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ibex Q3 FY2024 Earnings Call

Bob Dechant, CEO

May 09, 2024



Disclaimer

This presentation includes forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. All statements contained in this presentation, other than statements of historical facts, are forward-looking statements. The words “believe,” “estimate,” “expect,” “may,” “will” and similar expressions are intended to identify forward-looking statements. Such forward-looking statements include, but are not limited to, the statements regarding the our future financial and operating performance, including our outlook and guidance, and our strategies, priorities and business plans. Our expectations and beliefs regarding these matters may not materialize. Forward-looking statements involve known and unknown risks, uncertainties and other factors that could cause actual results to differ materially from the results anticipated by these forward-looking statements, including, but not limited to, general economic uncertainty in global markets and unfavorable economic conditions, including inflation, rising interest rates, recession, foreign exchange fluctuations and supply-chain issues; geopolitical conditions, including developing or ongoing conflicts; our ability to attract new business and retain key clients; our profitability based on our utilization, pricing and managing costs; the potential for our clients or potential clients to consolidate; our clients deciding to enter into or further expand their insourcing activities and current trends toward outsourcing services may reverse; our ability to manage our international operations, particularly in the Philippines, Jamaica, Pakistan and Nicaragua; our ability to anticipate, develop and implement information technology solutions that keep pace with evolving industry standards and changing client demands including the effective adoption of Artificial Intelligence into our offerings; our ability to recruit, engage, motivate, manage and retain our global workforce; our ability to comply with applicable laws and regulations, including those regarding privacy, data protection and information security, employment and anti-corruption; the effect of cyberattacks or cybersecurity vulnerabilities on our information technology systems; our ability to realize the anticipated strategic and financial benefits of our relationship with Amazon, the impact of tax matters, including new legislation and actions by taxing authorities, as well as other risks and uncertainties discussed in the “Risk Factors” section of our Annual Report on Form 10-K filed with the U.S. Securities and Exchange Commission (the “SEC”) on September 13, 2023 and any other risk factors we include in subsequent filings with the SEC.

Except as required by law, we assume no duty to update any of these forward-looking statements after the date of this presentation to conform these statements to actual results or revised expectations. You should, therefore, not rely on these forward-looking statements as representing our views as of any date subsequent to the date of this presentation. Moreover, except as required by law, neither we nor any other person assumes responsibility for the accuracy and completeness of the forward-looking statements contained in this presentation.

This presentation also contains estimates and other statistical data made by independent parties and by us relating to market size and growth and other data about our industry. This data involves a number of assumptions and limitations, and you are cautioned not to give undue weight to such estimates. Neither we nor any other person makes any representation as to the accuracy or completeness of such data or undertakes any obligation to update such data after the date of this presentation. In addition, projections, assumptions and estimates of our future performance and the future performance of the markets in which we operate are necessarily subject to a high degree of uncertainty and risk

By attending or receiving this presentation you acknowledge that you will be solely responsible for your own assessment of the market and our market position and that you will conduct your own analysis and be solely responsible for forming your own view of the potential future performance of our business.

This presentation includes non-GAAP financial measures which have certain limitations and should not be considered in isolation, or as alternatives to or substitutes for, financial measures determined in accordance with GAAP as issued by the FASB. The non-GAAP measures as defined by us may not be comparable to similarly titled non-GAAP measures presented by other companies and have limitations as analytical tools. Our presentation of such measures, which may include adjustments to exclude unusual, non-cash, or non-recurring items, should not be construed as an inference that our future results will be unaffected by these items. Non-GAAP financial measures and ratios are not measurements of our performance, financial condition or liquidity under GAAP as issued by the FASB and should not be considered as alternatives to operating profit or net income or as alternatives to cash flow from operating, investing or financing activities for the period, or any other performance measures, derived in accordance with GAAP as issued by the FASB or any other generally accepted accounting principles.

