



**“Majesco Limited Q4 and Full Year FY2020
Earnings Conference Call”**

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MODERATOR: MS. ASHA GUPTA, CHRISTENSEN IR

Moderator: Ladies and gentlemen, good day, and welcome to the Majesco Q4 FY2020 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing “*” then “0” on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Ms. Asha Gupta, for Christensen IR. Thank you, and over to you, Madam.

Asha Gupta: Thanks. Good evening to all of you who have logged into this call. Welcome to Q4 and full year FY2020 results of Majesco Limited ended on March 31, 2020. Please note that we have mailed out the results and also, you can view it on our website, www.majesco.com.

To take us through the results and to answer your questions today we have with us Mr. Adam Elster, CEO of Majesco U.S. and Mr. Farid Kazani, MD and Group CFO of Majesco Limited.

We will start the call with brief overview of the quarter and year gone by, which will be given by Mr. Adam and then this will be followed by Mr. Farid, who will be going into the detailed financials. We will then throw the floor open to the Q&A session.

I would like to remind you that everything that is said on this call that reflects any outlook for the future or which can be construed as forward-looking statements must be viewed in conjunction with the risks and uncertainties that we face. These risk and uncertainties are included, but not limited to what we have mentioned in the prospectus filed with SEBI and subsequent annual report that you can find on the website.

With that said, I would now like to hand over the call to Mr. Adam. Over to you, Sir!

Adam Elster: Thank you very much, and good evening to everyone on today's call. I want to start today's call by expressing my sincere gratitude to all first responders, healthcare employees, and front-line workers for their brave sacrifices; and also, to share our thoughts and prayers with those who have lost loved ones during the COVID-19 crisis.

We are living in unique times; times none of us have experienced before, and I want to be very clear when I say that our number one priority is to protect the health and safety of our employees, customers, partners and the communities in which we operate. We were an early adopter of the “work from home” transition, and all Majesco’s global employees have been operating remotely since March 16th. Throughout this period, we have successfully managed all customer expectations, while ensuring our business continuity, seamless focus and commitment to projects and services. Overall, during the year we have made a significant fundamental shift in our operational performance and long-term strategy, which gives us confidence to capture long-term growth opportunities.

While it is premature and difficult to predict the business impact due to the unprecedented environment caused by the COVID-19 pandemic, most businesses have had to increasingly rely

on technology to support their operations throughout the crisis regardless of the industry. Prior to the crisis, many insurers believed they had more time to adjust to the slow and steady pace of change and adoption of new technologies. However, we believe customers are likely to re-allocate current and new investments as a result of the COVID-19 crisis. They will likely shift focus and move to cloud and digital experience platforms, automation, efficiency, and modernization. These potential trends may provide further benefits to Majesco in the future as our cloud platform provides insurance carriers with more flexibility, scalability, and a variable cost models that supports their current and future needs.

Over the near-term however, we do believe some new deals we were expecting to close in the first quarter, may get delayed until the second quarter. Overall, industry trends continue to support our cloud product-based strategy and I am more excited than ever about the opportunity ahead, the future of Majesco and the insurance industry, despite the near-term challenges caused by the COVID-19 crisis.

Our relentless focus on delivering innovation and customer success has fueled our growth and solidified our leadership position. One year ago, we launched our new strategy and focus areas for the company. Looking back, we see areas that exceeded our expectations... some areas where we should have invested more... and a few that will need more time to develop. With any business strategy, it is the sum of all the parts that matter, and we are very pleased with our fiscal 20 results.

Fiscal 20 was a record year for Majesco demonstrating the success of our product-based strategy. P&C and L&A carriers of all sizes are turning to Majesco to partner with us on their digital transformation journey. The positive momentum in our business has resulted in a nearly 35% year-over-year increase in cloud subscription revenue.

The tenure of our new and expanded leadership team continues to increase, and I am pleased with the strong operating platform we are creating, allowing us to successfully navigate the near-term challenges of the COVID-19 crisis. We ended the year with no debt and a record cash balance of Rs 417.5 crore, demonstrating the strong cash generating potential of our model. In addition, profitability continues to benefit from the growing mix of product revenue combined with ongoing enhancements to our operating model to improve efficiencies.

During the year we experienced an increase in total revenue, product revenue, Adjusted EBITDA, cash, and the total number of overall customers. Product License, Subscription, and Maintenance revenue grew 34% over FY19 and now represents 42.2% of our operating revenue. Total services revenue was down as we exited some legacy, unprofitable, on-premise businesses. From a weighted average perspective this was the key factor in our 5.3% operating revenue growth. At the same time, the improved overall mix of revenue enabled our Adjusted EBITDA to increase to Rs 140 crore as compared to Rs 118 crore last year.

From a new sales perspective we had another strong year for new customers, new lines of business, and new modules across the board. Our 12-month backlog has increased every quarter

for the past six quarters, 13.3% over the previous year, and 8% over the past three months to \$109.8 million. Moving forward we will be transitioning from our previous 12 month rolling backlog metric to a total backlog number.

