

SQS – the world's leading specialist in software quality



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SQS India BFSI Investors Presentation

Dr. Martin Müller – Managing Director & CEO

Vaidyanathan N – CFO

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SQS is the world's leading specialist in end-to-end business process software quality assurance.



Founded more than 30 years ago, we have established ourselves as the leading specialist for **end to end software quality solutions**, serving **North America, EMEA and APAC**.

The **SQS mission** is to shape and support the most critical and challenging software change initiatives. We support our clients through our **deep industry know how** and **global delivery capability**.

Driven by our **standardised methodology PractiQ®**, **industrialisation & automation processes**.

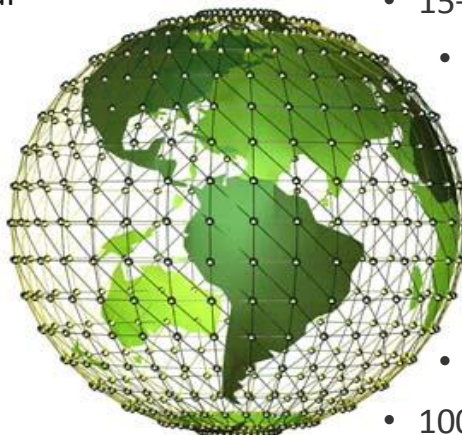


The Global Specialist in Financial Services Testing



SQS

- The world's leading specialist in software quality
- 30+ Years experience in various vertical markets
- Customer base includes 20 FTSE-100 companies, half of the DAX 30 companies and nearly a third of the STOXX-50 companies
- Offices in : Austria, Benelux, Germany, Egypt, Finland, France, India, Ireland, Norway, Portugal, South Africa, UK, Sweden, Switzerland, USA
- Strong multi-country experience
- 7,000+ completed projects
- 4000+ People



SQS BFSI

- 100% Financial Services focus
 - 15+ Years in Business
 - 200+ client base across 23 countries
 - 80+ Active Clients
 - Offices in key Financial Centers: New York, London, Frankfurt, Singapore, Brussels, Dubai, Hong Kong, Mumbai and Sydney
 - Strong multi-country experience
 - 1000+ People, 25% from Financial Industry
- Over 15M person hours of track record in Financial Services testing

Benefits

Local Presence, Pedigree in Quality Testing, Strong Experience in Banking, with Global Delivery and Multi-Country Project Experience

Clear focus on Key Markets and Operational Excellence



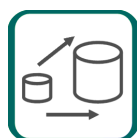
- **Successfully Completed Integration with SQS Group. Now in a continuous development mode**
- **New Customers bringing in higher onsite revenue** (from 55% to 61%). Potential to be migrated offshore, in line with the company's offshore centric model
- **Bigger client size**
 - ✓ Client spread enlarged -over \$ 0.5 million Clients grew from 15 to 18.
- **Focus continues to be on the US and Europe.** Also new business opportunities in the Middle East and Asia
- **Banking continues to be the strongest practice** showing consistent growth, up 12% to 15.2m\$. The insurance segment also grew by 90% to \$1.86 m, with high future potential
- **Employee related parameters improved** – Focus on:
 - ✓ Utilisation improved to 70%
 - ✓ Attrition at 19.2%.



Revenue growth 19%; PAT Increase 31% compared with Previous year Nine Months period

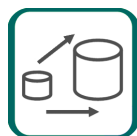


Compared with YTD Dec 14 FY 2015



Growth

+ 19% in ₹ terms to **₹ 1920 Mn** (**+ 11%** in \$ terms to \$ 29.48 Mn)



Utilisation

Blended utilisation increased to **70%** (from 65%)



PBT Before Exchange Gain/Loss

PBT Before Exchange Gain/Loss increased
by **22%** to **₹ 350 Mn.**



PAT

PAT increased by **31%** to **₹ 263 Mn**

Satisfactory results in 2014-15 paving base and way for future growth



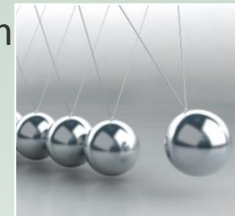
Achievements 2015-16- 9 Months

- Overall Revenue increase by 19% compared to first 9 months of FY 2014-15.
- Group Business reached 10% of of the Total Revenue
- Utilization improved to 70%.



