TATA COMMUNICATIONS

ANALYST PRESENTATION

FY2018

MAY 2018

SAFE HARBOUR

SOME OF THE STATEMENTS HEREIN CONSTITUTE "FORWARD-LOOKING STATEMENTS" THAT DO NOT DIRECTLY OR EXCLUSIVELY RELATE TO HISTORICAL FACTS. THESE FORWARD-LOOKING STATEMENTS REFLECT OUR INTENTIONS, PLANS, EXPECTATIONS, ASSUMPTIONS AND BELIEFS ABOUT FUTURE EVENTS AND ARE SUBJECT TO RISKS, UNCERTAINTIES AND OTHER FACTORS, MANY OF WHICH ARE OUTSIDE OUR CONTROL. IMPORTANT FACTORS THAT COULD CAUSE ACTUAL RESULTS TO DIFFER MATERIALLY FROM THE EXPECTATIONS EXPRESSED OR IMPLIED IN THE FORWARD-LOOKING STATEMENTS INCLUDE KNOWN AND UNKNOWN RISKS. BECAUSE ACTUAL RESULTS COULD DIFFER MATERIALLY FROM OUR INTENTIONS, PLANS, EXPECTATIONS, ASSUMPTIONS AND BELIEFS ABOUT THE FUTURE, YOU ARE URGED TO VIEW ALL FORWARD-LOOKING STATEMENTS CONTAINED HEREIN WITH CAUTION. TATA COMMUNICATIONS DOES NOT UNDERTAKE ANY OBLIGATION TO UPDATE OR REVISE FORWARD LOOKING STATEMENTS, WHETHER AS A RESULT OF NEW INFORMATION, FUTURE EVENTS OR OTHERWISE.

DIGITAL INFRASTRUCTURE PROVIDER

Connectivity and **Collaboration** remain @ The Core

Cloud, Security, Mobility & **IoT** round out the portfolio

Our services now enable **B2B2C** and **B2B2B**

CUSTOMER FOCUS

"Deeper with Fewer"

- Focus direct sales efforts on increasing PPR
- especially with large customers ($10-25bn revenues)

Force Multipliers

Strategic relationships with

- Platform players,
- Device/Chip manufacturers,
- Developer communities

Digital Outreach

- To mid-sized customers
- To new logos

TATA COMMUNICATIONS

INTERNAL AGILITY AND PRODUCTIVITY

Simplified org structure

Digital Transformation to help keep manpower **costs relatively flat**

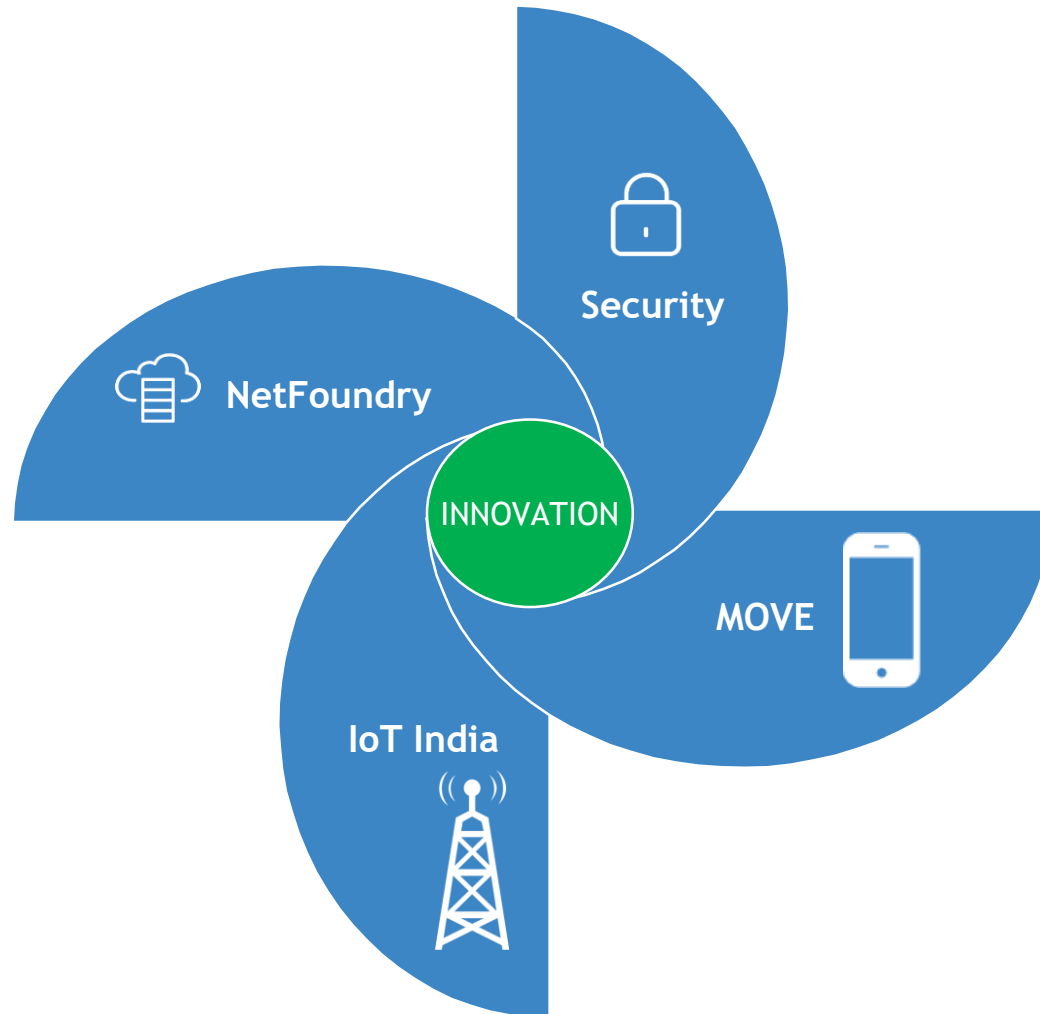**Business Process Re-engineering** aimed at simplicity and speed

Moving to **NPS** as measure of **Customer Satisfaction**

Common Balanced Scorecard for the entire company

PROACTIVELY HARNESSING MARKET WINDS FOR A BETTER FUTURE

MOVE
- No. of customers – 64
- SIMs ordered – 51,127
- Key wins – Chungwha, Surbana, DT Tech, Omate

