

Analyst Meet 2019

November 6, 2019

Accelerate

CORPORATE PARTICIPANTS:

Ravi Kumar S

President and Deputy Chief Operating Officer

Ravi Kumar S

Good afternoon. Let me just start with the safe harbor very quickly.

If all of you are tracking the digitization of landscape across the world, the Cloud is a single biggest opportunity underneath the digital transformation journeys for clients. Just to set a context and I am going to give you a few numbers so that you can understand magnitude of what the Cloud opportunity is. If you see in one of a popular analyst reports, by 2023, 50% of the enterprises across the world or 50% of the GDP of the world would go through some level of digitization. So any products and services you consume would be a 50% chance that they would be from an organization which has gone through a digital transformation. That is \$50 tn of total GDP and that would take roughly \$5 tn in the next 5 years to digitize those organizations. Of this \$5 tn, if you assume a tn in a year, Cloud opportunity is half of it – which is roughly \$500 bn a year underneath the digital transformation journeys of clients.

It kind of relates to what Infosys is going through as well. If you look at the digital services of Infosys 50% of the digital services fall in the accelerate bucket which is actually where the digital journeys of Cloud are. And why is it that the Cloud is so critical in digital journeys – let us go back and look at what enterprises look at when they want to digitize. They want to make the cost variable, they want to take the application landscape and rationalize, they want to monetize the data, they want to take all the ERPs on premise in a large way and move it to the Cloud, they want to build a layer of industry solutions, apply AI and Automation on top of it and customize the consumer experiences which Ben spoke about. All of that, the underpinnings of that is actually with Cloud as the focal point and that is the reason why the spend of the Cloud is significantly higher if you take the value chain of digital. In fact if you compare large enterprises with digital native firms, one of the biggest differences is about the innovation network, digital native firms have and lot of the innovation framework is built on the Cloud and that is the mindset change which you want to incorporate to be digital.

So a couple of years ago, when we looked at the Cloud opportunities, it did look like the opportunity is for hyper scalers as we call it like Azure, AWS, Google Cloud, these seem to have held the opportunity and if you go back to the enterprise software era where for every dollar of software spent there were \$3 of system integration services, the preconceived notion was system integrators do not have a big role to play. It was roughly for a dollar of spend 30 cents worth system integration services. In fact, a lot of analysts ask me this question saying does the era of system integration go away because of the advent of Cloud. Contrary to that the value proposition of Infosys is to actually take a dollar off Cloud spend and creates \$3 of system integration services and that is because we are pivoting, not just on migrating the workload into the cloud but also transform the workload, take on premise enterprise applications, move them onto a SaaS model, convert them into platform into service, apply AI and Automation underneath the operations of the Cloud and the data which is there how do you enable and scale it with the Cloud and that gives you the opportunity of almost for every \$100 mn of subscription around \$300 mn odd of services. So with that context the Cloud opportunity for Infosys has actually ended up being a force multiplier.

What we have also done, we have taken a cut on the private in the Public Cloud space. If you take \$500 bn of spend up the Cloud, two-thirds of it is on the Public Cloud and one-third of it is on the private Cloud. However, the Private Cloud space is growing at 50% while the Public Cloud space is growing at 14% to 15%. So one of the things we believe is if you take a stack of applications and stack of systems, the systems of record and the systems of parity as they call it, there are five levels in which you can break a stack of systems. The systems of record and systems of parity are favorably aligned with the Private Cloud and the systems of engagement, differentiation and experience or innovations are aligned towards the Public Cloud. So the Infosys strategy is to create a hybrid Cloud environment for clients and I think 70% of the clients we interviewed actually

believe that, that is the way forward. In fact 80% of customers stated they have multicloud strategy and the Infosys opportunities both on Private and Public Cloud.