Acquisitions are an important component of our growth strategy and during Q4, we announced the acquisition of Inspro. We are excited to welcome them to the Majesco team. Their organization aligns very well with our strategy, focus, and culture. Our solid performance and financial position allowed us to proceed with the acquisition even during this unprecedented time.

Equally important is industry recognition of our cloud products. Investment in our products is now being recognized by industry analysts. Our P&C Core Suite was recognized as a Leader in the Gartner 2019 Magic Quadrant, and the top “Best-in-Class” Vendor in the Aite Matrix Report. Likewise, our L&A and Group Core Suite was recognized as a “Visionary” in the Gartner 2019 Magic Quadrant and “Best-in-Class” Vendor in AIM Report.

One question I have been asked since my very first day at Majesco is: When will MetLife go-live with the IBM/Majesco platform? Well, I am pleased to be able to say that the first phase went live a few days ago. It has been an incredible partnership and we feel strongly that it will set a new bar for Group Benefits technology.

Another critical component of our strategy is to invest heavily in partner relationships. This is typical of all software companies but was not part of a Majesco’s legacy DNA. Everyone knew about our relationship with IBM and the MetLife project, but that’s where it ended. A year ago, most system integrators did not even want to meet with us because they considered us a competitor. We have made significant progress transitioning Majesco into a product company and today we have successfully built relationships with Capgemini, PwC, Deloitte, EY, KPMG, and Microsoft. Each is in its own individual stage of maturity, but this is key to our future growth. The partners’ impact, reach and scale are undeniable, and have been a growth driver to all software companies for many years. We will be no different.

Another major initiative for us in FY20 was to replace our internal, legacy systems and processes. We have spent years showing insurance companies how critical it is to replace their own legacy systems and adapt to the modern world, so it was time to take our own advice. We went live Oracle Cloud HCM in February and Netsuite went live in April. These systems provide us with real time data and the ability to make agile business decisions. They will also help in the fundamental shift in our operational performance allowing us to begin sharing new data externally. Specifics to come later during the Q&A, I do not have all the answers on what data when yet, we will get that to you.

Our business transition to a market-leading cloud product company over the past several years is evident in our fiscal 2020 results. We remain confident in our strategy, committed to its execution and believe we have the right platform in place to handle the near-term challenges associated with COVID-19 while continuing to pursue long-term growth opportunities.

Please stay safe. Please stay healthy and thank you for your time. With that, let me turn it over to Farid.

Farid Kazani:

Thank you, Adam, and good evening to everyone on the call. Appreciate you joining our full year fiscal call today. I also appreciate the feedback from a few of the listeners that it does not make sense for me to repeat all the financial highlights for the quarter and year-to-date on this call, as given in the press release or the U.S. script or the financial analysis file. We have also may change in the press release to put a tabular format to make it easily readable. Thank you and I will try to make this call more productive today.

I will first share the top level numbers for the quarter and the full year fiscal 2020. The operating revenue for the fourth quarter was Rs. 276.6 Crores, reflecting a growth of 4.4% versus the previous quarter and a growth of 5.8% on a year-on-year basis. The operating revenue for the full year was Rs.1,040.5 Crores, up 5.3% in rupee terms and 3.9% in constant currency terms as compared to the previous year.

The adjusted EBITDA for Q4 FY20 was Rs.42.5 Crores or 15.4% of the operating revenue as compared to Rs.36.4 Crores or 13.7% of the operating revenue in Q3 of FY20. The adjusted EBITDA for the full year 2020 increased to Rs.139.6 Crores or 13.4% of the operating revenue as compared to Rs. 117.7 Crores or 11.9% in FY19.

Products revenue was Rs. 118.4 Crores for Q4 FY20, which increased 7.8% sequentially and 28.7% on a year-to-year basis, representing 42.8% of the operating revenue. For the full year FY20, the total product revenue stood at Rs.438.8 Crores, representing 42.2% of the operating revenue, a growth of 33.7% as compared to the previous year.

The net profit for Q4 FY20 was Rs.31.4 Crores, reflecting a growth of 4.3% on a Q-o-Q basis and almost 200% on a year-on-year basis. For the full year FY20, the net profit witnessed a growth of 25.8% to Rs.90.2 Crores. The 12-month order backlog as of March 31, 2020 was \$109.8 million, up 13.3% from \$96.9 million as on March 31, 2019. The total cash, cash equivalent and short-term investment was Rs.417.5 Crores as of March 31, 2020 as compared to Rs.359 Crores as of 31st December, 2019.

I am sure there are most of you who have questions around visibility of revenue and profitability for FY2021. Needless to mention, that under the current circumstances, we are unable to give guidance on the numbers. But let me try and pre-empt some questions and share some data points transparently as we see them today. I will share the data points in dollar terms, instead of INR as it relates to our main operating entity in Majesco U.S. I will also try and speak slowly to enable you to register the information that I am enumerating.

So let us split the FY2020 operating revenue of \$146.4 million into two streams: one, the product revenue, which is the license, cloud subscription and maintenance of \$61.8 million, constituting 42.2% of the total revenue; and two, the professional nonrecurring services revenue, which is the

legacy on-prem implementation, IT/Consulting services and cloud implementation services, of the balance \$84.7 million constituting 57.8% of the total revenue.

