



Earnings Update – Period Ended September 30th, 2018

October 25th, 2018

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Performance Highlights - Q2 FY19

Operating Revenue

- Revenue at ₹ 2,092 Cr in Q2 FY19 vs. ₹ 1,395 Cr in Q2 FY18 and ₹ 1,968 Cr in Q1 FY19
- YoY growth of 50%; Organic Growth of 26%
- QoQ growth of 6%

PAT

- PAT at ₹ 62 Cr in Q2 FY19 vs. ₹ 127 Cr in Q2 FY18 and ₹ 54 Cr in Q1 FY19
- PAT margin at 2.95% vs. 2.76% in Q1 FY19

EBITDA

- EBITDA at ₹ 112 Cr in Q2 FY19 vs. ₹ 79 Cr in Q2 FY18 and ₹ 102 Cr in Q1 FY19
- EBITDA margin at 5.36% vs. 5.21% in Q1 FY19
- YoY growth of 42% ; QoQ growth of 9%

Adjusted PAT*

- Adjusted operating PAT increased to ₹ 74 Cr in Q2 FY19 vs. ₹ 68 Cr in Q1 FY19
- Adjusted PAT margin of 3.54% in Q2 FY19 vs. 3.44% in Q1 FY19

Adjusted EPS*

Adjusted diluted EPS of ₹ 5.08 for Q2 FY19 compared to reported diluted EPS of ₹4.22

Financials for FY17 & FY18 have been restated throughout the presentation to reflect retrospective consolidation of MIS financials

**PAT & EPS for Q2 FY19 is not comparable with Q2 FY18 due to tax benefit relating to an earlier period to the tune of ₹67 cr in Q2 FY18 and also due to disproportionate impact of certain non-operating accounting charge such as Amortization of Intangible Assets and Non Controlling Interest Put Option during the same period. Accordingly, adjusted PAT and EPS figures are shown above for comparison purpose.*

Performance Highlights - H1 FY19

Operating Revenue

- Revenue at ₹ 4,060 Cr in H1 FY19 vs. ₹ 2,693 Cr in H1 FY18
- YoY growth of 51%; Organic growth of 27% YoY

EBITDA

- EBITDA at ₹ 214 Cr in H1 FY19 vs. ₹ 154 Cr in H1 FY18
- EBITDA margin at 5.28% in H1 FY19 vs. 5.72% in H1 FY18
- YoY growth of 39%

PAT*

- PAT at ₹ 116 Cr in H1 FY19 vs. ₹ 173 Cr in H1 FY18*
- YoY decline of 33%, not comparable on YoY basis
- PAT margin at 2.86% in H1 FY19 vs. 6.43% in H1 FY18

Headcount

- ~280,400 employees at the end of H1 FY19 vs. ~212,500 in H1 FY18 and ~272,000 in Q1FY19
- Net addition of 8,400 employees
- YoY growth of 32%

DSO

Billed DSO has reduced to 40 days in H1 FY19 from 54 days in FY18 due to better working capital management

Cash flow

OCF improved significantly to INR 72 Cr in H1 FY19 vs. negative INR 95 Cr in H1 FY18. OCF / EBITDA conversion has increased to 34% in H1 FY19 vs. 31% in FY18

*PAT & EPS for H1 FY19 is not comparable with H1 FY18 due to tax benefit relating to an earlier period to the tune of ₹67 cr in H1 FY18 and also due to disproportionate impact of certain non-operating accounting charge such as Amortization of Intangible Assets and Non Controlling Interest Put Option during the same period.

Headcount data includes Terrier. Financials for FY17 & FY18 have been restated throughout the presentation to reflect retrospective consolidation of MIS financials

Key Strategic Updates



IKYA

Strong Growth continues

Quess added a total headcount of over 11,000 across its General Staffing business during Q2'FY19. The General Staffing headcount has crossed 175,000 as on September 30, 2018.

eXcelus

Expansion of Training and Skill Development centers

Quess signed MoU for additional DDU-GKY projects (₹ 16 Cr contract value). Also opened 2 new DDU-GKY centres along with 10 PMKK centres with a cumulative training capacity of 1,500 students.



