# Exl Service Holdings Inc.,

Nasdaq: EXLS
Jan 2024 - MicNOVA New Stock
*Presenter: Baskar*

# About EXLS

**Business Description**

ExlService Holdings Inc. is a business process management company that provides <span style="color:red">digital operations and analytical services</span> to clients driving enterprise-scale business transformation initiatives that leverage company's deep <span style="color:red">expertise in analytics, AI, ML and cloud</span>. The company offers business process outsourcing and automation services, and data-driven insights to customers in multiple industries. The company operates through four segments based on the products and services offered and markets served: <span style="color:red">Insurance, Healthcare, Emerging, Analytics</span>. The vast majority of the company's <span style="color:red">revenue is earned in the United States</span>, and more than half of its revenue comes from <span style="color:red">Analytics segment</span>.

**Sector**:  Technology     **Industry**: IT Services
**Size**: Medium ($1.5B Sales)
**Last Fiscal Close**:  12/2022
**MorningStar Financial Health Grade: A**
**Ticker**: EXLS  Nasdaq
**Founded**: April 1999
**IPO**: 2006
**Co-Founder & CEO:** Rohit Kapoor



**Holding Company**

[ˈhōl-diŋ ˈkəmp-nē]

A business entity—usually a corporation or limited liability company (LLC). Typically, a holding company doesn't manufacture anything, sell any products or services, or conduct any other business operations.

Investopedia

# EXL at a glance

**750+** clients

**50,000+** employees

**$1.41B** 2022 revenue

**18%** revenue CAGR from 2006 - 2022

ExlService Holdings, Inc. (NASDAQ:EXLS) is a data-led analytics and digital operations and solutions company that combines deep industry/domain expertise, robust data, powerful analytics, cloud and AI to measurably improve our clients' business and unlock growth.

| Insurance | Health | Emerging |
|---|---|---|

## Clients who count on us include...

**9** of the top **10** US insurers

**6** of the top **10** US health care payers

**Top 3** US sports leagues

**3** of the top **5** UK insurers

**2** of the top **3** pharmacy benefit managers

**Top 3** Global retailers

**4** of the top **5** Australian insurers

**8** of the top **15** pharma & life sciences companies

**8** of the top **10** US banks

**EXL**

# Our balanced portfolio of business drives resiliency
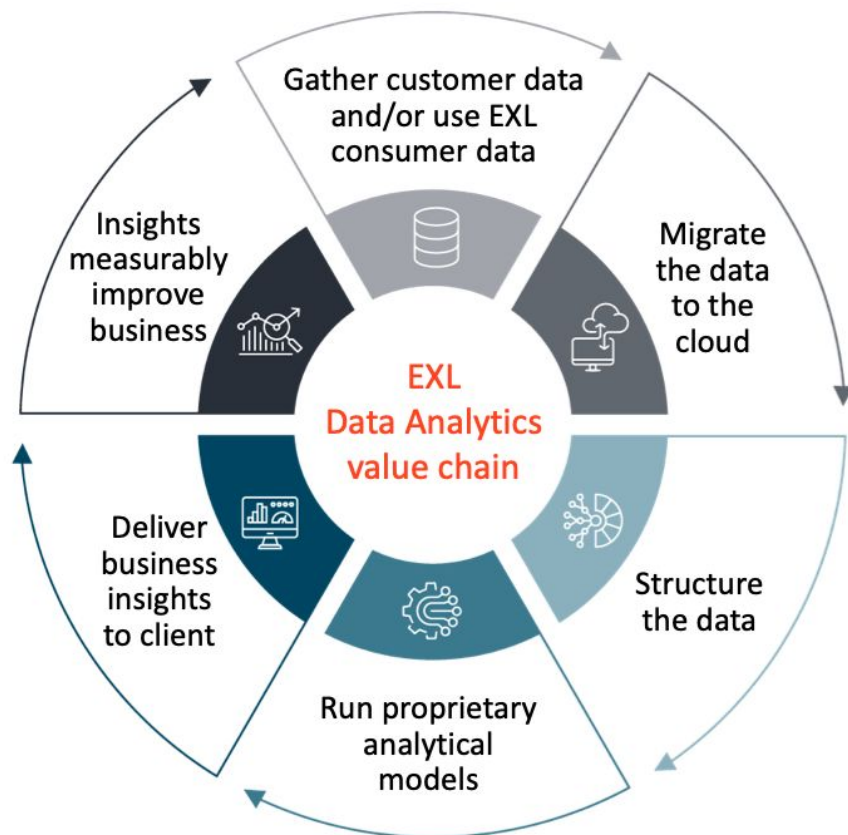
**EXL has 2 primary businesses and 4 reportable segments**