Adam did mention that in spite of the drop of the total professional services revenue by 10.5%, the growth in the products recurring revenue by 25.7%, ensured our overall revenue growth by 4% in dollar terms in FY20.

Moving to the first stream, which is the products revenue. The focus has been to aggressively grow the products revenue, including the cloud subscription revenues. The products revenue grew 33.7% and constituted 42.2% of the total revenue in FY20 and 32.8% of the revenue in the previous year. We foresee strong visibility of the product revenue for FY21.

Let me explain. One, within the FY20 products revenue, the cloud subscription of \$22.1 million, which is 15.1% of total revenue in FY20, grew 34.8% in FY20. This growth levels in cloud subscription revenue are sustainable. We also exited Q4 FY20 with an annualized \$26 million. Two, the maintenance revenue of \$30.7 billion in FY20 grew 19.3%. The acquisition of InsPro Technologies would add approximately 10% to our overall FY21 revenues and the maintenance review from InsPro Technologies constitutes 65% of their revenue. Three, we had strong bookings during the year ending with a record 12-month order backlog of \$110 million as of March 31, 2020, which was approximately 55% of product revenues. Note that this \$110 million backlog does not include InsPro Technologies numbers as the acquisition was consummated on April 1, 2020. As Adam mentioned, we are seeing good traction with multiple SI partners now. The initial interaction with one of the partners on the Digital 1st platform has been very encouraging. This could potentially enhance our subscription revenues. Based on the above indicators, we expect strong growth in the FY21 product revenues, which, by nature, are committed and recurring.

Now moving on to the second stream of revenue, which is the professional services, nonrecurring revenue; this stream of revenue constituted 57.8% of our FY20 numbers and de-grew 10.5%. The current business environment for insurance companies' remains quite fluid and therefore it is premature and difficult to predict any numbers for FY21.

I would just like to share some data points with you.

1. The insurance companies are focusing on critical and business impacting programs largely around core and digital platforms.
2. They are prioritizing their efforts to manage and improve the overall cost structure and preserve cash.
3. They are exploring cloud opportunities as they build their capacity to create a sustainable work-from-home environment.
4. Budgets for new and larger deals are being reviewed, and we do expect these to be right-shifted or put on hold to some extent.
5. Within our existing pipeline, the momentum for new deals is stronger, and we could land up in some deals, especially the ones that we have already in play for the last few quarters. So, the traction for new clients beyond Q1 is difficult to predict at this moment.

6. On the positive side, there is an increase in the professional services revenue expected with the addition of InsPro's revenue in FY2021.
7. Our focus would be to grow the business with existing clients and support their core and digital requirements and mitigate any gaps due to delay or postponement of new deals in the coming quarters.

Let me move on to profitability. We have seen an improvement in the Adjusted EBITDA by 150 basis points in FY20 and over the last two years, we have improved the cost base with improved delivery capabilities, rationalization of headcount and other cost efficiencies. This, along with the higher product revenue profile, enabled us to consistently improve the Adjusted EBITDA margin over the last 12 quarters. While we are not guiding on the FY21 profitability, our expectation is to deliver steady improvement in the Adjusted EBITDA on the back of higher product revenues, better operating leverage, and overall cost management.

Lastly, most investors would like to understand the cash position in the current challenging situation. We generated strong cash flows from our operations in FY20 and ended with a cash of Rs.418 Crores, roughly \$55 million as of March 31, 2020, at Majesco consolidated level. We have since paid an amount of Rs. 86 Crores, which is \$11.4 million for the InsPro acquisition as on April 1, 2020, the date on which we consummated the transaction. We expect to build the cash position steadily during the year through internal generation similar to FY20.

To sum it up, the FY20 was challenging but a fulfilling year with a very good execution overall and we see FY21 with cautious optimism. Hope, the above information has been meaningful and helpful to gain your confidence in our business, and we are happy to answer any questions that you may still have on this call to make it more productive.

Please refer to our website or the stock exchange website for further details on the FY20 financials and the investor presentation posted by Majesco U.S. this morning.

I will now pass on the call to the operator to open the call for questions. Thank you very much and appreciate your continued interest in Majesco.

Moderator: Thank you very much. Ladies and gentlemen we will now begin the question and answer session. The first question is from the line of Rohith from Marshmallow Capital. Please go ahead.

Rohith Potti: Thank you for the opportunity. Thank you for such a detailed update of the current situation. My first question is on the cloud subscription revenue. I mean, given the number of go-lives last quarter and this quarter, I was expecting a faster growth Q-on-Q, while the year-on-year growth is quite good at 30%, 35%, but is there a reason why it grew only 30% this quarter?

Adam Elster: Subscription revenue grows overtime. So, we have not allot the way we set up the contractors because there is pre-production amount they pay us, there is a production amount and then it grows based on the volume of direct written premium they put on the platform. So, you do not see spikes in revenue. The go-live is definitely a stair step, but it is not a spike and then the way

the contracts are written at the time when they put more business on the platform, it grows overtime. So you would not see spikes, you will see continuing stair steps, which we feel very confident we are on the right trajectory and we think as they put more business on the platform, you will see the revenue accelerate, but it is not going to be a spike of revenue, it is going to be slow and steady.

