

Infosys Limited Analyst Meet 2022

May 31, 2022

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Salil Parekh

Good afternoon everyone. Great to see all of you here and great to have you here with us. Thank you for coming for this session. We have, as you will see in the agenda, quite a packed line up today. We want to talk to you a little bit about our overall strategy, give you a sense of what is going on with our digital and cloud work, talk a little bit about go to market, and really what is happening in Financial Services, then give you a sense of how we are engaging more and more with all of our employees, and then have a sense of what we are driving in terms of our numbers and our sustainability work, and then leave it open for Q&A. So, fairly packed agenda.

I am going to start it off with the overview on strategy. Some of this I think you have seen before in the strategic discussion, but I want to share with you what happened in the time since we started. Of course, every session will have the safe harbor slide as well. So, as you know we put in place a strategy a few years ago which was focused essentially on what we are driving in digital, what we want to do with energizing the core, what we want to do in terms of re-skilling all of our people and then how we want to drive what we then call localization and underpinning all of that was much more focus on client relevance and really relentless focus on execution.

Now 4 years later, we have had some good success with that as you have seen. We are really considered a digital leader in the market today. Today, we have 54 different categories where we are considered one of the leaders - when we started a few years ago this was more in the range of 24. Beyond that we have seen our digital revenue has grown from about 25% to close to 60% if you look at our Q4 numbers of last year.

The growth which was 5.8%, the year before we launched the strategy is up to 19.7% last year and looking very strong. A lot of market share gain in that growth that we saw. Accounts over \$100mn, we were at about 20 then - today at about 38 and that we see as a very good sign of the trust that the clients have in what we are driving.

Employees, from about 200,000 to 300,000 - so big change in the scale and the size of the company itself. Significant market share gain as I mentioned earlier, and if we look at our total shareholder return, it is the leading one amongst our peers in that timeframe. So, we put together a strategy, we executed it well and we had some very good outcomes, but that was, as they say all in the past, what we are doing in the future?

What we see today is Digital and Cloud is still very dominant in its growth. If you look at the overall tech services market, people estimate - this is from third party analysts - in the range of 5% to 6% growth over the next 5 years. If you then take the digital and cloud part of it, that is around \$400 bn plus or minus which people estimate will go to about \$800 bn plus or minus, growing in that sort of 14% - 16% type of a range over the next several years. So, this is where we focused in the past and we are going to continue to focus. We will fine tune some of that focus which I will share with you.

We have a huge opportunity to continue to gain market share in this, in part because we made some very good capability building in these areas and in part because we are in this cycle also going to build up some more new capabilities. We of course understand that there are macro environment, there are lots of changes that are going on, interest rates are going up, inflation worries are there, the supply chain concerns in many parts of the world.

What we see today is, a very strong demand outlook and we continue to see the overall trend which is driven by Digital and Cloud to be sustainable over this course of this time and even

through all of these macro environment points, we see companies are focused on large digital transformation programs and that will continue.

Now, what are the elements as we look ahead? We have tried to keep it along these five lines for the next few years.

First, go big with Cloud and Cloud is the big opportunity, I will come back a little bit on where we are differentiated in the Cloud. Second, continue with all the intensity that we have had in Digital, we have some tremendous capability even outside of Cloud and continue with that. Third, we are taking this time to start to see some things which are in the next generation which may not have a result next quarter or the next financial year, but we will have some impact in the three-to-five-year horizon.

Then we have always been very strong in automation, and we want to continue to be the leaders in automation and modernization. And especially, as we see the macro developing, we will be even more relevant in what automation can give us in that market. Finally, more critically, redouble what we are doing with people care, with engagement with all of our employees, and how we want to make that the cornerstone of everything we do in the future.

All this continues to be underpinned with the continued focus on client relevance and continued focus on execution which has always been the critical differentiator even as we put the strategic elements for the last 4 years.

Now, on the Cloud business, one of the things that we have seen and noticed in the past couple of years is the launch we have had of Infosys Cobalt. Many of you have seen that launch, we have really built it out on some market leading capabilities. For example, we have Infra as a Service, relationships and partnerships with all the major public cloud players, we have our own private Cloud capability when we look it Infra as a Service. We have strong partnerships in Software as a Service. If you look at any of the big SaaS players, we are the number one, number two or number three partner worldwide. We are also now building out very strong partnerships and our own toolkit on Platform as a Service. Everything new that has been built today is Cloud Native, is Cloud First and the Platform as a Service becomes even more critical for that.

Big moves on Data and Cybersecurity on the Cloud, these are becoming absolutely critical as we go ahead. And, of course, there is a lot of work on Advisory, on Design and Migration, but that is not the only element of the cloud, all of the other elements are more and more relevant. Then, we have now started much more industry solutions within the Cloud and which are all available within Cobalt and this is what is helping us fuel our growth.