Effect on Business

- Clients > \$ 0.5m
- revenue grew from 15 to 18
- Better visibility in the market
- Innovative, technology and re-usable asset based delivery
- Improved gross margins



Targets 2015-16

- Expand share of test automation and output based pricing
- Organic growth in own established client environment
- Further strengthen our position in US market
- Realize the advantages of Group strengths



Developing the US Market and how to grow



USA

- USA is 50% of the global market in IT services, but SQS' presence has been only 22%
- Re-structuring of US Sales and Pre-Sales complete
- Move towards SQS BFSI of USA revenues to reach Europe volume levels



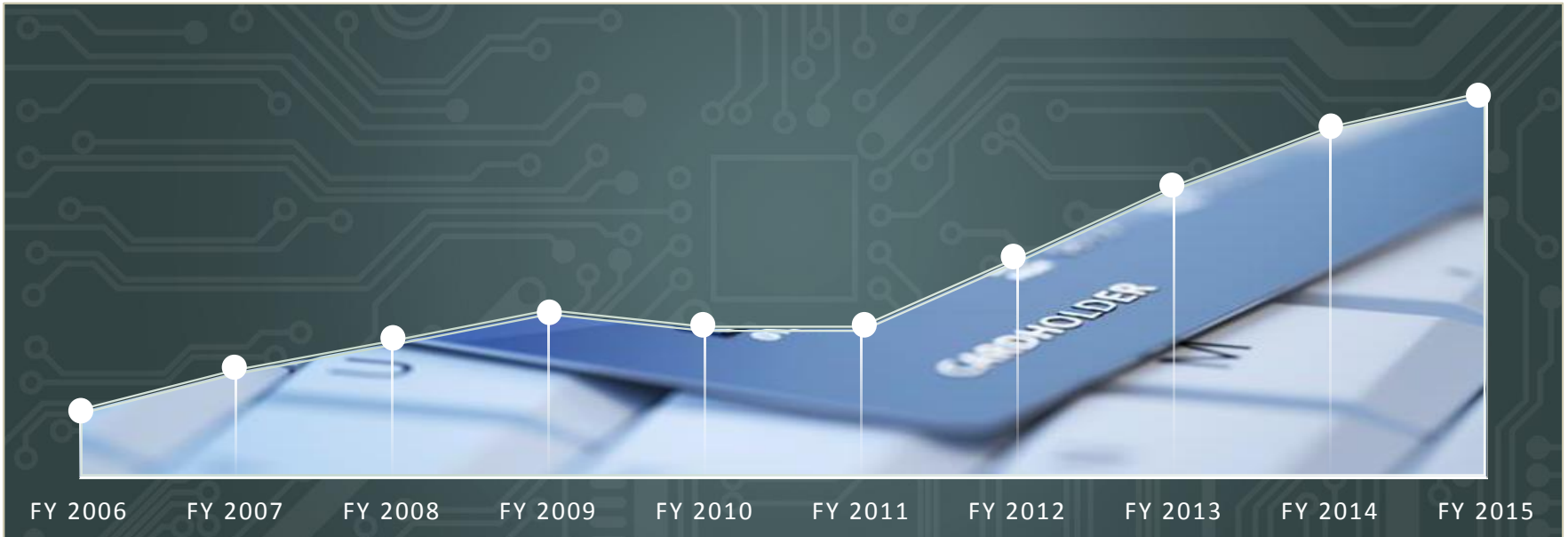
How do we get there

- Replace existing service providers to clients by aggressive sale and demonstrating thru PoCs
- Through appropriate Business intelligence get aware of new clients programs and provide offerings
- Explore possibilities of cross selling BFSI to existing clients of SQS