Rohith Potti: Thank you. That was helpful. My next question, I mean, probably it is a little bit premature to ask this, but post-COVID in the deals that you guys are working on do you see any reduced or increased intensity of competition? Do you see some competitors backing out because of funding issues or anything of that sort? or do you see more of a under setting?

Adam Elster: Yes. I will tell you, yes. Some of the larger players have enough capital and resources to weather this. So that is not a concern. As probably you are seeing in other verticals, especially in the technology industry, there are certainly a large group of start-ups who, while well funded, were revenue pre-profit, and they are seeing a lot of pressure. You are seeing they are doing, we have not done layoffs. They are doing layoffs. We paid out all our bonuses. You are seeing them cut bonuses. We have not cut pay. You see they are cutting pay. So, I think what will be interesting to watch will be the next three to six months to see who is able to weather those storms, but we are definitely seeing the smaller competitors who have some more margin and cash challenges are facing some difficulties. But the larger competitors have enough cash to weather a storm, but I think some of the smaller competitors are going to be some of the ones that face issues.

Rohith Potti: That was helpful. My last question is, given that half of the market cap is in cash. I mean, at least the Indian company market cap is around Rs.800 Crores, and we have around Rs.400 Crores cash, I know much of it is in the U.S. entity. But do you not think from purely capital allocation perspective, in the current scenario, it makes sense to buy back some shares at least in India?

Farid Kazani: I think the cash that has got accumulated in the U.S. is primarily for growth, and I think we would be definitely looking at some opportunistic acquisitions that would add capability and build the growth for us. I do not think we are envisaging any cash to be pulled back for making a buyback in India. The way I look at it is that over a period of time, as we see the performance, you would see a good performance on the market price and I think investors should be happy with that.

Moderator: Thank you. The next question is from the line of Mohit Jain from Anand Rathi. Please go ahead.

Mohit Jain: Sir, one is on the MetLife's assignment. Now that we have gone live, what are the next steps like you guys were initially looking for new deal from them or will you see more business lines moving to our platform. What are the timelines or potential timelines for that?

Adam Elster: During the last call we had, the investor I think it was in January, I pointed everyone to MetLife's website. I might recommend that again. So, if you go to MetLife's website and you go to their Investor page, you will see their Analyst Day that they had back in December. So you can see a full presentation on their Analyst Day from back in December and if you do not have the link, we

can provide it to you as a follow-up or you can go to their website in Investor, look for and what they outlined on their web page was the overall timeline for the project, and the project has a few phases. The first phase is small markets. These are companies with less than 100 employers, and that is what we went live with, with the first phase of the project. From there, it goes to a national rollout, which will happen in, hopefully, around the fall time frame and then from there, their plan is to expand it to other markets globally. So, where we are at is we went live with the first phase and again, their MetLife presentation does a very good job of outlining the different components. So, we went live with the first phase of the small markets. The next phase will go to national, but there will be a steady stream of these rollouts every about 90 days and then from there, we hope to go to next markets, and those will be over the course of next year. This was a major milestone for us turning the corner for both MetLife, IBM and Majesco.

Mohit Jain: So, the moment you move to the national milestone, your subscription revenue will see some sort of a jump in just a few months' time, is that how we should read it?

Adam Elster: I am not giving you guidance on it. I am telling you what I will tell you is as we go to national.

Mohit Jain: Not from numbers perspective, but that is how your contract is, right? If the traffic goes up and they move to Phase II, your revenue will be a function of that?

Adam Elster: Yes. Exactly.

Mohit Jain: Sir, second thing is on the receivables. Why receivables were so high in the March quarter and what do you expect for FY2021?

Farid Kazani: The receivables were roughly around \$26 million, obviously, it is linked to as we pulled up growth over the years plus it is the receivables that we have from IBM, which has the time period within which they will be paying that. We have seen regular collections happening. There has not been any issue in terms of any delays or postponement or nonpayment to any delinquencies, so there is nothing to worry about that. So overall, I think receivables are under control.

Mohit Jain: So, the March number in terms of receivable days, is that the baseline number we should look for in 2021 or can it improve or deteriorate based on your payment terms with IBM?

Adam Elster: We actually feel pretty good about it, to be honest with you. I mean when we look at the DSO and stuff, we feel good about the numbers. It is in line with the contracts. We think there can be some improvement, but it is not a big area of concern that we have.

Mohit Jain: Lastly, on the prepaid expenses, other current asset just can down sharply on a Y-o-Y basis in the U.S. subsidiary and that helped us generate a lot of cash this year? So, what is the nature of this other current asset? What is the new normal for FY2021?