IoT India
- PoCs completed – 37
- Devices ordered – 16,623
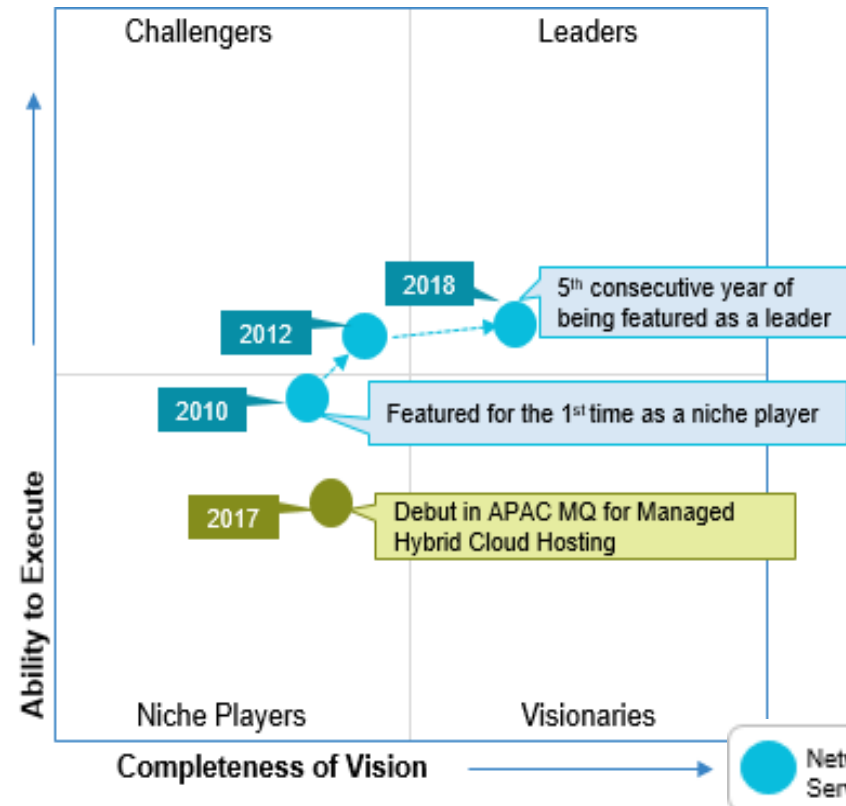- Key wins – JUSCO, Tata Power, Mahanagar Gas

Security
- Devices managed – 3,999
- Key wins – Carlsberg Corp., HDFC, Titan, ICICI, Axis Bank

NetFoundry
- PoCs completed – 27
- No. of customers - 12

POSITIONED IN THE LEADERS' QUADRANT

"LEADER" IN GARTNER MAGIC QUADRANT FOR NETWORK SERVICES, GLOBAL FOR 5TH CONSECUTIVE YEAR

Gartner

GARTNER'S
MAGIC
QUADRANT

- Our products have been getting analyst recognition and are consistently featured in Gartner Magic Quadrant

- This year we debuted as a niche player in MQ for managed hybrid cloud hosting in Asia Pacific

Source: Gartner, Inc. "Magic Quadrant for Network Services, Global" by Danellie Young, Katja Ruud, Bjarne Munch, Takeshi Ikeda, Neil Rickard, Lisa Pierce, February 27, 2018
This graphic was published by Gartner, Inc. as part of a larger research document and should be evaluated in the context of the entire document. The Gartner document is available upon request from Tata Communications. Gartner does not endorse any vendor, product or service depicted in its research publications, and does not advise technology users to select only those vendors with the highest ratings or other designation. Gartner research publications consist of the opinions of Gartner's research organization and should not be construed as statements of fact. Gartner disclaims all warranties, expressed or implied, with respect to this research, including any warranties of merchantability or fitness for a particular purpose.

THIRD PARTY ENDORSEMENTS, AWARDS AND RECOGNITION

CONTINUOUS IMPROVEMENT

India's largest corporations: Tata Communications at #68

Transparency International, a global civil society organization, conducted research into the public reporting practices of 100 emerging market companies based in 16 countries in 2016

Tata Communications ranks #2 in the 'Transparency in Corporate Report'

8 page feature story on the Leadership Profile of Tata Communications in the December edition of Fortune India

http://fortuneindia.com/2016/december/the-importance-of-being-global-1.10468

Named an **Aon Best Employer India, 2nd year in row.** Recognised for **high employee engagement, compelling employer brand, effective leadership and a culture that enables high performance**

Frost & Sullivan India ICT Awards:

- **Enterprise Data Service Provider** of the Year (9th Year in a row)
- **Hosted Contact Center Service Provider** of the Year (6th Year in a row)
- **Enterprise Telecom Service Provider** of the Year - Large Enterprises (3rd Year in a row)
- **Third Party Datacentre Service Provider** of the Year (2nd Year in a row)
- **IoT New Product/Service Innovation Award** (First time winner - New Award Category)

Recognised for building a high trust, high performance culture and A Great Place to Work-Certified™

#19 best company in India at attracting and retaining top talent

OUR CUSTOMERS

6,010

Active customers

493

New customers added during the year

5.38

Product penetration ratio for top 300 customers

85%

Share of revenue from existing customers

THE YEAR GONE BY - WINS

Data revenue grew by 4.4% on the back of ramp up in growth services

YOY growth rate of 'Growth services' doubled to 35.6% in FY18 from 18.4% growth in FY17

- IZO services grew by 304% YoY

- Security services grew by 64%

Capex for full year at USD 235 Mn lower than guidance

Delivered strong EBITDA margins of 30% in traditional data portfolio

Traditional data grew 4% YoY on full year basis despite industry headwinds

- ILL and Ethernet grew by 14% YoY

- VPN grew by 10%

Net debt contained at USD 1.15 Bn

Cash flow maintained despite investments in growth and Innovation services

TCTSL revenue grew by 10% due to new business wins

THE YEAR GONE BY - CHALLENGES

1 Traditional business was affected by operator consolidation in India and increased customer churn.

2 Consolidated revenues & EBITDA declined primarily because of lower Voice volume, price compression and investment into growth and Innovation

3 Growth services margins impacted: upfront investment in new wins revenue for which is expected to come in FY19 onwards and due to customer insolvency.

4 TCPSL growth impacted due to sub-optimal cash supply

5 RoCE decline due to higher depreciation

FY18 PERFORMANCE

Consolidated

Revenue

16,651 5.5% YoY ↓

Price and volume erosion in Voice
Significant Forex Imapct (Rs 415 Cr -ve)

EBITDA

2,291 2.9% YoY ↓

Decrease due to fall in Voice EBITDA
Forex Impact (Rs 39 Crore -ve)

Data

Revenue

11,339 4.4% YoY ↑

Revenue up on back of strong performance in Traditional & Growth services

EBITDA

1,956 0.5% YoY ↑

Muted growth due to investment in Growth & Innovation Service

Voice

Revenue

5,311 21.4% YoY ↓

Global decline in voice business

EBITDA

336 19.0% YoY ↓

In line with revenue decline

* INR Cr.

