MPS Limited

Q4 and FY'14 Earnings Presentation

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Agenda

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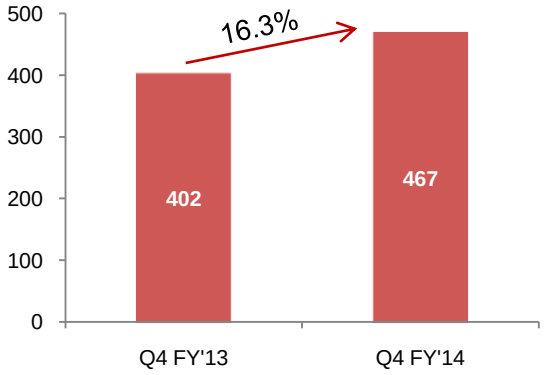
Q4 and FY'14 Performance

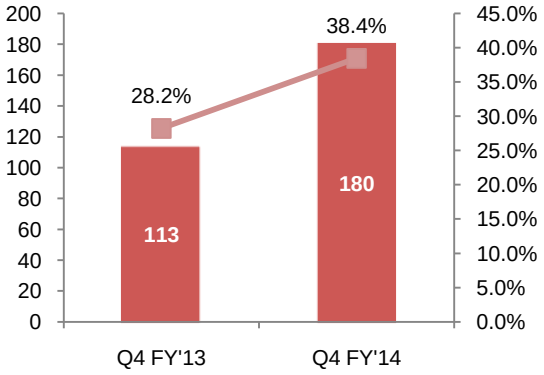
Q4 FY'14: EBITDA margin continues to expand - up 10%

On Standalone basis

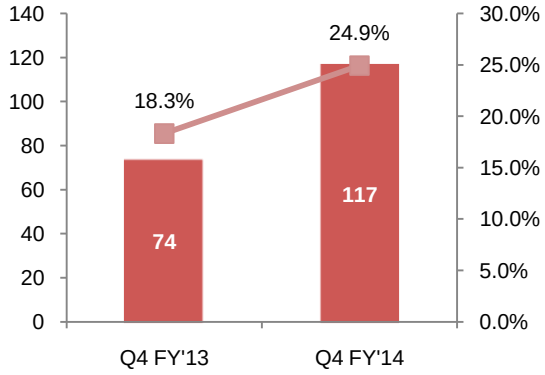
Income (Rs mn)



EBITDA and Margin



PAT and Margin



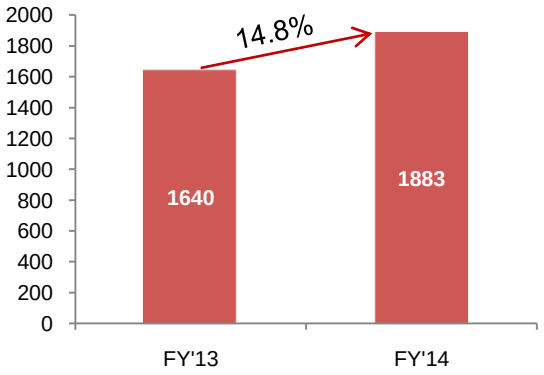
- Total Income for Q4 FY'14 up by 16.3% YoY at Rs 467.4 mn
  - Driven by strong growth in Journals (24.6%), Books (21.8%), and MPST (24.7%)
- EBITDA grows by 58.5% YoY; Margin up from 28.2% to 38.4%
  - Staff cost as a percentage of revenue at 41.2% in Q4 FY'14 as compared to 44.5% in Q4 FY'13
  - Other expenditure declines by 19% YoY due to shifting of Gurgaon facility to low cost location and consolidation of Chennai facility from two to one along with other general administrative cost reduction policies
- PBT grows by 75.6% YoY to reach Rs 177.4 mn in Q4 FY'14 as compared to Rs 101.0 mn in Q4 FY'13
- PAT grows by 58.3% YoY to reach Rs 116.5 mn as compared to Rs 73.6 mn during the same period last year

