



“MPS Ltd. Q4 FY22 Earnings Conference Call”

May 19, 2022



MANAGEMENT: MR. RAHUL ARORA - CHAIRMAN, CHIEF EXECUTIVE OFFICER AND MANAGING DIRECTOR, MPS LIMITED
MR. SUNIT MALHOTRA - CHIEF FINANCIAL OFFICER & COMPANY SECRETARY, MPS LIMITED
MR. JOHN DOHERTY - CHIEF OPERATING OFFICER, HIGHWIRE
MR. SUKHWANT SINGH - CHIEF DELIVERY OFFICER, MPS LIMITED

- Moderator:** Ladies and gentlemen, good day and welcome to MPS Ltd. Q4 Financial Year 2022 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing ‘*’ then ‘0’ on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Rahul Arora, Chairman, CEO and Managing Director of the Company. Thank you and over to you, Mr. Arora.
- Rahul Arora:** Thank you. Good afternoon everyone from Noida on this sweltering summer day. I am pleased to share that we recently moved facilities here in Noida, which is our corporate headquarters and also houses teams across the business, including the operations hub for HighWire. I would like to start today's call by making some introduction. Mr. Sunit Malhotra, who has recently been re-appointed as CFO of MPS Limited. Welcome back, Sunit.
- Sunit Malhotra:** Thanks Rahul. It has been a great and wonderful experience during my long association with MPS for over a decade now. I thank Rahul – our CMD and the Board for giving me this opportunity, and I would like to make sure that I would like to make the best use of it. Thanks.
- Rahul Arora:** John Doherty, who has recently been promoted to Chief Operating Officer of HighWire, our platform business.
- John:** Thanks, Rahul. Thanks for the opportunity to continue to serve MPS in my new role as Chief Operating Officer of HighWire. I am excited in my new capacity to help grow the HighWire business over the coming years. Thank you.
- Rahul Arora:** Sukhwant Singh who has recently been promoted to Chief Delivery Officer for our India operations.
- Sukhwant Singh:** Thank you, Rahul, and I look forward to the new responsibilities and steering the team towards achieving higher operational efficiency and yet another successful financial year.
- Rahul Arora:** In our opening segment today we will run things slightly differently. Sunit will kick things off by discussing our FY22 performance. Then JD will update us on the integration journey at HighWire. Next, Sukhwant will discuss the key drivers to our strong recovery in the eLearning business. Finally, I will share outcomes of our Board meeting and also describe our new growth strategy. Let's get going. Over to you, Sunit
- Sunit Malhotra:** Thanks Rahul. FY22 was our return to market-leading margins. As our EBITDA grew from INR 107 crores in FY21 to INR 126 crores in FY22, the associated margins rose from 25.3% to 28.1%. EPS saw a whopping 52% growth from INR 31.92 per share in FY21 to INR 48.61 per share in FY22. And PAT grew by 49% from INR 59 crores in FY21 to INR 87 crores in FY22. In terms of business segments:

- E-learning saw a phenomenal recovery with ~14% growth in revenue with respect to FY21, and segment profit grew from a loss of INR 4.58 crores to a gain of INR 11.44 crores in FY22.
- Platforms revenues weakened by 2% as anticipated, led by customer-off boarding at HighWire. The segment Profit improved from INR 39.56 crores in FY21 to INR 40.64 crores in FY22. We are already generating this level of Profitability in a newly acquired business, and the Operations teams must be applauded.
- Our most established line of business, Content Solutions Revenue, grew by ~8% in FY22 compared to PY and segment Profit improved from INR 72.29 crores in FY21 to INR 76.64 crores in FY22 with a ~6% increase in segment profit margin.

I would now like to hand it over to JD to discuss the contributions made by the Platform business that moved the needle for us on Profitability.

John:

Thanks, Sunit. The last 20 odd months have been transformative for HighWire under MPS ownership. I am proud of leading the transition of the HighWire operating model to the India delivery hub here in Noida.

We have successfully:

- Created a strong Product team under Tony Alves with solid industry knowledge and credibility.
- Restructured our staffing model to leverage an optimal onshore/offshore balance.
- Consolidated all the platforms business under the HighWire brand

While it's not all been smooth, and Covid-19 did impact our ability to onboard and train new staff and create an identity under the HighWire brand, the positives overwhelmingly outweigh any minor niggles. We have had:

- Success in acquiring new hosting customers on Scholaris on competitive RFPs.
- Cross-sell success between existing HighWire customers for Order Management and Analytics solution.
- A successful enterprise-level implementation for SIGMA (Identity Management) at a prestigious publisher has given us a compelling case study for other large organizations.

