



virtusa

November 2020

Investor Presentation

forward, faster

Forward looking statements

Forward-looking statements

This presentation contains forward-looking statements which are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. This presentation may make express or implied forward-looking statements relating to, among other things, Virtusa's expectations concerning management's forecast of financial performance; the growth of our business and management's plans, objectives, and strategies; the ability of Virtusa's clients to realize benefits from the use of Virtusa's IT services; Virtusa's ability to assimilate and integrate the operations of acquired businesses, and management's plans, objectives, and strategies. Existing and prospective investors are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof. Virtusa undertakes no obligation to update or revise the information contained in this presentation, whether as a result of new information, future events or circumstances or otherwise. For additional disclosure regarding these and other risks faced by Virtusa, see the disclosure contained in our public filings with the Securities and Exchange Commission, including our Annual Report on Form 10-K for the fiscal year ending March 31, 2020 and subsequent Quarterly Reports on form 10-Q, as filed with the Securities and Exchange Commission.

Use of Non-GAAP measures

This presentation presents certain non-GAAP financial measures as defined by Regulation G by the Securities and Exchange Commission. These non-GAAP financial measures are not based on any comprehensive set of accounting rules or principles and should not be considered a substitute for, or superior to, financial measures calculated in accordance with GAAP, and may be different from non-GAAP measures used by other companies. In addition, these non-GAAP measures should be read in conjunction with Virtusa's financial statements prepared in accordance with GAAP. This presentation includes non-GAAP consolidated statement of income measures including non-GAAP selling, general and administrative expense as a percentage of reported revenue (selling, general and administrative expenses, as reported on Virtusa's consolidated statements of income (loss) as a percentage of reported revenue, excluding stock-based compensation expense, acquisition-related charges and restructuring charges); non-GAAP operating margin, non-GAAP effective tax rate, non-GAAP minority interest and non-GAAP diluted earnings per share to provide further insights into the comparison of Virtusa's operating results among the periods, as well as enhancing comparability with operating results of peer companies. For more information regarding non-GAAP financial measures, including a qualitative and quantitative reconciliation of non-GAAP measures to the most directly comparable GAAP financial performance measures, see our earnings press release for the second quarter fiscal 2021 and our supplemental Analyst Data Sheet on our Investor Relations website at <http://www.virtusa.com/investors/company-overview/> and our "Non-GAAP Reconciliations Summary" slide in the appendix of this presentation.



Our strategic view and role





Speed is the new currency of business

Friction is the enemy.

virtusa



**We accelerate our clients most
strategic Digital and Cloud
Transformation initiatives**

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**We provide multi disciplinary agile
teams of consultants, designers,
engineers and sophisticated
gamified tools to increase speed
and eliminate friction**

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Corporate profile



By the numbers

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Global presence

- Locations in US, Europe, India, Sri Lanka, Singapore, and Australia
- ~22,900 world-class employees
- 228 active clients; primarily Global 2000 firms in the US and Europe
- Headquartered in Southborough, MA

Strong financial performance

- 2010-2020 revenue CAGR of 23%
- High quality and diversified revenue base
- Increasing focus on high-growth Healthcare and High-Tech industries
- Track record of delivering margin accretion
- Strong balance sheet

\$1.31B

FY20 Revenue

20,700+

World-class
Technologists

50+

Locations in
19 Countries

The fundamentals

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What we are:

A leading global IT services firm providing deep industry based digital engineering and consulting

What do we do:

We design and build front end and back end digital systems and applications that help businesses move faster

Who do we do it for:

The business and technology executives at the Global 2000

Core strengths:




















Deep industry and digital engineering in four areas: Cloud Transformation, Digital Process Automation, Application Development, Digital Design Consulting

Key industries:

Banking and Insurance, Healthcare and Life Sciences, Media and Telecom, Technology























Our clients

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|  Banking and Financial Services | |  Insurance | |  Healthcare and Life Sciences | |  Telecom and Media | |  High Tech | |
|---|---|--|---|---|---|--|---|--|---|
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Our partners

virtusa

| | | | | |
|---|---|---|---|--|
|  |  |  |   Red Hat |  |
|  Adobe |  |  |  |  |
|  |  |  |  |  |
|  |  ptc  thingworx |  |  |  modjoul |