All numbers are on standalone basis

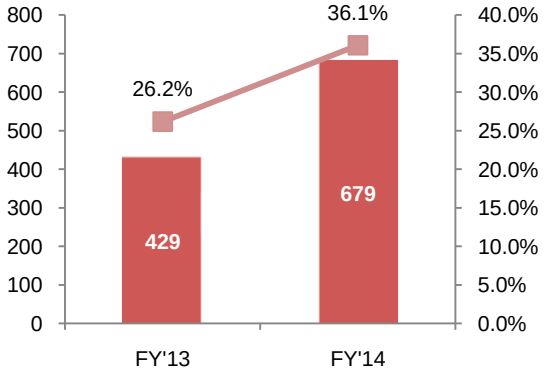
Leading to robust FY'14 performance

On Standalone basis

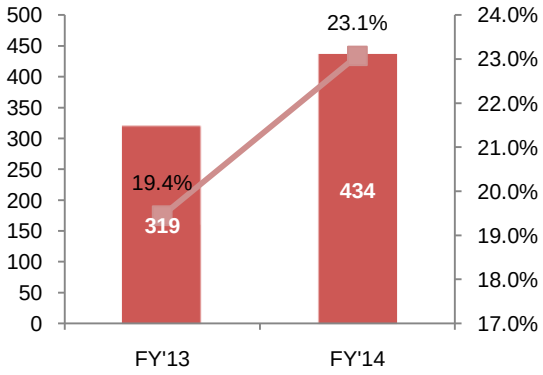
Income (Rs mn)



EBITDA and Margin



PAT and Margin

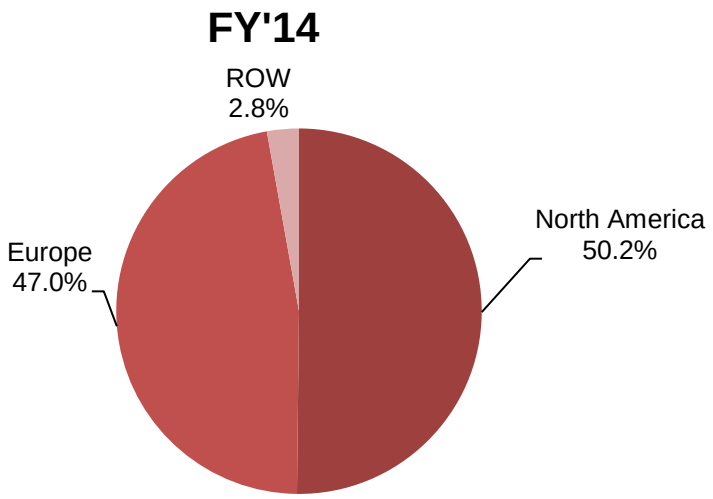


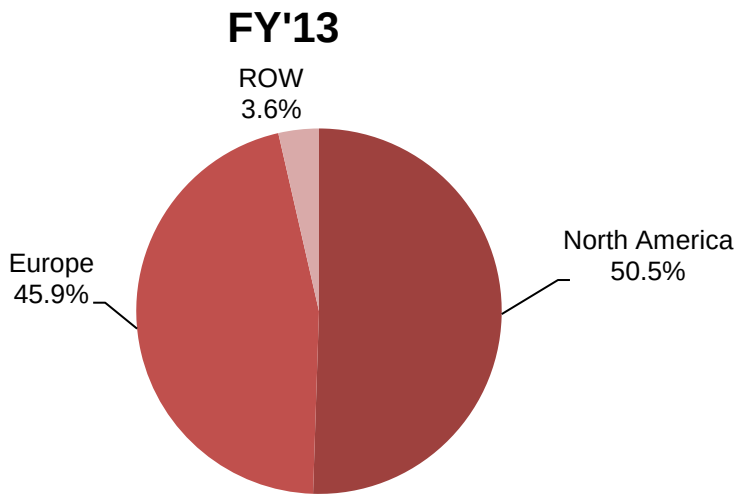
- Total Income during FY'14 up by 14.8% YoY at Rs 1,882.9 mn
  - Driven by strong growth in Journals (29.8%), Books (20.9%) and MPST (17.6%)
- EBITDA grows by 58.2% to Rs 679.0 mn; Margin up from 26.2% to 36.1%
  - Staff cost as a percentage of revenue at 41.5% compared to 47.0% in FY'13
  - Other expenditure as a percentage of revenue at 21.9% compared to 26.6% in FY'13
- PBT grows by 65.1% YoY to reach Rs 659.5 mn in FY'14 as compared to Rs 399.5 mn during FY'13
- PAT grows by 36.2% to reach Rs 434.4 mn in FY'14 as compared to Rs 318.9 mn during FY'13
  - Other income grows by 81.3% YoY in FY'14 to reach Rs 66.7 mn as compared to Rs 36.8 mn in FY'13 due to reversal of excess provision no longer required on account of unapplied customer payments