Health*

7%

Emerging*

15%

Analytics*

46%

Data Analytics

Digital Operations & Solutions

32%

Insurance*

*Reportable segments

**EXL**
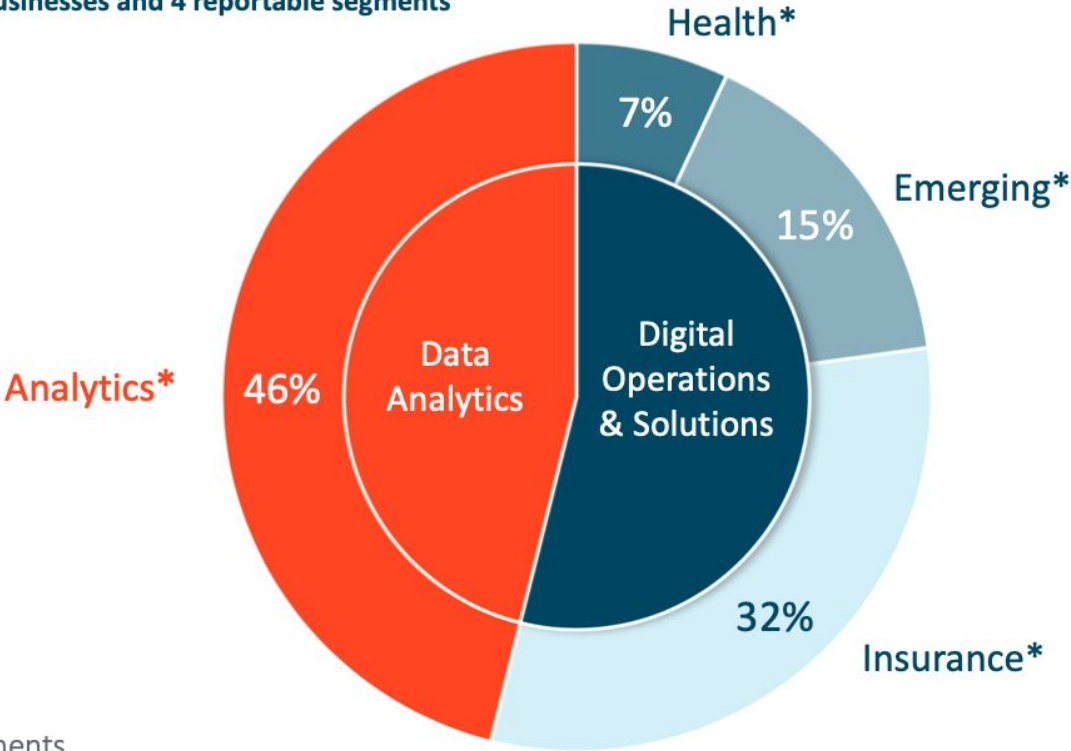
# Our Data Analytics insights create value

**Clients turn to EXL Analytics for:**

- Deep industry/domain experience in insurance, banking, healthcare, retail, media, sports and entertainment, and utilities

- 8,000+ Data scientists

- Proprietary intellectual property

- Use of advanced AI models proven over time

- Recognized as a leader by industry experts such as Gartner and Everest

- High ROI for clients

Gather customer data and/or use EXL consumer data

Migrate the data to the cloud

**EXL Data Analytics value chain**

Structure the data

Run proprietary analytical models

Deliver business insights to client

Insights measurably improve business

**EXL**

# Our Digital Operations and Solutions transform businesses

**Clients choose EXL Digital Operations and solutions for:**

- Industry/domain expertise

- Digital solutions and accelerators

- Global talent advantage

- Outcome-oriented end-to-end solutions

- Scalable delivery model

- Execution of complex operations

**EXL takes on a client operation, examples include:**
- Claims management
- New client acquisition
- Finance and Accounting
- Customer service

**EXL digitally transforms the operation**
- Streamline processes, increase speed
- Improve customer experience through AI, CX automation, machine learning, etc.
- Reduce headcount and cost of delivery

