WNS Announces Fiscal 2023 Second Quarter Earnings, Revises Full Year Guidance

NEW YORK, NY and MUMBAI, INDIA, October 20, 2022 -- WNS (Holdings) Limited (WNS) (NYSE: WNS), a leading provider of global Business Process Management (BPM) solutions, today announced results for the fiscal 2023 second quarter ended September 30, 2022.

Highlights – Fiscal 2023 Second Quarter:

GAAP Financials

- **Revenue of $307.1 million, up 12.2% from $273.6 million in Q2 of last year and up 4.0% from $295.3 million last quarter**
- **Profit of $33.2 million, compared to $32.1 million in Q2 of last year and $33.1 million last quarter**
- **Diluted earnings per ADS of $0.66, compared to $0.64 in Q2 of last year and $0.65 last quarter**

Non-GAAP Financial Measures*

- **Revenue less repair payments of $289.3 million, up 13.7% from $254.4 million in Q2 of last year and up 5.3% from $274.8 million last quarter**
- **Adjusted Net Income (ANI) of $46.6 million, compared to $43.1 million in Q2 of last year and $45.9 million last quarter**
- **Adjusted diluted earnings per ADS of $0.93, compared to $0.86 in Q2 of last year and $0.90 last quarter**

Other Metrics

- **Added 9 new clients in the quarter, expanded 21 existing relationships**
- **Days sales outstanding (DSO) at 30 days**
- **Global headcount of 57,503 as of September 30, 2022**

Reconciliations of the non-GAAP financial measures discussed below to our GAAP operating results are included at the end of this release. See also “About Non-GAAP Financial Measures.”

Revenue in the second quarter was $307.1 million, representing an increase of 12.2% versus Q2 of last year and an increase of 4.0% from the previous quarter. Revenue less repair payments* in the second quarter was $289.3 million, an increase of 13.7% year-over-year and 5.3% sequentially. Excluding exchange rate impacts, constant currency revenue less repair payments* in the fiscal second quarter was up 20.4% versus Q2 of last year and 8.2% sequentially. Year-over-year, fiscal Q2 revenue improved as a result of our new client additions, the expansion of existing relationships, our acquisition of Vuram, and increased travel volume which more than offset currency movements net of hedging. Sequentially, growth driven by broad-based revenue momentum, our acquisition of Vuram, and increased travel volume was partially offset by currency movements net of hedging.

Profit in the fiscal second quarter was $33.2 million, as compared to $32.1 million in Q2 of last year and $33.1 million in the previous quarter. Year-over-year, profit increased as a result of revenue growth, improved productivity, favorable currency movements net of hedging, and a lower effective tax rate. These benefits more than offset the impact of wage increases, increased return-to-office costs, higher share-based compensation expense, and increased amortization of intangibles associated with our acquisition of Vuram. Sequentially, Q2 profit increased as a result of revenue growth, reduced share-based compensation expense, and a lower effective tax rate. These benefits were partially offset by increased amortization of intangibles associated with our acquisition of Vuram, wage increases, increased return-to-office costs, higher SG&A expenses driven by compensation costs and the timing of investments, and additional interest expense.

Adjusted net income (ANI)* in Q2 was $46.6 million, as compared to $43.1 million in Q2 of last year and $45.9 million in the previous quarter. Explanations for the ANI* movements on a year-over-year and sequential basis are the same as

* See “About Non-GAAP Financial Measures” and the reconciliations of the historical non-GAAP financial measures to our GAAP operating results at the end of this release.

described for GAAP profit above with the exception of amortization of intangible expenses, share-based compensation costs and associated tax impacts, which are excluded from ANI*.

From a balance sheet perspective, WNS ended Q2 with $265.3 million in cash and investments and $79.5 million in debt. In the second quarter, the company generated $34.5 million in cash from operations and incurred $7.9 million in capital expenditures. In addition, the company paid net $144.2 million towards our acquisition of Vuram, repaid $31.7 million of short-term debt, and took out an $80.0 million term loan for general corporate purposes. WNS also repurchased 358,382 ADSs at an average price of $77.78 per ADS, which impacted Q2 cash by $30.4 million. Second quarter days sales outstanding were 30 days, as compared to 31 days reported in Q2 of last year and 29 days in the previous quarter.