12

FY18 - PORTFOLIO

Traditional	Growth
Revenue*	**Revenue***
1,201 3.9% YoY ↑	**346** 35.6% YoY ↑
# Growth despite industry headwinds # Decline due to operator consolidation and churn	# Growth led by SIP-T, Security & Hosting and IZO
EBITDA*	**EBITDA***
355 8.5% YoY ↑	**(42.8)**
# EBITDA Margins back in 30% range #Cost Optimisation Initiatives	# Decline due to customer insolvency and upfront investment in new win

*USD MN

13

Q4 - PORTFOLIO

Traditional

Revenue*

297 1.1% YoY ↑
1.8% QoQ ↓

Growth despite industry headwinds
QoQ decline due to operator consolidation and churn

EBITDA*

90.2 26.7% YoY ↑
5.4% QoQ ↓

Q3 had one-time benefit

Growth

Revenue*

97 37.3% YoY ↑
8.3% QoQ ↑

Growth led by IZO (up 242%) and Security (up 91%) YoY

EBITDA*

(13.7)

Decline due to customer insolvency and upfront investment in new win

*USD MN

WE HAVE THE DNA FOR TRANSFORMATION

Key movements		FY14	FY18	Delta		
Wholesale voice declining	NR	267	109	158	↓	• Trading business, low margin (~12%), high FCF • Holding market leader position
Data increasing	NR	881	1138	257	↑	• High NR margins • Invested for propelling future growth
Carrier data revenues flat	GR	577	598	21	↔	• These are big ticket deals (lower GTM cost) • Industry forces driving price down (consolidation, threat of next gen players)
Enterprise revenues growing	GR	522	949	427	↑	• Invested in global GTM reach to develop this segment
Traditional products growing	GR	988	1201	213	↑	• Steep price drop, compensated by volume growth • Maintenance & expansion Capex of ~$150Mn / year • Industry recognised leader (Gartner MQ)
Growth products growing	GR	110	346	236	↑	• Built new capabilities for sustainable growth • Investments of ~$150Mn since FY12
Net debt declining	Net Debt	1840	1151	689	↓	• Reduced debt over time
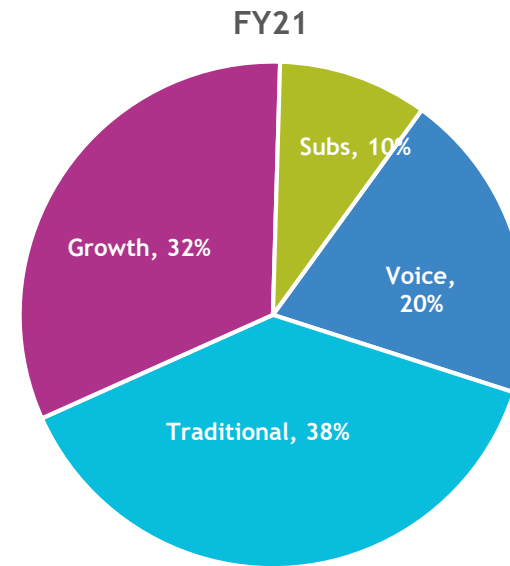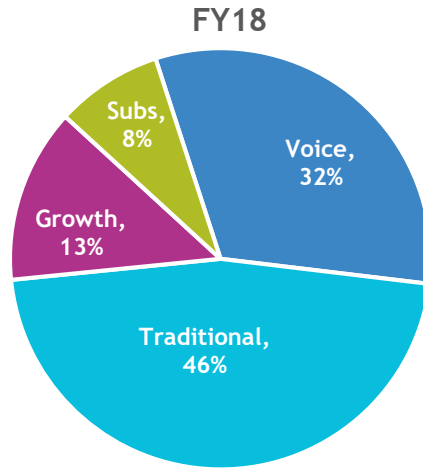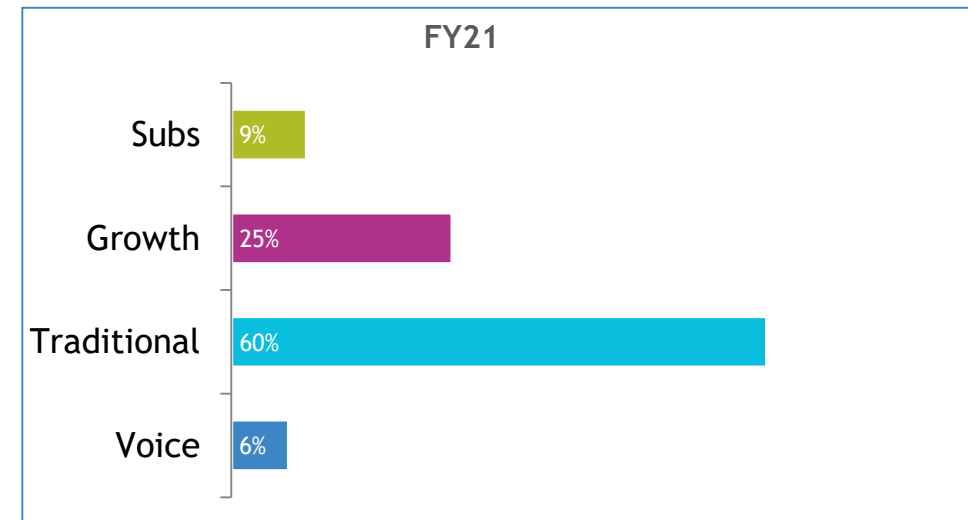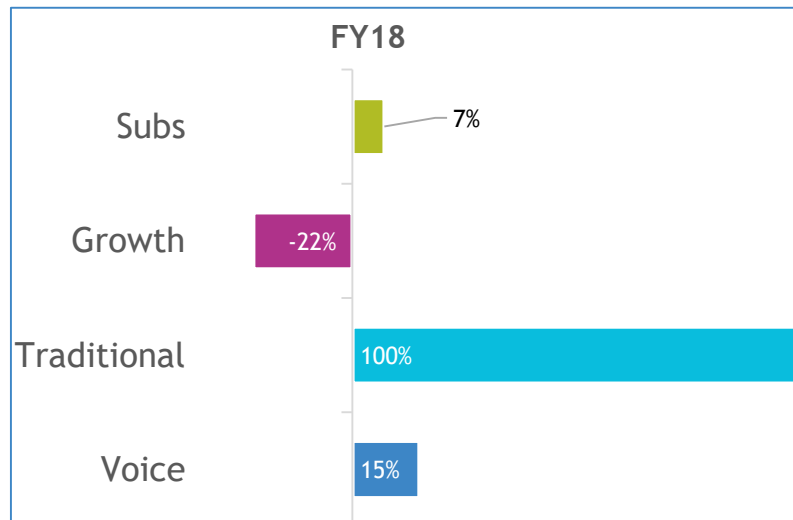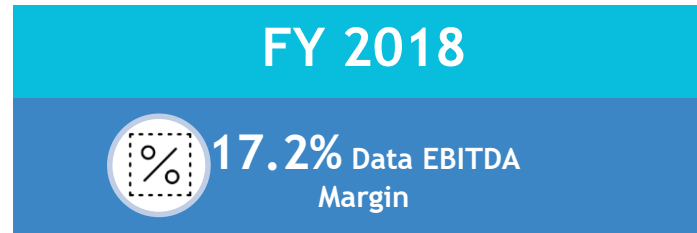
All figures in US$ Mn