**Long-term contracts**
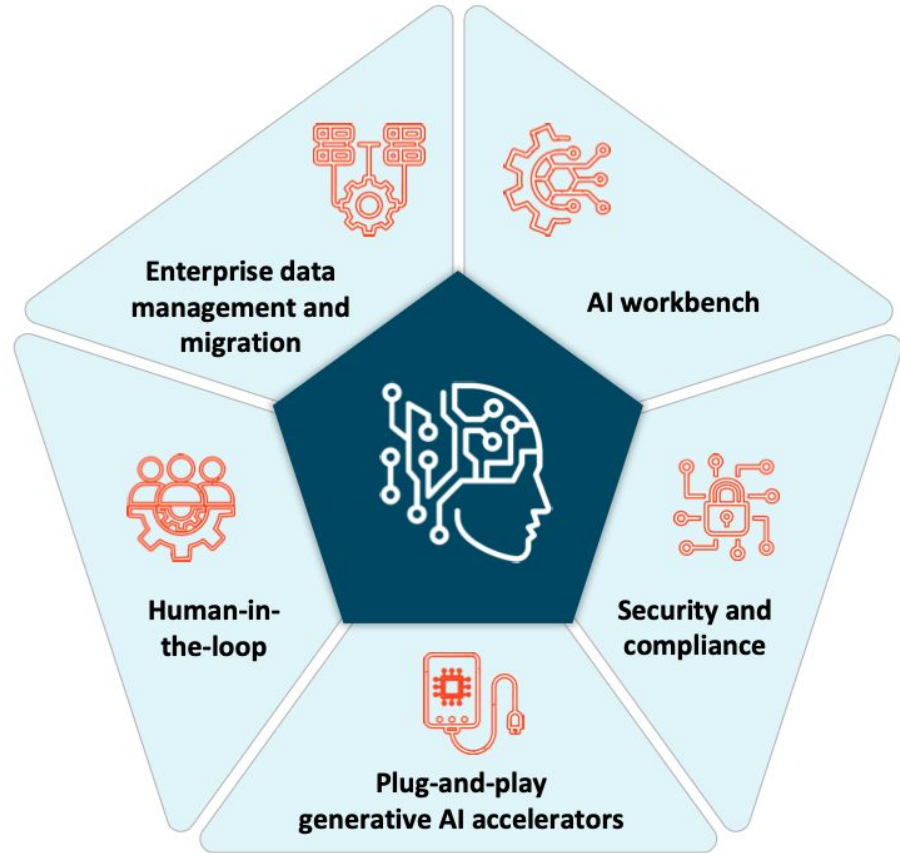- 4-5 years
- High renewal rate – 95%+

**Long-term client relationships**
- Top 20 average tenure of 10+ years

**EXL**

EXL's new generative AI platform combines AI capabilities and deep industry knowledge –

*We are helping clients deploy meaningful use cases*

Enterprise data management and migration

AI workbench

Human-in-the-loop

Security and compliance

Plug-and-play generative AI accelerators

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**EXL**

# EXL is an industry leader with a highly engaged client base

**4.9/5**
customer experience rating

**100%**
willingness to recommend

Gartner Peer Insights **Customers' Choice** 2022

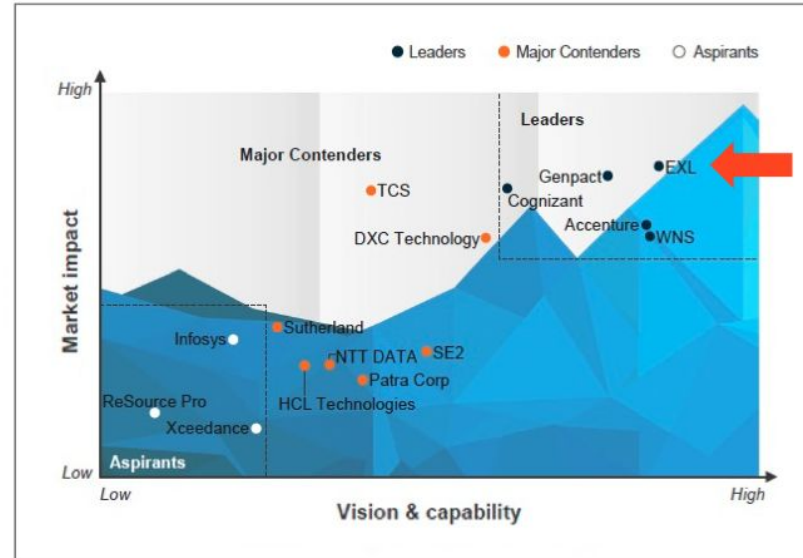Gartner Peer Insights **Customers' Choice** 2021

Gartner Peer Insights **Customers' Choice** 2020

- Long-term customer relationships
- High client satisfaction/retention
- High ROI for clients
- EXL is easy to do business with
- 60% of top 50 clients use EXL for both Data Analytics and Digital Operations and Solutions