How to sustain

- Long-term stable relationships with large corporations
- Experienced and motivated management team
- Cost benefits to the clients through increased offshoring and managed services



Financials

Revenue growth 19%; PAT Increase 31% compared with Previous year Nine Months period



in INR m	YTD Dec 15	YTD Dec 14	Change	Main developments
Revenue INR m	1919.2	1615.6	18.8%	Improved revenue from Europe & from Banking & Cards verticals
Revenue \$ m	29.5	26.5	11.3%	
EBIDTA	376.2	325.6	15.5%	Improved Utilization at 70%
PBT Before FX Gain / Loss	349.3	286.1	22.1%	
PAT	263.1	200.1	31.5%	Exchange gain Rs. 54 Mn (Previous year same period : gain Rs. 9 Mn)
Net Cash Position	693	635	58 m	Cash Balance increased to ₹ 693 Mn after 2 Dividend Payouts of Rs 305 Mn.

Revenue increased by 1 % compared to previous quarter



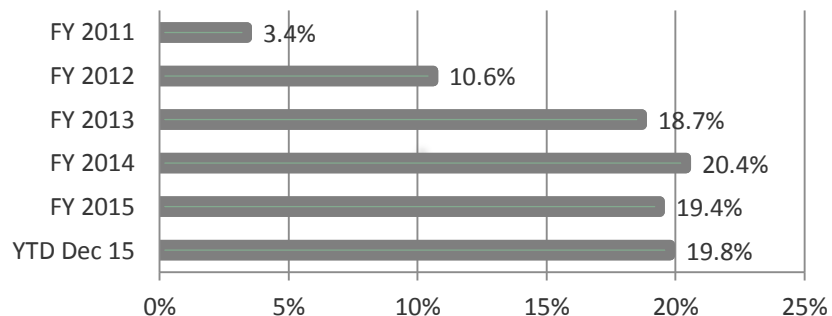
in ₹ Mn	Q3 -2016	Q2-2016	Change	Main developments
Revenue ₹ Mn	671.1	665.6	0.8%	
Revenue \$ Mn	10.2	10.2	-0.2%	Marginal variation
EBITDA	132.2	143.8	-8.1%	Investment in Human Capital: 148 resources added.
PBT Before FX Gain / Loss	122.3	134.8	-9.3%	
PBT	115.5	157.7	-26.7%	
Receivables	556	639	84 m	Improved to 73 days from 96 days in Q2 FY16,

The deployment of our strategy is evidenced by our key metrics



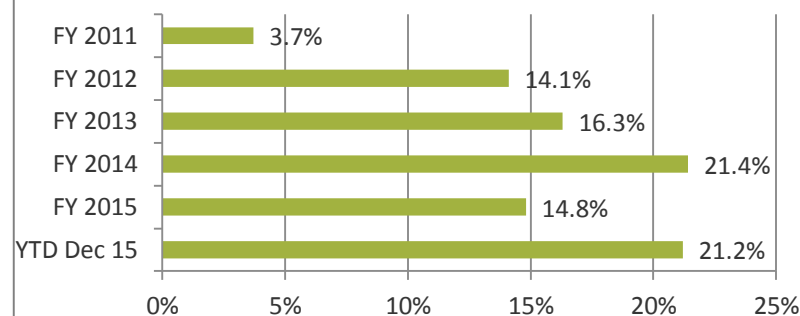
EBITDA

(in % of revenue)