Three pillars of our strategic plan

1

High Quality Growth

- Targeting large, recurring, high margin, faster growing Digital & Cloud revenues

2

Revenue Diversification

- | | |
|-----------|---|
| Client | <ul style="list-style-type: none">• Growing revenues outside of top accounts• Prioritizing investments in high-potential existing & new clients |
| Industry | <ul style="list-style-type: none">• Focusing on High Tech & Healthcare nascent, faster growing verticals• Investing in developing domain based proprietary solutions |
| Geography | <ul style="list-style-type: none">• Focusing on high potential geo's outside of the Americas• Making key leadership hires strengthening position at the local level |

3

Margin Expansion

- Driving expansion through pyramid efficiency, project profitability, & G&A leverage
- ***Profitable Growth + Diversification + Efficiency = Higher Gross & Net Margins***



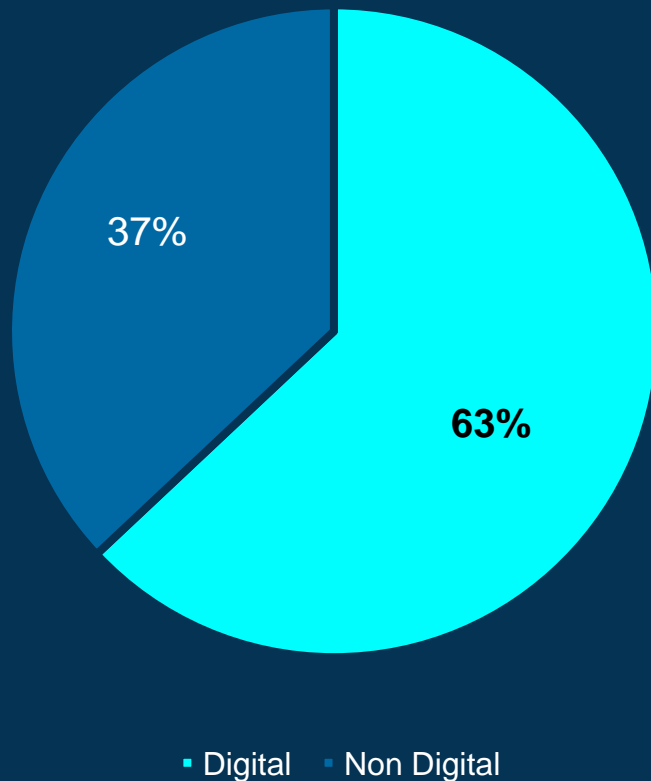
Our advantage



Digital is the central driver of our business

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Q2 FY 21 Revenue

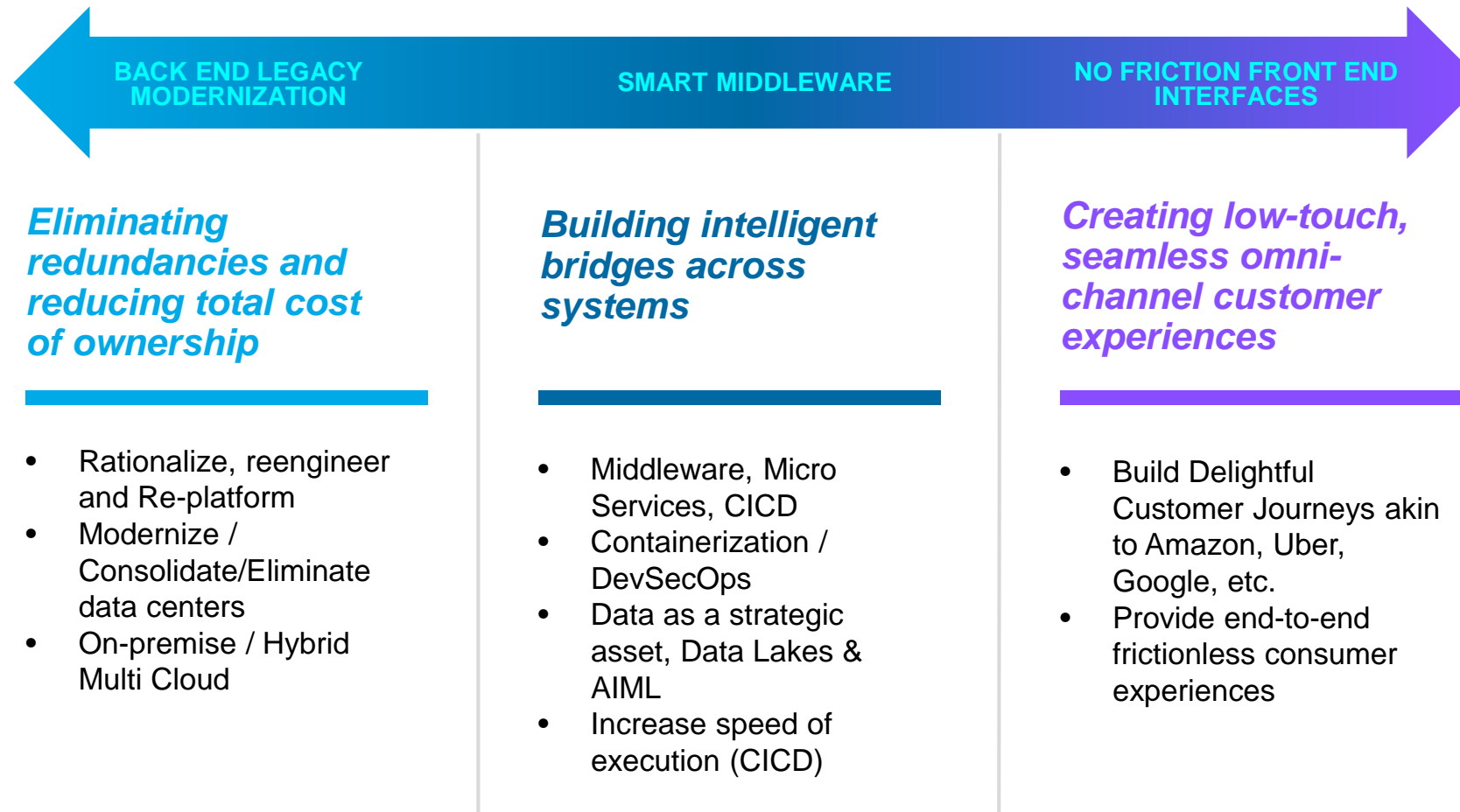


Digital represents a broad set of technologies and interfaces critical to delivering end-to-end digital experiences

Enterprises realize that achieving a truly immersive and efficient Digital experience requires integrating front-end seamless consumer interfaces with their back-end systems via digital middleware and cloud technologies, referred to as Deep Digital

That is the expanded task and view of today's Digital and what is driving the demand

Enterprises are increasingly aware of the deep Digital Divide and are aggressively spending in 3 core areas



A Digital Transformation Case

A top five UK Bank

As a result of our performance and industry leading Digital Engineering capabilities, Virtusa was recently selected as their #1 enterprise-wide Digital Engineering Partner.

The challenge

- Application estate of over 400 legacy financial market apps
- Many apps were redundant and bespoke, carrying years of technical debt
- All existing applications were run on Waterfall, with many failed Agile attempts
- Redundancies and inconsistencies across multiple LOBs, resulting in excessive cost burden and overall inefficiencies

The solution

- Triaged the Application estate, developing a rigorous App to Platform migration strategy
- Deployed the Digital Transformation Studio and implemented a full Agile development model
- Eliminated over 150 apps
- Transitioned to Agile Scrum and story point-based execution

The benefit

- Significantly **reduced overall technical debt**
- Increased visibility into work progress & **reduced financial risk** through building outcome-based pricing models which proved to be a trend setter
- Significant improvement in Quality & Productivity with almost **100% gain in right the first time** through effective Agile coaching and execution
- **Increased Predictable Delivery** by creating transparency and Gamification of Agile Scrum metrics