All numbers are on standalone basis

With N America & Europe showing strong growth

Revenue Break-up by Geography





- MPS derives majority of its revenue from North America (50% in FY'14) and Europe (47% in FY'14)
- Revenue from North America up 14.0% YoY in FY'14
- Revenue from the European market up 17.6% YoY in FY'14

In Rs Mn	FY'14	YoY
North America	944.8	14.0%
Europe	885.0	17.6%
ROW	53.1	-9.5%

All numbers are on standalone basis

Buoyed by new clients & deeper mining of existing clients

Client Details

Client concentration	FY'13	FY'14
Revenue % from Top 5 clients	55%	57%
Revenue % from Top 10 clients	72%	75%

- MPS has been a trusted vendor for publishing groups across the globe including Elsevier, Nature Publishing Group, McGraw Hill, Wiley and Cengage Learning. During FY'14, revenue share of top 10 clients aggregated 75% and top 5 clients aggregated 57%.
- Total number of clients as on 31st March'14 at **70** as compared to 60 on 31st March'13

All numbers are on standalone basis

Through a profitable model spanning geographies

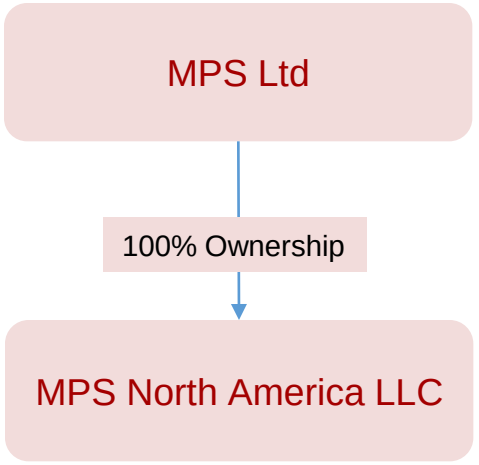
Manpower & Facilities

- Total Manpower as on 31st March'14: **2,737**
- 7 production facilities: Bangalore (1), Chennai (1), Gurgaon (1), Delhi (1), Dehradun (1), Noida (1) and Portland (1)
- 1 facility of subsidiary: Florida, USA.
- Corporate and sales & marketing office at Noida
- Sales force in US and UK

All numbers are on standalone basis

Standing sturdy at the consolidated level

FY14 Consolidated Results (In Rs mn)	
Revenue	1,972.8
EBITDA	661.4
EBITDA Margin	**33.5%**
PBT	639.5
Tax	218.1
PAT	421.4
PAT Margin	**21.4%**
EPS (In Rs)	25.05



Note: During the year ,the company set up a wholly owned subsidiary, MPS North America LLC, which acquired business and assets of Element LLC. The consolidated results incorporate results of this subsidiary

Business Overview

Global publishing services company

Business Model	Global publishing services based model focussed on both print and digital publishing services
Major Client Presence	North America, Europe
Locations	7 facilities in India and 1 subsidiary's facility
Employees	Over 2,737 employees
M-Cap*	Rs 5,570 mn
Revenue (FY14)**	Rs 1,883mn
EBITDA Margin**	36%
Cash + Current Investments/ Debt**	Rs 272.9 mn/ Rs 36.5mn

**Based on NSE closing price on May 23, 2014*
***All standalone*

With over 40 years of presence….

