

# EARNINGS BRIEFING

Q4 & Full Year FY18

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# Content

- **Highlights for the FY18 & Q4 FY18**
- **Financial Update**
  - Income statement update
  - Cash generation and other updates
- **Business Update**
  - Significant Highlights : JV with BlueBird Systems & NBA Program
  - M&A update
  - Industry outlook
  - Future outlook

# Highlights for the Year

## Financial Highlights for FY18

- Strong and well rounded performance - double digit growth across
  - **Revenue growth** of **12.9%** in \$ terms at \$ 607 Mn; **11.7%** in **Constant Currency**
  - **Operating Profit growth** of **13.3%** at ₹ 5,492 Mn
  - **Net profit growth** of **16.1%** at ₹ 4,296 Mn
- **Highest ever cash balance** of **₹ 10,937 Mn** (US\$ 168.0 Mn) despite an acquisition and enhanced dividend payout with continued healthy cash generation
- Dividend for the full year at **₹13/share** - highest ever

## Business Highlights for FY18

- Well rounded growth across all Business Units and Geographies
  - All the eight BUs have witnessed growth YoY
  - EMEA and APAC grew ~22% and ~16% YoY respectively
- Lowest Attrition in last four years

# Highlights for the Quarter (1/3)

## Financial Highlights for Q4 FY18

- Strong and well rounded Performance
  - **YoY \$ revenue growth of 16.8%; 8.3% QoQ** - highest ever at \$164.6 Mn
  - **YoY \$ services growth of 14.3%; 2.0% QoQ growth** - highest ever at \$142.7 Mn
  - **Operating profit at ₹1,492 Mn - QoQ growth of 4.3%, YoY growth of 19.6%**
  - **Operating margin at 14.1% - up 79 bps YoY**
  - **Net profit YoY growth of 16.2%; QoQ growth of 11.8%** - at ₹1,215 Mn
  - **DLM highest ever quarterly revenue and operating profit** in recent years
- Company declared a final dividend of ₹ 4.0/Share

# Highlights for the Quarter (2/3)

## Business Highlights for Q4 FY18

- Well rounded growth across all Business Units and Geographies
  - All the eight BUs have witnessed growth YoY
  - EMEA, APAC and Americas grew ~31%, ~13% & ~9% YoY in \$ terms
  - Completed acquisition of B&F Design Inc.

# Highlights for the Quarter (3/3)



## CSR Activities

- Continue to support 25 Government Schools - supporting underprivileged children
- Added one more Cyient Digital Centre that provides digital educational resources, taking total to 57
- Recognised by Telangana Government for the recent plantation drive



## Infrastructure

- Two BUs shifted to SEZ
- Set up a post silicon validation lab in Hyderabad for a customer
- Plan to expand Pune facility to 100 FTEs



## Awards

- Boeing Supplier of the Year Award fourth time in six years
- Rail & Road Transport Award for 'Best Railway Signalling Design Company 2018' for the second consecutive year



## Operations

- MoU with Blue Bird Aero for UAV systems
- Founding member of the Xynteo India 2022 Consortium
- Celebrated 10 year partnership with IHS
- Celebrated 20 years as a global partner for ESRI Inc.
- Our IRIS certification was extended to comply with ISO/TS 22163:2017 after a successful audit

# Revenue at a Glance – FY18

Revenue	FY14	FY15	FY16	FY17	FY18	YoY (%)
Revenue (US\$ Mn)	363.3	446.9	473.0	537.9	<b>607.4</b>	<b>12.9%</b>
Revenue (₹ Million)	22,064	27,359	31,021	36,065	<b>39,175</b>	<b>8.6%</b>

Business Units	Revenue		\$ Growth
	\$ Mn	% Share	YoY
Aerospace & Defence	188.2	31.0%	6.1%
Communications	127.5	21.0%	24.2%
Utilities & Geospatial	89.1	14.7%	8.1%
Transportation	61.4	10.1%	31.1%
Industrial, Energy & NR	46.4	7.6%	2.9%
Semiconductor	22.1	3.6%	11.6%
Medical & Healthcare	11.0	1.8%	20.7%
<b>Services</b>	<b>545.7</b>	<b>89.8%</b>	<b>12.9%</b>
<b>DLM</b>	<b>61.7</b>	<b>10.2%</b>	<b>13.2%</b>