- Farid Kazani:** Mohit, that is very specific to an item, okay, we had liabilities in respect of earnouts for Exaxe, that did not get paid out. So, if you refer to the notes to accounts that we have published in the financial statements today, you will see a remark in regard to that.
- Mohit Jain:** It is the items that you are referring to.
- Farid Kazani:** Yes. The Indian financials, you will see notes to account, which has been specified. I think it is point #1 or 2 of the notes to account. It specifies that during the year because Exaxe did not meet their targeted EBITDA earn out and therefore, we actually ended up reversing the contingent or the liabilities, which were there in the balance sheet and that got reversed. To that extent, it flew through the P&L account. It is being reflected as exceptional item. So that was a major change in the current liability and to that extent, when you look at the cash flow statement that was the overall kind of change in the working capital.
- Mohit Jain:** Well, I am referring to other current assets, not liabilities?
- Farid Kazani:** I will need to come back to you on the breakup of the other current asset, but the liability change was primarily because of the earnout that did not get paid.
- Moderator:** Thank you. We will take the next question that is from the line of Deepan Shankar from Trustline PMS. Please go ahead.
- Deepan Shankar:** Thank you for the opportunity. Congratulations for the good set of numbers. We have noticed that this organic revenue in terms of dollar has been quite constant for a period of two, three years around \$100 million. So, what are the areas we are working on for improving the same?
- Adam Elster:** Right now, from an organic dollars perspective, we are focused on our product revenue. That is our focus for our growth. That is our focus for our strategy and while we have had growth over the last couple of years with organic revenue, if you look at some of the growth in prior years with organic revenue and at an overall perspective, it has been at those levels, you will find a good part of the growth in prior years was attributed to services, while they were filled services. They are recorded to services. So, what you are seeing now is the growth being attributed to our reoccurring product revenue, which is very sustainable and is fundamental to our strategy. So, I think it is the quality of the growth is what you need to look like and as Farid helped you break down the numbers, we really need you to be focused on that reoccurring revenue. That is our focus is, the long-term sustainable growth with reoccurring revenue and because that backlog is reoccurring, it creates a much stronger long-term platform of reoccurring revenue, fundamental for our growth.
- Deepan Shankar:** Also wanted to understand how many of our existing customers in the like on-premise have already been converted to cloud kind of customers and how many have been incremental new customers who have been added in the last couple of years?

- Adam Elster:** In the last couple of years, new customers, probably about 30. Only one chose to do on-premise. So, 99% of all the customers chose to go with our cloud solution. Only one would not do that and from an existing customer perspective, we have made great progress over the last two years and are in the midst of many projects to upgrade them from on-premise to the cloud. If you go to our website, you can see some press releases of people who have finished the migration to the cloud. We are well on our way with the transition. I would say we probably have a dozen, I would say, probably 12 customers who are of decent size that are still on-premise and out of that, probably about one-third of them have either signed a contract or in the middle of a project to them. One-third of them do not want to change. So, one-third of them still culturally think they should stay on-premise. They can stay on-premise and then another one-third are still thinking about it. So, my view is probably in the next 18 months, we could probably get two-thirds of those 12, either in process or on the cloud and then we will end up with a batch of these customers who want to stay on-premise, and we will maintain them over a period of time. But we think that is a trajectory we are headed in which makes a lot of sense, and we can just optimize cost for the ones who stay on-premise and just make it more profitable. So, we think that is probably the likely timeline.
- Deepan Shankar:** Great and finally, on the professional services revenue stream we have been seeing that stream has been falling. Over medium to long term, what is our outlook on that? When do we expect that stream of revenues to stabilize or falling at a lower rate?
- Adam Elster:** Honestly, do not care is my answer to you. I know you do not want to hear the answer, but steady decline in the services revenue and heavy increases in product revenue is a totally acceptable mix for me. I do not think you are going to see it. I think you will see it more towards flat than anything else in the coming years. We do not expect it to increase. Look, it might increase because we have 1 or 2 large projects that come in at the same time and that is fine. But honestly, it is not reoccurring revenue. So, it is short-term bumps in revenue, which is look, we all want revenue and short-term bumps are good. But for modeling purposes, I would tell you, you should model that business flat to slow to a slight maybe mid-single-digit decline or something like that, we are aiming more for flat, to be honest, in that business because our focus is on the very profitable recurring product revenue.
- Moderator:** Thank you. The next question is from the line of Rahul Jain from Dolat Capital. Please go ahead.
- Rahul Jain:** Your initial remark about insurance companies may have to accelerate digital transformation, so do we see that we, as an organization, should see a major jump in the revenue over the next couple of years as situation settle down the way some of the other large digital companies like Salesforce and Microsoft is talking about? Or do we see the pain in terms of the investment cycle would deteriorate the growth prospect at least for one or two years?
- Adam Elster:** We would not see a major jump. I do feel strongly that they will increase their investments around cloud and digital transformations and many of the legacy processes and systems in which they ran their businesses are very difficult to manage in this type of environment. I think it will accelerate decisions around budgets and projects. But by definition, insurance companies are

risk-averse. They take a long time to make decisions. They have very good cash balances, which protects them long term, and they have very low customer attrition which makes them very comfortable with the steady flow of their business. That is just the reality of their financials when you look at their cash, their customer attrition. I think they will accelerate, but they are not fast-moving organizations. So, I would not expect a major jump. I expect it to accelerate their pace. Their pace is slow. So, I think it will go faster, which could increase our revenue, but I do not think you should model some major jump like you see with Microsoft and adoption of teams or things like that. I would not model us based on those types of models.