We are not providing a quantitative reconciliation of forward-looking non-GAAP adjusted EBITDA to the most directly comparable GAAP measure because we are unable to predict with reasonable certainty the ultimate outcome of certain significant items without unreasonable effort. These items include, but are not limited to, non-recurring expenses, fair value adjustments, share-based compensation expense, and impairment of assets. These items are uncertain, depend on various factors, and could have a material impact on GAAP reported results for the guidance period.

For additional information about ibex's business, refer to our Annual Report on Form 10-K filed with the SEC on September 13, 2023, and other documents filed with the SEC from time to time, and relevant earnings press releases (including GAAP, Non-GAAP and other financial tables included therein). The documents that we filed with the SEC can be obtained for free by visiting EDGAR on the SEC website at www.sec.gov.

	<p>Strong Financial Profile Growth of Key Segments, Strong EBITDA, Net income, FCF, EPS</p>	<p>12.3% TTM Adj. EBITDA</p>	<p>\$1.85 TTM Adj. EPS</p>
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	<p>Transformation to a leading Digital First business Continue growth in our Digital First integrated omni-channel business</p>	<p>5% TTM Growth</p>	<p>78% Q3 Revenue</p>
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	<p>Growth in our High Margin Geographies Strength in our offshore & nearshore offerings</p>	<p>4% TTM Growth</p>	<p><i>Offshore/Nearshore</i> 76% Q3 Revenue</p>
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	<p>Ideal Client Diversification Highly Diversified with Top Clients and Strategic Verticals Proven Track record of Land & Expand</p>	<p><i>% of Q3 Revenue</i> 37% Top 5 Clients</p>	<p>78% Top 25 Clients</p>
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	<p>Advancement of ESG initiatives Prioritizing Workforce Diversity and Inclusion</p>	<p>41% Female employees in management globally</p>
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Strongest EBITDA Margin and EPS in History

- Revenues: \$126.8m
- **Adjusted EBITDA: \$19.2m - 15.1% (record EBITDA margin)**
- **Adjusted EPS: \$0.70 (record EPS)**

Continued Progress on Expansion of our High Margin Regions & Services

- Digital First/ Integrated Omni Channel up to 78% from 73% Q3 FY23
- Offshore/ Nearshore up to 76% from 72% Q3 FY23
- Global Seat Utilization at 83% exiting Q3 FY24, up from 77% in June'23

Continued Strengthening of Pipeline Impactful New Logo Wins

- 3 wins for Q3 FY24
- 15 Year to Date (versus 8 in prior year)

Enviably Net Cash Position - \$49.3m

- Strong FCF: \$9.7m
- Share Buy Back of \$8.1m in Q3
- Tight CapEx: \$1.7m

Acceleration in our AI Strategy

- Strategic Partnerships built with contact automation, language translation, QA automation
- Growing Pipeline of opportunities - 35
- 3 Late-Stage Deals

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Financial Results

Taylor Greenwald
CFO



Revenue

\$126.8m Q3 FY24 vs.
\$131.6m Q3 FY23

- Digital and Omni-Channel delivery represent 78% of total revenue (73% in Q3 FY23)
- Shift in Geo Mix - high margin regions represent 76% of total revenue (72% in Q3 FY23)
- Decline in FinTech and Telecommunication verticals along with impact of the conclusion of project related revenue received in the prior year
- Strength of our year to date 15 new client wins across all our key verticals partially offset these headwinds

Net Income

\$10.3m Q3 FY24 vs.
\$11.3m Q3 FY23

Impact primarily driven by:

- \$1.3 million impairment recorded in connection with a strategic decision to exit two of our delivery locations
- \$1.5 million severance expense to focus investment on AI technology, HCM and ERP infrastructure, as well as our sales and marketing organizations

