,060	24%
EBITDA	161	112	44%	147	10%		309	214	44%
EBITDA Margin	6.09%	5.36%	73 bps	6.15%	-6bps		6.12%	5.28%	84 bps
PAT	65	62	5%	56	16%		121	116	5%
PAT Margin	2.45%	2.95%	-49 bps	2.35%	10 bps		2.40%	2.86%	-45 bps

Financial Highlights (Q2 & H1 FY20):

- **Headcount** grew **27%** YoY for Q2 FY20 and **35%** YoY for H1 FY20.
- **Revenues** grew **27%** (**organic growth of 23%**) YoY on the back of highest ever **increase in employee headcount of 97k**, over the last four quarters.
- **Quarterly EBITDA** grew significantly by **44%** YoY to **₹ 161 cr**. **EBITDA margins** for H1 FY20 improved by **84 bps** YoY, to **6.12%**.
- **PAT** of **₹ 65 cr** during the quarter was higher by **5%** YoY. Without the IndAS adjustments, the **Operating PAT** was **₹ 70 cr**, which was a **13%** increase YoY.
- **Cash flow from Operations (OCF)** stood at **₹ 117 cr** for H1 FY20 as against **₹ 72 cr** in H1 FY19, a significant increase of **62%** YoY.
- **OCF/EBITDA conversion** improved to **47%** during H1 FY20 compared to **34%** in H1FY19.
- **Significant debt reduction** of **₹ 375 cr** achieved during the quarter. Gross Debt at the end of the quarter stood at **₹ 920 cr**; Net Debt stood at **₹ 272 cr**.

Corporate Actions:

- **Trimax Resolution:** In the Ahmedabad Smart City project, Quess had pending dues of ₹ 179 cr (loans & receivables outstanding). Since the JV partner Trimax IT went into bankruptcy, the payments had not come through to Quess. Quess has now completely resolved the issue by acquiring Trimax IT's 49% stake in the JV for ₹13 cr and hence, owning 100% of the JV. All current dues and future payments will flow exclusively to Quess. ₹ 20.7 cr has already been received by Quess (as of Oct 30, 2019). Another ₹ 20 cr is expected in Q3 & ₹ 40 cr in Q4 FY20. Therefore, overall payments expected to be received in FY20 would be approx. ₹ 81 cr.
- **Thomas Cook India Ltd. (TCIL) De-merger:** The De-merger of TCIL is expected to be completed by December 2019. The scheme has been approved by shareholders and creditors of TCIL and Quess. Post the de-merger, Quess will be directly held by Fairfax Holdings (~33%), with public shareholding going up to ~44% (from ~28% currently)
- **Optimization of Group Structure:** Quess' strategy is to simplify its overall group structure and reduce the number of entities from 45 to less than 30. In line with this strategy, 4 subsidiaries – Aravon, CenterQ, CoAchieve and Master Staffing Solutions are being merged into the parent. Additionally, a few other Indian/overseas entities are either being merged or converted to branches.
- **Rationalisation of Intercompany Loans:** Quess initiated an exercise to rationalize intercompany loans and advances, which stood at ₹ 560 cr in the previous quarter. It successfully reduced ₹117 cr in the quarter, while another ₹ 274 cr reduction is underway. Post the TCIL De-merger, ₹ 74 cr would be further reduced. With all these, the intercompany loan balances are expected to come down to ₹ 95 cr by December 2019.
- **Amazon Investment:** Quess issued 7.54 lakh shares to Amazon, at a price of ₹ 676 per share amounting to an investment of ₹ 51 cr by way of a preferential allotment. The investments are being utilized towards business expansion of DigiCare.
- **Vedang Acquisition:** Quess currently holds 70% stake in Vedang. Board has approved the acquisition of incremental 18.7% stake for upto ₹10 cr. Post this transaction, Quess will own 88.7% stake in Vedang.
- **Change to Big 4 Auditors at Allsec & Terrier:** In Allsec Technologies and Terrier, the Statutory auditors have been changed to Deloitte Haskins & Sells. This is in line with the growing operations of these companies, while also complying with the SEBI guideline of covering 80% of the Consolidated Revenues.

Business Updates:

Quess has continued to deliver stellar Revenue growth (**27% YoY**) amidst an environment with macro-headwinds. This re-iterates the all-weather nature of the Company's business model.

The key business updates, split platform-wise, are as follows:

Workforce Management Platform:

- **Strong Growth in Staffing:** Quess' General Staffing business continued its strong growth trajectory, registering headcount addition of **~59k** employees in H1 FY20, which surpassed the full year addition of **~56k** in FY19. The General Staffing headcount crossed **240k**.
- **Collect & Pay** contracts share improved significantly to **72%** in the quarter, from **60%** in Q2 FY19.
- General Staffing business' **Core to Associate** ratio continues at industry leading efficiency of **1:333** in Q2 FY20. The ratio improved by 15% YoY.
- **Logistics** Business (Dependo) touched a **new peak of 1.5 lakh deliveries/day** as against the earlier peak of **~1.0 lakh deliveries per day**.
- Our **Skill Development** business has received fresh targets to train students for **~21k** students across Govt. programs. Overall training targets as of H1 FY20 were **~52k** students, which was **67%** higher YoY, reflecting a very strong pipeline.

