

Intellect's Monetisation Phase begins; generates operating cash of INR 1782 Mn, Net profit of INR 426 Mn

- *Key Promises Delivered: Exit EBITDA of 20% by March 2020, Effective Operating Cash Flow in June 2020 and no capital raised since Q3 FY19*
- *Stability in revenues, records Highest EBITDA, growth in gross margins, steady increase in AMC and SaaS revenue*
- *SaaS Revenue registered 67% YoY growth whilst composite recurring revenue at a healthy 36% YoY growth*
- *Intellect rated #1 in the world for Retail Banking and rated #1 in the world for Wholesale Banking - our largest Banking verticals by IBS Intelligence Annual Sales League Table 2020*

Chennai (India), 5th August, 2020: Intellect Design Arena Ltd, a specialist in applying true Digital Technologies and a global leader in Financial Technology across Banking and Insurance, announced its first quarter results for FY 2020-21 today.

I. Management Overview



Arun Jain, Chairman and Managing Director, Intellect Design Arena Limited *"I am delighted to announce that Intellect, after completing the Product Engineering phase and the Industrialisation Phase has **entered the Monetisation Phase** during this quarter. In Q1 FY21, the Company moved to an effective operating cash positive position of INR 1782 Mn. I am proud of my Research & Technology team and I am happy to announce a **breakthrough technology - iTurmeric (the world's first API-led digital transformation solution for banks)** launched with IBM. The recognition of being **Number 1 in Retail Banking and Number 1 in Wholesale Banking** by IBS Annual Sales League Table 2020 is a remarkable validation of our quest for global recognition. It is also a testimony to the dedication and leadership of our employees, at all levels, during these difficult times as the company reorients itself for steady, profitable growth."*

II. Comprehensive Improvement Quarter - Moved ahead in all dimensions

I. Stability during COVID-19:

- Business Operations and Cash Flows
 - i. Effective Operating Cash flow at INR 1782 Mn
 - ii. Collected INR 4365 Mn (\$58 Mn)
 - iii. DSOs reduced from 150 days to 126 days
 - iv. Cash stands at INR 1918 Mn

- Business Continuity despite COVID-19
 - i. Extreme focus on Customer service and mining
 - ii. Continue to e-meet customers, submit proposals, conduct demos & POCs, progress deliveries and go lives seamlessly
 - iii. Assured Revenue streams shows growth

II. Cost structure: sustainable realignment to repeatable revenues

- The implementation cycle & efforts have reduced by 30% due to application of Design Thinking in process design and product design
- Sales & Marketing investments are now focused on specific markets/products
- Investments in Research & Engineering have come down after a planned investment in redesigning the products for cloud technologies
- Pre EBITDA costs are at INR 2779 Mn against INR 3311 Mn during Q1 FY20

III. Product acceptance in Advanced Markets supported by architectural superiority and functional depth



- Intellect's largest banking verticals - iGCB and iGTB- have been ranked No. 1 globally by IBS SLT 2020
- Analyst ratings - outcome of our Investments in both Products and Markets
- Rankings and Magic Quadrant positions are an assertion/proof point of our product strategy and hence increased referenceability

IV. Monetisation: FY21 will commence the Monetisation agenda following the successful completion of Industrialisation agenda

- Gross Margin at 54%
- SG&A cost is 24% from 32%
- AMC grew by 24%
- Cloud Revenue grew by 67%
- R&D and Product development Cost has come down from INR 630 Mn to INR 499 Mn

III. Calibrated Growth Yielding Predictability

Q1 FY21 - Financial Highlights

Revenue:

- Total Revenue for Q1 FY21 is INR 3492 Mn
- In \$ terms, Total Revenue is at \$46.04 Mn

License, AMC and SaaS Revenue:

- License Revenue is INR 605 Mn, registering 9% YoY growth
- AMC Revenue is INR 741 Mn, registering 24% YoY growth
- Cloud/SaaS revenue is INR 389 Mn, registering 67% YoY growth

Digital led wins and implementations

- 4 Digital led wins including 1 large Digital Transformation deal win
- Implementations in 12 financial institutions across the world during this quarter

Gross Margin, EBITDA and Net Profit

- Gross Margin is INR 1880 Mn, 54% of revenues
- EBITDA is INR 713 Mn in Q1FY21
- Net Profit is INR 426 Mn as against INR 34 Mn in the same quarter last year

Collections and Net DSO

- Collections for Q1 FY21 is INR 4365 Mn; up by INR 983 Mn as against Q1 FY20
- The Net Days of Sales Outstanding (DSO) is 126 days in Q1 FY21
- Investment in Product Development (Capitalised) is INR 269 Mn

Cash and Debt position

- Effective Operating Cash Flow is INR 1782 Mn after deducting Product development cost
- Cash and Cash Equivalent is INR 1918 Mn
- Total debt reduced by INR 1207 Mn in Q1 FY 21 from INR 2555 Mn in Q4 FY 20
- Term loan is INR 624 Mn vs INR 703 Mn in Q4 FY 20

Order backlog – Cloud/Subscription deals

- Order backlog relating to License based (License, AMC and implementation) deals - INR 11.56 Bn as of Q1 FY21
- Order backlog relating to other Cloud deals - INR 9.5 Bn as of Q1 FY21

IV. CFO Commentary



Venkateswarlu Saranu, Chief Financial Officer, Intellect Design Arena Limited said, *"I am delighted that the cash burn phase is now behind us. A focused and well orchestrated strategy by the delivery team has resulted in peaking of collections at INR 4365 Mn this quarter. This has strengthened Intellect's balance sheet by being net cash positive by INR 570 Mn. I appreciate the cost efficiency brought in by Lines of Business leading to over 20% EBITDA margin for the quarter."*

V. Board Announcement

Board has approved inducting Vishwanath P Prabhu (Banesh Prabhu) as the Chief Executive Officer for Intellect SEEC to drive monetisation of Data and Insurance business.