Fully Diluted EPS

\$0.57 Q3 FY24 vs.
\$0.59 Q3 FY23

Adjusted EBITDA

\$19.2m Q3 FY24 vs.
\$18.8m Q3 FY23

Adjusted Net Income

\$12.6m Q3 FY24 vs.
\$11.7m Q3 FY23

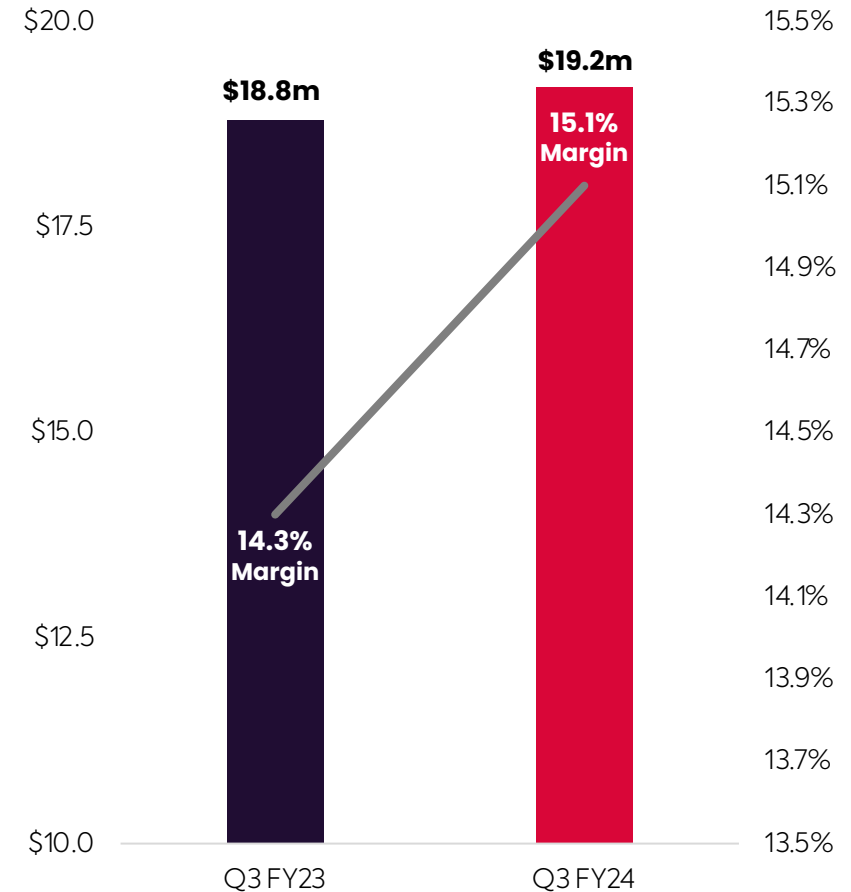
Adjusted EPS

\$0.70 per share Q3 FY24 vs.
\$0.61 per share Q3 FY23

Primarily driven by:

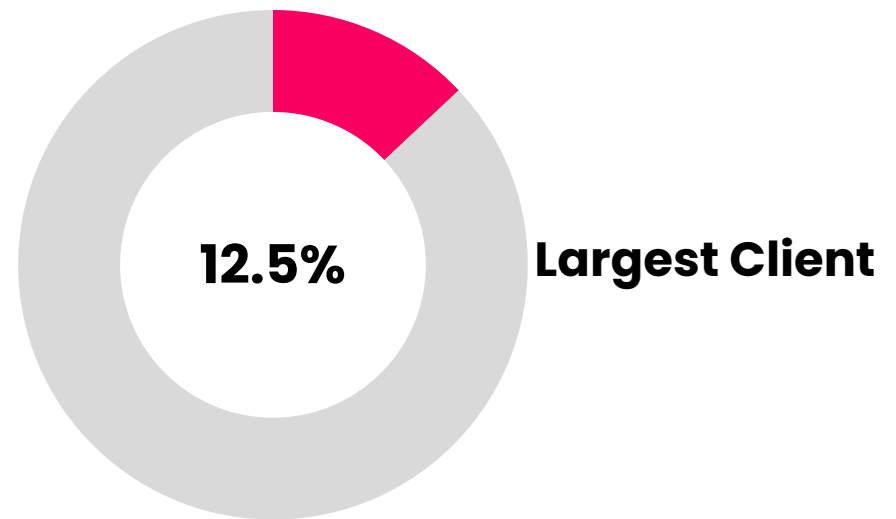
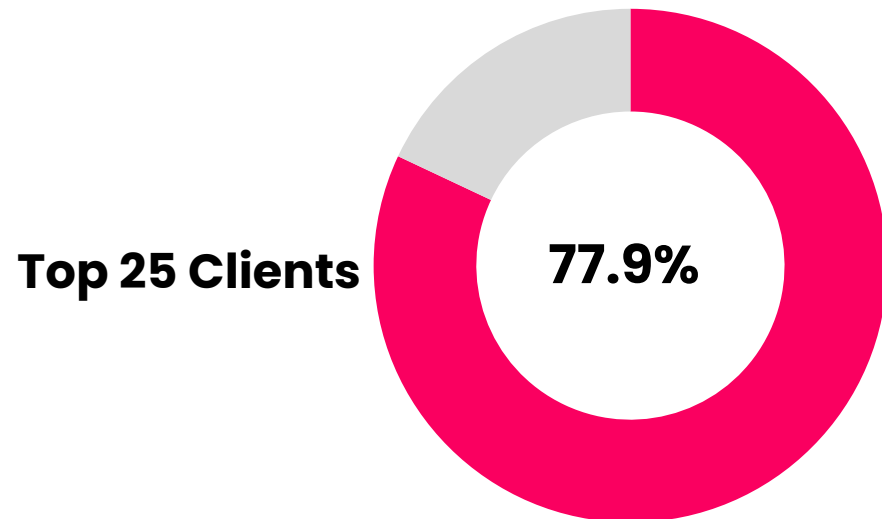
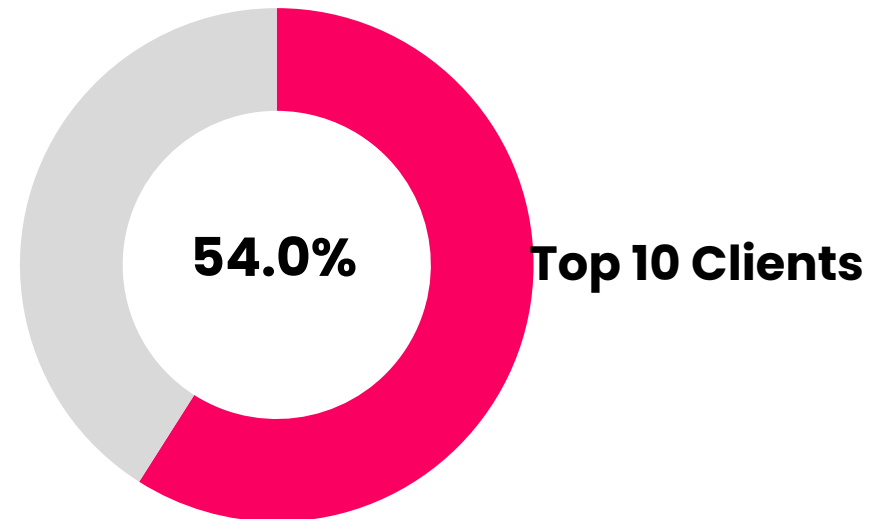
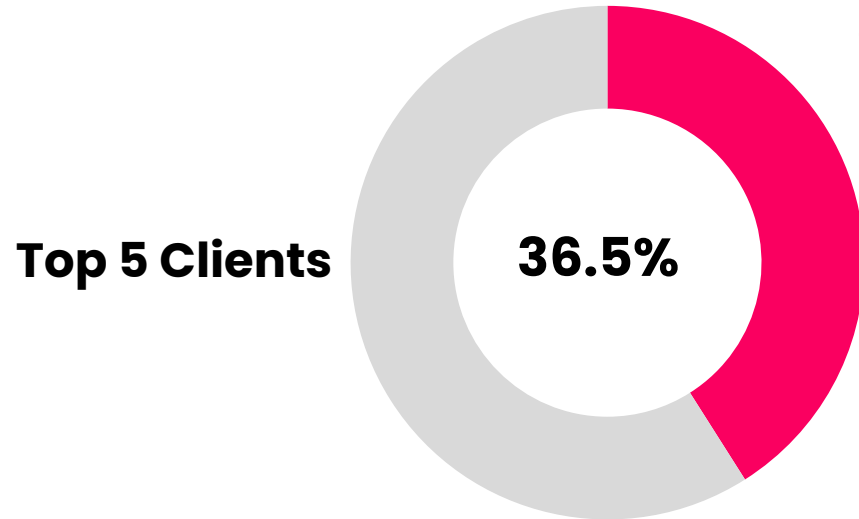
- Higher gross margin resulting from shift to higher margin offshore region and operational efficiencies
- Lower SGA expense excluding the impairment and severance expense