"Our second quarter financial results continue to demonstrate the strength and resiliency in our business model in the midst of a challenging macro environment," said Keshav Murugesh, WNS' Chief Executive Officer. "Our ability to deliver technology-led transformation and to help our clients improve their competitive positioning while reducing cost is generating strong, broad-based demand with both new and existing customers. WNS intends to continue investing in enhancing our capabilities, including digital and analytics, to ensure we meet the expanding requirements of the BPM market."

Fiscal 2023 Guidance

WNS is updating guidance for the fiscal year ending March 31, 2023, as follows:

- Revenue less repair payments* is expected to be between $1,110 million and $1,150 million, up from $1,026.8 million in fiscal 2022. Guidance includes 9 months of revenue from Vuram and assumes an average GBP to USD exchange rate of 1.12 for the remainder of fiscal 2023.
- ANI* is expected to range between $186 million and $196 million versus $174.8 million in fiscal 2022. Guidance assumes an average USD to INR exchange rate of 82.0 for the remainder of fiscal 2023.
- Based on a diluted share count of 50.6 million shares, the company expects fiscal 2023 adjusted diluted earnings* per ADS to be in the range of $3.68 to $3.87 versus $3.41 in fiscal 2022.

"The company has updated our forecast for fiscal 2023 based on current visibility levels and exchange rates," said Sanjay Puria, WNS' Chief Financial Officer. "Our guidance for the full year reflects growth in revenue less repair payments* of 8% to 12%, or 14% to 18% on a constant currency* basis. This includes approximately 2% inorganic growth related to our acquisition of Vuram. We currently have 98% visibility to the midpoint of the range, consistent with October guidance in previous years. For the year, we expect capital expenditures of up to $40 million."

Conference Call

WNS will host a conference call on October 20, 2022, at 8:00 am (Eastern) to discuss the company's quarterly results. To access the call in "listen-only" mode, please join live via the company's investor relations website at ir.wns.com. For call participants, please register using this online form to receive your dial-in number and unique PIN/passcode which can be used to access the call. A replay of the webcast will be archived on the company website at ir.wns.com.

About WNS

WNS (Holdings) Limited (NYSE: WNS) is a leading Business Process Management (BPM) company. WNS combines deep industry knowledge with technology, analytics, and process expertise to co-create innovative, digitally led transformational solutions with over 400 clients across various industries. WNS delivers an entire spectrum of BPM solutions including industry-specific offerings, customer experience services, finance and accounting, human resources, procurement, and research and analytics to re-imagine the digital future of businesses. As of September 30, 2022, WNS had 57,503 professionals across 60 delivery centers worldwide including facilities in Canada, China, Costa Rica, India, the Philippines, Poland, Romania, South Africa, Spain, Sri Lanka, Turkey, the United Kingdom, and the United States. For more information, visit www.wns.com.

Safe Harbor Statement

This release contains forward-looking statements, as defined in the safe harbor provisions of the US Private Securities Litigation Reform Act of 1995. These forward-looking statements are based on our current expectations and assumptions about our Company and our industry. Generally, these forward-looking statements may be identified by the use of terminology such as "anticipate," "believe," "estimate," "expect," "intend," "will," "seek," "should" and similar expressions. These statements include, among other things, expressed or implied forward-looking statements relating to discussions of our strategic initiatives and the expected resulting benefits, our growth opportunities, industry environment, our expectations concerning our future financial performance and growth potential, including our fiscal 2023 guidance, future profitability, our expectations regarding the benefits from our acquisition of Vuram (including the impact of Vuram on our results of operations), and expected foreign currency exchange rates. Forward-looking statements inherently involve risks and uncertainties that could cause actual results to differ materially from those expressed or implied by such statements. Such risks and uncertainties include but are not limited to worldwide economic and business conditions, our dependence on a limited number of clients in a limited number of industries; the impact of the ongoing COVID-19 pandemic on our and our clients' business, financial condition, results of operations and cash flows; currency fluctuations; political or economic instability in the jurisdictions where we have operations; regulatory, legislative and judicial developments; increasing competition in the BPM industry; technological innovation; our liability arising from fraud or unauthorized disclosure of sensitive or confidential client and customer data; telecommunications or technology disruptions; our ability to attract and retain clients; negative public reaction in the US or the UK to offshore outsourcing; our ability to collect our receivables from, or bill our unbilled services to our clients; our ability to expand our business or effectively manage growth; our ability to hire and retain enough sufficiently trained employees to support our operations; the effects of our different pricing strategies or those of our competitors; our ability to successfully consummate, integrate and achieve accretive benefits from our strategic acquisitions (including Vuram), and to successfully grow our revenue and expand our service offerings and market share; future regulatory actions and conditions in our operating areas; and our ability to manage the impact of climate change on our business. These and other factors are more fully discussed in our most recent annual report on Form 20-F and subsequent reports on Form 6-K filed with or furnished to the US Securities and Exchange Commission (SEC) which are available at www.sec.gov. We caution you not to place undue reliance on any forward-looking statements. Except as required by law, we do not undertake to update any forward-looking statements to reflect future events or circumstances.