Over to Sukhwant to discuss progress in e-Learning

Sukhwant Singh:

Thanks, JD. FY22 was a transformative year for our eLearning business. While our Revenue grew by 14 percent in FY22 compared to the PY, Segment profit grew from a loss of INR 4.58 crores to + INR 11.44 crores in FY22. The eLearning business has recovered and is now expected to contribute to Revenue and Profit growth significantly.

On the Revenue side, our revenue quality has improved with an increasing trend in the proportion of recurring Revenue, premium solutions, and deeper client relationships. Our

customer diversity is much healthier across all parameters, including geography, industry, and customer concentration.

Apart from Revenue growth, the drivers of this margin expansion include cost arbitrage benefits from migration to lower-cost city centers, focused controls on productivity management, and a tighter discipline on expenses. In fact, at MPS Interactive India, Revenue grew by 14 percent in FY22 compared to PY. PBT grew from a loss of INR 0.79 crores in FY21 to INR 10.29 crores in FY22. And this business exited FY22 with a whopping PBT margin of 35 percent in Q4 FY22. The margin expansion was no mean achievement and resulted from an excellent strategy, great execution, and super collaboration and teamwork.

I would now like to hand it over to Rahul. Thanks

Rahul Arora:

Thanks, Sukhwant. We are all elated with the progress in the eLearning business and are looking forward to a full year and seamless expansion in FY23 for all our eLearning business interests. Thanks, JD, for sharing your valuable insights on how our Platform business has shaped into its new operating model and, more importantly, is transitioning from consolidation to growth. And thank you, Sunit, for neatly summarizing our financial performance.

I am pleased to share that based on the unprecedented earnings growth in FY22 and EPS of 48 rupees 61 paise, The Directors have recommended a Final Dividend of INR 30 per Equity Share of INR 10 each of the Company.

MPS has come a long way. We are very close to beating INR 100 crore in PAT. And I am told that tends to open new doors for companies like ours.

MPS has gathered substantial momentum over the last couple of years. To put things into perspective:

1. Revenue CAGR between FY12 and FY13 was 7 percent (right after acquiring MPS from Macmillan. This phase was what we called a drive toward Speed and Efficiency.
2. Revenue and PBT CAGR between FY13 and FY20 were 11 percent and 8 percent, respectively. This is what I call a significant diversification play:
 - We completed 7 acquisitions over 8 years.
 - All acquisitions of scope to enhance strategic competitive advantage.
 - Reduced revenue concentration from top 10 customers - 75% in FY14 to 53% in FY20.
 - Diversified business mix from 100% Content in FY14 to 60% Content, 28% Platform and 12% eLearning in FY20.
 - Expanded TAM from \$2bn to \$310bn
3. The last two years have been about unlocking synergies. Revenue and PBT CAGR between FY20 and FY22 were 17 percent and 18 percent, respectively.
 - We have had robust growth in business through revamped and integrated global delivery model that combines diverse capabilities.

- Profitable transformation of corporate eLearning business by leveraging wage arbitrage levers.
- Expanded Platform business through acquiring HighWire, advancing positioning in the research end-market as a “thought leader”.
- Significant investments in key executive and management hires

The next phase for us then is about building scale. We will achieve this by:

- We are redefining our sales and marketing strategy to a market-oriented approach to drive organic growth.
- Shift the focus of inorganic strategy to focus on acquiring growth assets.
- Explore opportunities for further consolidation to improve efficiencies further and drive margin expansion
- Significant opportunities to enhance cross-selling and increase wallet share across a large customer base.

We look forward to your continued support in this exciting new growth phase, Building Scale. I would now like to open the call to your questions. Thank you!

I would now like to open the call to your questions. Thank you.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Sachit Motwani from Param Capital Research. Please go ahead.

Sachit Motwani: My first question is we had seen that HighWire business was ramping down, which you had articulated at the time of acquisition, so if I strip that off then overall on a consol basis would MPS have grown at (+10%) CAGR because if I look at content has grown at 8%, e-Learning at 14%, so if I were to strip off the rundown that we have seen, so would it be fair to say it would be a 10% to 12% kind of a growth for FY22?

Rahul Arora: Yes, that would be correct on the revenue side. Profit would be higher growth.

Sachit Motwani: Harping on growth again, you have delivered an amazing 14% e-Learning growth, so can we start clocking 20% growth run rate from next year onwards?

Rahul Arora: Our budgets have been created. Every year we create our revenue budget for across the various lines of business. Our budgets have been created at 17% growth and we tend to beat our budget. Hopefully, we can hit 20%.

Sachit Motwani: Again on this, there was a recent research report by Technavio, which mentioned about growing opportunity in the digital education publishing market and they were talking about a \$10 billion opportunity over the next 5 years across various geographies and it also mentioned some of the client that you are already working with. So, just wanted to understand if at all

that's a trigger for you and would it push your content solutions business or would it have an impact on your platform business in terms of growth?