Geography	Revenue		\$ Growth
	\$ Mn	% Share	YoY
Americas	309.1	50.9%	6.5%
EMEA	199.2	32.8%	22.5%
Asia Pacific	99.2	16.3%	16.4%

<b>Group</b>	<b>607.4</b>	<b>100.0%</b>	<b>12.9%</b>
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Well rounded growth across all Business Units and Geographies

- Continued growth momentum in Transportation and Communication BU
- EMEA and APAC grew ~22% and ~16% YoY respectively



# Revenue at a Glance – Q4 FY18

Revenue	Q4 FY17	Q1 FY18	Q2 FY18	Q3 FY18	Q4 FY18	YoY (%)	QoQ (%)
Revenue (US\$ Mn)	141.0	140.6	150.1	152.0	<b>164.6</b>	<b>16.8%</b>	8.3%
Revenue (₹ Million)	9,410	9,070	9,654	9,834	<b>10,618</b>	<b>12.8%</b>	8.0%

Business Units	Revenue	\$ Growth	
	\$ Mn	YoY	QoQ
Aerospace & Defence	47.7	6.9%	-1.8%
Communications	35.2	31.8%	10.8%
Utilities & Geospatial	23.2	0.5%	-0.2%
Transportation	16.5	36.7%	1.0%
Industrial, Energy & NR	11.9	8.9%	-1.6%
Semiconductor	5.6	8.0%	8.4%
Medical & Healthcare	2.8	15.4%	-2.2%
<b>Services</b>	<b>142.7</b>	<b>14.3%</b>	<b>2.0%</b>
DLM	21.9	36.0%	80.5%

Geography	Revenue	\$ Growth	
	\$ Mn	YoY	QoQ
Americas	80.7	9.4%	1.9%
EMEA	58.8	30.9%	20.6%
Asia Pacific	25.2	12.8%	4.3%

<b>Group</b>	<b>164.6</b>	<b>16.8%</b>	<b>8.3%</b>
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Well rounded growth across all Business Units and Geographies

- Continued growth momentum in Transportation and Semiconductor BU
- EMEA, APAC and Americas grew ~31%, ~13% & ~9% YoY respectively

# Income Statement – FY18

Particulars	UoM	FY17	FY18
<b>Revenue</b>	₹ Mn	<b>36,065</b>	<b>39,175</b>
Cost of Revenue	₹ Mn	23,650	25,387
Gross Profit	₹ Mn	12,416	13,788
Operating Profit	₹ Mn	4,848	5,492
Tax	₹ Mn	1,046	1,380
Net Profit (Reported)	₹ Mn	3,438	4,054
Add: One off exceptional <sup>1</sup>	₹ Mn	261	286
Add: Tax reversal on exceptional <sup>2</sup>	₹ Mn	-	-44
Net Profit (Adjusted)	₹ Mn	3,699	4,296
EPS (Reported)	₹/share	30.6	36.0
EPS (Adjusted) <sup>1</sup>	₹/share	32.9	38.2

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Gross Margin	%	34.4%	35.2%
Operating Margin	%	13.4%	14.0%
Effective Tax Rate <sup>3</sup>	%	24.2%	25.7%
Net Margin (Reported)	%	9.3%	10.0%
Net Margin (Adjusted) <sup>1</sup>	%	10.0%	10.6%

## Operating profit Movement

- Operating profit increase of 13.3% (₹ 644 Mn) YoY
- OPM of 14% (+58 bps higher YoY) aided by improvement in Gross margin
  - Services OPM is 15.4%, higher by 44 bps YoY on account of operational efficiencies
  - DLM YoY OPM increase ~200 bps on account of improved margins and scale benefits

## Profit After Tax Movement

- Profit up 16.1% excluding one offs
- Other income (treasury and forward cover gains) contributed significantly to PAT growth

<sup>1</sup>Exceptional item relates to RSU impact of ₹261 Mn in FY17 and ₹286 Mn (IASI sale impact of ₹254 and RSU revaluation impact of ₹32 Mn)

<sup>2</sup>Tax reversal of ₹44 Mn due to IASI divestment

<sup>3</sup>The "Tax Cuts and Jobs Act", also known as the "US Tax Reforms" was signed into a law on December 22, 2017. The most significant change brought by this law is the reduction of US corporate tax rates from 35% to 21%. From FY19 onwards, the reduction in ETR, due to US tax rate change, is expected to be ~ 1%