DESTINATION 21

TATA COMMUNICATIONS
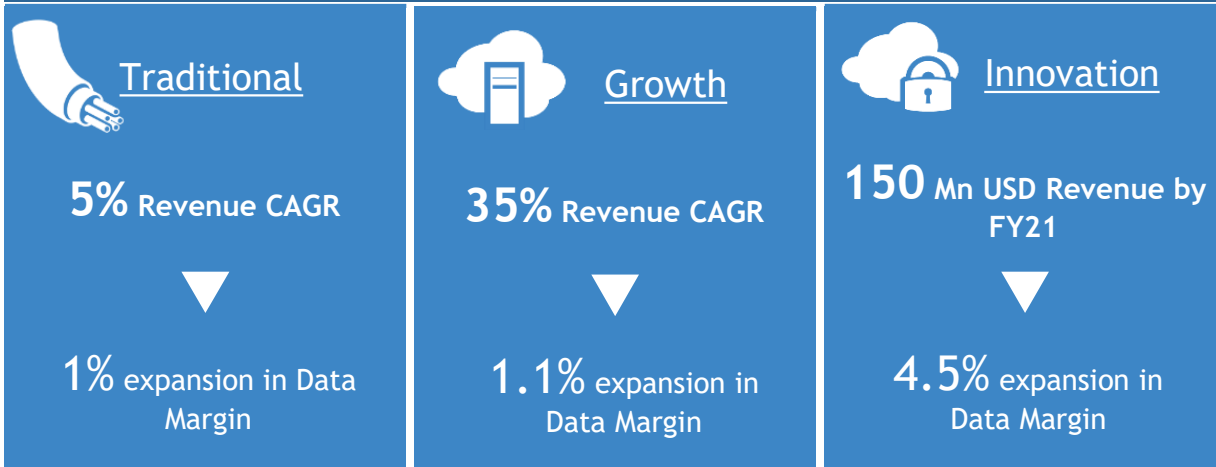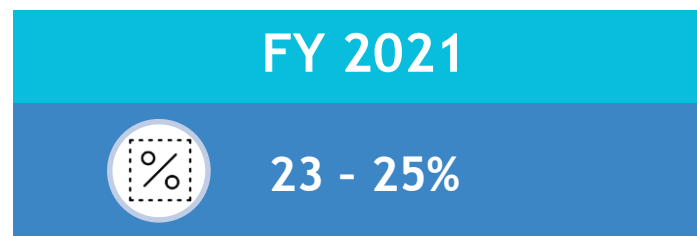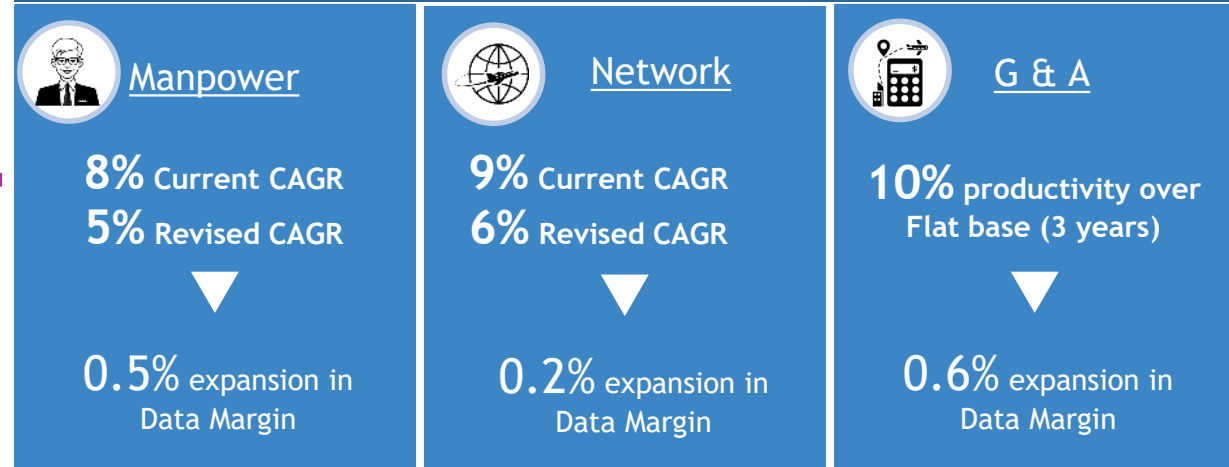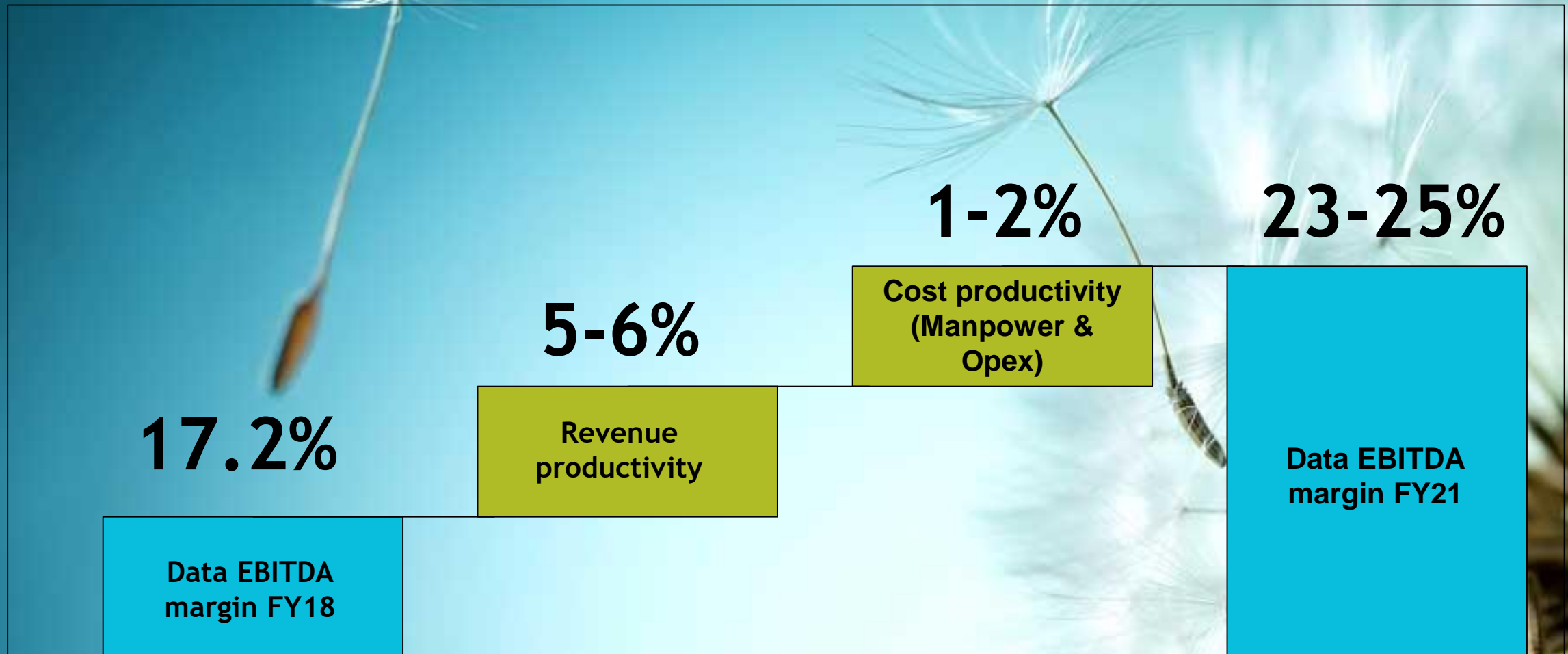
Total addressable market to grow from $26.6 bn to **$50.9 bn**