References to "$" and "USD" refer to the United States dollars, the legal currency of the United States; references to "GBP" refer to the British pound, the legal currency of Britain; and references to "INR" refer to Indian Rupees, the legal currency of India. References to GAAP refers to International Financial Reporting Standards, as issued by the International Accounting Standards Board (IFRS).

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WNS (HOLDINGS) LIMITED
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(Unaudited, amounts in millions, except share and per share data)

	Three months ended		
	Sep 30, 2022	Sep 30, 2021	Jun 30, 2022
Revenue	$ 307.1	$ 273.6	$ 295.3
Cost of revenue	203.0	180.8	198.4
Gross profit	104.1	92.8	97.0
Operating expenses:			
Selling and marketing expenses	16.0	14.0	14.2
General and administrative expenses	43.1	36.2	40.4
Foreign exchange (gain), net	(1.6)	(1.4)	(1.9)
Amortization of intangible assets	5.3	2.8	3.0
Operating profit	41.3	41.3	41.3
Other income, net	(3.1)	(2.5)	(3.4)
Finance expense	4.0	3.4	3.2
Profit before income taxes	40.4	40.4	41.4
Income tax expense	7.2	8.2	8.4
Profit after tax	$ 33.2	$ 32.1	$ 33.1
Earnings per share of ordinary share			
Basic	$ 0.69	$ 0.66	$ 0.68
Diluted	$ 0.66	$ 0.64	$ 0.65

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WNS (HOLDINGS) LIMITED
CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Unaudited, amounts in millions, except share and per share data)

	As at Sep 30, 2022	As at Mar 31, 2022
ASSETS		
Current assets:		
Cash and cash equivalents	$ 78.4	$ 108.2
Investments	112.2	211.4
Trade receivables, net	103.4	100.5
Unbilled revenue	95.1	87.0
Funds held for clients	9.3	11.6
Derivative assets	16.3	10.4
Contract assets	9.7	10.2
Prepayments and other current assets	33.0	28.8
Total current assets	457.3	568.1
Non-current assets:		
Goodwill	225.3	123.5
Intangible assets	114.0	65.4
Property and equipment	44.2	49.3
Right-of-use assets	156.0	142.6
Derivative assets	6.0	3.2
Investments	74.7	93.4
Contract assets	41.9	39.8
Deferred tax assets	35.8	34.8
Other non-current assets	46.2	44.3
Total non-current assets	744.0	596.4
TOTAL ASSETS	**$ 1,201.4**	**$ 1,164.5**
LIABILITIES AND EQUITY		
Current liabilities:		
Trade payables	$ 22.6	$ 27.8
Provisions and accrued expenses	33.7	36.8
Derivative liabilities	18.5	6.0
Pension and other employee obligations	81.1	105.8
Current portion of long-term debt	15.8	—
Contract liabilities	13.6	13.7
Current taxes payable	3.4	2.3
Lease liabilities	23.1	27.0
Other liabilities	25.5	11.4