# Income Statement – Q4 FY18

Particulars	UoM	Q4 FY17	Q3 FY18	Q4 FY18
Revenue	₹ Mn	9,410	9,834	10,618
Cost of Revenue	₹ Mn	6,179	6,329	6,919
Gross Profit	₹ Mn	3,231	3,505	3,699
Operating Profit	₹ Mn	1,247	1,431	1,492
Tax	₹ Mn	221	251	336
Net Profit (Reported)	₹ Mn	784	878	1,184
Add: One off exceptional <sup>1</sup>	₹ Mn	261	254	32
Add: Tax reversal on exceptional <sup>2</sup>	₹ Mn	-	-44	-
Net Profit (Adjusted)	₹ Mn	1,046	1,088	1,215
EPS (Reported)	₹/share	7.0	7.8	10.5
EPS (Adjusted) <sup>1</sup>	₹/share	9.3	9.7	10.8

Gross Margin	%	34.3%	35.6%	34.8%
Operating Margin	%	13.3%	14.6%	14.1%
Effective Tax Rate <sup>3</sup>	%	23.0%	22.4%	21.7%
Net Margin (Reported)	%	8.1%	8.7%	10.7%
Net Margin (Adjusted) <sup>1</sup>	%	10.8%	10.8%	11.0%

<sup>1</sup>Exceptional item relates to RSU impact of ₹261 Mn in Q4 FY17, IASI sale impact of ₹254 Mn in Q3 FY18 and RSU revaluation impact of ₹32 Mn in Q4 FY18

<sup>2</sup>Tax reversal of ₹44 Mn due to IASI divestment

<sup>3</sup>The "Tax Cuts and Jobs Act", also known as the "US Tax Reforms" was signed into a law on December 22, 2017. The most significant change brought by this law is the reduction of US corporate tax rates from 35% to 21%. From FY19 onwards, the reduction in ETR, due to US tax rate change, is expected to be ~ 1%

## Operating profit Movement

- Operating profit increase of 19.6% (₹ 245 Mn) YoY
- OPM of 14.1% (+79 bps higher YoY) aided by improvement in Gross margin and indirect cost absorption
  - Services OPM is 15.2%, higher by 18 bps YoY on account of operational efficiencies
  - DLM YoY OPM increase by ~700 bps on account of scale benefits

## Profit After Tax Movement

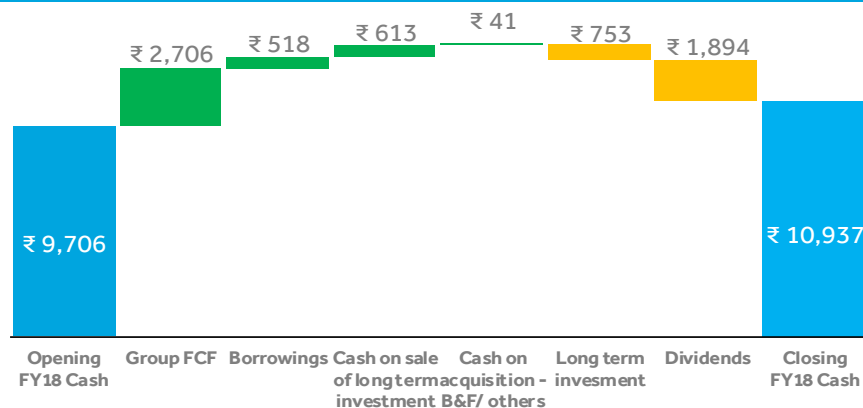
- Profit up 16.2% excluding one offs
- Other income up is higher on account of one offs – subsidies, interest on government refunds and other non operating items