- Established over 43 years ago in 1971 by Macmillan
- Created by and for the global education publishing industry
- 40 years of service history as Macmillan's back office
- Listed corporation on the Indian Stock Exchange
- Over 2,737 employees across 7 production facitlites
- Purchased from Macmillan by ADI in 2011

A provider of both print and digital publishing services, technology solutions, engaging and interactive media platforms, and customer services for education, trade, and scholarly publishers.

…..across segments and geographies

- ***Early Learning & Pre-K***
- ***K-12 School***
- ***Higher Education***
- ***Adult Learning***
- ***Professional Development***
- ***ESL, ELL & ELT***
- ***International***
- ***Trade & Journals***

Core Product Lines

- Early Learning and Pre-K
- K-12 (All Curriculums)
- Higher Education
- Adult Learning
- Professional Development
- ESL/ELL and ELT

International Education

- North America
- U.K.
- South Africa
- Middle East
- South America
- Asia

Trade & Journals

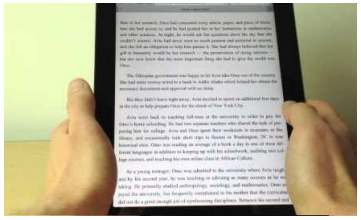
Strong traditional + digital offerings

Traditional Services

- **Journal Publishing Services**
  - End-to-end, print and digital publishing services for STM and academic publishers.
- **Book Publishing Services**
  - Prepress publishing services including editorial services, typesetting, project management, indexing , etc

Digital Services

- **Digital Services**
  - Content conversion team for books, journals, directories, and a wide variety of other applications.
- **MPS Technology (MPST)**
  - Develops and maintains custom and plug-n-play technology platforms for all stages of the publishing
- **Learning & New Media Services (LNMS)**
  - Focused on powering engaging and interactive learning products for educational publishers.



Support Services

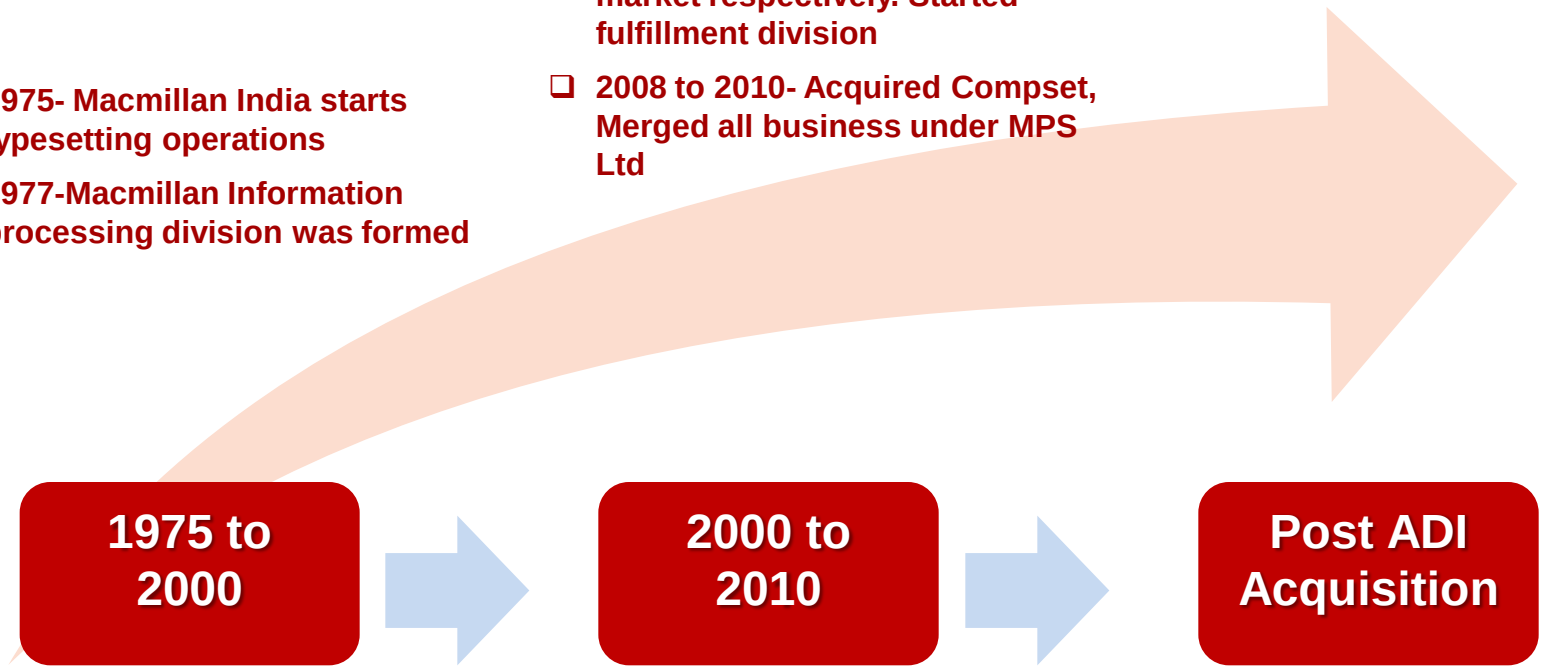
- **Fulfillment & BPO Services**
  - Customer support and fulfillment services for print and online publishing products
- **Database and Directory Services (Ad Studio)**
  - Advertisement design and production services via print, online, and mobile platforms for database & directory publishers.