Total current liabilities	237.4	230.7
Non-current liabilities:		
Derivative liabilities	2.7	0.8
Pension and other employee obligations	17.6	16.2
Long-term debt	63.7	—
Contract liabilities	9.4	13.3
Other non-current liabilities	7.4	0.1
Lease liabilities	154.5	140.0
Deferred tax liabilities	21.6	9.3
Total non-current liabilities	276.8	179.8
TOTAL LIABILITIES	$ 514.2	$ 410.5
Shareholders' equity:		
Share capital (ordinary shares $0.16 (10 pence) par value, authorized 60,000,000 shares; issued: 49,109,708 shares and 48,849,907 shares; each as at September 30, 2022 and March 31, 2022, respectively)	7.8	7.8
Share premium	137.1	110.3
Retained earnings	882.7	818.4
Other reserves	4.6	2.7
Other components of equity	(263.5)	(185.1)
Total shareholders' equity including shares held in treasury	$ 768.8	$ 754.0
Less: 1,100,000 shares as at September 30, 2022 and Nil shares as at March 31, 2022, held in treasury, at cost	(81.6)	—
Total shareholders' equity	$ 687.1	$ 754.0
TOTAL LIABILITIES AND EQUITY	**$ 1,201.4**	**$ 1,164.5**

About Non-GAAP Financial Measures

The financial information in this release includes certain non-GAAP financial measures that we believe more accurately reflect our core operating performance. Reconciliations of these non-GAAP financial measures to our GAAP operating results are included below. A more detailed discussion of our GAAP results is contained in "Part I – Item 5. Operating and Financial Review and Prospects" in our annual report on Form 20-F filed with the SEC on May 17, 2022.

For financial statement reporting purposes, WNS has two reportable segments: WNS Global BPM and WNS Auto Claims BPM. Revenue less repair payments is a non-GAAP financial measure that is calculated as (a) revenue less (b) in the auto claims business, payments to repair centers for "fault" repair cases where WNS acts as the principal in its dealings with the third party repair centers and its clients. WNS believes that revenue less repair payments for "fault" repairs reflects more accurately the value addition of the business process management services that it directly provides to its clients. For more details, please see the discussion in "Part I – Item 5. Operating and Financial Review and Prospects – Overview" in our annual report on Form 20-F filed with the SEC on May 17, 2022.

Constant currency revenue less repair payments is a non-GAAP financial measure. We present constant currency revenue less repair payments so that revenue less repair payments may be viewed without the impact of foreign currency exchange rate fluctuations, thereby facilitating period-to-period comparisons of business performance.

Constant currency revenue less repair payments is presented by recalculating prior period's revenue less repair payments denominated in currencies other than in US dollars using the foreign exchange rate used for the latest period, without taking into account the impact of hedging gains/losses. Our non-US dollar denominated revenues include, but are not limited to, revenues denominated in pound sterling, South African rand, Australian dollar and Euro.

WNS also presents or discusses (1) adjusted operating margin, which refers to adjusted operating profit (calculated as operating profit / (loss) excluding goodwill impairment, share-based expense and amortization of intangible assets) as a percentage of revenue less repair payments, (2) ANI, which is calculated as profit excluding goodwill impairment, share-based expense and amortization of intangible assets and including the tax effect thereon, (3) Adjusted net income margin, which refers to ANI as a percentage of revenue less repair payments, (4) net cash, which refers to cash and cash equivalents plus investments less long-term debt (including the current portion) and other non-GAAP financial measures included in this release as supplemental measures of its performance. WNS presents these non-GAAP financial measures because it believes they assist investors in comparing its performance across reporting periods on a consistent basis by excluding items that are non-recurring in nature and those it believes are not indicative of its core operating performance. In addition, it uses these non-GAAP financial measures (i) as a factor in evaluating management's performance when determining incentive compensation and (ii) to evaluate the effectiveness of its business strategies. These non-GAAP financial measures are not meant to be considered in isolation or as a substitute for WNS' financial results prepared in accordance with IFRS.