Rahul Jain: Right and how has been the first two months with the InsPro acquisition, given that this company did not do well in CY2019, what we expect here?

Adam Elster: We are very happy with the acquisition of InsPro. Fundamentally, L&A has been a big investment of ours. We gained 12 marquee customers. I mean, we provide the backbone for Aetna, for Sigma, for Capgemini. I mean these are major companies that use the InsPro technology to run their operations. We are very excited about that. It is a team of 60 people who, again, they also were able to transition to 100% working remote without an issue, long histories in the L&A space and we feel really good about it. The integration is going well. Their exiting revenue from their last quarter or our fourth quarter was good, and we do see a lot of synergy. One of the reasons behind the business case for the acquisition was synergy because some of the expenses they were using either as being a public company we are able to eliminate. They were using some offshore subcontractors, and we have capabilities to support some of that activity and then the general overhead of things like finance, IT, HR. So, we are very comfortable with our synergy plan and we think it was a very good strategic acquisition for us.

Rahul Jain: Right and what are the realistic expectations from our partners in near term? Is there any change in strategy on their part? And also, what happens to IBM since we have added so many new partners?

Adam Elster: I will start with IBM. Nothing changes with IBM. I mean our strategy, and again, I have been in the software industry in my entire career. Everyone has multiple partners and partners have multiple software partners that is as typical as anything in the software industry. We are aiming to be very typical. Let me start there. We are very happy with our relationship with IBM. We are very excited about the MetLife project and the add-on projects. But one of the challenges we have had, and I think you guys have asked me about this every single quarter, when you are going to get the next IBM deal. One of the biggest blockers to getting the next IBM deal is all the prospects, and we have a very good pipeline. Ask that question, when is MetLife going to go live and they wanted that proof point to know it was anomaly. So, the good news is now that is live. We believe that should help accelerate the pipeline that is taken the company two years to build. So, we are hoping not only for the next phases of MetLife, but we hope that this year, we could win another big deal with IBM and that would be a great milestone for that relationship. As it goes with the other partners, as I said in the commentary, each one is at a different stage of maturity. In the case of Capgemini, we announced that partnership a year ago, so the pipeline is more mature and with Capgemini, they have a strong relationship with InsPro. So, we actually

believe that the InsPro acquisition had that other benefit of accelerating the Capgemini relationship. Now the relationships with the others, KPMG, EY, PwC, Deloitte, each are in a different phase and each have some different focus areas and one of the things I would recommend after the call is, as Farid mentioned, we published our new investor deck and in that investor deck, you will see a slide on the partners, and it highlights each one of them and what we are focused on. So, my expectation, it would be great. If we got the first big deal with Capgemini this year, but some of those L&A deals take longer than others. So, it might take a little longer. We would love to win the first non-MetLife IBM deal this year and then with each of the partners, if we just won one new transaction this year with each one of them that would really fuel our growth. Our expectations are reasonable, but each one of those relationships is in a different stage of maturity.

- Moderator:** Thank you. The next question is from the line of Neerav Dalal from Maybank. Please go ahead.
- Neerav Dalal:** Thank you for the opportunity. Farid, could I get the number for the on-prem part of the professional services for the quarter?
- Farid Kazani:** Yes, that is roughly around 17% of the revenue.
- Neerav Dalal:** Okay and the other thing I wanted to understand is in terms of the license revenues, we saw a good bump up in this quarter. How should one look at this going ahead? So does this have any on-prem or if you could just comment on that?
- Farid Kazani:** So I think if you look at year FY2020, the overall license revenue was higher as compared to the last year primarily because the first quarter, we had a bump up and if you look at the rest of the three quarters, I think the range has been closer to \$1.5 million. My guess is you should keep it at back closer to \$1.5 million and that is something which you can model. But over a period of time, as Adam did mentioned, our endeavor is to convert on-prem customers to cloud and if we are successful in doing that then it is better to get subscription revenue than just license revenue.
- Neerav Dalal:** Correct, correct and just one clarification. The pre-production subscription will be part of implementation revenues, right? Or no, we would be booking some cloud?
- Farid Kazani:** No. The pre-production part of cloud subscription under the product revenues, yes. In any case, that pre-production is supposed to be a very small component.
- Neerav Dalal:** Okay and just outside of InsPro, if we could comment on how the L&A business will ramp up because Exaxe has also not done that well over the last couple of quarters. So, we have seen that deferred payments are being reversed so any comments on there?
- Adam Elster:** Exaxe business was relatively flat this past fiscal year. So that was disappointing, and a large portion of their revenue was services. The product revenue grew, but like with a weighted average, with their services numbers coming down, the overall revenue ended up relatively flat. So that is not what we had planned for and obviously, we planned for higher growth. Financial

benefit is they did not earn their earnout. So that was the reason for the correction. But for L&A, in general, we have our organic L&A business, and a large portion of that was the IBM and MetLife project. We have Exaxe. We have some other areas as well and now we have added InsPro to our L&A business and really, what we saw was when you look year-over-year in the L&A business, while we are not happy with FY20, the overall L&A number, from a product perspective, we are happy with it, but because of such large services numbers from the MetLife project, the onetime services numbers, it skews the overall number. So we do believe as we start winning some of these incremental new L&A deals, we think the overall numbers going to get back to the growth we had expected and if you, again, look at the investor deck, you will see where we stand in L&A in the Magic Quadrant, in Gartner and Novarica and what you are going to see is we have the potential to be the only market-leading product company in L&A and the competitors we have in L&A are primarily services companies who did historical custom application development. They do not have cloud products. It is not recurring revenue. We think over the next few years, this is a really great opportunity for us to be the market leader in L&A.

