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November 14, 2022

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Subject: Transcript of Investors Call – November 10, 2022

Script Code: BSE – 500304; NSE – NIITLTD

Dear Sir,

Pursuant to the requirement of Regulation 30 read with Part A of Schedule III of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed herewith Transcript of Investors Call organized on November 10, 2022 on acquisition of St. Charles Consulting Group, which was completed on November 4, 2022.

The same shall be available on our website and can be accessed through below mentioned link:
<https://www.niit.com/india/training/investors/Pages/Acquisition-of-St-Charles-Consulting-Group-2022.aspx>.

This is for your information and records.

Thanking you,
Yours sincerely,
For **NIIT Limited**

Deepak Bansal
Company Secretary &
Compliance Officer

Encls : a/a



“NIIT Limited Conference Call to Discuss the
Acquisition of St. Charles Consulting Group”

November 10, 2022



**MANAGEMENT: MR. VIJAY THADANI – NIIT LIMITED
MR. SAPNESH LALLA – NIIT LIMITED**

Vijay Thadani:

Thank you very much for joining this call this morning which has been organized at a short notice, but there was tremendous interest in the investor community on the latest acquisition that we have made of St. Charles Consulting Group, there were certain clarifications that we wanted to give as well as answer questions and also explain the transaction in much more in detail. This meeting is being recorded and it has to become a part of the transcript as per the regulations and to that extent we would also have the transcript available at the end of the meeting, and it will be updated on the website. So, without further ado I would hand you over to Sapnesh Lalla who will take us through a short slide presentation which explains the rationale of the deal as to how we are going about it and the whole earn of structure. So, with that over to you, Sapnesh.

Sapnesh Lalla:

Thanks Vijay and thanks everyone for joining. We appreciate your time and interest in NIIT and the inorganic activity that NIIT is pursuing. This discussion is specifically around the acquisition of St. Charles Consulting Group a company based out of Illinois near Chicago. The company as I mentioned is based near Chicago in Illinois in the United States. The company serves 12 out of the 15 top global management and strategy consulting companies globally. It has a long standing and trusted relationship with his customers, some of their customers have been with them for upwards of 10 years or 12 years. The company has been in operations for 20 years overall. They are seen as a strategic learning partner to the global strategy and management consulting companies these include the top four and others. St. Charles Consulting Group has a network of 500 management strategy and learning consultants in their consultant network and several of them are used on different projects depending on the skillset and the requirements of the projects. Their solution use a number of different practices that they have, but overall, their solutions are targeted to creating strategic learning interventions for their key customers.

As I have mentioned to you in the past when NIIT inorganic strategy focuses on adding new capability, new markets and new geographies are to its existing portfolio of offering. The St. Charles acquisition adds a new market segment to NIIT's list of customers or list of market segment. The market segment of management and strategy consulting firms this market segment is known to spent significantly more than average on L&D. They spent approximately 2.5 times on L&D as compared to average Fortune 1,000 companies. It also creates a new capability for NIIT, by way of which NIIT would get a seat the table when strategic learning interventions show up for an organization. Fortune 1,000 organizations are looking at strategic learning interventions and NIIT would have a seat at the table and have the capability to create and deliver those.

As I have mentioned in the past talent and talent transformation is in the top five agenda items for every CEO and this additional capability will give us significant strength and create distance between NIIT and its competitors as we look at large annuity relationship with our global customers and global prospects. This is a slightly more detailed view of what I just said so as you can see it adds a new market segment as well as a new capability for NIIT. From a financial perspective the company did approximately \$21 million in calendar year 2021. This was up 57% year-on-year. Predominantly on the back of pent-up demand with their customers.

The company expects to continue to grow at a reasonable pace in 2022, given that it has continued to have momentum. The company operates with a very lean structure like I mentioned. It has a network of over 500 management and learning consultants, and margins are likely to be accretive to CLG margins. This acquisition was completed for a fixed consideration of \$23.4 million in return for 100% ownership stake in St. Charles. The basis for valuation was a 7x EBITDA multiple for projected 2022 numbers. The balance is likely to be paid as an earn out over the next four years. We have capped the maximum to 65 million and given the management team an opportunity to earn more by over achieving on the base case. I think overall the deal would be profit accretive, margin accretive to NIIT CLG business and if they were to meet their stretch goals they would be growing at a growth rate which is in line with CLG growth rates.