The company is not able to provide our forward-looking GAAP revenue, profit and earnings per ADS without unreasonable efforts for a number of reasons, including our inability to predict with a reasonable degree of certainty the payments to repair centers, our future share-based compensation expense under IFRS 2 (Share Based payments), amortization of intangibles associated with future acquisitions, goodwill impairment and currency fluctuations. As a result, any attempt to provide a reconciliation of the forward-looking GAAP financial measures (revenue, profit, earnings per ADS) to our forward-looking non-GAAP financial measures (revenue less repair payments*, ANI* and Adjusted diluted earnings* per ADS, respectively) would imply a degree of likelihood that we do not believe is reasonable.

Reconciliation of revenue (GAAP) to revenue less repair payments (non-GAAP) and constant currency revenue less repair payments (non-GAAP)

	Three months ended			Three months ended Sep 30, 2022 compared to	
	Sep 30, 2022	Sep 30, 2021	Jun 30, 2022	Sep 30, 2021	Jun 30, 2022
	(Amounts in millions)			(% growth)	
Revenue (GAAP)	$ 307.1	$ 273.6	$ 295.3	12.2%	4.0%
Less: Payments to repair centers	17.8	19.2	20.5	(7.3%)	(13.3%)
Revenue less repair payments (non-GAAP)	$ 289.3	$ 254.4	$ 274.8	13.7%	5.3%
Exchange rate impact	0.0	(14.1)	(7.4)		
Constant currency revenue less repair payments (non-GAAP)	$ 289.3	$ 240.3	$ 267.4	20.4%	8.2%

Reconciliation of cost of revenue (GAAP to non-GAAP)

	Three months ended		
	Sep 30, 2022	Sep 30, 2021	Jun 30, 2022
	(Amounts in millions)		
Cost of revenue (GAAP)	$ 203.0	$ 180.8	$ 198.4
Less: Payments to repair centers	17.8	19.2	20.5
Less: Share-based compensation expense	2.0	1.5	2.1
Adjusted cost of revenue (excluding payment to repair centers and share-based compensation expense) (non-GAAP)	$ 183.2	$ 160.2	$ 175.8

Reconciliation of gross profit (GAAP to non-GAAP)

	Three months ended		
	Sep 30, 2022	Sep 30, 2021	Jun 30, 2022
	(Amounts in millions)		
Gross profit (GAAP)	$ 104.1	$ 92.8	$ 97.0
Add: Share-based compensation expense	2.0	1.5	2.1
Adjusted gross profit (excluding share-based compensation expense) (non-GAAP)	$ 106.1	$ 94.3	$ 99.1

	Three months ended		
	Sep 30, 2022	Sep 30, 2021	Jun 30, 2022
Gross profit as a percentage of revenue (GAAP)	33.9%	33.9%	32.8%
Adjusted gross profit (excluding share-based compensation expense) as a percentage of revenue less repair payments (non-GAAP)	36.7%	37.0%	36.0%

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Reconciliation of selling and marketing expenses (GAAP to non-GAAP)

	Three months ended		
	Sep 30, 2022	Sep 30, 2021	Jun 30, 2022
	(Amounts in millions)		
Selling and marketing expenses (GAAP)	$ 16.0	$ 14.0	$ 14.2
Less: Share-based compensation expense	1.6	1.3	1.7
Adjusted selling and marketing expenses (excluding share-based compensation expense) (non-GAAP)	$ 14.4	$ 12.7	$ 12.5

	Three months ended		
	Sep 30, 2022	Sep 30, 2021	Jun 30, 2022
Selling and marketing expenses as a percentage of revenue (GAAP)	5.2%	5.1%	4.8%
Adjusted selling and marketing expenses (excluding share-based compensation expense) as a percentage of revenue less repair payments (non-GAAP)	5.0%	5.0%	4.6%

Reconciliation of general and administrative expenses (GAAP to non-GAAP)

	Three months ended		
	Sep 30, 2022	Sep 30, 2021	Jun 30, 2022
	(Amounts in millions)		
General and administrative expenses (GAAP)	$ 43.1	$ 36.2	$ 40.4
Less: Share-based compensation expense	8.9	8.7	9.9
Adjusted general and administrative expenses (excluding share-based compensation expense) (non-GAAP)	$ 34.2	$ 27.5	$ 30.5