Consolidation in telecom industry globally and in India

IOT, mobility markets to explode, cloud security to be dominant theme

Digital transformation driving demand for SD WAN and network virtualisation services

VPN and Ethernet to drive growth in traditional products

IOT, MNaaS to be **$100 Mn** products each by FY21

Growth services' contribution to data revenue will double from 20% in FY18 to **40%** in FY21

SIP-T to be the biggest revenue contributor followed by hosting in growth products

Data business will contribute to over **94%** of overall EBITDA by FY21

Focus on growth and innovation services

Cloud and security, and UCC to grow in double digits

TO SUMMARIZE...

Growth Focus

- Acceleration in growth and innovation services
- Momentum maintained in traditional services
- Effective bundling in data services leading to higher product penetration ratio

Asset Efficiency

- Improve CAPEX to revenue ratio:
  - Sweat underlying cable assets
  - Focus on asset-lite business models
  - Improve procurement efficiency

Cost Reduction

- Sharp focus on costs
- Improve manpower efficiency
- Operating leverage in growth services through

AGENDA

1. Market Opportunity for Tata Communications

2. Go To Market Strategy Transformation

BUSINESSES ARE GOING GLOBAL AND NEED TO MAKE BORDERLESS GROWTH PAINLESS- OUR SWEET SPOT

Drivers for Businesses going Global
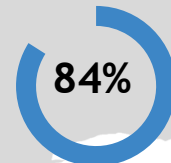
- New Markets & Diversification
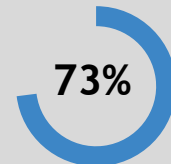- Competitive Advantage
- Foreign Investment Opportunities
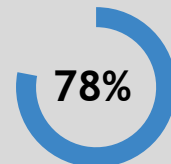- Access to New Talent

84% *of companies expect overseas expansion to be the focus of their M&A strategy over the next year*

52% *of Fortune 500 companies have gone bankrupt, been acquired or ceased to exist, due to the disruption by digital models*

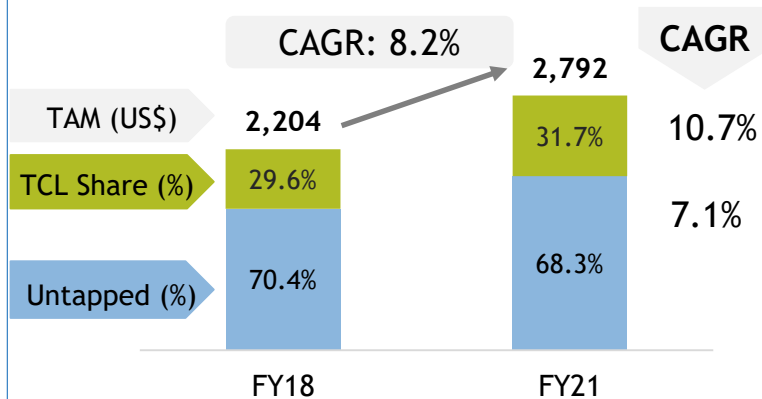**73%** *tech CEOs report that they actively search for talent in different countries*

78% *of Shared Service Centres (SSCs) provide services for one or more countries*
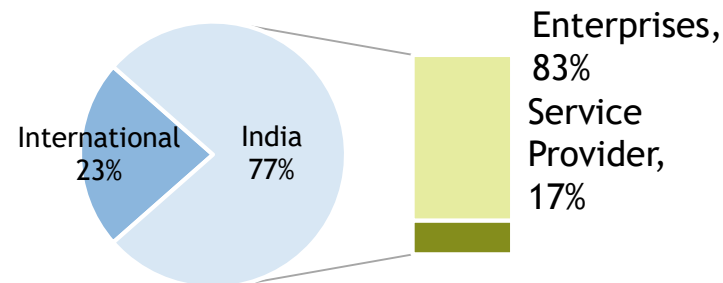
OUR GROWTH SERVICES INVESTMENTS ARE HELPING US CAPITALISE ON THE LARGER GLOBAL OPPORTUNITY

International market is a high growth opportunity

India vs International TAM (Networking, Collaboration and Cloud)[2]

$2.8 bn

$27.5 bn

• Targeting international market gives us access to a 10x bigger market
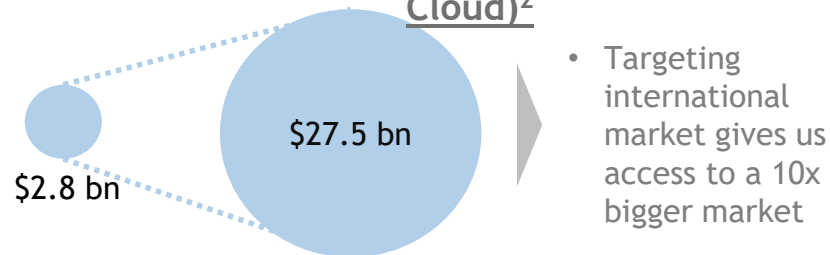
The average value for international customer is much higher compared to Indian customer

Higher average value per International customer as compared to an Indian customer (Top 1000 customers FY18)