At this point in time, I will conclude my prepared comments and then open it up for any questions.

Diwakar Pingle: Thank you Sapnesh. We will now open the floor for question and answers. As I mentioned, people who might have a question can put their hand up and kind of request limit yourself to only one question in your first round. In case there are no further questions I will come back to you. So, with that in mind the first question comes from Vimal Gohil of Alchemy Capital.

Vimal Gohil: Thanks a lot for the opportunity and congratulations to the NIIT team for the acquisitions. Sir, I just wanted one clarification on the earn outs, so these earn outs will be broadly distributed at I mean the 51 million earn out will be probably distributed as 10 million for the next four year and after taking that into account are we saying that this acquisition will be accretive?

Sapnesh Lalla: So, couple of things I do not think I said that the norms would be distributed 10 million a year. There is a structure that we have created which is a progressive structure. The cap for the total would be approximately 41 million and that would be achieved mainly the management team is able to achieve a stretch goal. I think you had a second question what was the second question.

Vimal Gohil: No, so I just wanted to clarify that given that I mean after the earn out do we stay our assumption of this acquisition being accretive to margins is after considering the earn out things?

Sapnesh Lalla: Yes you got it.

Vimal Gohil: Thank you very much and wishing you the best again.

Sapnesh Lalla: I actually like to correct that a little bit the earn out structure is at 65 million. The 65 million is a cap which is a cap which has to be declared as per accounting norms and book as such that is for over performance. The acquisition will be accretive even if they need their base projections. It will be margin accretive even they even need their base projections.

Diwakar Pingle: The next question is from the line of Shraddha Aggarwal, Shraddha you can umute and ask a question please.

- Shraddha Aggarwal:** Yes sir just one question is there any client that we are already dealing with or is there any client overlap with the acquisition that we have done?
- Sapnesh Lalla:** No, none with CLG.
- Shraddha Aggarwal:** And you said that you would be now working with 12 of their large 15 professional consultancy company.
- Sapnesh Lalla:** Yes strategy and management consulting companies.
- Shraddha Aggarwal:** And what is the scope of cross selling that we see in CLG overall because of this acquisition?
- Sapnesh Lalla:** Like I pointed out the strategy and management consulting companies as a vertical spent spend significantly more than what an average fortune 1,000 companies spent per employee per year on L&D. The capability said that St. Charles has today is focused predominantly on strategic learning interventions and NIIT has a significantly broader capabilities. So, given that we see two areas of synergy. One area which I would be obvious is to add the capabilities that NIIT has to St. Charles capability so that their share of wallet from their existing customers can increase. On the other hand NIIT CLG business has 70 other customers and a lot of them also are looking at help from the point of view of strategic learning intervention and with this capability NIIT will get a seat at the table to pursue strategic training intervention. So, there is a significant synergy opportunity.
- Diwakar Pingle:** The next question comes from the line of VP Rajesh. VP, please go ahead.
- VP Rajesh:** Thanks for the opportunity and congratulation and just one question what is the revenue and EBITDA for St. Charles for the first three quarters of this calendar year?
- Sapnesh Lalla:** Till those numbers are completed for the year we would rather not talk about it, We will talk about it for the quarter and period till then or at least the quarter that they are going to be with us as we will declare results for our Q3.
- VP Rajesh:** But if I may just ask one more year-on-year would you say the revenues have grown this year?
- Sapnesh Lalla:** Yes they are likely to grow at a reasonable pace.
- VP Rajesh:** For the first three quarters also?
- Sapnesh Lalla:** That is correct.
- VP Rajesh:** Thank you all the best.
- Diwakar Pingle:** I appreciate you kind of keeping the question that short. The next question comes from the line of Nagraj Chandrashekha Nagraj please go ahead.