You might have seen last quarter we had 40% growth in Digital. We had in Cloud a growth that was even faster than that and we can see us gaining tremendous market share in the Cloud space.

On Digital, we will continue with the intensity, there was a pentagon that we had built. It is worked really well for us. We are continuing with what that tells us in terms of building capability for clients, whether it is on Data and Analytics, on Digital Engineering services, on IoT, on Cybersecurity, even on enterprise technology, for example, new work going on SAP S/4HANA and Hybris and so on. Then on Experience which is where we built all of our Digital Studios - we have now a global network of these studios across the world that is helping us as we work with our clients in all the new things that they are doing.

Then the next generation seeding, here we have taken a few ideas and started to build them out with great depth within the business. For example, there is a set of companies which are called

Digital Natives or technology native companies, these are growing very fast. We have a very good business with them today and we are expanding the footprint to work with them, to benefit from the growth that these companies are seeing.

We have also been very strong in Europe, but we want to now look even more deeply in what is going on in expanding in Europe, good traction in the Nordics, good traction in Germany, even more scaling up in the UK, good traction in Switzerland. So, there is a lot of opportunities in Europe which we will go faster into.

The new technology areas - you may have seen a few weeks ago we announced Metaverse foundry launch. We have other launches like this and internal capabilities whether it is on Web 3.0, of course Blockchain - we have been in there for number of years now and on technologies which relate more and more to what is going in the Quantum area. Finally, in the new seeding domain, the company has focused on sustainability over the years where we have ourselves driven to carbon net zero in 2020. We have taken all of those tools and more of what is going on in the market and built a practice for sustainability which we are seeing good traction with clients. It is still early days, but these are some of the new areas that we are starting to focus on.

On Advanced Automation, this is where we have all of our core services, we have very good strength in BPM which we are building upon, advanced ADM, where we are putting in much more of the automation and no-code, low-code building of new tools, the Modernization area and then AI and Machine Learning, both our own tools and tools that we have from the market which we combine to drive automation.

We have seen over the past several years, automation allowing our clients to benefit 10%, 15%, 20% each year to improve their efficiency, and we have seen that internally into our own capabilities as well, and so we know this is something that is of huge interest for our clients. As we drive growth with Digital, there is always the play on automation which is helping them reduce their footprint and improve their efficiencies.

On People care and development, we will have a full session where we will hear about a lot of the work which we are doing, it is very much focused on how do we enhance engagement with our employees, how do we attract and retain and develop our people. Much more faster, predictable career progression making sure that our employees see that it is predictable for them and that it is happening at a faster pace, an extensive reskilling for all of our people. We very much have the view that we want to make sure we reskill our employees as we go into the future and bring them with us in the new domains that we are going to see.

One of the areas that I am always very keen to share is that as we look at all of these growth dimensions, we also have and again we will have a more detailed update with you later on in the afternoon, we have several levers that can help us drive to a much higher margin.

There are levers which relate to how do we manage the role ratios and the pyramid within the organization. There are levers that relate to how do we manage the mix between onsite and offshore. We have also got very high level of subcontractor usage in the past few quarters and couple of years and we know that is a huge lever as we unwind that subcontractor usage percentage to give us more margin benefit.

We know that automation itself will give us internally some benefit and we will capture some of the value from it. We realize the scale has changed as we have gone from 200,000 to 300,000 employees. We know there is some operating leverage within the business, which we will bring into the margin benefit as well.

And then, we have a method of looking at how do we communicate more and more the value of what we are driving with clients both from digital perspective, from a wage increase perspective and what do we do to make sure we capture some of that value back into our business and help us on the margin. So, we have a set of margin levers, which we are working on actively to make sure that as we drive the growth, we continue to drive a higher margin business.

So, with that to conclude from my perceptive, first we have had in the last 4 years demonstrated that we have had a good strategy but even more important a very disciplined execution on that strategy, which has brought us to where we are today. Going ahead, we still see enormous opportunities especially in digital and cloud but in many areas across our business portfolio and we have built the portfolio which can hopefully benefit more and more from these opportunities.

Our people engagement is already very robust, and we are now putting in more work into it to make it stronger still and to make sure that connect with the employees is very high. We have several levers which can drive us to a high margin as we go through the next few years and those are good things to have as we embark on this cycle. And we remain well poised to continue to gain market share, drive growth and continue to create value for all of our stakeholders, but especially for all of our shareholders who are represented here.

So, with that thank you and I pass it back for the next session.

We have a couple of sessions now which will relate to what we are doing in Digital and Cloud and more on the market. Thank you.