Business transformation under new management

- 1975- Macmillan India starts typesetting operations
- 1977-Macmillan Information processing division was formed

- 2000-03- Set-up data conversion unit & software services unit
- 2004- MPS Technologies was formed
- 2005 & 06- Acquired Charon Tech and ICC to enter academic book production and education book market respectively. Started fulfillment division
- 2008 to 2010- Acquired Compset, Merged all business under MPS Ltd

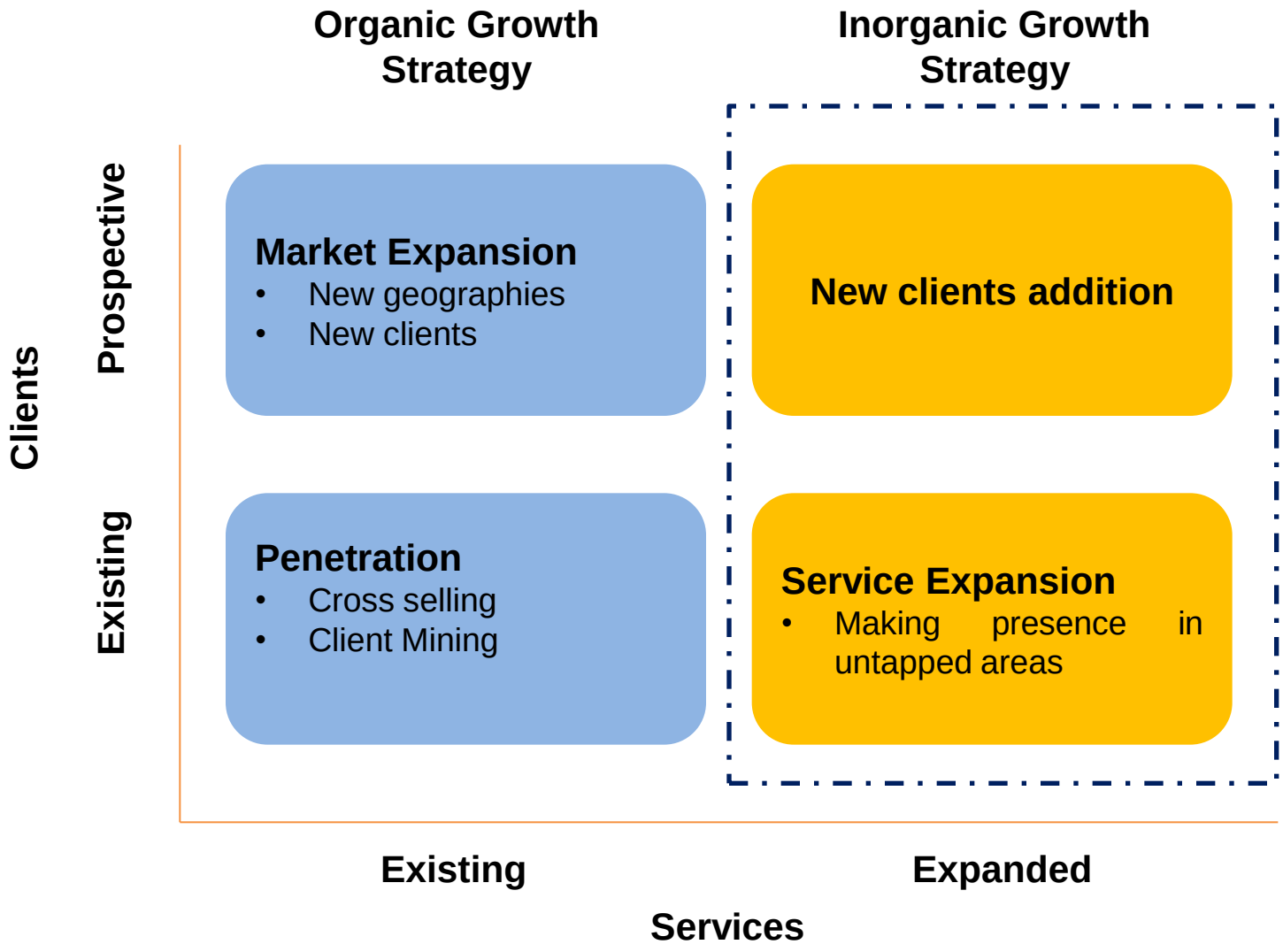
- 2011 to 2013: Cost reduction measures and consolidation of facilities. Company turned positive at EBITDA and PAT level
- Acquired Element LLC to enter Pre K and K-12 market