International Market USD 1.41 MM per customer

>

India Market USD 1.23 MM per customer

Many of our new products have an increased revenue contribution from International markets
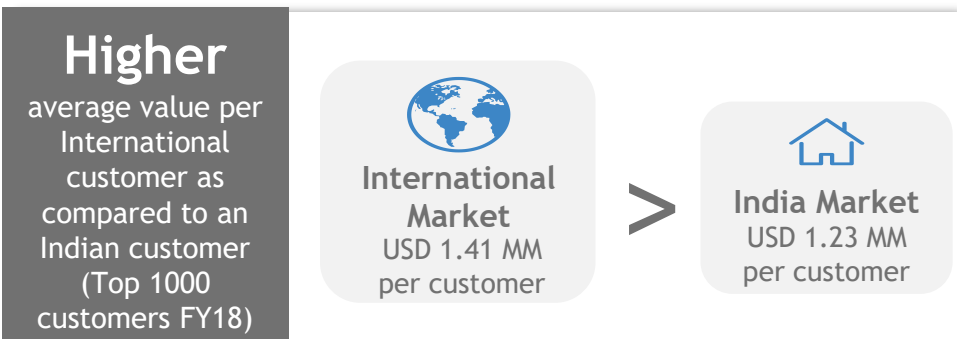
International vs India Revenue Contribution (FY 18 OL)

Product	Value	International %
VPN	315	49%
IPL	260	80%
ILL	184	
Ethernet	178	34%
UCC SIP T	140	81%
IP-T	128	97%
NPL	54	
Mobile Core	42	
Cloud	41	60%
MMX	40	
Media Products	38	66%
Unified Conferencing	37	73%
Security	22	55%
Colo - INTL	19	
GHCC	15	38%
IZO	14	91%

Total Revenue Split[1]

International, 58%

India, 42%

27
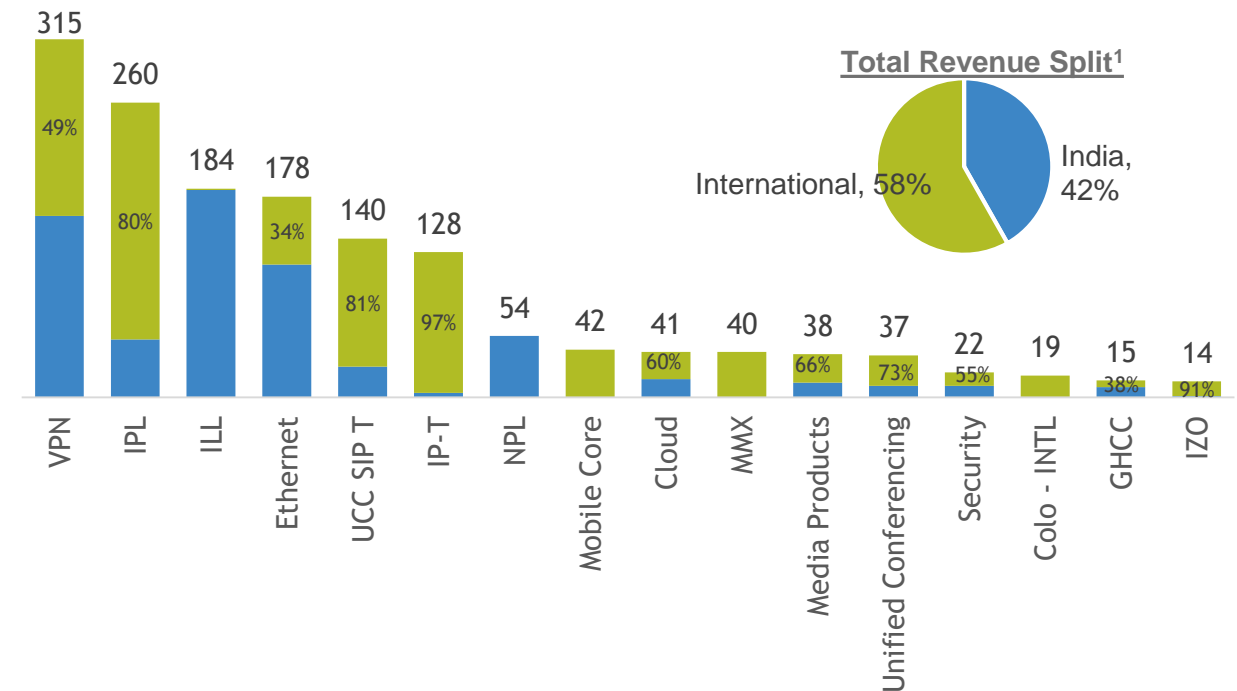
CHANGE IN DEMAND LANDSCAPE IS EVIDENT WHEN WE ANALYSE THE RFP / FUNNEL

Demand Landscape by 2020 – Findings of Global Data Study

	Today	Tomorrow
Apps	Very hybrid with strong bias to on-prem	SaaS and AaaS (API as a service)
Containers	Still many physical servers, but significant levels of virtualisation	Automated selection and provisioning of containers
LAN	Many switching technologies deployed, wide spectrum of "smartness"	LAN and WAN become a single managed entity – With providers leveraging SDN orchestration
WAN	Complex management and admin, using mix of technology	

Funnel Analysis FY17 vs FY18:

- Increase in requirement for Hybrid & SDWAN solution – 506% increase in funnel count with 556% increase in funnel value

- Managed security funnel value increased by 63% globally
  - 300% increase in bids asking for Managed Security solutions in India