DigiCare

New Store Openings

Added 60 new service centres in the last six months, increased coverage from 55 towns as on the date of acquisition to 120 towns as on 30-Sep-2018. Added premium 4 new logos during the quarter

monster
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Increase in Traffic

Witnessed highest ever traffic of 10.9 mn with highest job seeker registration of 0.9 mn in a month. Cumulative active searchable resumes is up by 22% compared to last year. Search Engine Optimization (SEO) traffic is up by 16% compared to the previous year.

Q
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Strong Improvement since Acquisition

Post acquisition, EBITDA has improved significantly in H1 FY19 on YoY basis and is ahead of our investment plan.

Quess' focus on balance sheet management and strong execution in each of its businesses yielded tangible results with superior working capital management led to strong earnings growth

M&A Updates



Quess completed the acquisition of residual equity of 36% in Comtel Solutions Pte Limited, Singapore and 49% in ComtelPro Pte Limited, Singapore on October 24, 2018.



Quess completed acquisition of additional 3% equity stake in Heptagon Technologies on September 05, 2018. With this transaction, Quess' stake in Heptagon technologies has now increased from 46% to 49%.



Q2 FY19 & H1 FY19 Performance Update

Financial Highlights: Income Statement (Q)

Particulars	Q2 FY19	Q2 FY18	Q1 FY19
Revenue from operations	2,092	1,395	1,968
Less:			
Employee benefit expense	(1,641)	(1,169)	(1,549)
Cost of material	(84)	(33)	(65)
Other expenses	(255)	(114)	(252)
Total expenses	(1,980)	(1,316)	(1,866)
EBITDA	112	79	102
Other income	14	17	16
Interest	(28)	(16)	(26)
Depreciation and amortisation	(29)	(14)	(30)
Operating EBT	69	66	62
Associate Income (net of income tax)	3	(0)	2
Earnings before tax	72	65	64
Tax	(10)	62	(9)
Profit after tax*	62	127	54
EBITDA margin	5.4%	5.7%	5.2%
PAT margin	2.9%	9.1%	2.8%
Basic EPS	4.2	9.2	3.8
Diluted EPS	4.2	9.1	3.7

Note: Figures are in Rs. Cr, unless otherwise mentioned

* PAT & EPS for Q2 FY19 is not comparable with Q2 FY18 due to tax benefit relating to an earlier period to the tune of ₹67 cr in Q2 FY18 and also due to disproportionate impact of certain non-operating accounting charge such as Amortization of Intangible Assets and Non Controlling Interest Put Option during the same period. .

Key Highlights

Q2FY19 vs Q2FY18

- Growth in headcount from 213K to 280K (up 32% YoY)
- Gross Revenue grew by 50% y-o-y
 - **Organic impact:** has contributed to a Revenue growth of ~26%
 - **Inorganic impact:** Consolidation of Vedang, ConneQt, Monster, Greenpiece & DigiCare
- Effective tax rate remained at 14.5% in Q2FY19 in line with previous quarter
- Diluted EPS stood at ₹ 4.2

Financial Highlights: Income Statement (H1)

Particulars	H1 FY19	H1 FY18
Revenue from operations	4,060	2,693
Less:		
Employee benefit expense	(3,190)	(2,257)
Cost of material	(149)	(61)
Other expenses	(507)	(220)
Total expenses	(3,846)	(2,538)
EBITDA	214	154
Other income	30	20
Interest	(54)	(33)
Depreciation and amortisation	(59)	(28)
Operating EBT	131	114
Associate Income (net of income tax)	5	0
Earnings before tax	136	114
Tax	(20)	59
Profit after tax*	116	173
EBITDA margin	5.3%	5.7%
PAT margin	2.9%	6.4%
Basic EPS	8.0	12.7
Diluted EPS	8.0	12.5

Note: Figures are in Rs. Cr, unless otherwise mentioned

* PAT & EPS for H1 FY19 is not comparable with H1 FY18 due to tax benefit relating to an earlier period to the tune of ₹67 cr in H1 FY18 and also due to disproportionate impact of certain non-operating accounting charge such as Amortization of Intangible Assets and Non Controlling Interest Put Option during the same period.