Everest Group
PEAK MATRIX®

**Top Leader 2022**
Digital Platform & Augmentation in Insurance BPS



●  Leaders      ●  Major Contenders      ○  Aspirants

*High*

**Leaders**

**Major Contenders**

● TCS

Genpact ●
Cognizant ●

● EXL

Accenture ●
● WNS

DXC Technology ●

Market impact

● Sutherland
Infosys ○
● NTT DATA  ● SE2
● Patra Corp
● HCL Technologies

ReSource Pro ○
Xceedance ○

**Aspirants**

*Low*

*Low*                    **Vision & capability**                    *High*

**EXL**

# EXL is competitively differentiated

**Data-led approach with proven AI deployments** ✓

Three flexible consumption models for clients ✓

New value pools & growth pathways ✓

## 50+ AI solutions deployed

### Data Analytics

**POS lending**

**Digital collections**

**Small business underwriting**

**Bank statement mining**

**CX transformation**

**Fund accounting**

### Digital Operations & Solutions

**New business underwriting**

**Mailroom automation**

**Medical records**

**E-commerce servicing**

**Precertification (healthcare)**

**Insurance brokerage**

**EXL**

# EXL is competitively differentiated

Data-led approach with proven AI deployments ✓

Three flexible consumption models for clients ✓

**Best-in-class talent** ✓

Best-in-class talent

## 75% increase
in digital and analytics talent 2020-2022

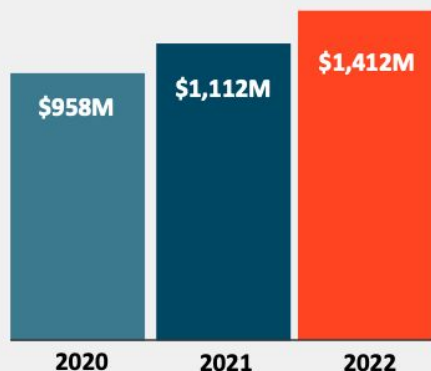We have relationships with | **100+ schools/ campuses** | in India and U.S. to source digital and analytics skillsets

**Focused skillsets**

- Cloud
- AI
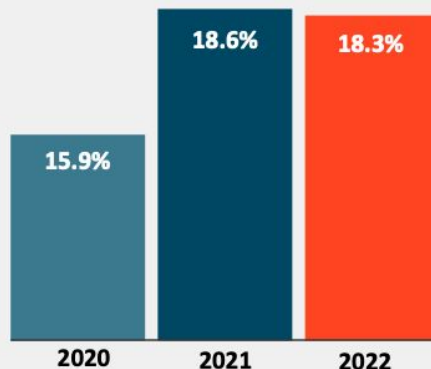- Product management

- CX
- Agile
- Engineering & architecture

**EXL**

# We have a strong record of execution

## Revenue growth

| 2020 | 2021 | 2022 |
|------|------|------|
| $958M | $1,112M | $1,412M |

**21%** CAGR 2020-2022
Revenue/Employee ↑ **13%**

## Margin expansion

| 2020 | 2021 | 2022 |
|------|------|------|
| 15.9% | 18.6% | 18.3% |

Operational excellence
supporting **240bps** AOPM*
expansion 2020-2022 and
investments for growth

## Earnings growth

| 2020 | 2021 | 2022 |
|------|------|------|
| $0.71* | $0.97* | $1.20* |

**31%** CAGR 2020-2022
EPS** growing faster than
revenue

\* EXL effected a 5:1 forward stock split on 8/1/23. The 2020-2022 adj. EPS figures are calculated on a post-split basis (the pre-split values would have been $3.53, $4.83 and $6.02 respectively).

\*\*Please see "Non-GAAP Financial Measures and Reconciliations" at the end of this presentation.

**EXL**

# Annuity-based revenue is driving much of our growth

- Proportion of annuity business has increased

- Average contract length in Digital Operations and Solutions is **~4-5 years**



Project-based ■ Annuity

$958M
20%
80%

$1,122M
20%
80%

$1,412M
19%
81%

2020    2021    2022

**EXL**
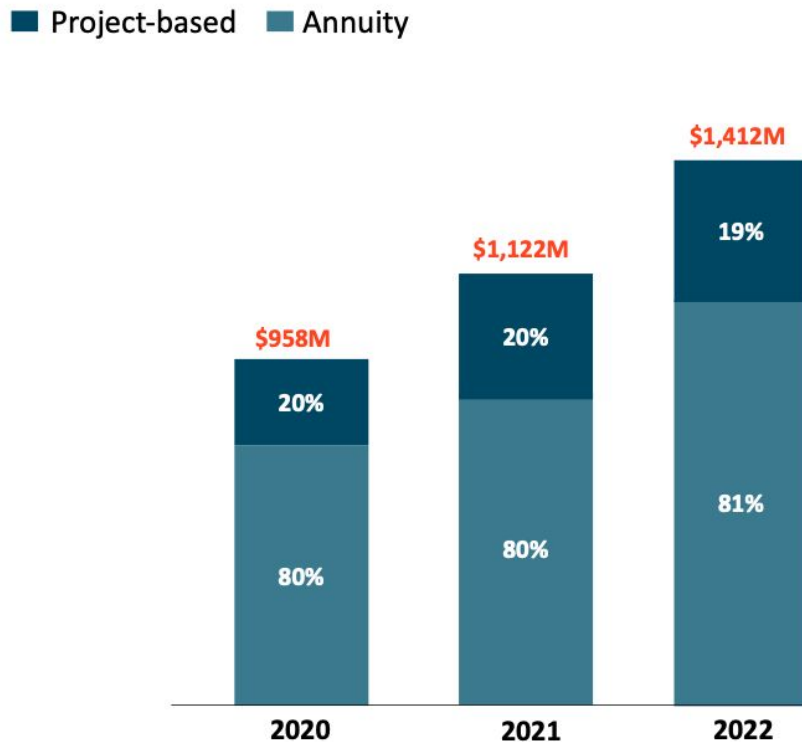
| Jul 13, 2023 | EXL Announces Five-for-One Forward Stock Split NEW YORK , July 13, 2023 (GLOBE NEWSWIRE) -- ExlService Holdings, Inc. ("EXL") (NASDAQ: EXLS), a leading data analytics and digital operations and solutions company, today announced that it will implement a five-for-one forward stock split of its common stock, with trading on a post-split basis |
|---|---|