Moderator: Thank you. The next question is from the line of Arpit Agarwal from Alstom investments. Please go ahead.

Arpit Agarwal: Good evening Adam, good evening Farid. Thank you for the opportunity. I have two questions here. One is, first, congratulations on the MetLife deal going live. I just wanted to understand, so it has been quite some time since we all have been asking about going live and it has got delayed. What went wrong in your understanding and why did it get delayed so much? What are the key learning's? Because as you get into more integration partners and you have multiple partners now, what are the complexities and what are the key learning's? That was one question. Second question is on the R&D expense. Do you think there is some lever and some savings as you acquire more capabilities, you have already acquired InsPro and you may get into more acquisitions, as Farid mentioned? Do you think we will get some savings out there on the R&D side? That's it from my side. Thank you.

Adam Elster: Let me answer the second question first. I do not want any savings from the R&D side, to be honest with you. I think the savings we are going to find are from reports of the operations. If anything, I would rather invest more in R&D. As a product company, our ability to stay innovative and be a market leader will depend on that investment in R&D. So actually, I plan to hopefully be able when we reach the profit levels, we expect to invest more in R&D and while there was some decrease in R&D over the last year, it can be easily attributed to some of the levels of support we gave in product development to some of our legacy end-of-life products that we had in the marketplace and some of those life-type solutions and our investments there. So, I would say no to your comment on R&D, but we do believe very strongly in our road to profitability increases, so no, on the R&D side. On the MetLife side, it is an interesting question. When I was interviewed for the job I am afraid and I joined about 18 months ago, I was told the project was going live and then when I joined, it was not live yet. So, it is been about 18 months. In a project of this nature, look, 6 to 12 months is not that unexpected, and I would tell you, it is nothing special in that regard. It is a lot of, hey, here is when we started the project, what our

requirements were. Here is where we are today. Looking back two years ago, we thought the business model would look like this. It now looks like this. So, we better make adjustments and then I would tell you, you can probably add another six months to just making sure that between MetLife, IBM and Majesco, we were all synchronized and working well together. But there was no catastrophic lesson learned as far as, hey, we did not know this. I think it is a lot of the basics around lining up original project requirements and specs with final end results, user testing, alignment, not a lot more than that, to be honest with you. I mean there is a lot more detail to that and it is probably not a nice clean answer everyone wants that we found some specific issue and stopped it. It will never happen again. I think it is a matter of our cadence between the three organizations, getting better and better, aligning more and more with the business users. Over the last year, I can tell you the status calls we do biweekly include the COO of MetLife, the Head of the Benefits Division of MetLife, their CIO, the Head of IBM's Business Unit for this, the Head of Services for IBM's Business Unit, me and our Head of Product Development. So, this is a very high level of alignment at an executive level, and we are pleased with where we are right now.

Arpit Agarwal:

Thank you so much. As the company is now transforming towards getting into more being a product company and partnering with more system integrators. How will the employee count look like over the next two to three years? Because I am assuming you have still large portion of your employees on the services side, so how will that pan out? And how are we re-skilling?

Adam Elster:

It will be relatively flat, right? So here is what is interesting about our business model, right? Over the course of the last year, we reduced our overall headcount by 300 people. So, we grew revenue. We grew profitability. We grew backlog. We grew customers. We grew product revenue, and we decreased our head count by about 300 people. I would tell you, right now, a lot of the reductions were related to some of the old legacy on-premise projects that ended, and we did not do giant layoffs. We used attrition and reallocation of resources to manage it. So, we did not do any giant layoffs or anything like that. As the project ended, we made employees available to other projects and other growing parts of the business and for the most part, most employees were retained just in a different unit, and we used it to manage attrition, which was very cost beneficial to us, right? As we move forward, we see growth, but we do not think we are going to need to make the same level of investment in headcount to fuel that growth because what we are seeing is for the lower-tier insurance companies, the tier 3, 4, 5, they want, for lack of a better term, one prone to choke. They want to go to one vendor and now I get the product, the services. It is bundled together. It is at the right cost basis and we believe, fundamentally, our service organization will still continue to do the majority of that services work ourselves. What we think is going to happen overtime with some of the higher end insurance companies that we are working with is we will partner with SIs, and there will be a blend of some of their resources and some of our resources, and we may some subcontract to them and they may subcontract to us. But we think that growth that we are seeing could be easily fueled with the SI partnerships at the right cost basis, and we have proven that, and we think that is how to grow. So, I do not think you should not expect a spike in our headcount to manage growth. We think we are in a good position now, and we think the model with the SIs is that fuel for growth. Honestly, I have done this before in my past. This is how I operated in my past and honestly, it is how most software

companies operate as those partners become the fuel for the growth, and we expect to get the increase in product revenue and maybe some of the services revenue for the high-end customers, and we will likely provide resources who are architects and product specialists and program managers as part of those engagements and that is the model. But we are early in. So, it will take a little time for that model to develop with some of the partners. A lot of detail, but hopefully, that gave you the full picture.