Key Highlights

H1 FY19 vs. H1 FY18

- Growth in headcount from 213K to 280K (up 32% YoY)
- Gross Revenue grew by 51% y-o-y
 - **Organic impact:** has contributed to a Revenue growth of ~27%
 - **Inorganic impact:** Consolidation of Vedang, ConneQt, Monster, Greenpiece & DigiCare
- Effective tax rate at 14.5% in H1 FY19. Previous year there was a tax benefit of INR 67 Cr pertaining to FY2017 period
- Diluted EPS stood at ₹ 8.0

Financial Highlights: Balance Sheet

Particulars	30-Sep-18	31-Mar-18
Non-current assets		
Fixed assets	234	233
Intangibles	1,448	1,401
Investments	92	89
Other non-current assets	584	487
Current assets		
Trade receivables	908	921
Investments in FD and MFs	251	468
Cash and cash equivalents	555	566
Unbilled revenue	725	473
Loans & other current assets	348	262
Total assets	5,146	4,899
Equity		
Share capital	146	145
Other equity	2,445	2,315
Non controlling interest	2	2
Debt		
Long term debt	234	269
Short term debt	595	740
Other liabilities		
Trade & other payables	193	148
Other provisions & tax liabilities	1,530	1,279
Total equities and liabilities	5,146	4,899

Key Highlights

- **Intangibles** include Goodwill of Digicare, Greenpiece and Simpliance recognised during the half year ended Sep 2018
- **Other non-current assets** include receivable from Government Authorities
- **Trade Receivables** remained steady during the half year ended Sep 2018
- Increase in **other provision and tax liabilities** are towards accrued salaries statutory dues and provision for expenses in line with business growth



Segment Wise Performance

Business Segment Highlights

Particulars	People Services		
	Q2 FY19	Q1 FY19	Q2 FY18
Revenue	913	869	683
% QoQ Change	5%		
% YoY Change	34%		
EBIT	42	39	33
% QoQ Change	6%		
% YoY Change	27%		
EBIT Margin	4.56%	4.51%	4.78%

Particulars	Facility Management		
	Q2 FY19	Q1 FY19	Q2 FY18
Revenue	311	279	247
% QoQ Change	12%		
% YoY Change	26%		
EBIT	21	17	16
% QoQ Change	28%		
% YoY Change	33%		
EBIT Margin	6.79%	5.93%	6.41%

Particulars	Industrials		
	Q2 FY19	Q1 FY19	Q2 FY18
Revenue	123	120	75
% QoQ Change	3%		
% YoY Change	64%		
EBIT	5	5	4
% QoQ Change	11%		
% YoY Change	49%		
EBIT Margin	4.30%	3.97%	4.72%

Particulars	Technology Solutions		
	Q2 FY19	Q1 FY19	Q2 FY18
Revenue	707	664	390
% QoQ Change	7%		
% YoY Change	81%		
EBIT	40	35	25
% QoQ Change	14%		
% YoY Change	58%		
EBIT Margin	5.60%	5.22%	6.43%

Particulars	Internet Business		
	Q2 FY19	Q1 FY19	Q2 FY18
Revenue	37	37	-
% QoQ Change	2%		
% YoY Change	-		
EBIT	(6)	(6)	-
% QoQ Change	6%		
% YoY Change	-		
EBIT Margin	-14.84%	-16.00%	-

Thank You!

Quess Corp Limited

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