	Three months ended		
	Sep 30, 2022	Sep 30, 2021	Jun 30, 2022
General and administrative expenses as a percentage of revenue (GAAP)	14.0%	13.2%	13.7%
Adjusted general and administrative expenses (excluding share-based compensation expense) as a percentage of revenue less repair payments (non-GAAP)	11.8%	10.8%	11.1%

Reconciliation of operating profit (GAAP to non-GAAP)

	Three months ended		
	Sep 30, 2022	**Sep 30, 2021**	**Jun 30, 2022**
	(Amounts in millions)		
Operating profit (GAAP)	$ 41.3	$ 41.3	$ 41.3
Add: Share-based compensation expense	12.6	11.4	13.7
Add: Amortization of intangible assets	5.3	2.8	3.0
Adjusted operating profit (excluding share-based compensation expense and amortization of intangible assets) (non-GAAP)	$ 59.1	$ 55.5	$ 57.9

	Three months ended		
	Sep 30, 2022	**Sep 30, 2021**	**Jun 30, 2022**
Operating profit as a percentage of revenue (GAAP)	13.4%	15.1%	14.0%
Adjusted operating profit (excluding share-based compensation expense and amortization of intangible assets) as a percentage of revenue less repair payments (non-GAAP)	20.4%	21.8%	21.1%

Reconciliation of profit (GAAP) to ANI (non-GAAP)

	Three months ended		
	Sep 30, 2022	**Sep 30, 2021**	**Jun 30, 2022**
	(Amounts in millions)		
Profit after tax (GAAP)	$ 33.2	$ 32.1	$ 33.1
Add: Share-based compensation expense	12.6	11.4	13.7
Add: Amortization of intangible assets	5.3	2.8	3.0
Less: Tax impact on share-based compensation expense[(1)]	(3.1)	(2.5)	(3.1)
Less: Tax impact on amortization of intangible assets[(1)]	(1.3)	(0.8)	(0.7)
Adjusted Net Income (excluding share-based compensation expense and amortization of intangible assets, including tax effect thereon) (non-GAAP)	$ 46.6	$ 43.1	$ 45.9

[(1)] The company applies GAAP methodologies in computing the tax impact on its non-GAAP ANI adjustments (including amortization of intangible assets and share-based compensation expense). The company's non-GAAP tax expense is generally higher than its GAAP tax expense if the income subject to taxes is higher considering the effect of the items excluded from GAAP profit to arrive at non-GAAP profit.

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	Three months ended		
	Sep 30, 2022	Sep 30, 2021	Jun 30, 2022
Profit after tax as a percentage of revenue (GAAP)	10.8%	11.7%	11.2%
Adjusted net income (excluding share-based compensation expense and amortization of intangible assets, including tax effect thereon) as a percentage of revenue less repair payments (non-GAAP)	16.1%	17.0%	16.7%

Reconciliation of basic earnings per ADS (GAAP to non-GAAP)

	Three months ended		
	Sep 30, 2022	Sep 30, 2021	Jun 30, 2022
Basic earnings per ADS (GAAP)	$ 0.69	$ 0.66	$ 0.68
Add: Adjustment of share-based compensation expense and amortization of intangible assets	0.37	0.29	0.34
Less: Tax impact on share-based compensation expense and amortization of intangible assets	(0.09)	(0.06)	(0.08)
Adjusted basic earnings per ADS (excluding share-based compensation expense and amortization of intangible assets, including tax effect thereon) (non-GAAP)	$ 0.97	$ 0.89	$ 0.94

Reconciliation of diluted earnings per ADS (GAAP to non-GAAP)

	Three months ended		
	Sep 30, 2022	Sep 30, 2021	Jun 30, 2022
Diluted earnings per ADS (GAAP)	$ 0.66	$ 0.64	$ 0.65
Add: Adjustments for share-based compensation expense and amortization of intangible assets	0.36	0.28	0.33
Less: Tax impact on share-based compensation expense and amortization of intangible assets	(0.09)	(0.06)	(0.08)
Adjusted diluted earnings per ADS (excluding share-based compensation expense and amortization of intangible assets, including tax effect thereon) (non-GAAP)	$ 0.93	$ 0.86	$ 0.90