Marquee client portfolio

MPS

Growth Strategy: Organic + Inorganic



Annexure

Income statement – Q4 and FY'14

Particulars (Rs mn)	Q4 FY'14	Q4 FY'13	Q3 FY'14	% Chg YoY	% Chg QoQ	FY'14	FY'13	% Chg YoY	FY'14 Consolidated
Net sales	467.4	401.9	540.4	16.3%	-13.5%	1,882.9	1,640.0	14.8%	1,972.8
Total Expenditure	287.7	288.5	310.7	-0.3%	-7.4%	1,203.9	1,210.8	-0.6%	1,311.4
(Increase) / Decrease In Work in Process	5.1	-1.5	13.9	-	-	10.7	3.5	205.7%	10.7
Employees Cost	192.6	178.9	194.7	7.7%	-1.1%	780.7	771.3	1.2%	846.9
Other Expenditure	90.0	111.1	102.1	-19.0%	-11.9%	412.5	436.0	-5.4%	453.8
EBITDA	179.7	113.4	229.7	58.5%	-21.8%	679.0	429.2	58.2%	661.4
Depreciation and Amortization	12.4	20.8	13.0	-40.4%	-4.6%	50.5	73.6	-31.4%	52.9
EBIT	167.3	92.6	216.7	80.7%	-22.8%	628.5	355.6	76.7%	608.5
Interest & Finance charges	0.1	1.0	2.1	-90.0%	-95.2%	3.8	5.9	-35.6%	3.8
Other Income	17.8	3.5	16.0	408.6%	11.3%	66.7	36.8	81.3%	66.7
Forex (gain) / loss	7.6	-5.9	-17.6	-228.8%	-143.2%	31.9	-13.0	-345.4%	31.9
PBT	177.4	101.0	248.2	75.6%	-28.5%	659.5	399.5	65.1%	639.5
Tax Expense	60.9	27.4	85.5	122.3%	-28.8%	225.1	80.6	179.3%	218.1
PAT	116.5	73.6	162.7	58.3%	-28.4%	434.4	318.9	36.2%	421.4
Basic & Diluted EPS (Rs.)	6.93	4.38	9.67	-	-	25.82	18.96	-	25.05