# We expect to deliver strong growth in 2023

**Revenue ($M)**
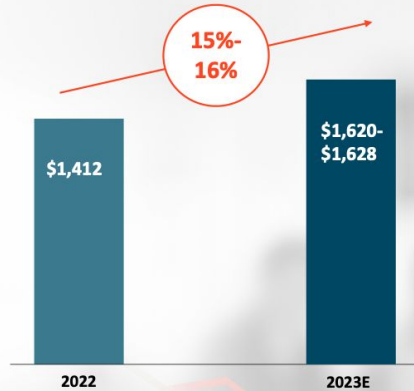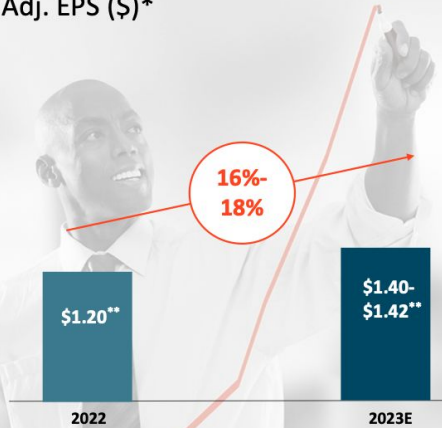
15%-16%

$1,412 (2022)

$1,620-$1,628 (2023E)

**Adj. EPS ($)\***

16%-18%

$1.20** (2022)

$1.40-$1.42** (2023E)

\*   Please see "Non-GAAP Financial Measures and Reconciliations" at the end of this presentation
\*\* EXL effected a 5:1 forward stock split on 8/1/23.  The 2022 adj. EPS figure is calculated on a post-split basis.
The 2023E adj. EPS figure shown reflects our 10/26/2023 guidance

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**EXL**

# EXL's data-led business is well positioned for continued value creation

## Growth-oriented and defensible business

✓ Large and growing TAM

✓ Resilient business

✓ Competitive differentiation

✓ Proven execution

## Stockholder value creation

## Attractive financial fundamentals

✓ Double-digit revenue growth

✓ Sustainable adjusted operating margin expansion

✓ Double-digit EPS growth

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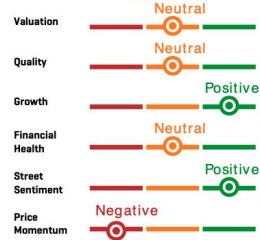**EXL**

## CFRA

**ExlService Holdings, Inc.**

Recommendation [as of January 04, 2024] **HOLD**

**Risk Evaluation:** MODERATE   **Price:** 29.63 (Jan 05, 2024 close)   **Trading Currency:** USD   **Country:** United States

**GICS Sector:** Industrials   **Sector Ranking:** marketweight   **SPGMI's Quality Ranking:** B+

**GICS Industry:** Data Processing & Outsourced Services

**Business Summary:** ExlService Holdings, Inc. operates as a data analytics, and digital operations and solutions company in the United States and internationally. It operates through Insurance, Healthcare, Analytics, and Emerging Business segments. The company provides digital operations and solutions and analytics-driven contd...