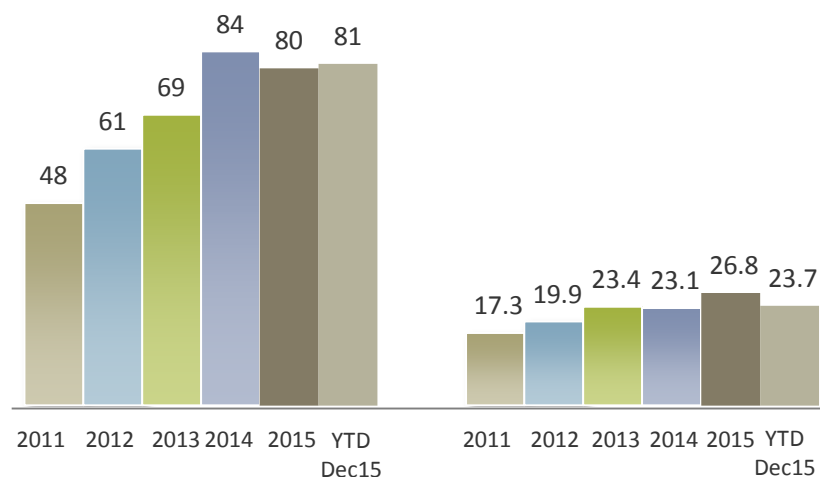


PBT

(in % of revenue)

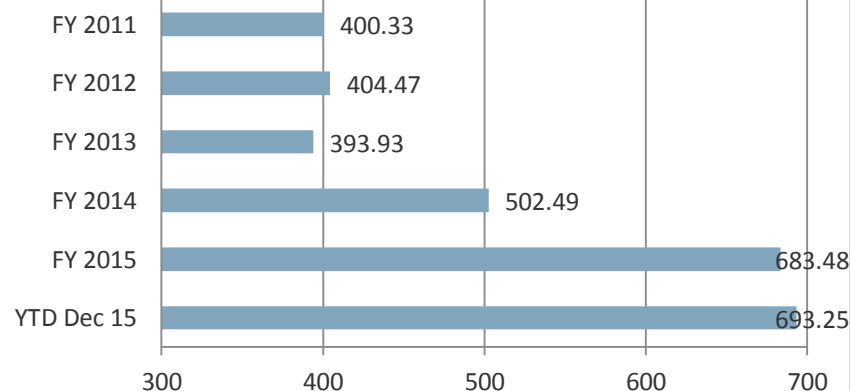


Number of clients / Average revenue



Cash balance

(in INR mn)



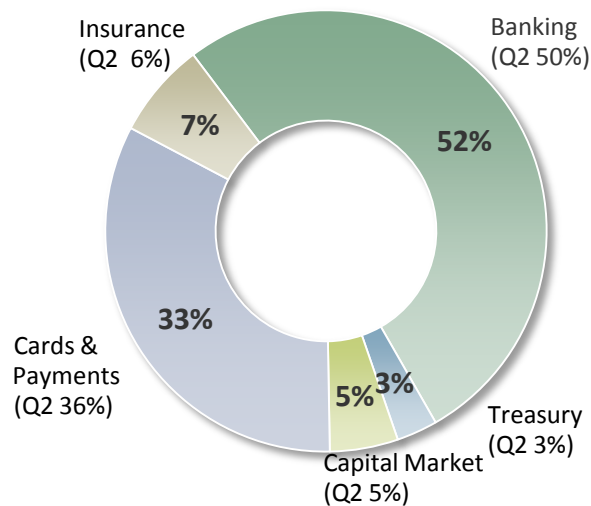
* - YTD Dec 15 2016 Revenue Annualized.

Banking practice & Europe Region contributed the Increase in Revenues.