Nagraj Chandrashekha: Thank you and congratulations for what looks prime facie a very good acquisition wanted to understand we have been very candid about cyclical in the L&D industry revenue wise in your core business. I am wondering if management consulting firms who benefit and obviously go up and down with the US economy as a whole, could the L&D spent by them even more cyclical than our base of customers as a result because they do well than their clients are doing well and spent more on consulting assignment with them. So, I am just wondering if what happened in 2008 with St. Charles. What happens when the US economy is weak with this company?

Sapnesh Lalla: See I think cyclical or training being a discretionary expense does not change. It is a discretionary expense whether it is being spent with St. Charles or it is being spent with NIIT. I think the interesting part, like I pointed out with strategy and management consulting companies is that expertise and skills are at the core of what they do. If they are not skilled or they are not providing expertise, their value diminishes at a remarkably high rate. And therefore, they spent significantly more on training. So, I would agree that the L&D business globally is cyclical, it is a discretionary expense, but by broad basing our market segments, we will be able to not just improve our overall breadth, improve the number of customers that we are able to have, as well as customers who have potential to spend a lot with NIIT, but I would agree that the fact that L&D is a discretionary expense would continue. The only other point I would make which is specific to this sector is that there are a couple of things that make it more robust from L&D spent as compared to others I would say two things to that. One I have mentioned they spent a lot more than others. Second, they in addition to being regulated themselves also have to spend a lot of time and energy on regulations and regulatory training with respect to the industries that they serve. So, the proportion of regulatory and therefore mandatory training that is there in strategy and management consulting firms is significantly higher than some of the other sectors that they serve.

Diwakar Pingle: Thank you Nagraj. The next question comes from the line of Rahul Jain Rahul I have unmuted your line, please go ahead.

Rahul Jain: See I have question that you said on the top end you are not able to deliver similar growth as CLG business however the revenue of growth in the past has been much slower, so is it led by the thought that the growth should be much larger and energetic way and secondly on the amortization if you could give the run rate that you may see on incremental basis?

Sapnesh Lalla: You did not come through clearly.

Rahul Jain: I will repeat my question in one of your comment you said the growth rate on the top end of the earn out will be similar to our growth rate in the CLG business, but we have not seen that kind of growth in the years that you have mentioned the financial for the business, so is it led by synergistic thought or they used to grow at that pace earlier?

Sapnesh Lalla: Let me clarify like I pointed out, last year they grew at 57% which was to some extent added by the pent up demand. The stated goal for the CLG business is to grow at 20% on year-on-year

basis from a long term perspective there are times when CLG has grown at a rate that is higher than that. There are times that when it has grown at a rate that is lower than that, but the long term, midterm expectation is that it grows at a 20% rate in terms of St. Charles in the past they have grown at a rate that is higher than or in line with CLGs growth rate, but they are maximum earnout now is capped at rate that is significantly higher than that.

Rahul Jain: Yes, and the second part on the amortization?

Sapnesh Lalla: What was the question on amortization?

Rahul Jain: Like what would be the incremental amortization charge that would come because of this integration?

Vijay Thadani: How will we do the goodwill and IT accounting. So, that is work in progress I think at the end of Quarter 3 results. Quarter 3 results we will get a clearer picture of that but all those are below the line in any case.

Vijay Thadani: Thank you Rahul. We have a next question from the line of Nimesh Shah. Nimesh go ahead.

Nimesh Shah: Yes thanks for the opportunity and congratulations so you mentioned that post this acquisition you will have a seat on the table for the Fortune 1,000 companies looking for strategic learning intervention, so does St. Charles currently have that as a segment or they are only catering to the consulting companies?

Sapnesh Lalla: At this point of time a very large percentage of their business upwards of 85% comes from strategy and management consulting companies, but like I have pointed out we have 70 customers and we are adding 16 to 20 customers each year. This is a capability that is very interesting for our customers and they will be able to leverage it to hilt and by doing that we will be able to get a seat at the table as they are thinking of strategic training interventions.