### Quantitative Model Drivers [as of January 04, 2024]
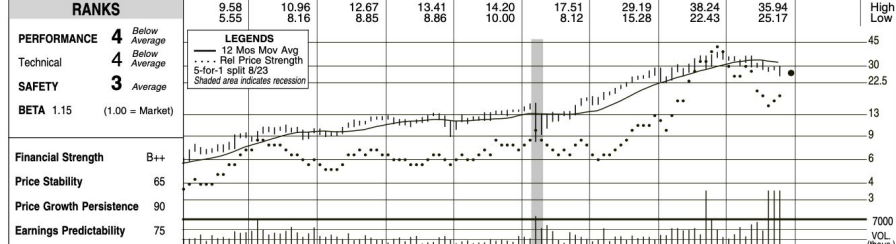
Recommendation: **HOLD**

| Driver | Rating |
|---|---|
| Valuation | Neutral |
| Quality | Neutral |
| Growth | Positive |
| Financial Health | Neutral |
| Street Sentiment | Positive |
| Price Momentum | Negative |

### Risk Evaluation :  MODERATE

| | |
|---|---|
| Asset/Market Size Risk | Moderate |
| Financial Leverage Risk | Low |
| Price Volatility Risk | Moderate |

### Price Performance

Stock Price

5-for-1 stk spl

Vol.(Min)

Relative Strength vs Index

40-Week Mov. Avg.

**Volume** — Below Avg. / Above Avg.

**As Reported Earnings vs Previous Year** — ▲ Up ▼ Down ● No Change

Quantitative Ranking

| Total Return[%CAGR] | YTD | 1Yr | 3Yr | 5Yr |
|---|---|---|---|---|
| NasdaqGS:EXLS | -87.8 | -12.6 | 19.2 | 23.1 |
| Peer Average | -42.4 | -34.5 | -14.2 | -6.3 |
| S&P 500 | -71.0 | 25.2 | 9.7 | 15.1 |

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## EXLSERVICE HOLDINGS NDQ--EXLS

| | RECENT PRICE | TRAILING P/E RATIO | RELATIVE P/E RATIO | DIV'D YLD | | |
|---|---|---|---|---|---|---|
| | 26.58 | 25.6 | 1.75 | Nil | **VALUE LINE** | |

**RANKS**

| | 9.58 | 10.96 | 12.67 | 13.41 | 14.20 | 17.51 | 29.19 | 38.24 | 35.94 | High |
|---|---|---|---|---|---|---|---|---|---|---|
| | 5.55 | 8.16 | 8.85 | 8.86 | 10.00 | 8.12 | 15.28 | 22.43 | 25.17 | Low |

| PERFORMANCE | 4 | Below Average |
| Technical | | Below Average |
| SAFETY | 3 | Average |
| BETA | 1.15 | (1.00 = Market) |

**LEGENDS**
— 12 Mos Mov Avg
···· Rel Price Strength
5-for-1 split 8/23
Shaded area indicates recession

| Financial Strength | B++ |
| Price Stability | 65 |
| Price Growth Persistence | 90 |
| Earnings Predictability | 75 |

© VALUE LINE PUBLISHING LLC

| | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024/2025 |
|---|---|---|---|---|---|---|---|---|---|---|
| SALES PER SH | 3.80 | 4.08 | 4.50 | 5.16 | 5.80 | 5.71 | 6.74 | 8.50 | -- | |
| "CASH FLOW" PER SH | .50 | .57 | .52 | .71 | .88 | 1.01 | 1.16 | 1.33 | -- | |
| EARNINGS PER SH | .30 | .36 | .28 | .41 | .39 | .52 | .67 | .85 | 1.14 A,B | 1.31 C/NA |
| DIV'DS DECL'D PER SH | -- | -- | -- | -- | -- | -- | -- | -- | -- | |
| CAP'L SPENDING PER SH | .15 | .15 | .21 | .24 | .23 | .25 | .22 | .27 | -- | |
| BOOK VALUE PER SH | 2.81 | 3.16 | 3.54 | 3.61 | 3.92 | 4.29 | 4.16 | 4.56 | -- | |
| COMMON SHS OUTST'G (MILL) | 165.46 | 168.14 | 169.45 | 171.11 | 170.93 | 167.80 | 166.46 | 166.17 | -- | |
| AVG ANN'L P/E RATIO | 24.5 | 27.3 | 38.5 | 28.5 | 32.8 | 26.1 | 32.3 | 35.7 | 23.3 | 20.3/NA |
| RELATIVE P/E RATIO | 1.26 | 1.49 | 1.93 | 1.61 | 1.90 | 1.53 | 1.97 | 2.37 | -- | |
| AVG ANN'L DIV'D YIELD | -- | -- | -- | -- | -- | -- | -- | -- | -- | |
| SALES ($MILL) | 628.5 | 686.0 | 762.3 | 883.1 | 991.3 | 958.4 | 1122.3 | 1412.0 | -- | Bold figures are consensus earnings estimates and, using the recent prices, P/E ratios |
| OPERATING MARGIN | 15.7% | 14.4% | 14.6% | 13.4% | 16.9% | 19.9% | 20.8% | 19.1% | -- | |
| DEPRECIATION ($MILL) | 31.5 | 34.6 | 39.0 | 48.7 | 82.0 | 80.3 | 77.8 | 77.9 | -- | |
| NET PROFIT ($MILL) | 51.6 | 61.7 | 48.9 | 72.6 | 67.7 | 89.5 | 114.8 | 143.0 | -- | |
| INCOME TAX RATE | 32.0% | 26.4% | 42.5% | 9.5% | 18.3% | 22.2% | 21.7% | 25.0% | -- | |
| NET PROFIT MARGIN | 8.2% | 9.0% | 6.4% | 8.2% | 6.8% | 9.3% | 10.2% | 10.1% | -- | |
| WORKING CAP'L ($MILL) | 233.1 | 254.6 | 308.5 | 344.8 | 311.9 | 388.2 | 82.4 | 334.8 | | |