Rahul Arora:

Great question. I think for us, we have obviously been sensing this opportunity for a while now and we've basically tried to look at what we have in our content business through our US entity called MPS North America, and our early learning business through our India entity called MPS Interactive, we've created a cross-functional team across these two groups to pursue the opportunity that you are describing. So, this is going to be a combination of our content business and our e-Learning business. We're calling it Digital Studio. We already have on-boarded two large customers in this space. One university and another organization that's US based that's involved in the education space. Both these customers together for us are already upwards of \$2 million in revenue and we are very optimistic about building serious scale in the market that you've described over the next couple of years. So, it is going to be a brand new business unit for us.

Sachit Motwani:

And when you had articulated about your vision 2023, so we'd be looking at it on a CY23 basis or FY23 and is it possible for you to quantitatively now give some guidance on your vision?

Rahul Arora:

So, we will be looking at it on a FY23 basis and at this stage, I will not be able to share that, but definitely on the next call, I will articulate the number.

Sachit Motwani:

In terms of your diversification mix, we see a declining proportion of North America and increasing proportion of UK and Europe, so anything to read into that and even in terms of the client contribution, we've seen a bit of a decline. So, how do we read that?

Rahul Arora:

We learnt from the pandemic that diversity is super important. In fact, our e-learning business was seriously affected because of lack of diversity. So, there's been a conscious effort to expand our business in markets where we do not have the same type of market share that we do have in North America, so this will only continue. The trend will only continue simply because there's a very active effort to acquire market share in some of these markets where we have a very small market share.

Sachit Motwani:

Last question is on margins. You delivered a very good margin, but do you see possibility of squeezing margins further especially in platforms and e-Learning business?

Rahul Arora:

Yes, absolutely. If you look at our overall consolidated like we described in the opening remarks, there is still a lot of headroom. We're on a journey. We're not where we need to be at. We're at least two years away from where we need to be. On the e-Learning side, what you are saying on a 12-month basis includes may be at least 1, possibly 2 rough quarters. So, we have definitely exited the financial year at a much healthier margin. In fact, Sukhwant described that our India e-Learning entity in Q4 actually exited at 35% PBT margin. So, definitely there's a lot more room specifically on the e-Learning side. On the platform side, while there is room, it's not as significant as what we see on the e-Learning side. Similarly, on the content side, we still have to get back to our old margins, which we continue to pursue.

Sachit Motwani: What would be the outlook in terms of growth for content and platform. With the decline that we've seen in platforms, can we say now this is the end of that decline.

Rahul Arora: On the content side we expect the same trend to continue, possibly even pick up a little bit because we were supposed to have some volumes transferred to us on the journal side of our business that only got transferred to us in February and March and when in the journal business, volumes get transferred, you start accruing revenues only 3 to 4 months in. So, there was a delay in some transactions. On the content side because of the lift in the journal business, we will definitely see a higher growth on the content side. On the platform side, it will be an achievement for us if we are able to sustain the same amount of revenue this financial year and that's what we're trying to achieve. On the e-Learning side, we are very bullish. Like I said, our budget is 17%. We always beat our budget. So, hopefully it's going to be a big year for us in e-Learning.

Sachit Motwani: Any update on acquisitions?

Rahul Arora: Like I always say, we're always having at least a dozen conversations on average and we do obviously have a very healthy pipeline. We also have at least three conversations that are super active. So, I can't really share anything more concrete than that, but when things do fructify, we will be the first to share.

Moderator: Thank you. The next question is from the line of Keshav Garg from CCIPL. Please go ahead.

Keshav Garg: I never thought I'd say this, but sir I hope that you will reduce the dividend going forward so that we can do a larger share buyback in future so that our number of shares can reduce permanently and our earnings per share can increase faster than the profit going forward. As far as my question is concerned, since the past 6 quarters, our consolidated EBITDA is close to around Rs. 30 to 31 crores. So, do you think that going forward from first quarter or second quarter of this financial year, we can break out of this range of around Rs. 32 crores EBITDA that we have been clocking?