Moderator: Thank you. Ladies and gentlemen, we will take the last question. It comes from the line of Jaineel Jhaveri from J&J Holdings. Please go ahead.

Jaineel Jhaveri: Thanks for taking my question. I just wanted to know that due to the COVID situation, have you all seen a different way of delivering or implementing to your customers. For example, there is another product company who mentioned in their call that they started delivering the software through an offsite. So, delivering into the U.S. from India and they flashed the implementation costs by half to the customer. So they offered that to the customer by saying that if you want us to implement from India, we can do it and it will cost you half because I do not need to transport my people, and I will save on flight costs and that is how they got through COVID by implementing into new customers also. So, are you all seeing any kind of changes there?

Adam Elster: That is already our model. I am glad to hear that there are on-premise software companies who are understanding, the benefit of utilizing resources from India and moving in those methods. We already do it, which is one of the reasons that COVID did not have as much as an impact initially for us because our products operate in the cloud, so you can be anywhere. 80% of our delivery staff is in India, so they already operate in the manner of which you speak. When we lock down for COVID, globally, we only had 50, 50 employees, who were consultants, who were on-site with customers. So, we already operate in that model and being a cloud product company, we were already setup for that level. We were able to transition all of our India employees to working remote because we went so early with the crisis in India and we were able to acquire as many laptops we needed. We gave all the employees in India money towards their wireless cards and network connectivity. So, we had all these employees with laptops working from home. We bought VPN lines, so they could work into their desktops in the office. But that model you are talking about, we already have that.

Jaineel Jhaveri: Okay. That is fantastic. So, there is no compression of implementation timelines that you all are seeing any further than what you all have already mentioned before?

Adam Elster: It is interesting. I would not characterize it as compression of timeline. I would not say it in that regard when I think of our business. I will tell you this and most of you will appreciate what I am about to say. We have seen an increase in productivity, so one more time. We have actually seen, as a company, an increase in productivity. My Board of Directors would like to know how I measure that and how I can prove it, and I cannot. So, I cannot measure it and prove it at this time. Here is what I can tell you. Many of our employees, and again, I am assuming most of you will appreciate commute times to the office between an hour and a half hours and two hours. What I can tell you is for many of our employees, and we have large offices, obviously, as you

know, in Mumbai and Pune. Those employees are working remotely with laptops or VPNing into their systems in the office. We are gaining precious time that they will spend commuting on public transportation, and they are working. So, we actually have seen, we have not seen delays. We have actually seen a lot of internal projects accelerate. So, I call it increase in productivity. I do not know how to measure it. But I can tell you, even if I get a fraction of that commute time back in working hours, it has a productivity increase.

Moderator: We have one last question. That is from the line of Devang Bhatt from ICICI Direct. Please go ahead.

Devang Bhatt: I just had two questions. Farid, you had highlighted that your product revenue will grow, and the other part will not grow. Will the growth that your product revenue will be there, will you able to offset the legacy growth that you had? The second question was the acquisition of InsPro. The margins are in line with whatever our current margins are or higher than that?

Adam Elster: I will answer the InsPro one. So, on InsPro, their margins were lower than ours. With the synergies and the things, we are talking about, we believe their margins with the synergy will be more than accretive to our overall margins that is on the InsPro. Farid, I am not sure I caught the first question. Maybe you can tackle that one.

Farid Kazani: I will take that. So, if you look at the FY2020, the product revenues grew much higher at 25.7% overall to offset the 10.5% reduction in the overall services revenue and services revenue here, we are classifying even the cloud implementation. So to answer your question whether the same conditions will prevail in the next year, I think that is our expectation because if you see the narrative that I gave, I gave a clear understanding about a good visibility on the product revenue and Adam did allude that our services revenue, it can be modeled at closer to a flattish to a minor kind of reduction. So, if you consider that kind of combination, I think we should have the same conditions prevailing in FY2021.

Adam Elster: Great. Well, look, thank you all very much for your interest in Majesco. Again, to reiterate some of the commentary that you heard from Farid and me, we feel very good about FY2020. We feel like the team is executing very well. We think the market opportunity continues to move in the right direction with us, our execution. We are proud of the growth we had over the last year. We think the foundation is very solid and the activity that we did dealing with the COVID-19 crisis has really put us in a good position and we are happy with the investments, and we appreciate your interest in Majesco. Thank you very much, everyone, and have a good evening.

Farid Kazani: Thank you very much.

Moderator: Thank you very much. Ladies and gentlemen, on behalf of Majesco Limited that concludes today's call. Thank you all for joining us. You may now disconnect your lines.