# Cash Generation – FY18 & Q4 FY18

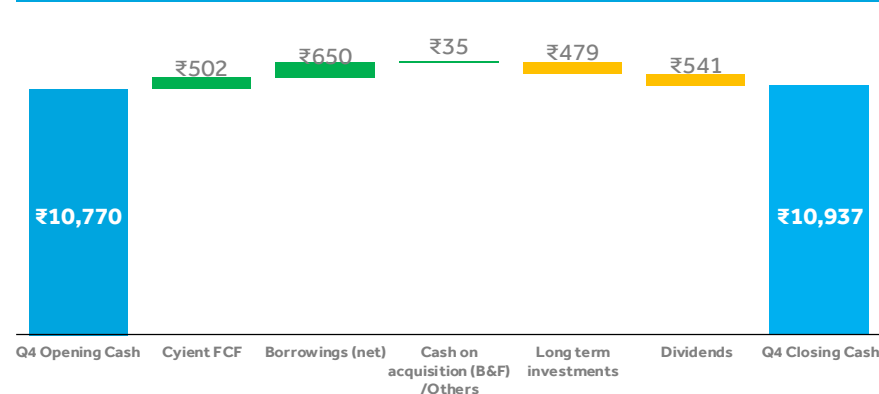
Cash Generation						
Particulars	UOM	Q4 FY17	Q3 FY18	Q4 FY18	FY17	FY18
Cash Position	₹ Mn	9,706	10,770	10,937	9,706	10,937
	\$ Mn	149.8	168.0	168.0	149.8	168.0
FCF - Cyient	₹ Mn	1,229	1,098	639	3,766	3,115
	\$ Mn	18.4	17.0	9.9	56.2	48.3
	% of EBITDA	81.3%	65.1%	35.5%	65.8%	45.4%
FCF - DLM	₹ Mn	156	38	-137	-54	-409
FCF - Group	₹ Mn	1,385	1,136	502	3,712	2,706
	% of EBITDA	91.6%	66.7%	26.4%	64.9%	39.1%
Capex	% of Revenue	2.6%	3.0%	4.5%	2.6%	3.2%

- Cash & cash equivalents at ₹10,937 Mn
- ₹3,115 Mn of cash generated in Services for full year
- Conversion at healthy rate of ~45% for full year for services business
- ₹639 Mn of cash generated in Services for the Quarter; DLM consumed ₹137 Mn of cash

## FY18 Cash Generation & Utilization (₹ Mn)



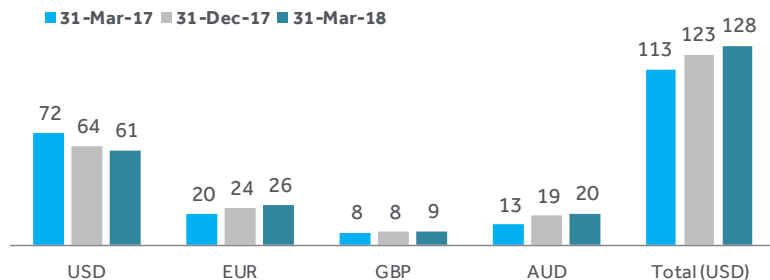
## Q4 FY18 Cash Generation & Utilization (₹ Mn)



# Hedge Book and Other Income – FY18 & Q4 FY18

## Outstanding Forward Contracts\*

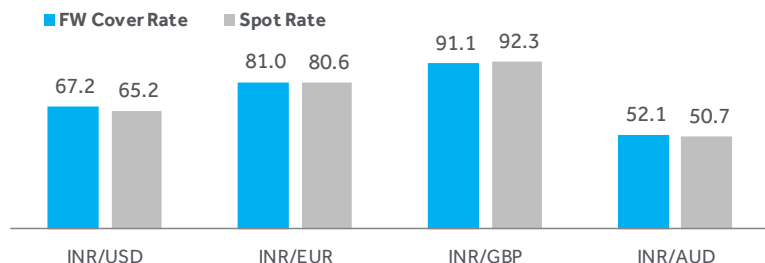
Value in respective currency Mn



## Other income

Particulars	Q4 FY17	Q3 FY18	Q4 FY18	FY17	FY18
Income from Treasury (A)	115	103	118	393	444
Realised Gain/(Loss) on Fw contracts (B)	180	132	46	441	555
UnRealised FX Gain/(Loss) (C)	-75	-50	73	-173	101
Others (D)	46	88	172	213	339
<b>GRAND TOTAL (A+B+C+D)</b>	<b>265</b>	<b>273</b>	<b>408</b>	<b>874</b>	<b>1,439</b>
Loss on sale of IASI Investment		50			50
Other income w/o Exceptional item	<b>265</b>	<b>323</b>	<b>408</b>	<b>874</b>	<b>1,489</b>