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## Fair Value Assessment

**EXLS is Undervalued at a 8% Discount.**

| Fair Value | 32.36 |
| Uncertainty | High |
| Last Price | 29.63 |
| | Jan 05, 2024 |

★★★

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## Manifest Investing

| Company | Ticker | Sector \| Industry | Quality | PAR |
|---|---|---|---|---|
| EXLService Holdings* | EXLS | Technology \| Information Technology Services | 93 | 16.9% |

# SSG - Sales, Earnings, PTP and Price

# SSG - Management

## Fundamental Company Data

| | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | Growth (%) | Forecast (%) | 5 Yr Est |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Historical Sales ($M) | 478 | 499 | 628 | 686 | 762 | 883 | 991 | 958 | 1,122 | 1,412 | 12.0% | 12 | 2,804 |
| Historical EPS ($) | 0.28 | 0.19 | 0.30 | 0.36 | 0.28 | 0.32 | 0.39 | 0.52 | 0.67 | 0.85 | 14.0% | 12 | 1.84 |
| Pre-Tax Profit ($M) | 65 | 38 | 76 | 84 | 85 | 60 | 83 | 115 | 147 | 190 | 13.5% | | |

## Evaluate Management

| | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 5 Yr Avg | Trend |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| % Pre-Tax Profit on Sales | 13.6% | 7.5% | 12.1% | 12.2% | 11.2% | 6.8% | 8.4% | 12.0% | 13.1% | 13.5% | 10.8% | |
| % Return on Equity | 12.7% | 7.7% | 11.2% | 11.6% | 7.9% | 9.7% | 10.3% | 12.2% | 16.3% | 20.0% | 13.7% | |
| % Debt To Capital | 0.7% | 10.9% | 13.2% | 7.9% | 9.3% | 31.6% | 33.3% | 31.5% | 33.4% | 29.3% | 31.8% | |

# SSG - P/E and Price

## 3. PRICE EARNINGS HISTORY as an indicator of the future

**CLOSING PRICE (01/05/24):** 29.63    **52-WEEK HIGH:** 35.94    **52-WEEK LOW:** 25.17

| ● 5 Years ○ 10 Years | A | B | C | D | E | F | G | H |
|---|---|---|---|---|---|---|---|---|
| **Year** | **Price** | | **Earnings** | **Price Earnings Ratio** | | **Dividend** | **% Payout** | **% High Yield** |
| | High | Low | Per Share | High A / C | Low B / C | Per Share | F / C * 100 | F / B * 100 |
| 2018 | 13.4 | 8.9 | 0.32 | 41.4 | 27.3 | 0.00 | 0.0% | 0.0% |
| 2019 | 14.2 | 10.0 | 0.39 | 36.4 | 25.6 | 0.00 | 0.0% | 0.0% |
| 2020 | 17.5 | 8.1 | 0.52 | 33.8 | 15.7 | 0.00 | 0.0% | 0.0% |
| 2021 | 29.2 | 15.3 | 0.67 | 43.6 | 22.8 | 0.00 | 0.0% | 0.0% |
| 2022 | 38.2 | 22.4 | 0.85 | 45.2 | 26.5 | 0.00 | 0.0% | 0.0% |
| **5 YEAR AVERAGE** | | 12.9 | | 40.1 | 23.6 | | 0.0% | |
| CURRENT/TTM | | | 1.04 | 34.5 | 24.2 | 0.00 | 0.0% | |
| **5 YEAR AVERAGE PRICE EARNINGS RATIO: 31.8** | | | | | **CURRENT PRICE EARNINGS RATIO: 28.4** | | | |

Show / Hide Price/Earnings Chart    ⊡ Compare Peers

# SSG - Risk and Reward

## 4. EVALUATING RISK and REWARD over the next 5 years

### A. HIGH PRICE - NEXT 5 YEARS

Avg. High P/E: **30.0**  X  Estimate High Earnings / Share: **1.84**  =  Forecasted High Price: **55.1**