Rahul Arora: Thank you for your comment and the question as well. Just on the comment, the buybacks have to be spaced out by 12 months. So, the next buyback can only be possible in January. We were sitting on some excess cash, which we thought was better to distribute because we are in the learning business, not in the treasury business. So, from that perspective that was the thinking there and absolutely the board will discuss on the buyback whenever it becomes available to us as an option. On the EBITDA, absolutely the focus is to break the barrier that you described. From my perspective, like I described to Sachin on the previous question, we are expecting revenue growth. This business has tremendous operating leverage. So, as revenues grow, margins improve as well. So we're expecting organically the business to register stronger EBITDA in the coming couple of years, but also the acquisitions are a part and parcel of our business. They are not an event for us. We do want to get back to acquiring one business a year, as we used to prior to the pandemic. We want to start hitting that run rate again and there has been a small edit in our acquisition playbook, which is that instead of

looking at distressed assets, we're looking at growing assets that have some inherent financial strength. So, they will be EPS accretive, EBIDTA accretive. So, yes, you can definitely expect us to break the barrier and if we are also able to complete an acquisition, of course that will further advance the goal of getting to a high level of EBIDTA.

Participant: Also I remember that in the past con-call, you had mentioned that apart from our three divisions, we are may be looking out to setup an IT division, so what has been the progress on that and is that contingent on our acquisition?

Rahul Arora: I think we were definitely talking about two possible new segments. One was IT Services and other one was Marketing Communications. Since we last met on the earnings call, while those continue to be longer term plans, we are seeing tremendous opportunity in three segments that we operate in, both organic opportunities where we expect good revenue growth and margin expansion, but also we are seeing many inorganic options play out. Now that we are seeing M&A activity reduced in the space, we tend to be opportunistic buyers. So, we are now seeing a window of opportunity to build scale because we seem to be the only active ones at least in our market place. So, we believe that we have not exhausted these segments just yet. So, at least for the next year or a couple of years, we want to stay focused, continue to build up these segments and then we will re-evaluate if we want to build a fourth and fifth segment, but there's enough opportunity, enough low hanging fruit right now for us to stay focused.

Participant: And lastly, just wanted to understand that we know that in the general IT sector, the wages are going up drastically and the attrition levels are also very high and whereas if we see in our fourth quarter, our employee cost as a percentage of revenue is the lowest in many-many quarters, so is this trend sustainable or do we intend to take some wage-hike in the coming near future?

Rahul Arora: Definitely sustainable. So, we have a few levers that play with us. When we benchmark ourselves to our competition, we definitely have a higher proportion of workforce located in lower cost city centers and that's not just in India, but also in Europe and North America as well. We tend to be in cities that have a lower cost of living, so that is one cost arbitrage lever that we do possess, that we continue to use. So, the diversity of our presence allow us to navigate these local challenges. We expect our manpower efficiency with this manpower cost divided by net revenue to only continue to improve as a result of this lever, even though if we're hit in certain areas because of some local changes like you described and the second of course is this business has tremendous operating leverage. So, as revenue grows, margins only expand. That's another very unique aspect of our business. So, we are not exactly in the IT/ITeS space, we are kind of in that space, but not exactly in that space. So, we possibly have more operating leverage and the third part of it is that we have been in the content space for over five decades. The amount of domain expertise that we possess is far more significant than anybody else in the marketplace. So we're constantly trying to drive automation process and workflow efficiency and to try and reduce the amount of manual touch points in any client workflow and that again gives us the lift in margins. So, that is something we have done on the

content side and now we're trying to also bring that culture and prospective into the e-learning and platform side of our business.

Moderator: Thank you. The next question is from the line of Umang Shah from Sarath Capital AIF. Please go ahead.

Umang Shah: The first question was a bunch of platforms like SSRN, they are all owned by large publishers. You being an independent platform owner in terms of HighWire, does it accrue any advantage to us?

Rahul Arora: Absolutely, tremendous advantage and I can explain why. So, in the beginning when the publishers were acquiring these assets, there was a lot of concern on data protection and privacy because if you are publisher X, suddenly you have access to publisher Y's author data, you have access to the subscriber data, you have access to all their customer data. So, that was a huge concern in the beginning when this trend was taking place. That created some short-term advantage, but what we have seen subsequently is a longer term advantage, which is two things. One, we have seen customers not able to have influence on the product roadmaps because if you are owned by a publisher, as a technology company, your roadmap is going to be governed by that publisher's requirements versus the requirements of a small-medium size publisher or a competing publisher and if you are an independent platform, you obviously take into account all your customers and marketplace requirements when you design a product roadmap and therefore, you are able to be more compelling to the marketplace. So, that was obviously the one aspect that has given us serious long-term advantage in our platform business across the product suite and the second piece of course is, we have been working in publishing for many years now and most of our customers are extremely large and when you are a large organization, the speed and agility with which you can deliver innovation is not at par with what an organization of our size can pull off. So, both in terms of just having a more, if I can call it a democratic roadmap, but also being able to deliver on a roadmap more actively and with speed and efficiency, both of these give us some serious long-term advantages in the platform business.

Umang Shah: If you could talk a bit about your pricing for HighWire, is it dependent on the existing base of articles that you have or a particular publisher or is it based on the inflow that is going to come or is it standardized across the industry?