One of the exciting opportunities on the cloud is the large pools of enterprise workloads with ERP systems and package applications. In fact just as an example only 8% of the SAP landscape is on the Cloud, 8% of it has moved to S4/HANA on a Public Cloud. Around 92% - the balance, has not moved to the Cloud because there is not enough money available for clients to repurpose it. So this proposition from Infosys and we are going to replicate this across every ecosystem which is available on Enterprise Cloud applications is to bundle cloud subscription, enterprise license and Infosys services and flat line the cost, take out the cost from the existing estates and repurpose it for transitioning into cloud and transition into S4/HANA. In fact SAP mentioned in their quarterly results two quarters ago that by 2022 they want the entire estate of SAP to be on S4/HANA and they are going to stop enterprise support on their core platform and Infosys was quoted as the only provider which is going to use this bundle of SAP and Azure and Infosys services to be delivered as one single bundle and the ability to make it cost neutral and flat line is the preposition of the Infosys and why do customers want to do this? So that they can expose the entire SAP architecture through AI and Automation, through their Leonardo platform which is where they built AI and Automation, to a Fiori platform, which is where they built their experience layers and the data platform to a bunch of acquisitions they did and they are unable to do so because of lack of modernization of that landscape and this is going to allow them to do so.

So the big opportunity for system integrators if you pivot on transformation is to take costs of their existing states, create extremely attractive constructs by bundling with license of enterprises, license of enterprise software as well as subscription from the cloud and then transform the workloads and build a proposition which is cost neutral but gives some significant value and gives them a roadmap towards to go to the digital world. So what are we doing about this? So the 3X potential I spoke about is the reason why the bet on the cloud is the biggest in the era we are in. So we are building a bunch of things around this ecosystem, we are building strategic partnership, we are building API micro services, we are building a set of assets, we are converting enterprise on premise applications into platform as a service and Infrastructure as a Service and we are kind of propelling the value to come out of differentiation to the cloud. So as a part of this journey and I did speak about how this is going to be dichotomy between private and the public cloud, we have created a Polycloud layer, it is a cloud management layer which kind of sits on top of multiple cloud – heterogeneous desperate cloud ecosystems around it and this layer almost manages the cloud ecosystem underneath. It not only does make it interoperable, but it also takes the best of breed of different cloud ecosystems and you could build a best in class hybrid environment. It gives you telemetry which Karmesh spoke about, the ability to sense what is happening around the cloud ecosystem and configure and calibrate it accordingly. As in then thereafter create a smart catalogue so that you could almost like glass frame configure the way you want to and the Polycloud now is a platform from Infosys where we have taken all our assets on the cloud and we have built it on top of existing cloud ecosystems. I am not going to go through the assets, but we have bunch of assets we built and we believe any large enterprise should be orchestrated through the Infosys ecosystem. So the pivot of Cloud transition and cloud transformation is no longer with the subscription players like Azure, AWS and Google cloud but it is actually with Infosys and companies like Infosys and we want to pivot and orchestrate that whole mechanism to transform these workloads into the cloud.

So here is the analyst feedback, 38 out of the Cloud ratings, 20 of them were on the leadership quadrant, the top one or two players and for the first time in the last 15 years we actually became Microsoft Global Alliance Partner of the Year because we had the largest influence of Azure consumption by any provider across the world and that has never happened and that is because we took a strategy of transforming workloads and making that a path through to the digital journeys of clients and that is actually taken us the consumption on every big public and private cloud player in the market. We are in the top one or two players on influencing Cloud consumption

and we are orchestrating it for large enterprises where we actually control their states and we have opportunity to actually transform them.

So I am going to speak about one case study. It is about a global auto major. They sell 3 mn vehicles every year. This is a procurement platform which was on mainframe. They had 6 mn auto parts from 1 mn suppliers with 4,000 buyers which were using the procure to pay platform and with the transition to electric vehicles the speed at which you have to on board suppliers, the speed at which you have to take new orders and the lifecycle for auto parts has actually shrunk, the speed at which you have to do straight through processing has initiated a mechanism to create a cloud enabled mobile first procure to pay platform for taking \$100 bn of spend. We just got \$1 bn spend on this platform and to scale it to \$100 bn of spend because most clients today are building these systems which are scalable and they can go down and up based on market demand and the ability to reduce lead times, the operational efficiency and high productivity and 80% is touchless procure to pay system in this particular time. So the ability to do this enabled by the cloud and this is enabled on S4/HANA on Azure. I am actually going to run a video from the client to talk a little bit more about this case study.

In summary, the Cloud is the single biggest digital opportunity for Infosys because we are not looking at this as a migration play, we are looking at this as an orchestration play, we are looking at this as pivot do transformation, we are looking at this as the ability to take customers to the journey to be digital fast enough and we are looking at it is an ecosystem of partners where we orchestrate and we control the narrative for our client and that is the reason why we are the number one Azure consumption company on the planet and we would continue to be in the top lead for Cloud transformation services in the market.

Thank you.