## Booked Rate (in ₹) for next 12 Months



- Despite the volatility in major currencies, the company continues to make realized and unrealized gain on major currencies (USD, GBP, EUR and AUD) by adhering to consistent Fx policy of hedging ~70% for next 12 months for major currencies
- On the current forward contracts, the company has strong position for the next 12 months at current spot rates
- Outstanding Forward Contract as on 31st Mar '18 in ~ \$128 Mn
- If the spot rate remains at same level (as at 31st Mar'18), forex gains on current forward contracts could be ~\$2.6 Mn

# Cyient-BlueBird Aero Systems Joint Venture

- In April 2018, a Joint Venture was formed (**Cyient Solutions and Systems Private Limited ("CSS")**) between Cyient Limited and BlueBird Aero Systems Limited, Israel with **51% and 49% shareholding**
- **Transfer of technology and manufacturing know-how** from BlueBird to CSS to support UAV manufacturing and maintenance services for the Indian market
- JV will offer **SpyLite™, ThunderB™ and MicroB™ UAV systems** for ISTAR<sup>1</sup> applications to defence, paramilitary, homeland security and police forces; will also address civilian market requirements for mapping services
- JV will **manufacture, integrate and test UAV systems** in Hyderabad under Defence industrial license with initial production capacity of 100 systems per year; will also support **aftermarket services** including training, spares, repairs and maintenance
- Future plans include design and development of UAV systems customized for Indian market (IP jointly owned by JV and Bluebird) and expansion into international markets



# New Business Accelerator (“NBA”) program

- NBA program has been created to **drive 'Innovation' within Cyient**, with focus on **developing new Products and Services** and to provide Cyient with competitive advantage:
  - **Solutions approach:** Understanding customer problems and addressing them faster and in a better manner
  - Will open up new market opportunities for Cyient and help Cyient grow
- A dedicated co-operative unit has been established, providing access to the **ecosystem to promote entrepreneurship and innovation**.
- Creating a 'Product' environment within Cyient, with talent drawn from within and outside of the organisation.
- **Partnerships** with key players have been established for **faster-go-to-market**
- Will also encompass **Accelerator program** which will give us access to latest technology, and also to leverage Cyient Corporate Venturing fund for investments in the right start-ups
- More than a **dozen opportunities have been identified** in the areas of **IoT, healthcare, Aerospace & Defense and Semiconductor**
- Solution development in majority of the identified projects have started and each will have a **development cycle of 1 to 2 years**
- Current investments to yield long term benefits of 10% to 15% over and above the normal earnings growth

# Investment Pipeline & Focus Areas: Q4 FY18

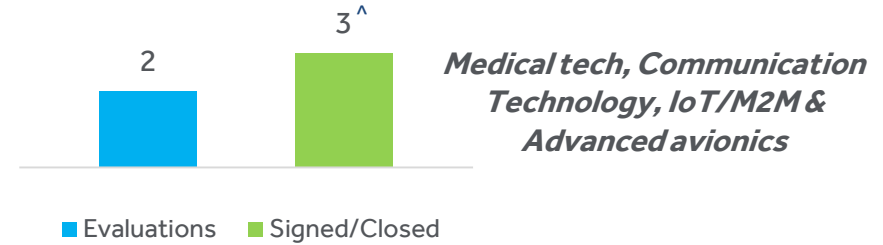
## M&A



\*Pre LOI and LOI reflect a balance position

# Includes signing of definitive agreement for acquiring B&F Design Inc., New Technology Precision Machining Co Inc, and the divestment of stake in Infotech Aerospace Inc. (IASI)

## Corporate Investments



<sup>^</sup> Reflects balance position; includes one fresh investment, one follow-on investment and an exit from an investment

## Active Investment Pursuits



### A&D

- Manufacturing engg. and repair engg. services
- Avionics System/Sub-system and Solutions



### Communication

- Wireless design and planning companies
- Next generation communication solution capabilities



### Medical

- Design to Build companies with OEM partnerships



### Transportation

- Signalling Application Engineering & Testing



### I&ENR

- Process engineering firm for power & oil & gas industries



### Semiconductor, IOT & Analytics

- Solutions offering with skills in verification, design for test, embedded & analog for connected car & industrial markets



### DLM

- Vertical led Design to build / low volume high value build manufacturing



### Corporate Investments

- Startup investments & strategic organic opportunities: JV/Collaboration, IP investment



# Industry Outlook (1/4)



## AEROSPACE & DEFENSE

Aerospace and Defence industry is expected to grow by 10% driven by strong commercial aircraft order backlog. The industry is expected to continue to witness risk of supply chain disruptions with Boeing and Airbus ramping up their narrow body production. Increased Defense spending both in the U.S. and Europe is expected to continue to support demand in those markets.