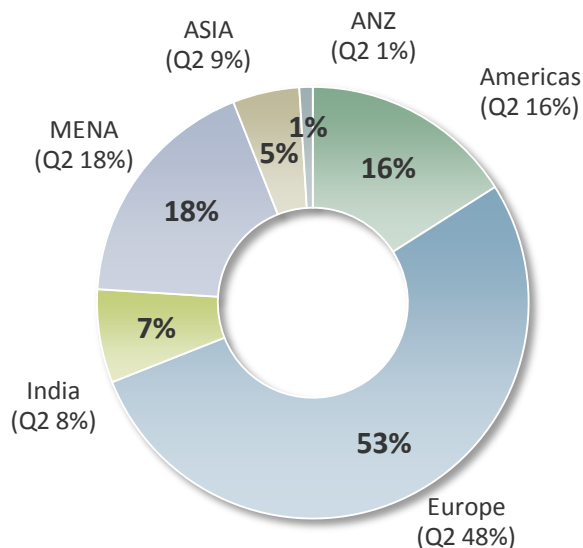


Q3 FY-2016 Revenue

Revenue by practice



Revenue by geographies



Markets and Outlook

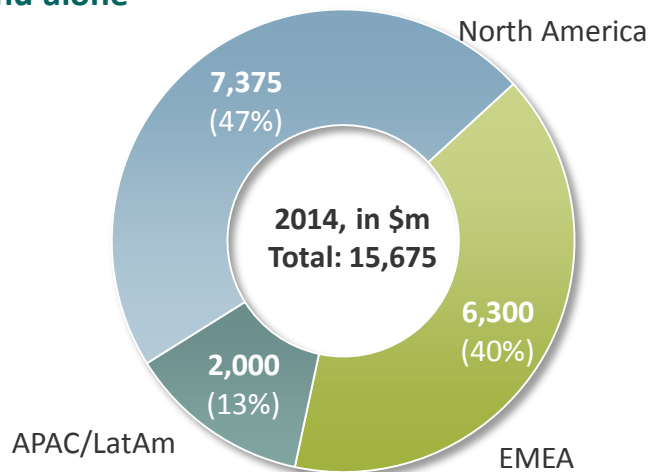


Testing Services market growth rates are well above the c. 2% for IT services



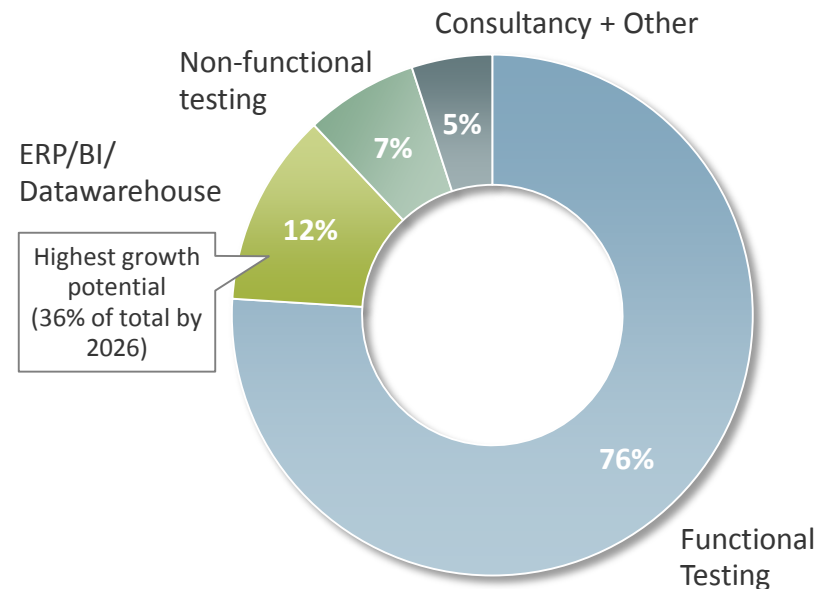
World market testing services

Specialist testing contracted stand alone



Change per year	2015	2016	2017
North America	+ 14%	+ 14%	+ 14%
EMEA	+ 12%	+ 12%	+ 12%
APAC/LatAm	+ 11%	+ 11%	+ 13%