### B. LOW PRICE - NEXT 5 YEARS

(a) Avg. Low P/E: **23.6**  X  Estimate Low Earnings/Share  **1.04**  =  Forecasted Low Price: **24.5**
(b) Avg. Low Price of Last 5 Years: **12.9**
(c) Recent Market Low Price: **15.3**

      2021 Low Stock Price: **15.3**      52 Week Low Stock Price: **25.2**
      2022 Low Stock Price: **22.4**

(d) Price Dividend Will Support:

| Indicated Dividend | = | 0.00 | = --- |
|---|---|---|---|
| High Yield | | --- | |

**Selected Forecasted Low Price:**   **24.5**

### C. ZONING  using  **25%-50%-25%**  (click to toggle)

Forecasted High Price: **55.1**  Minus  Forecast Low Price: **24.5**  =  **30.6** Range.  **25%** of Range: **7.6**

| | | | |
|---|---|---|---|
| Buy Zone: | **24.5** | to | **32.1** |
| Hold Zone: | **32.1** | to | **47.4** |
| Sell Zone: | **47.4** | to | **55.1** |

Closing Stock Price of **29.63** is in the **BUY** Zone.

**Show / Hide Gain vs Loss Chart**

### D. UPSIDE DOWNSIDE RATIO (POTENTIAL GAIN VS. RISK OR LOSS)

$$\frac{\text{Forecasted High Price} - \text{Closing Price}}{\text{Closing Price} - \text{Forecasted Low Price}} = \frac{(55.1 - 29.63)}{(29.63 - 24.5)} = \frac{25.46}{5.13} = 5.0 \text{ To } 1$$

### E. PRICE TARGET  (Note: This shows the potential market price appreciation over the next five years in simple interest terms.)

$$\frac{\text{Forecasted High Price}}{\text{Closing Price}} = \frac{55.1}{29.63} = (1.8593 \times 100) = (185.93 - 100) = \textbf{85.9\% Appreciation}$$

### Evaluating Risk At A Glance

| | |
|---|---|
| Zone: | **BUY** |
| Forecasted High Price: | 55.1 |
| Forecasted Low Price: | 24.5 |
| Closing Price (01/05/24): | 29.63 |
| Upside Downside Ratio: | 5.0 To 1 |
| Potential Price Appreciation: | 85.9% |



**Potential Gain vs Loss**

- Sell 25%
- Hold 50%
- Buy 25%
- 55.1 Forecasted High Price
- 29.6 Current Price
- 24.5 Forecasted Low Price
- 3
- 1
- 5.0

# SSG - Five-Year Potential

## ▸ 5. FIVE-YEAR POTENTIAL

### A. CURRENT YIELD

$$\frac{\text{Indicated Annual Dividend}}{\text{Closing Price}} = \frac{0.00}{29.63} = 0.0000 = 0.0\%$$

### B. AVERAGE YIELD - USING FORECAST HIGH P/E

$$\frac{\text{Avg. \% Payout}}{\text{Forecast High P/E}} = \frac{0}{30.0} = 0.0\%$$

### AVERAGE YIELD - USING FORECAST AVERAGE P/E

$$\frac{\text{Avg. \% Payout}}{\text{Forecast Average P/E}} = \frac{0}{26.80} = 0.0\%$$

### C. COMPOUND ANNUAL RETURN - USING FORECAST HIGH P/E

| | |
|---|---|
| Annualized Price Appreciation | 13.2% |
| Average Yield | 0.0% |
| Annualized Rate of Return | 13.2% |

### COMPOUND ANNUAL RETURN - USING FORECAST AVERAGE P/E

| | |
|---|---|
| Annualized Price Appreciation | 10.7% |
| Average Yield | 0.0% |
| Annualized Rate of Return | 10.7% |

### SSG Results Summary

| | |
|---|---|
| Zone: | **BUY** |
| Upside Downside Ratio: | 5.0 To 1 |
| Total Return (High P/E): | 13.2% |
| Projected Return (Avg. P/E): | 10.7% |
| Buy price to satisfy US/DS of 3 to 1 and 15% total return: | 27.4 |
| Buy Below price based on zoning selection: | 32.1 |
| Closing Price (01/05/24): | 29.63 |

**ManifestInvesting**

| Quality | PAR |
|---|---|
| 93 | 16.9% |

# In Summary

- EXLS is a medium-sized Quality, Growth company.

- EXLS business is using modern technology - like Cloud, Data, Analytics, Generative AI

- EXLS does NOT pay dividend

- EXLS SSG is a BUY with US/DS of 5:1 and Total Return: 13.2%  (Price on 1/8/24: $30.16)

  (Compare EXLS with EPAM and CTSH)