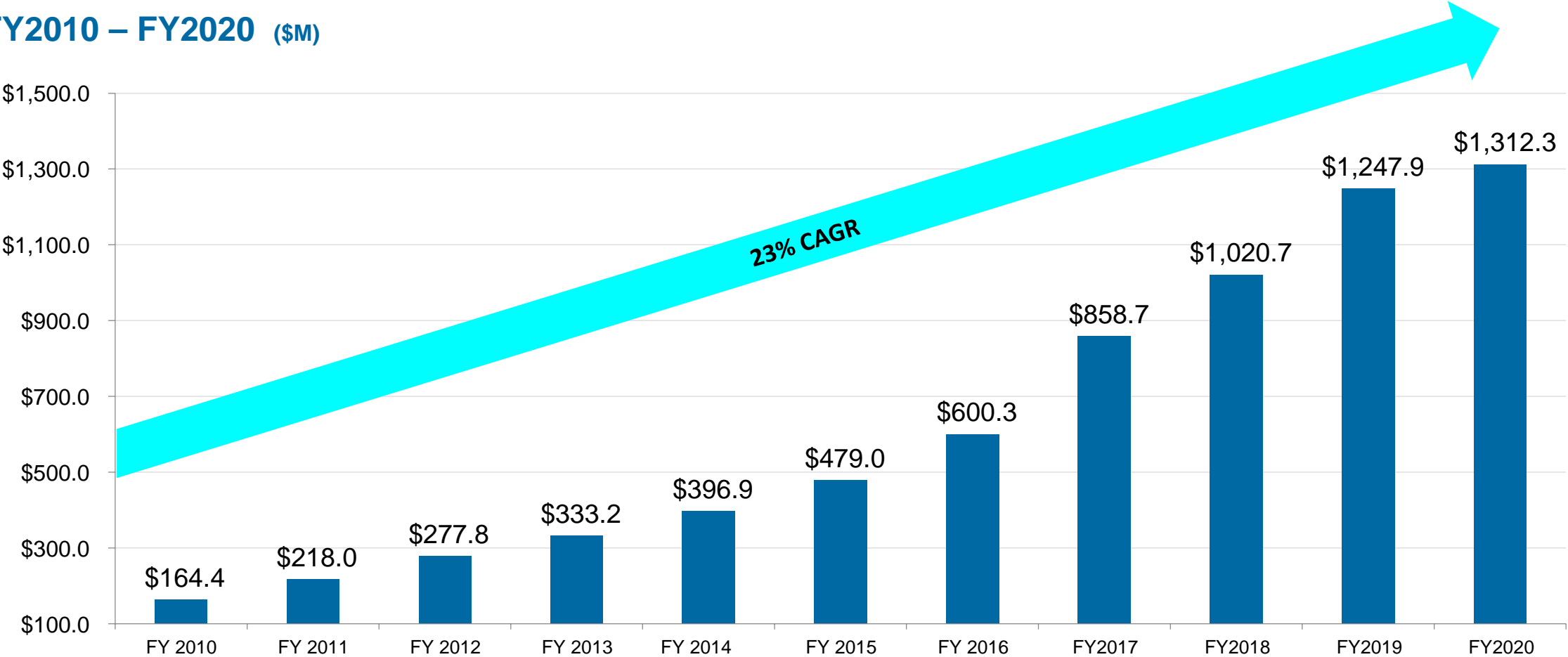


Financial overview



Strong revenue growth

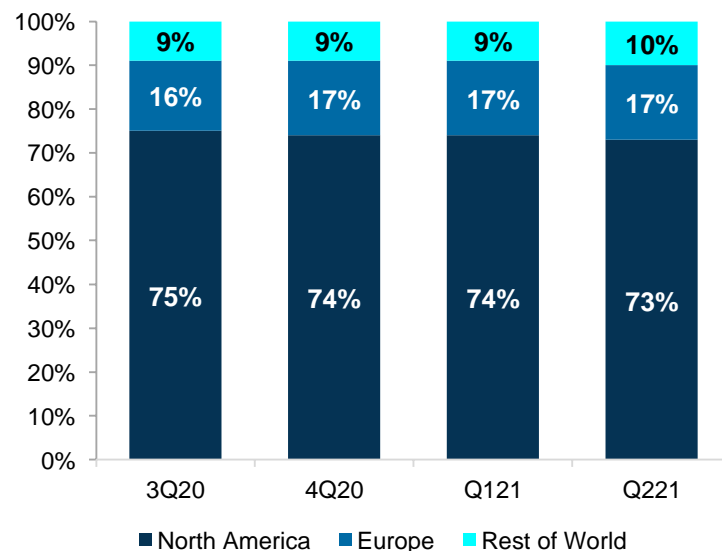
FY2010 – FY2020 (\$M)