Operating Asset Management Platform:

- Our **Facilities Management** business continued its strong organic growth momentum during the quarter with a revenue increase of 8% YoY.
- Split of SLA (Service level agreement) vis-à-vis Headcount business mix improved to 26:74 vis-à-vis 22:78 YoY.
- Overall headcount increased to **~78k**, up by **7% YoY**.
- The monthly Revenue realization per head-count increased by **10% YoY** to **~₹ 22k**.

Tech Services:

- **Significant scale-up in DigiCare:** Amazon's investment in Quess is being utilized to build DigiCare into a large brand-agnostic after-sales service provider with a PAN India service network. The Service footprint has increased from 350 to 600+ towns across India (YoY). Quarterly call volumes crossed 4.2 lakhs (up 10% YoY), while Accessories sales which started last quarter, has increased 74% QoQ.
- **Monster:** Monster launched a new version of its mobile application, and its user ratings went up to 4.4/5 from 3.8 in the previous quarter, bringing it on par with industry leaders. Key operational parameters continued to see growth:

- Organic traffic increased to 12.8Mn (up 24% YoY).
- Job views increased to 2.6Mn (up 53% YoY).
- Job applications increased to 1.3Mn (up 10% QoQ).
- **Leadership Update: Mr. Ashish Johri** has been appointed as the **CEO of Allsec Technologies**. Ashish has an MBA from Purdue University, USA and an undergraduate degree in Architecture. He is an entrepreneurial leader with 24 years of diverse experience in Business Process Outsourcing, Global Operations, Banking and Analytics, across firms like TCS and Capital One. Ashish has a track record of successfully scaling businesses through setting up operations, driving a culture of operations excellence and disciplined margin management.

Segment Wise Performance:

(₹ cr)

Platforms	Q2 FY20	Q2 FY19	YoY (%)	Q1 FY20	QoQ (%)	H1 FY20	H1 FY19	YoY (%)
Workforce Management								
Revenue	1,667	1,208	38%	1,487	12%	3,155	2,356	34%
EBITDA	90	69	30%	89	1%	180	137	31%
EBITDA Margin	5.4%	5.7%	-30 bps	6.0%	-60 bps	5.7%	5.8%	-10 bps
Operating Asset Management								
Revenue	432	434	-0.5%	427	1%	859	833	3%
EBITDA	29	34	-15%	32	-9%	61	64	-5%
EBITDA Margin	6.7%	7.9%	-120 bps	7.5%	-80 bps	7.1%	7.7%	-60 bps
Tech Services								
Revenue	551	449	23%	480	15%	1,031	871	18%
EBITDA	63	28	125%	46	37%	110	49	124%
EBITDA Margin	11.5%	6.1%	+540 bps	9.6%	+190 bps	10.6%	5.7%	+490 bps

Commenting on the financial results, Chairman & MD Mr. Ajit Isaac said that, *“This quarter saw us executing successfully on multiple fronts. While we delivered a strong operating performance with 27% growth, we also made significant strides in our businesses by resolving the Trimax issue, simplifying our overall entity structure, downsizing our inter-company loans and reducing the debt on our books. We invested in hiring senior leadership talent by bringing on Mr. Ashish Johri as the CEO of Allsec. Ashish has extensive experience with top-tier technology firms and we are excited in terms of the long-term growth he can deliver for us.”*

About Quess Corp

Quess Corp Limited (BSE: 539978, NSE: QUESS), is India's leading business services provider. At Quess, we excel in helping large and emerging companies manage their non-core activities by leveraging our integrated service offerings across industries and geographies which provides significant operational efficiencies to our clients. Quess has a team of over 377,000 employees across India, North America, South America, South East Asia and the Middle East across platforms such as Workforce Management, Operating Asset Management and Technology Services. Quess serves over 2,300 clients worldwide. Established in 2007, Quess is headquartered in Bengaluru, India and has a market cap of approx. ₹ 6,900 cr as of September 30th, 2019.

For further details on Quess Corp Ltd., please visit: <http://www.uesscorp.com>.

For more information, please contact:

Investor / Analyst contact:

Vijay Rajagopal

Director, Corporate Development &
Head - Investor Relations

✉ vijay.rajagopal@quesscorp.com

☎ +91 80 61056408

Media Contact:

Girish H.M

Vice President – Marketing & Communications

✉ girish.m@quesscorp.com

☎ +91 80 61056019

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