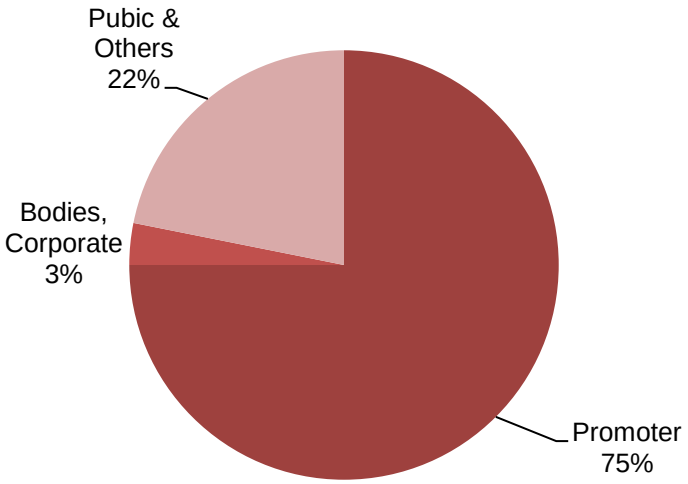
Key Ratios	Q4 FY'14	Q4 FY'13	Q3 FY'14	FY'14	FY'13	Consolidated FY'14
EBITDA Margin	38.4%	28.2%	42.5%	36.1%	26.2%	33.5%
Net Margin	24.9%	18.3%	30.1%	23.1%	19.4%	21.4%
Total Expenditure/ Total Income	61.6%	71.8%	57.5%	63.9%	73.8%	66.5%
Staff Cost/ Total Income	41.2%	44.5%	36.0%	41.5%	47.0%	42.9%
Other Expenditure/ Total Income	19.3%	27.6%	18.9%	21.9%	26.6%	23.0%
Effective Tax Rate	34.3%	27.1%	34.4%	34.1%	20.2%	34.1%

Balance Sheet

Particulars (INR mn)	Standalone 31 March 2014	Standalone 31 March 2013	Consolidated 31 March 2014
Equity & Liabilities			
Total shareholders funds	**926.3**	**826.4**	**917.3**
Long-term borrowings	0.2	1.3	0.2
Other long-term liabilities	0.7	0.9	0.7
Non-current liabilities	**0.9**	**2.2**	**0.9**
Short-term borrowings	36.3	44.1	36.3
Trade Payables	143.8	194.8	157.7
Other current liabilities	52.2	89.6	52.2
Short-term provisions	10.9	1.7	11
Current Liabilities	**243.2**	**330.2**	**257.2**
TOTAL EQUITY+LIABILITIES	**1170.40**	**1158.80**	**1175.40**
Assets			
Fixed assets	**188.8**	**217.7**	**238.9**
Non-current investments	104.7	0	0
Deferred tax assets (net)	5.6	6.6	12.5
Long-term loans and advances	207.9	179.9	208.2
Other non current assets	1.4	1.7	1.4
Non-Current Assets	**319.6**	**188.2**	**222.1**
Total Non-Current Assets	**508.4**	**405.9**	**461**
Current investments	175.4	177.3	175.4
Inventories	78.3	89	78.3
Trade receivables	288.2	298	321.5
Cash and cash equivalents	97.5	111	116.2
Short-term loans and advances	22.3	65.7	22.7
Other current assets	0.3	11.9	0.3
Current Assets	**662**	**752.9**	**714.4**
TOTAL ASSETS	**1170.40**	**1158.80**	**1175.40**

Shareholding pattern

As on March, 2014
Outstanding shares – 16.82 mn



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For more information about us, please visit www.adi-mps.com or contact:

Sunit Malhotra
CFO, MPS Ltd
C-35, Sector 62
Noida - 201 307

Email: sunit.malhotra@adi-mps.com
Phone: +91 120 402 1252

Four-S Services

Seema Shukla /Gaurav Agrawal
Four-S Services Private Limited
Mumbai

Email: seema@four-s.com
gaurav.agrawal@four-s.com
Phone: +91 124 425 1441