High quality and diversified revenue

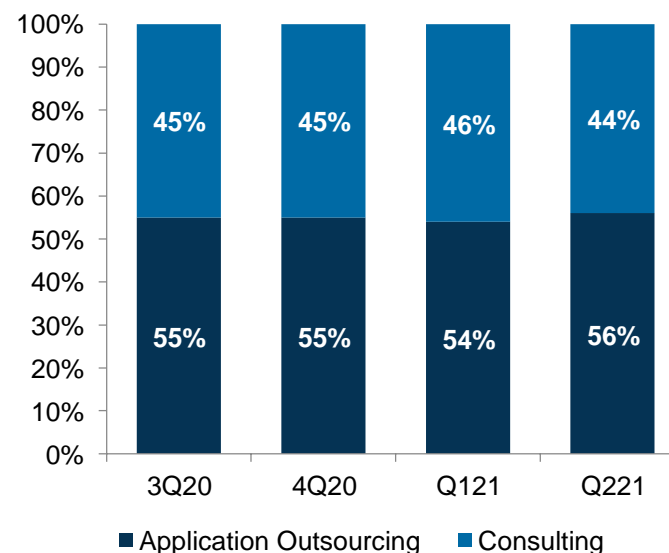
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Geography



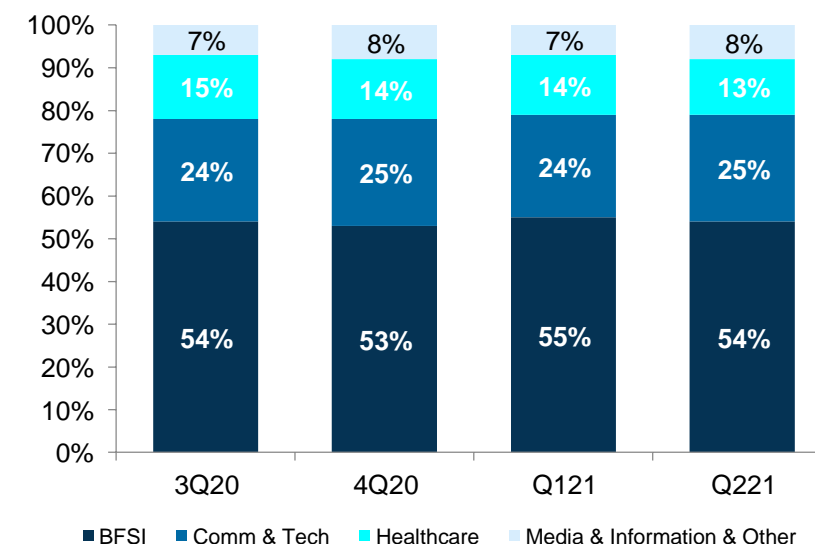
- Establishing global footprint
- Significant opportunity for growth, particularly international

Service Offering



- Delivering increasingly complex transformational programs driving both consulting and application outsourcing programs