Rahul Arora: So I will hand it over to John to answer that question.

John: We look at the volume of articles, materials that the publishers are producing. We are also looking at the volume of interactions that they have on their site as matrix in order to help with pricing. That helps to identify the infrastructure that we need to have on the backend in order to support that business. We also project about 10% growth in that volume year-over-year and we have certainly seen that, even higher than that during the COVID season. So, the pricing is very much flexible in terms of the size of the customer and the volume of the content and the activity though their sites as well.

- Umang Shah:** And you don't see open source in academia being a risk to this platform's revenue?
- Rahul Arora:** In fact, if anything, it's a huge opportunity and on the last call, I think someone asked the question where do you see this whole business going, where do you see the whole content business going and this business going, I asked a question back which was in 5 years, do you think there will be more content or less content and the answer obviously is more content. So, as long as there is more content out there, there is more value to be unlocked by us.
- Umang Shah:** You have mentioned a couple of year's back that you want to open Digicore and Think360 similar theme clients also. Is there any success there?
- Rahul Arora:** On the e-Learning side, we have had some interest on our workflow engine called Ampere and so there has been a lot of interest, not too much conversion, although where we have seen conversion is when the corporate e-Learning customers are trying to convert old legacy content to new content standards. So, there we have been able to take a module of Digicore called DigiXML and use that as a conversion engine and basically use that as a way to help large corporates convert their old content into new standards. The commercials have been different, though. Instead of being subscription-based, we have gone more with transaction-based pricing, which is more beneficial for us than the shorter term projects. So, yes, there has been a lot of effort to unlock that synergy, but the short-term outcomes of that is more on the conversion side of our business.
- Moderator:** Thank you. The next question is from the line of Himanshu Upadhyay from O3 Capital. Please go ahead.
- Himanshu Upadhyay:** I had two questions, one on capital allocation. One was you stated that you are going to change the playbook what historically we have played, from distressed companies to more sustainable profitable companies or which are already in profit, what would be the rationale for that and secondly will not it mean we will have to shelve out also much higher values, so some of your thoughts and the size of deals also would be much bigger or smaller you are thinking?
- Rahul Arora:** What we basically looked at our phase that I've called the diversifications phase between 2014 and 2020, when we started this journey, we had finite capabilities. We knew in order to grow, we had to expand the portfolio and create new meaningful capabilities for ourselves as a Company and that's why we were on a hunt to acquire new capabilities in the cheapest way possible and we did that over a 6 to 7 years' period. What we noticed during that phase was every time we took two steps forward, we took one step back because when you acquire the stress asset, it takes about five years for the asset to start becoming a non-distressed asset or at least to start becoming a growing asset. You tend to get to a non-distressed stage about the third year mark and the fifth year mark you start to grow the business, which to a certain point, does two things. One, it distracts the management team from growing the existing business and second it slows you down, which was the whole purpose of going out and completing an acquisition. Now, that we are at this scale, INR 450 crores type of scale and as we look to 2x or 3x scale over the next several years, we believe that the strategy now is for us to look at

businesses that will not only add capabilities, but also be at least EBIDTA positive and at least have some financial strength and we can shape them to be better versus consistently trying to take loss-making companies and turning them around. We want to make sure that we are acquiring businesses that have some inherent financial strength. In terms of valuations, we have a very good case study in MPS, which is for whatever reasons, valued at less than 10x EBIDTA. So, that is like our super sealing to acquire any business with some inherent financial strength. We also know what the multiples are in our space. Yes, the outflow will be higher. We expect that and we are planning for that. In terms of revenue, we are looking at businesses that are at least \$15 million in revenue to \$30 million in revenue in this space and we want them to be EBIDTA positive.

Himanshu Upadhyay: And one more thing, when you said about dividend payout and buybacks and you want to give excess cash, but if there are so many number of deals, why do we want to pay such a high dividend because one thing, which happened in the history of the Company, which left a bad taste was we raised capital and then we were not having those deals or 3 or 4 we were evaluating. So, if we are very sure that M&A is the path for growth for us, why not have less dividends? Buyback, I understand because the value of Company itself is so cheap, we want to have a higher stake or else the shareholders also which I understand, but in case of dividends, why is it so important, just some thoughts on that?

Rahul Arora: Like I said, we examine what we have in terms of how we could possibly deploy this capital over the next 6 to 12 months. We have examined that and we felt that there was excess cash available and in terms of financing, MPS has a very strong balance sheet. I don't think there is any issue with financing for MPS. From my perspective, we continue to look at deals and we do not want to sit on excess cash if something is not available tomorrow. So, like you said, we had done a QIP several years ago, we raised capital and then we just had to sit around waiting for an acquisition to happen because the one big transaction that we were chasing didn't fructify because it was not on our terms. So, we had to wait almost 2 years to complete a decent size acquisition. So we don't want to repeat what we did back in 2015. I think that's what we are trying to do it here.