Globally, mobile-data traffic is growing by more than 50% per year and wireline traffic is increasing by about 20% adding to the growth of the industry. Along with this demand for real-time voice, data and video is manifold and is encouraging telecom service providers to undertake large network extensions and upgrading networks.



## COMMUNICATIONS

# Industry Outlook (2/4)



## UTILITIES AND GEOSPATIAL

Increased use of digital technologies and the growth of electric vehicles is expected to drive growth in the Utilities industry. Use of Distributed Energy Resources - onsite and decentralized power generation using small devices connected to the grid will likely continue to increase and affect more aspects of utility planning than any other trend. For Geospatial industry Big data, cloud computing and artificial intelligence are seen as the most significant drivers.

The rail market is expected to grow at 2.6% with growth driven by services and rolling stock segment which together will account for 68% of the industry growth. The industry is also expected to witness increased investment in technological advancements such as Internet of Things (IoT), cloud computing, and Big Data analytics.



## TRANSPORTATION

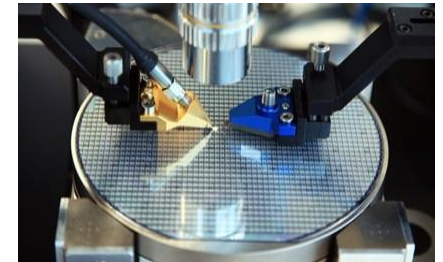
# Industry Outlook (3/4)



## INDUSTRIAL, ENERGY AND NATURAL RESOURCES

The oil and gas industry is expected to continue its slow recovery as upstream companies increase production. The outlook for drilling and oil field services companies is also positive as upstream capital spending and the global rig count continue to increase. On the mining front there is expected to be an upturn in the next one to two years despite weak commodity prices. A large number of big projects and expansions are expected to go live from 2020. Exploration is expected to grow in emerging countries and even in the US.

The revenue of the global semiconductor market is forecast to expand 7.5% driven by growth in the memory sector, adoption of AI, 5G and Autonomous vehicles. With the trend of climbing costs of new chip-fabrication plants and increasing appeal of efficiencies at scale the trend of consolidation is expected to continue



## SEMICONDUCTOR, INTERNET OF THINGS & ANALYTICS

# Industry Outlook (4/4)



## MEDICAL TECHNOLOGY AND HEALTHCARE

The global healthcare industry is forecasted to register a stable growth rate of 4.8% during CY 2018. The industry will witness adoption of popular digital health technology solutions such as artificial intelligence (AI), Internet of Medical Things (IoMT), Big Data analytics, and robotics across select healthcare segments.

# Recap: Outlook for FY18

## REVENUE GROWTH

- Double digit growth in the core business **12.9%**
- DLM business will be in the ballpark of 20% growth **19.0%<sup>1</sup>**

## OPERATING PROFIT

- Margin Expansion through operational efficiency
  - Group to see a ~50 bps to 100 bps improvement in operating margins **58 bps**
  - Services to see a ~50 bps to 100 bps improvement in operating margins **43 bps**

## EARNINGS GROWTH

- We expect double digit earnings growth in FY 18 **16.1%**

<sup>1</sup> Including B&F Design Inc. Acquisition and net off excise duty

# Future Outlook for FY19

## REVENUE GROWTH

- Double digit growth in the services business
- Legacy DLM business expected to grow by ~20%
- Overall DLM growth expected to be ~35% including B&F

## OPERATING PROFIT

- Double digit growth in operating profit in FY19
- OPM to be flat YoY
  - 100 bps Improvements due to operational efficiency offset by investments
- DLM margin will improve – low single digit

## OTHERS

- Tax rate likely to be lower by 200 to 300 bps (22%- 23% ETR)

# Q&A