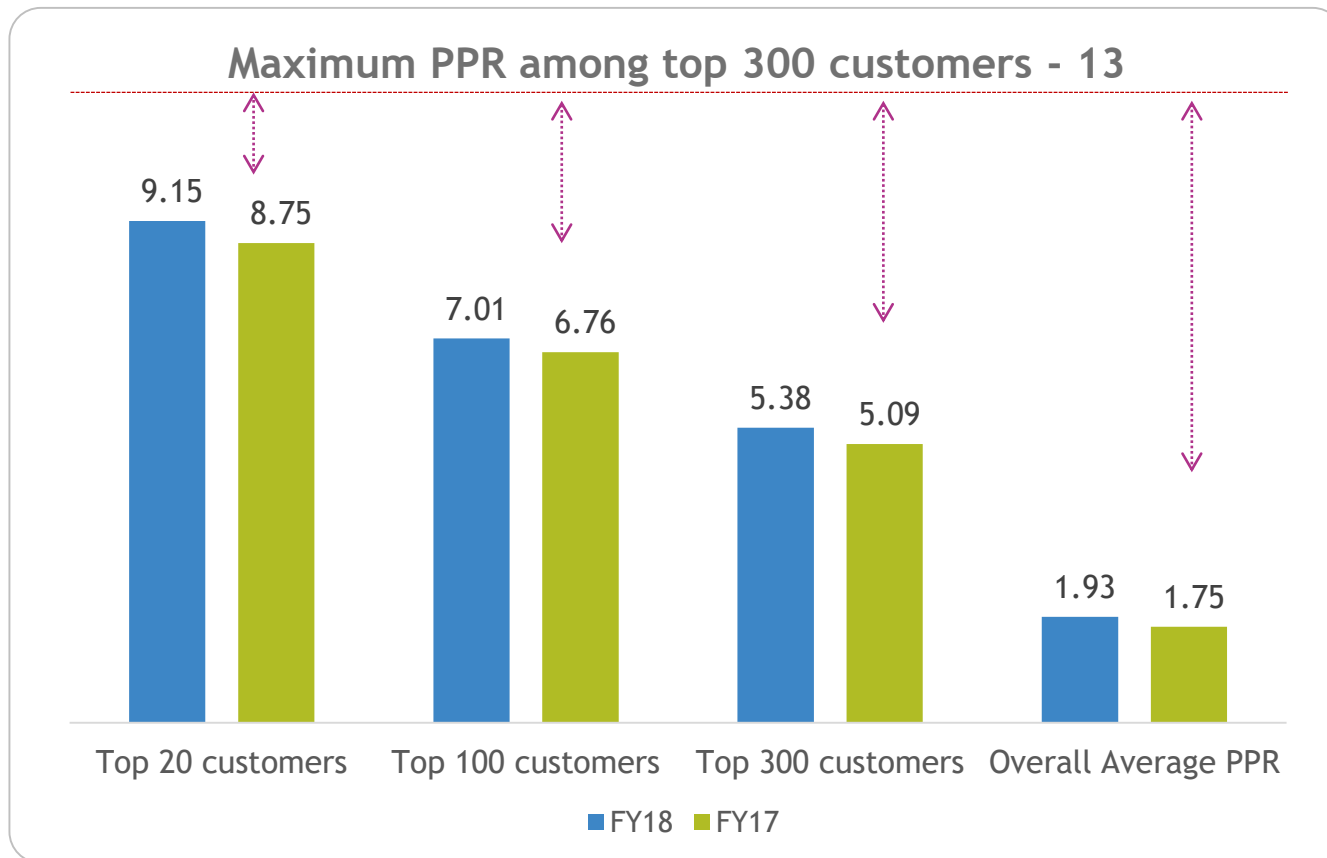- 142% increase in UCC funnel value coupled with increase in customers requiring these services

BUT! – This is a long journey for many organisations – they will need providers that can travel towards SDE with them

Source: Project Mirror - Study commissioned with Global Data – Feb 2018

28

OUR GO TO MARKET STRATEGY TRANSFORMATION

Delivering Customer Success

WE ARE EVOLVING TO A TWO PRONGED ENGAGEMENT MODEL - TARGETING REVENUE MAXIMISATION AND ACQUISITION

HIGH TOUCH

APPROACH
- Deeper Engagement
- Differentiated customer experience
- Evolved GTM approach
- Investment in specialists

OUTCOME
- Enhance Revenue & PPR
- Capture larger digital infrastructure share

DIGITALLY LEVERAGED

APPROACH
- Digital marketing (engage, nurture) & Digital sales (qualify and close)
- Packaged customer themes and aligned value propositions
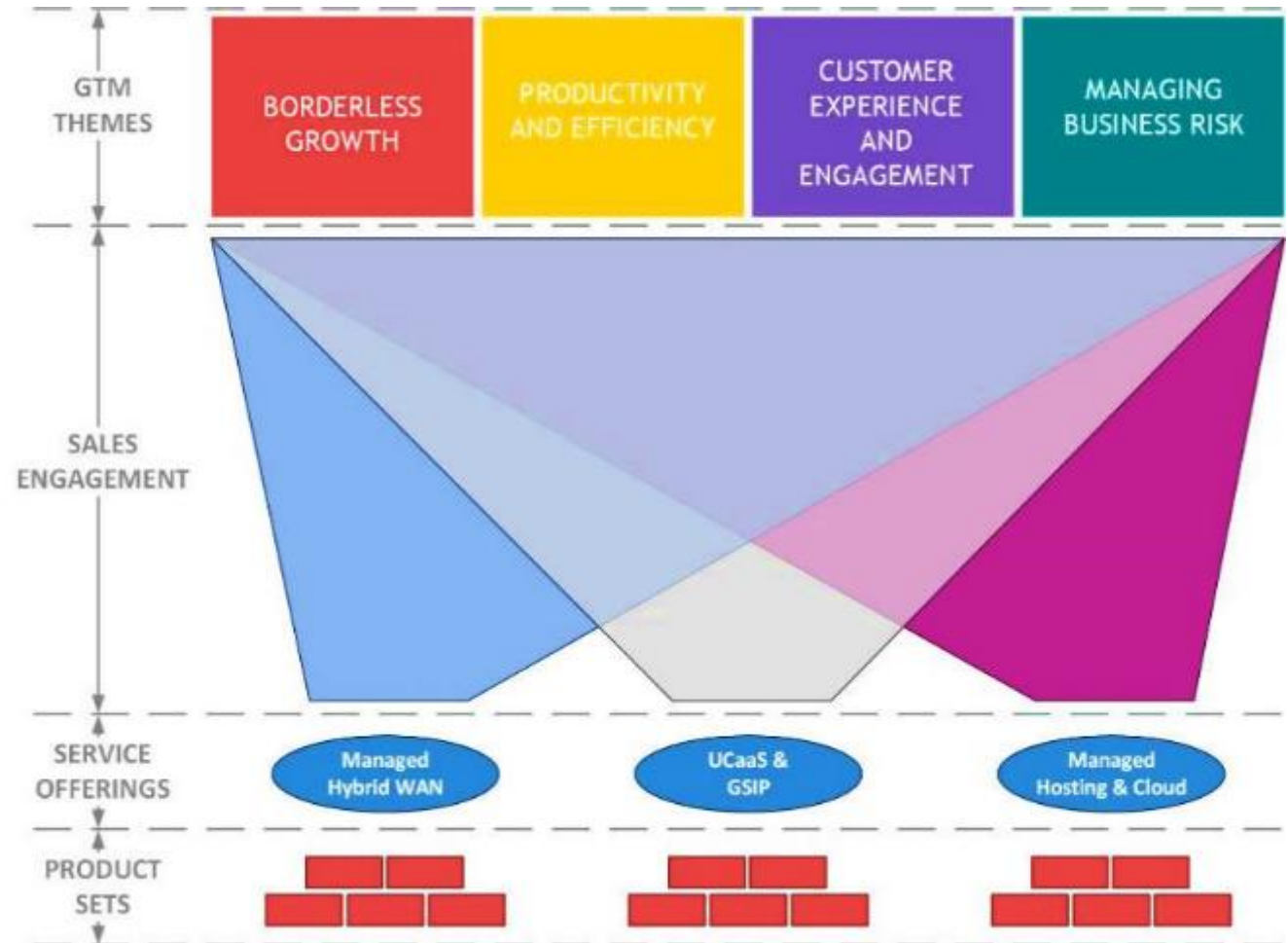- Partner ecosystem to add scale