Himanshu Upadhyay: Two last questions. One small, would we be comfortable with debt to acquire a company and what type of maximum leverage we would like to take on our balance sheet because we are \$30 million type of revenue company, so if we have to shelve out something like \$250 million?

Rahul Arora: I will give a very short answer. We are open to it depending on the specific situation. It has to be based on a specific situation. Currently, we were not facing any such situation, but we are open to the idea.

Himanshu Upadhyay: And when we started this journey of M&A, the major focus was adding more places or adding more capabilities, but how big are the blank spaces currently, means in the end market where we are targeting or doing business, mainly on the publishing this question is, so how big are the blank spaces where we do not have currently the capabilities?

Rahul Arora: There's a lot of white space in the market, like I was sharing in the opening of the call. When we started this journey, our total addressable market was \$2 billion. Today, our total addressable market is \$310 billion and we are INR 450 crores Company. So, there's a lot of white space available.

Rahul Arora: Thank you. The next question is from the line of Umang Shah from **Saad** Capital. Please go ahead.

Umang Shah: In our journal business, there are four parts, if I am not wrong, XML, typesetting, issue makeup and cover, so over the years because of digitization, have we lost on any one part of the business and have we actually increased our portion in one part and how do you think about the journal business for the next 5 to 10 years?

Rahul Arora: Just to correct that those are the stages of journal production. So, it is very rare that a publisher will engage with you on one stage. Increasingly, the trend is to work end-to-end with the supplier. So, you described 4 stages, there's probably 12 and we are one of the few vendor partners that are present across all the stages of journal production. In fact, we have moved very upstream where we are actually working with the authors directly once the manuscript is accepted and in some cases, we are also involved even prior to the acceptance of the manuscript, right at submission stage where we manage the entire peer review process. So, from our perspective, we see this as an end-to-end opportunity. Increasingly, we are seeing, as a result of the pandemic, many of our customers and prospects who are large journal publishers optimizing their supply chain where they want to work with fewer vendor partners that have strong business continuity plans and are able to continue during the events such as the pandemic that we just went through. So, we're seeing a lot more opportunity than we have in the past on the journal side of our business. So, that's one macro event that is taking place. Another event that is taking place is through the acquisition of HighWire, we have acquired relationships with over 100 journal publishers, which we also believe that through a cross-selling initiative, we should be able to sell content services to these 100 odd journal publishers. Because of these two reasons, we are again very bullish about our journal's business and expect FY23 to be the milestone year where we build a new scale for the journals business. So, shorter term, this business will obviously go through a higher clip in revenue growth, but then going forward, will get back to the 10% to 15% revenue growth that we did see in the journal business between 2010 and 2015.

Umang Shah: And any numbers on what the potential revenue pool could be from those 100 publishers on a ballpark basis?

Rahul Arora: It is difficult, depends on the size of the publisher, the smallest would be \$250,000 and the largest could be \$3 million, so it's a huge range. It depends on the size of publisher and how many articles and how many journals they publish?

Umang Shah: And like you mentioned, you are one of the few players who have the end-to-end capabilities in journals business, how many competitors would be there who have that kind of capabilities?

Rahul Arora: A handful.

Moderator: Thank you. The next question is from the line of Rahul Jain from Dolat Capital Markets. Please go ahead.

Rahul Jain: I have just a couple of more questions in terms of trying to understand where the business can go, of course there is no stages kind of an outlook except for one division, but for the e-Learning business, given that the opportunity size is huge and we just want to understand how you plan to scale up this business to the next level? You think most of the challenges that you had related to mix or kind of the client composition, are those behind you and now we can see a continual growth path for this kind of a business and do you see any challenge from the macro turning bad at this point to come as a challenge for this segment in the coming quarters?