Market split by services



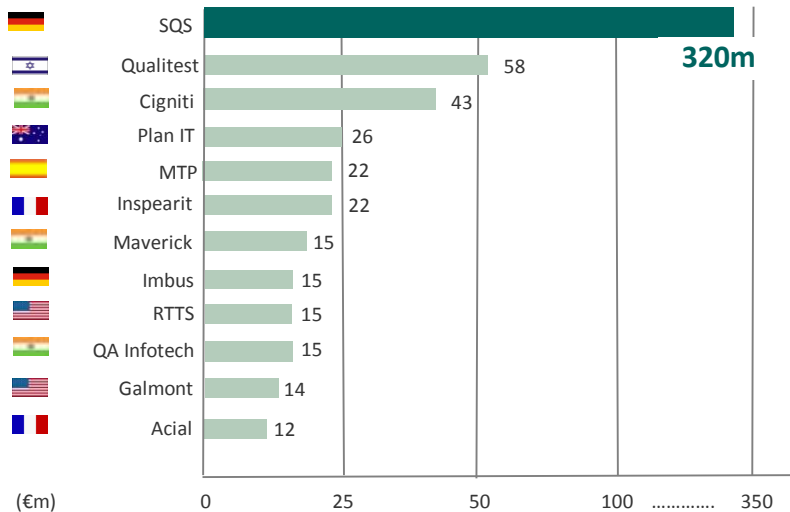
Highest growth rates expected in Financial Services, Energy & Utilities, Retail & Logistics

SQS is the world's largest software quality services specialist by revenue and has moved to # 8 among system integrators.

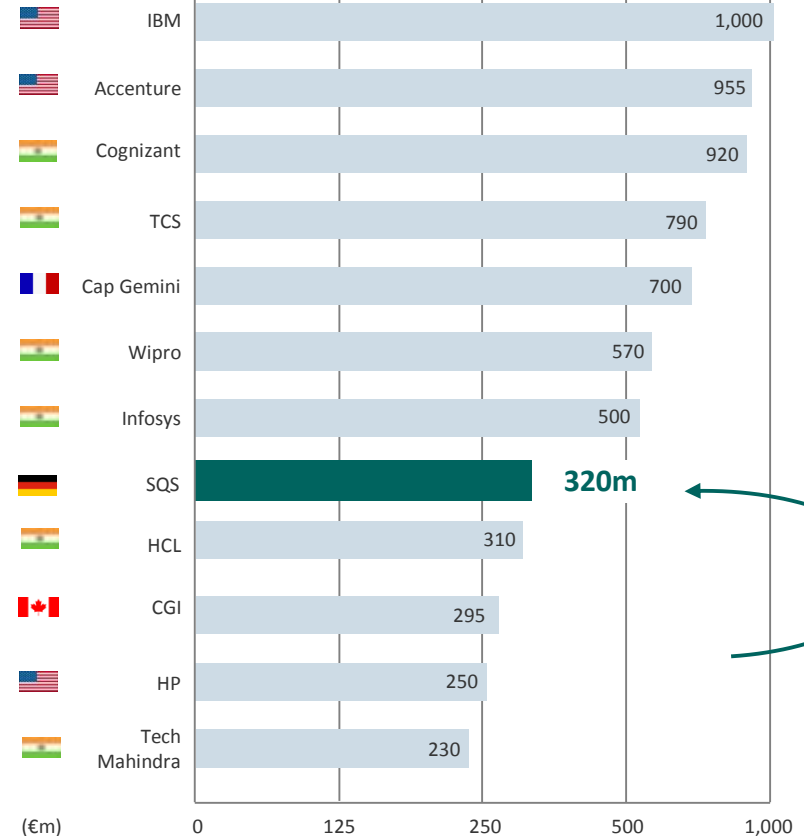


Pure Play Quality Services Specialists

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System Integrators (testing part only)



8

World market for software quality services:

- \$15 to \$17bn * **
- 48% in US, 33% in Europe, 20% RoW **
- Expected CAGR of ~8% *

Source: *Nelson Hall Report, 2014/2016; **Gartner 2016; SQS, based on estimated or published 2015 revenue figures



Thank you for your attention