Q3 Y-Y Adjusted EBITDA and margin



Revenue: Model Client Diversification

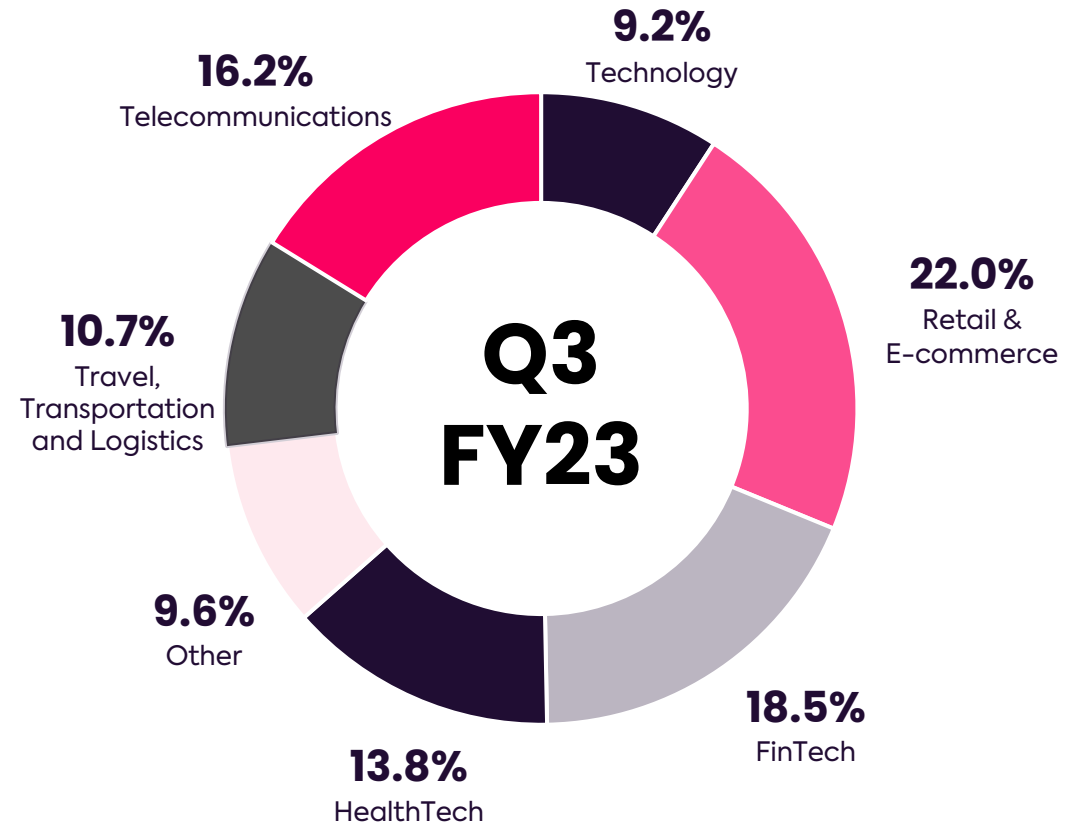
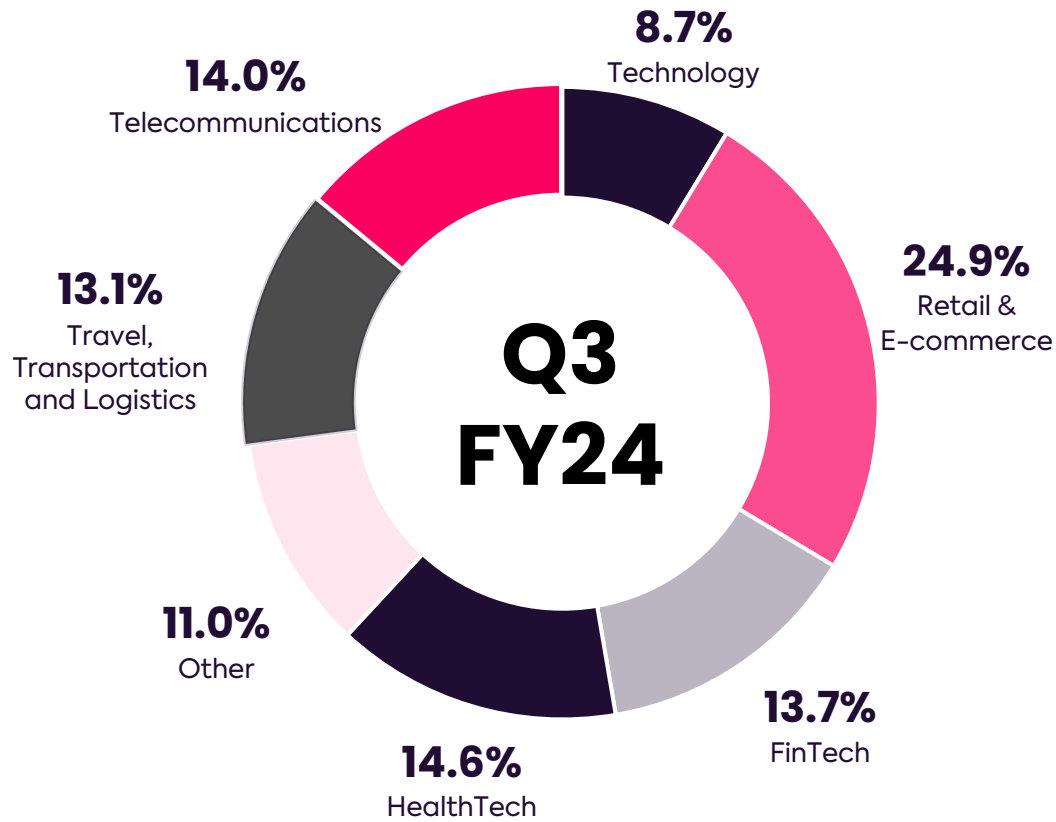
Q3 FY24 Client Statistics
(% of Revenue)



60 clients > \$1M in revenue per annum

Winning in Strategic Verticals

Continued Growth in HealthTech and Retail & E-commerce



Q3 FY 2024: Cash Flow and CapEx

Net Cash Generated from Operations

\$11.4m Q3 FY24
 \$13.6m Q3 FY23

Capital Expenditures

\$1.7m, 1.3% of Revenue Q3 FY24
 \$3.7m, 2.8% of Revenue Q3 FY23

DSO

74 days Q3 FY24
 73 days Q2 FY24


Non-GAAP Free Cash Flow

\$9.7m Q3 FY24 (+\$2.1m H1 FY24)
 \$9.8m Q3 FY23 (-\$0.7m H1 FY23)

March 2024 Balance Sheet

<p>Cash and Cash Equivalents \$50.7m June 30, 2023, \$57.4m</p>	<ul style="list-style-type: none"> • YTD Free Cash Flow \$11.8m • YTD share repurchases of \$18.6m • Q3 share repurchases of \$8.1m
<p>Total Debt ~\$1.4m June 30, 2023, \$1.0m</p>	<ul style="list-style-type: none"> • Net Cash position of \$49.3m from \$56.4m as of June 30, 2023