Nimesh Shah: If you have any numbers in terms of what can be the addressable market for this?

Sapnesh Lalla: Like I pointed out we have 70 customers and all of them would have such a need and in Fortune 1,000 at least till yesterday they were still 1,000 companies and all of them will have such a day. Like I pointed out talent and talent transformation are the top agenda items for CEO given all the transformations that is going on and we expect that this acquisition and this capability will enable us to help our customers address their key talent transformation issues.

Vijay Thadani: Thank you Nimesh. The next question comes from the line of Sameer Dosani. Sameer go ahead.

Sameer Dosani: Can you just throw some light about the competitive intensity in this, in which the company operates St. Charles?

Sapnesh Lalla: That is a very good question I think if you think of our key competitors and we have talked about them in the past they include IBM, Accenture, Raytheon, Conduent and General Physics and

with the exception of General Physics all others, interestingly enough compete with the top management and strategy consulting companies. So, it is our belief that the competitive intensity for the work that we do within the management and professional management and strategy consulting companies may actually be lower. So, for example, for a PwC to hire Accenture for training would be an interesting thought.

Sameer Dosani: And also can you just clarify I think I could not kept your statement around 7x EBITDA I think you said something about the valuation expenses can you please clarify that?

Sapnesh Lalla: Base valuation is based on projected CY22 EBITDA, 7x of projected CY22 EBITDA. The earnout is capped at achieving goals that are higher than the projected numbers over the next two years.

Sameer Dosani: And just one clarification so already this company St. Charles is already working with 12 of the top 15 consulting companies where do you think the growth will come from in this companies because competition is already new, you are already there with all the existing customers I mean the customers that are relevant if you can just some light on that?

Sapnesh Lalla: So, first of all, the here and now growth opportunity would be to grow the wallet shares in each one of their customers. Again, these customers spent a lot of money on L&D and with the expanded set of services they have a great opportunity to do more with their customers. The second area would be geographic expansion. All of their customers are global firms, but today their operations are predominantly US based. So, there is a significant opportunity for growth in other geographies where NIIT has significant strength, which include Europe and India. And a number of the strategy and management consulting firms have very significant go forward plans for India as well as for overall expansion.

Vijay Thadani: Thank you Sameer. The next question is a follow on from the line of Shraddha Aggarwal. Shraddha please go ahead.

Shraddha Aggarwal: Just wanted to check on the client concentration of St. Charles I mean how much of the top clients contribute to their revenue?

Sapnesh Lalla: If you look at the top 10 customers, the top 10 customers contribute about 80% of the overall revenue. The second thing I would say is that as you look at each one of their customers the way their customers are organized as different entities and several times working quite independently. So, sometimes while their revenues from a named customer get consolidated, but they are actually being delivered across four or five or six of their entities which work quite independently.

Shraddha Aggarwal: The next question is from the line of VP Rajesh which is a follow-on question again. VP go ahead.

VP Rajesh: If you can share the calendar year 19 and 20 revenues and EBITDA margin for this business?

- Sapnesh Lalla:** Give me one second let me look them up. So, calendar year 19 was fifteen & half million dollars, calendar year 20 was thirteen and a half million dollars. These are approximate numbers and the margins have been in line with CLG margins of approximately 20%.
- Diwakar Pingle:** Thank you. Given there are no further questions I think I will hand it back to the management for their closing comments, Sapnesh. I think there is one question coming I mean Sapnesh go ahead.
- Sapnesh Lalla:** Thanks, Diwakar and thanks everyone for joining your questions were very insightful and as always we appreciate your time and your questions they allow us to dig deeper and think differently and we appreciate you both asking questions and spending time on NIIT.
- Diwakar Pingle:** Thank you so much. In case there are any further questions, clarifications on this you can write to the investor relation team at NIIT and we would be happy to kind of comeback to you with clarifications and we always available to kind of give any information which you might want. Thank you so much. Have a great day guys bye.
- Sapnesh Lalla:** Thanks, Diwakar. Thank you.