Industry Group



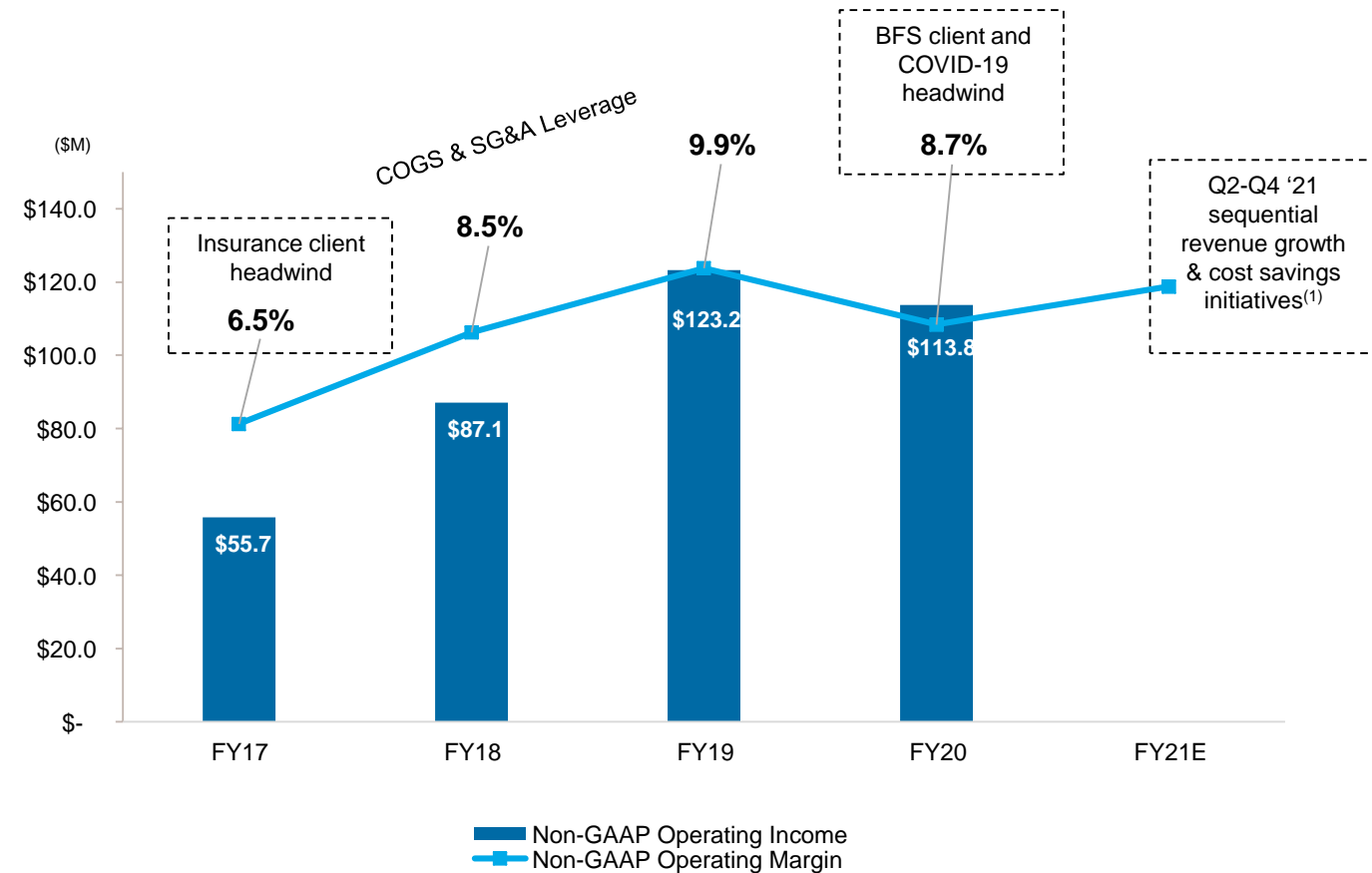
- Focus on chosen high-growth industries
- Expanding presence in healthcare & high-tech

Expanding margins

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History of Delivering Margin Expansion

- Delivered 7 consecutive yrs. of GAAP operating margin expansion from a low of 5.8% in FY09 to a high of 11.0% FY15
- FY17 non-GAAP margin impacted by large insurance client headwind; resumed non-GAAP margin expansion in fiscal Q217
- FY17 to FY19 margin accretion achieved through a combination of cost of sales and SG&A leverage
- FY20 non-GAAP margin impacted by COVID-19 and BFS client-specific headwinds
- Focused on resumption of margin expansion exiting fiscal Q121



(1) Improving billable utilization, ongoing pyramid optimization, reduced subcontractor expense, and shared services leverage

Strong balance sheet

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| Balance Sheet (\$M) | Sept. 2020 | March 2020 |
|-------------------------------------|------------------|------------------|
| Cash and Cash Equivalents * | \$300.8 | \$300.6 |
| Other Current Assets | \$330.9 | \$380.6 |
| Non-Current Assets | \$623.3 | \$655.9 |
| Total Assets | \$1,255.0 | \$1,337.1 |
| Total Debt | \$404.0 | \$496.2 |
| Total Other Liabilities | \$320.5 | \$336.1 |
| Total Stockholders' Equity** | \$530.5 | \$504.8 |
| Total Liabilities and Equity | \$1,255.0 | \$1,337.1 |

* Cash and Cash Equivalents includes short-term investments and long-term investments

** Total Stockholders' Equity includes preferred stock and redeemable portion of non-controlling interest

Appendix



Non-GAAP Reconciliation (in thousands)