Rahul Arora: A couple of things, on the overall size of the Company, we definitely want to double or triple MPS over the next few years that is our goal in terms of the scale of the business. Now where do we land between those two ends of the spectrum, time will tell, but that is definitely the goal. We want to in that range. In terms of our e-Learning business, we expect that till we get to \$30 million in revenue, we have a very clear line of sight on delivery, on client profile, on market share, what capabilities do we need, etc., so we are pretty comfortable till there. Our next planning would be how do we get and we have already started to do that already because it is going to take us some time to build that capability, which is we want to start to get into managed services, which is where a company like NIIT Limited for example is sitting at where you outsource the entire learning and development function to a company like MPS Interactive. We want to get to that managed service play. We feel that currently we want to focus on building this business on the organic side through the capabilities we currently possess. We are examining inorganic plays to build that capability and if we're not able to build that capability till we get to \$30 million in revenue, we will also start to pursue organic initiatives, but that's definitely a play that we want to make. In terms of all the challenges we had, we did have many challenges in the acquisitions that we made back in 2018. We have turned a corner this past year and the order book looks strong, the pipeline looks strong. So, we are feeling very confident in terms of us being able to not only sustain the momentum, but accelerate the momentum in the e-Learning business. In terms of the macro, what we have seen from the history whether it was 2008-09 recession or the dot-com bubble, at least internationally, companies tend to invest in learning and development during downward cycle. So, there is almost an inverse relationship between learning and development and how the economy is doing. Whether it's higher ed or it's just learning and development in large corporates, there tends to be a lot of investment that tends to take place. So, we are not concerned about the macro indicators. In fact, if anything, it could be an upside for us. So, again, time will tell.

Rahul Jain: And the next question is related to content side. Of course, you said in one of the response that the content over time is only going to increase, but from a pure publication, I think you were alluding in one of your earlier call that because of COVID-19, there is far more research,

which is happening right now, so is there that kind of a tailwind, which we may not see in the immediate future or as of now you think, there is no such risk?

Rahul Arora: There are two parts of our content business, there is research and there is education. On the research side what we've seen is two things happen. One, there is just more research being published organically and it has got nothing to do with COVID because it's continued into 2022 and is projected to continue to 2023 as well. So, it just seems to be the new normal where research is going to grow at this clip. All the industry experts have confirmed that. So, we expect that tailwind to continue over the next two or three years because that's what has been confirmed to us by our customers and by the market players and the second piece as an outcome of the pandemic is consolidation of the supply chain and vendor consolidation, so more work and more volumes are being parked with fewer vendors. So, that's making us bullish about the research space. On the education space, as the first question was from Sachit on a question about digital education and how the market is supposed to significantly grow, we're trying to unlock that synergy through the combination of capabilities between our education business as well as our e-Learning business and trying to build out a new business unit. To pursue that growth, our education practice has delivered strong growth over the last three years. We expect that level of growth to continue, but just in a different way and hopefully margin accretive because digital revenue tends to be always at higher margin than print revenue.

Rahul Jain: Just one last clarification, I think you said somewhere that in platform, you plan to stay where you are, so this was more from a Q4 run rate point of view or FY22 full year basis?

Rahul Arora: Q4 run rate.

Moderator: Thank you. The next question is from the line of Manjeet from Solidarity Investments. Please go ahead.

Manjeet: I wanted to understand after a long time we have seen a lot of confidence from the management team on the e-Learning side and the growth aspect, what is driving this confidence and if you could also share some insights into whether it is a short-term thing coming on the back of a lean two years or you think it's more structural if you take more three to five years?

Rahul Arora: I think there is a macro element to this, which is the market size is increasing. COVID has made digital learning a norm. Classroom training and that kind of training has almost disappeared and as a result of that, any business that is in the e-learning space is seeing this type of growth and it's not just us, everyone is growing. So, there is a macro element to this, which is that the market has tailwinds. In terms of if it is sustainable, all the industry reports, all the experts, at least all the Fiverr reports point out that this CAGR is only going to increase. So, we are feeling very confident about the macro and with respect to us as an organization, I guess our big goal is how do we arrive at a premium growth rate compared to the 10% to 15% growth the market is growing at and yes there is a small base effect here, which is giving us in

the short-term a pretty significant lift. Having said that, I think we have solved for many challenges during 2020 that is now giving us dividend in the current financial and the next financial, which is we have been able to reduce our customer concentration risk. Prior to the pandemic, 75% of the revenue in this segment was coming from our top 10 customers. Today we are closer to 60% and heading towards 50% in terms of our customer concentration in the e-Learning business. So, that is one big-big change that has happened because of acquisition of new logos essentially. They have now become large accounts. The second piece of it is a large part of this business is project based. We have sorted out any issues with delivery or quality or operations in a very meaningful way, allowing for reliable and predictable delivery in such a way where a lot of our customers are now moving from project-based engagements to more recurring based engagements where they are committing to a voluminous spend over a two to three year period versus looking at things project by project. So that has been a big shift, project-based revenue to recurring-based revenue and the third has been that on the inorganic side, there are a lot more opportunities available than there were two years ago. Why that is, I am not the expert on M&A, but I definitely see many more IMs in deck than I used to two years ago. So, there is a lot more opportunity available and there doesn't seem to be too many buyers out there either. So, these three factors are giving us a lot of confidence and we are very bullish about the e-Learning space.

Manjeet: One follow up on this, do we build inorganic acquisitions when we do our revenue budgeting for the year?