OUTCOME
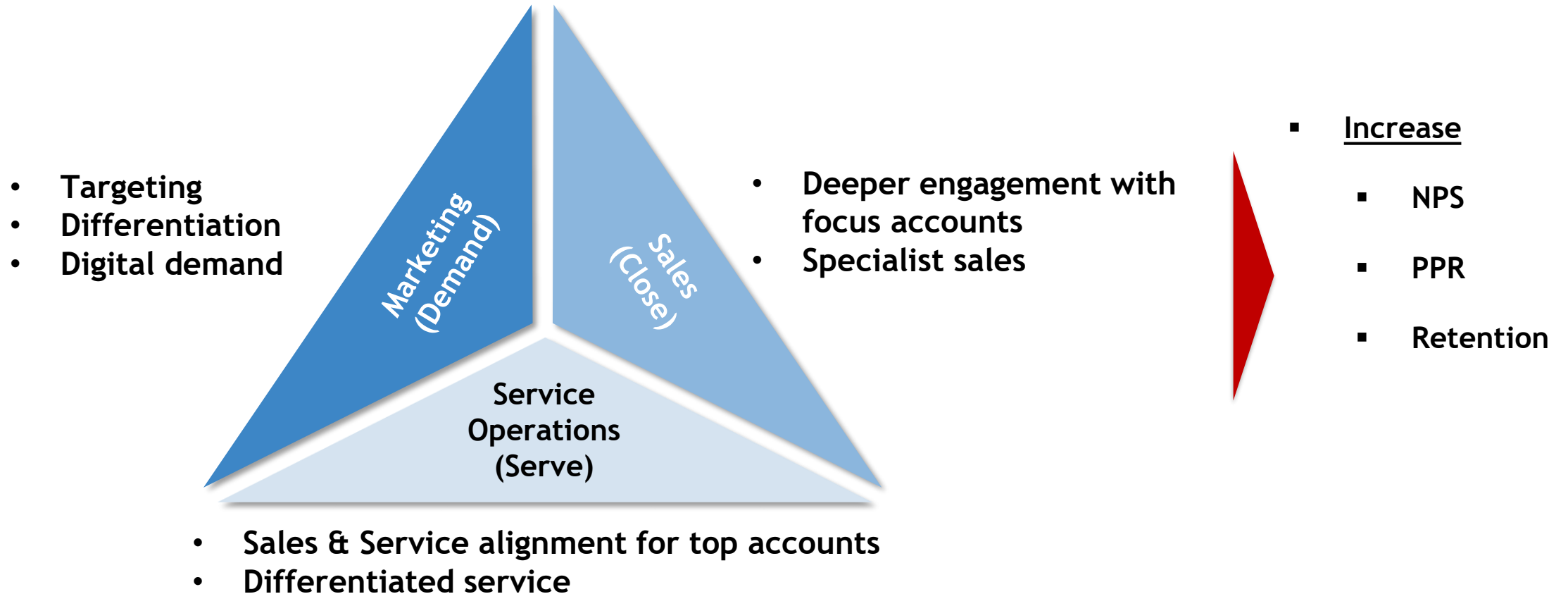- Enhance customer base and revenue

PARTNER ECOSYSTEM

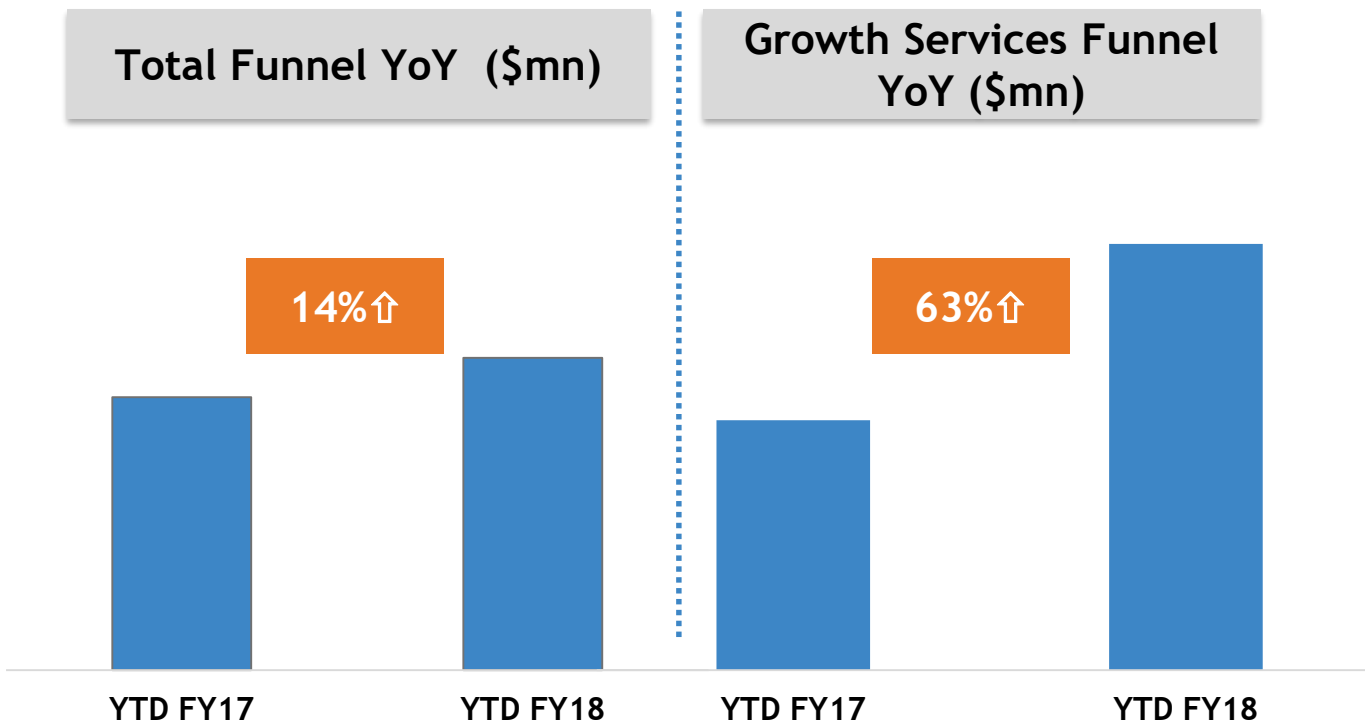# WE ARE ALIGNING OUR CONVERSATIONS TO THE CUSTOMERS' BUSINESS THEMES

✓ **Targeted approach**

✓ **Alignment with customer maturity**

✓ **Investment in specialists**

WE HAVE INTEGRATED THE ORGANISATION TO DELIVER CUSTOMER SUCCESS

- Targeting
- Differentiation
- Digital demand

Marketing (Demand)

Sales (Close)

Service Operations (Serve)

- Deeper engagement with focus accounts
- Specialist sales

- Sales & Service alignment for top accounts
- Differentiated service

- **Increase**
  - NPS
  - PPR
  - Retention

THANK YOU

tatacommunications.com