1 of 2

| | (in thousands, except share and per share amounts) | | | |
|---|--|------------------|--------------------------------|------------------|
| | Three Months Ended September 30, | | Six Months Ended September 30, | |
| | 2020 | 2019 | 2020 | 2019 |
| GAAP income from operations | \$ 12,726 | \$ 19,235 | \$ 19,881 | \$ 32,663 |
| Add: Stock-based compensation expense | 4,078 | 5,834 | 7,670 | 12,510 |
| Add: Acquisition-related charges and restructuring charges ^(a) | 10,767 | 4,299 | 13,357 | 8,396 |
| Add: Non-recurring professional fees ^(b) | 2,633 | - | 3,339 | - |
| Non-GAAP income from operations | \$ 30,204 | \$ 29,368 | \$ 44,247 | \$ 53,569 |
| GAAP operating margin | 4.0% | 5.9% | 3.2% | 5.0% |
| Effect of above adjustments to income from operations | 5.5% | 3.0% | 4.0% | 3.3% |
| Non-GAAP operating margin | 9.5% | 8.9% | 7.2% | 8.3% |
| GAAP net income available to Virtusa common stockholders | \$ 7,681 | \$ 6,014 | \$ 7,488 | \$ 10,761 |
| Add: Stock-based compensation expense | 4,078 | 5,834 | 7,670 | 12,510 |
| Add: Acquisition-related charges and restructuring charges ^(a) | 10,767 | 4,420 | 13,357 | 8,663 |
| Add: Non-recurring professional fees ^(b) | 2,633 | - | 3,339 | - |
| Less : Gain on redemption of equity method investment | (1,179) | - | (1,179) | - |
| Add: Foreign currency transaction (gains) losses ^(c) | (4,098) | 3,437 | (2,857) | 2,235 |
| Tax adjustments ^(d) | (2,958) | (2,664) | (4,866) | (4,314) |
| Noncontrolling interest, net of taxes ^(e) | - | 7 | - | (28) |
| Non-GAAP net income available to Virtusa common stockholders | \$ 16,924 | \$ 17,048 | \$ 22,952 | \$ 29,827 |
| GAAP diluted earnings per share^(f) | \$ 0.25 | \$ 0.20 | \$ 0.25 | \$ 0.35 |
| Effect of stock-based compensation expense ^(g) | 0.12 | 0.17 | 0.24 | 0.37 |
| Effect of acquisition-related charges and restructuring charges ^{(a)(g)} | 0.32 | 0.13 | 0.42 | 0.26 |
| Effect of non-recurring professional fees ^{(b)(g)} | 0.08 | - | 0.10 | - |
| Effect of gain on redemption of equity method investment ^(g) | (0.04) | - | (0.04) | - |
| Effect of foreign currency transaction (gains) losses ^{(c)(g)} | (0.12) | 0.10 | (0.09) | 0.07 |
| Effect of tax adjustments ^{(d)(g)} | (0.09) | (0.08) | (0.15) | (0.13) |
| Effect of noncontrolling interest ^{(e)(g)} | - | - | - | - |
| Effect on dividend on Series A Convertible Preferred Stock ^{(f)(g)} | 0.03 | 0.03 | 0.03 | 0.06 |
| Effect of change in dilutive shares for non-GAAP ^(f) | (0.02) | (0.01) | (0.01) | (0.03) |
| Non-GAAP diluted earnings per share^{(g)(h)} | \$ 0.53 | \$ 0.54 | \$ 0.75 | \$ 0.95 |

(a) Acquisition-related charges include, when applicable, amortization of purchased intangibles, external deal costs, transaction-related professional fees, acquisition-related retention bonuses, changes in the fair value of contingent consideration liabilities, accreted interest related to deferred acquisition payments, charges for impairment of acquired intangible assets and other acquisition-related costs including integration expenses consisting of outside professional and consulting services and direct and incremental travel costs. Restructuring charges, when applicable, include termination benefits, as well as certain professional fees related to restructuring. The following table provides the details of the acquisition-related charges and restructuring charges:

Non-GAAP Reconciliation (in thousands)

| | Three Months Ended September 30, | | Six Months Ended September 30, | |
|--|----------------------------------|-----------------|--------------------------------|-----------------|
| | 2020 | 2019 | 2020 | 2019 |
| Amortization of intangible assets | \$ 4,957 | \$ 3,440 | \$ 9,125 | \$ 6,661 |
| Acquisition cost and integration costs | \$ - | \$ 859 | \$ - | \$ 1,735 |
| Transaction costs related to the Barings Transaction | \$ 4,997 | \$ - | \$ 4,997 | \$ - |
| Changes in fair value of contingent consideration | \$ 813 | \$ - | \$ (765) | \$ - |
| Acquisition-related charges included in costs of revenue and operating expense | \$ 10,767 | \$ 4,299 | \$ 13,357 | \$ 8,396 |
| Accreted interest related to deferred acquisition payments | \$ - | \$ 121 | \$ - | \$ 267 |
| Total acquisition-related charges and restructuring charges | \$ 10,767 | \$ 4,420 | \$ 13,357 | \$ 8,663 |

(b) Non-recurring fees for advisory, legal, consulting and proxy solicitation services in connection with a contested proxy solicitation with respect to our annual shareholder meeting and the election of directors.

(c) Foreign currency transaction gains and losses are inclusive of gains and losses on related foreign exchange forward contracts not designated as hedging instruments for accounting purposes.

(d) Tax adjustments reflect the tax effect of the non-GAAP adjustments using the tax rates at which these adjustments are expected to be realized for the respective periods. For fiscal year 2020, tax adjustments exclude BEAT tax impact in contemplation of a reorganization of our Indian legal entities and assume application of foreign tax credit benefits in the United States.

(e) Noncontrolling interest represents the minority shareholders interest of Polaris.

(f) During the three and six months ended September 30, 2020 and 2019, all of the 3,000,000 shares of Series A Convertible Preferred Stock were excluded from the calculations of GAAP diluted earnings per share as their effect would have been anti-dilutive using the if-converted method.

The following table provides the non-GAAP net income available to Virtusa common stockholders and non-GAAP dilutive weighted average shares outstanding using the if-converted method to calculate the non-GAAP diluted earnings per share for the three and six months ended September 30, 2020:

| | Three Months Ended September 30, | | Six Months Ended September 30, | |
|---|----------------------------------|------------|--------------------------------|------------|
| | 2020 | 2019 | 2020 | 2019 |
| Non-GAAP net income available to Virtusa common stockholders | \$ 16,924 | \$ 17,048 | \$ 22,952 | \$ 29,827 |
| Add: Dividends and accretion on Series A Convertible Preferred Stock | \$ 1,088 | \$ 1,088 | \$ 1,088 | \$ 2,175 |
| Non-GAAP net income available to Virtusa common stockholders and assumed conversion | \$ 18,012 | \$ 18,136 | \$ 24,040 | \$ 32,002 |
| GAAP dilutive weighted average shares outstanding | 30,679,578 | 30,708,162 | 30,548,916 | 30,821,287 |
| Add: Incremental effect of Series A Convertible Preferred Stock as converted | 3,000,000 | 3,000,000 | 1,500,000 | 3,000,000 |
| Non-GAAP dilutive weighted average shares outstanding | 33,679,578 | 33,708,162 | 32,048,916 | 33,821,287 |

(g) To the extent the Series A Convertible Preferred Stock is dilutive using the if-converted method, the Series A Convertible Preferred Stock is included in the weighted average shares outstanding to determine non-GAAP diluted earnings per share.

(h) Non-GAAP diluted earnings per share is subject to rounding.

Virtusa's response to COVID-19

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What we are
seeing

- COVID-19 continues to influence client decision making and spending
- Demand for Digital Transformation & Cloud Transformation solutions remain robust
- Maintaining suspension of annual FY21 guidance, but reinstated in-quarter guidance.

What we are
doing

- Helping clients with Digital & Cloud Transformation & Remoting in time of need
- Rapidly moved 98% of delivery team to WFH without business interruption
- Implemented cost reduction/efficiency plan; drew down \$84 M on credit facility
- Organizing capabilities around "New Normal"- Agile Services & Release Assurance

How we'll be
stronger

- Accelerating Virtusa's Digital transformation
- Fast tracking our three-pillar approach: growth, diversification, and margins
- Strengthening financials, go-to-market, and delivery model



Thank you.



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