FY24



Revenue

\$505–510m



**Adj. EBITDA
Margin**

~12–13%



CapEx

\$10–13m

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Q & A



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Appendix



Reconciliation of Net Income to Adjusted Net Income

	Three months ended		Nine months ended	
	31-March		31-March	
	2024	2023	2024	2023
<i>US\$ in thousands, except per share amounts, unaudited</i>				
Net income	\$ 10,310	\$ 11,279	\$ 23,810	\$ 27,072
Net income margin	8.1%	8.6%	6.2%	6.8%
Severance	1,506	0	1,506	0
Non-recurring expenses	0	84	0	876
Warrant contra revenue	299	260	893	856
Foreign currency gains	-471	-325	-571	-422
Share-based compensation expenses	466	1,318	2,741	3,973
Impairment of Assets	1,257	0	1,257	0
Gain on disposal of subsidiaries	0	-246	0	-246
Total adjustments	\$ 3,057	\$ 1,091	\$ 5,826	\$ 5,037
Tax impact of adjustments	-809	-696	-1,480	-1,406
Adjusted net income	\$ 12,558	\$ 11,674	\$ 28,156	\$ 30,703
Adjusted Net Income Margin	9.9%	8.9%	7.3%	7.7%
Adj. earnings per share – diluted	0.70	0.61	1.53	1.63
Weighted average shares outstanding – diluted	18,036	19,065	18,458	18,861

Reconciliation of Net Income to Adjusted EBITDA

	Three months ended		Nine months ended	
	31-March		31-March	
	2024	2023	2024	2023
<i>US\$ in thousands</i>				
Net income	\$ 10,310	\$ 11,279	\$ 23,810	\$ 27,072
Net income margin	8.1%	8.6%	6.2%	6.8%
Interest expense	124	105	339	552
Income tax expense /(benefit)	1,279	1,872	3,940	4,938
Depreciation and amortization	4,865	4,674	14,853	13,933
EBITDA	\$ 16,578	\$ 17,930	\$ 42,942	\$ 46,496
Interest Income	-431	-205	-1,529	-391
Severance	1,506	0	1,506	0
Non-recurring expenses	0	84	0	876
Warrant contra revenue	299	260	893	856
Foreign currency gains	-471	-325	-571	-422
Share-based compensation expenses	466	1,318	2,741	3,973
Impairment of Assets	1,257	0	1,257	0
Gain on disposal of subsidiaries	0	-246	0	-246
Adjusted EBITDA	\$ 19,204	\$ 18,816	\$ 47,239	\$ 51,142
Adjusted EBITDA Margin	15.1%	14.3%	12.3%	12.8%



Most Awarded BPO 2.0 Provider

2024 Best Employers for Diversity

2024 Artificial Intelligence Excellence Award for Wave iX

2024 Customer Experience Innovation Award for Wave iX

2024 Gold Award Top BPO Services Exporter

2023 Award for Women Helping Women - Julie Casteel

2023 America's Greatest Workplaces for Remote Work

2022 & 2023 Customer Experience Innovation Award for Wave X

2023 & 2024 Philippines Best Employers

2023 Most Innovative Company

2023 Female Executive of the Year - Julie Casteel

2023 America's Greatest Workplaces for Parents & Families

2022 & 2023 Contact Center Technology Award

2023 Best Employer Brand Award

2023 CRM Excellence Award

2022 & 2023 Product of the Year Awards

2022 & 2023 Contact Center/ Customer Service Outsourcing Provider

2023 Customer Experience Outsourcing Services Leader in Latin America

2023 America's Greatest Workplaces for Diversity

2020, 2021 & 2022 Great Place to Work in Nicaragua

2021 & 2022 Great Place to Work for Women in Central America and Caribbean