Banesh is a FinTech services veteran and pioneer in Technology & Operations management, having developed and implemented global strategies for executing digital capabilities and servicing of clients. He has managed senior global responsibilities in Operations and Technology for over 32 years, of which 23 years were in Citibank where he was responsible for servicing clients in 55+ international markets. During these years he pioneered the creation of several global Centers of Excellence for Operations and Technology that included implementing Digital Services. He was a member of Citigroup Global Consumer Planning Group, Citigroup Global Information Technology council, Citigroup Global Operations Council.

In his last role he was a member of the Executive Committee and head of the Technology and Operations Group for one of Thailand's leading Universal banking groups- Siam Commercial Bank. He was a Senior Advisor with Boston Consulting Group and is engaged as a Fintech investor and a Fintech Fund in the UK.

VI. Product Acceptance in Leadership Quadrant

Intellect's cutting-edge digital technologies and products have been recognised by renowned global analysts and research firms.

- Intellect Design, rated among "Major Players" in Forrester's 2020 Global Banking Platform Deals survey Report titled "The Banking Platform Market Remains Stagnant, Though Smaller Banks Are Turning To Fintechs"
- Intellect iGTB-powered Emirates NBD wins Celent's "Model Bank Award" for its end-to-end digital transformation of Transaction Banking business initiative
- Intellect iSEEC-powered St. James's Place wins Celent's "Model Wealth Manager Award" in the Emerging Technology category for "New Business Innovative" initiative
- iRTM is positioned as a 'High Level Business-focused functionality' vendor in the 'Integrated Business Suite' category in Celent's NextGen ALM and Balance Sheet Management Report

Financial Results for the First Quarter Ended – June 30, 2020

Additional Information on function wise classification of statement of Profit and Loss of the Group (Consolidated Unaudited / Not Reviewed)

INR Mn

Particulars	QUARTER ENDED			YEAR ENDED
	June 30, 2020 (Q1 FY21)	June 30, 2019 (Q1 FY20)	March 31, 2020 (Q4 FY20)	March 31, 2020 (FY20)
INCOME				
Income from software product license and related services	3,492	3,433	3,596	13,509
EXPENDITURE				
Software development expenses	1,612	1,816	1,669	6,987
Gross Margin	1,880	1,618	1,927	6,522
Gross Margin %	53.82%	47.12%	53.59%	48.28%
Selling and marketing & General and administrative expenses	832	1,111	905	4,213
Research & Engineering expenses	230	336	236	1,219
ESOP Cost	75	28	49	170
Provision for Debts and Write offs	30	20	98	172
Total Expenditure	2,779	3,311	2,957	12,761
EBITDA	713	123	639	748
Depreciation	(105)	(98)	(107)	(396)
Amortisation	(84)	(68)	(84)	(293)
Hedge Impact	(33)	(6)	(16)	(40)
Finance Charges	(39)	(39)	(38)	(174)
Profits / (Loss) before other income / minority interest	452	(88)	394	(155)
Other Income (including Treasury)	29	151	30	294
Reinstatement of Receivables / Liabilities	48	2	(62)	26
Minority Interest/ Share of profit/(loss) of Associate Companies	(58)	(28)	62	46
Profit / (Loss) before tax	471	37	423	211
Provision for taxation	(45)	(3)	(13)	(51)
Profit / (Loss) after tax	426	34	410	160

Investor Conference Call

The Board of Directors of Intellect Design Arena Limited met on **05th August, 2020**, to take on record the financial results of the company for the Q1 FY21 ended on June 30, 2020.

Intellect Design Arena Ltd. will host an Investors Conference Call on **05th August, 2020**, where the Senior Management of Intellect will comment on the company's performance during Q1 FY21 and respond to questions from participants. **The virtual conference call will take place through Zoom at 17:00 Hrs IST on Wednesday, 05th August, 2020.**

Conference Name : Q1 FY21 - Investor earnings call
Date : 05th August, 2020
Time : 05:00 PM to 06:00 PM IST

Virtual Conference Call Link: <https://zoom.us/j/94420987080?pwd=UlhsU2dqbkZvZEQ4dVJpVWFxZlZlQT09>

About Intellect Design Arena Limited

Intellect Design Arena Ltd, a specialist in applying true digital technologies, is the world's first full spectrum Banking and Insurance technology products company, across Global Consumer Banking, Central Banking, Global Transaction Banking (iGTB), Risk, Treasury and Markets, and Insurance. With over 25 years of deep domain expertise, Intellect is the brand that progressive financial institutions rely on for digital transformation initiatives.

Intellect pioneered Design Thinking for cutting-edge products and solutions for Banking and Insurance, with design being the company's key differentiator in enabling digital transformation. FinTech 8012, the world's first design center for Financial Technology, reflects Intellect's commitment to continuous and impactful innovation to address the growing need for digital transformation. Intellect serves over 240 customers through offices in 91 countries and with a diverse workforce of solution architects, domain and technology experts in major global financial hubs around the world. For further information on the organization and its solutions, please visit www.intellectdesign.com

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