Rahul Arora: No, we don't.

Manjeet: Another question, this current management team obviously took over MPS and has obviously scaled it up well since 2012-13 post that. I wanted to get some idea on history of recessionary environment in the US and Europe and their impact on this industry and this business line, if you could share some insights because the management team has not really seen a recessionary environment and I am not sure whether there is a strong correlation between that and our line of business, but some insights there would help us.

Rahul Arora: The management team has definitely seen a recessionary environment. We may not have been reporting it as MPS, but all of us have been through that hell in 2008-09 in different capacities. Two of us were on the publishing side and we saw what that meant for the business. Some of us were on Financial Services, some of us were in the Energy sector. So, everyone has seen it. I think what's different here is Learning is one of the few markets like Healthcare, I would not it recession proof, but I would definitely say that we don't see the same type of impact that some of the other sectors see. In fact, if anything, learning tends to pick up more because corporates tend to invest more in learning in downturns and many people return back to higher education in recessions as well. So, this management team has definitely seen, felt and we have lived in 2008-09 recession and the dot-com bubble, but in a different context, and the learning context, we don't feel that it's going to be that significant an issue for us but of course if something does take place, we are a very highly adaptable management team and we will manage the business accordingly.

Manjeet: I have some follow ups that I will those offline. One final question from my end is, from your perspective, you are lead of this company now from a few years, but just to get a sense longer run, is your motive to scale this up as far as possible or if there was an offer on table tomorrow for someone to acquire MPS, would you be willing to consider that, just aligning with the promoters perspective is where this question is coming from?

Rahul Arora: I think we are too small right now to think about anything like that because we are interested in building serious scale for this business and like I said, there is a lot of low hanging fruit and MPS has not unlocked itself to its true potential. I think till we get to \$200 to \$300 million, we are not there yet. I think \$200 to \$300 million is we actually have a competitor of that scale. We at least have two competitors of that scale and they are only in one our business segments. So, we are operating in three business segments and we have two competitors in 1 business segment and similarly in the platform segment and the other segments as well. So, there is a massive opportunity available here and we want to make sure we unlock that opportunity. Having said that, of course, we understand that we also have inorganic aspirations and we don't feel that this is going to be a pure organic story. This is going to be a blend of inorganic and organic and we are, at some point going, to also be looking at financing options if the right acquisition opportunity presents itself or a series of acquisition opportunities present themselves. So, financing is definitely something that whether its equity or debt, it's something that would potentially be worked out, but it is definitely something that we will entertain.

Moderator: Thank you. The next question is from now Rahul Jain from Dolat Capital. Please go ahead.

Rahul Jain: Since you have changed your acquisition mindset from distress to growth kind of a Company, even from an organic point of view, would you even consider going for a far more aggressive pricing kind of a methodology wherein you could get far more volume given that you are making huge margin on your business, so will that be also strategy to drive growth?

Rahul Arora: We are trading at less than 10x. Any acquisition less than 10 times, it's not really aggressive. There is no case for us to value a company more than MPS in terms of a multiple with the breadth of capabilities that we possess and the margin profile that we have and the predictable revenue that we possess. So, from my perspective, at this current juncture, we should be able to also acquire businesses in our space and I won't call it aggressive pricing, I would say it compelling pricing kind of a win-win for both sides.

Rahul Jain: I was more asking this from a business volume perspective where like in the content kind of a business, would you be open to far more aggressive pricing to get more volume from your peers?

Rahul Arora: Absolutely, in specific lines of our business, we are pursuing a price warrior strategy, which is especially in our research business, whether it is the research content business because we have got lower cost than most of the competitors. In fact, all our competitors, we have got a lower cost base. We are using that to our advantage. We have also got fortunately a significantly depreciating Rupee, that is also giving us an additional advantage. So, we plan to use that to

build market share in our research content business, specifically the journals production business and that's one of the reasons why we are seeing the growth that we're seeing in that business. The second place that we are planning to also introduce this strategy is our HighWire/platform business where we are not looking to perform the role of a price warrior necessarily, but we are definitely looking to undercut some of our competition that has a higher cost structure because they are entirely US or European based. We have had some success already. We have won at least three logos through this approach over the last six months where we have used this approach for the platform business and acquired new customers using this approach. So, yes, absolutely we are using that approach.

Moderator: Thank you very much. As there are no further questions, I would now hand the conference over to Mr. Rahul Arora for closing comments.

Rahul Arora: Thank you everyone, and I look forward to all your wonderful support and patience like you have extended in the past for the next phase of our journey, which is about building serious scale. Thank you.

Moderator: Thank you very much. On behalf of MPS Limited that concludes this conference. Thank you for joining us. You may now disconnect your lines.