GOING gestalt

MPS LIMITED

52ND ANNUAL REPORT 2021-22

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Forward-looking statements

Some of the information in this report may contain forward-looking statements, which include statements regarding the Company's expected financial position and results of operations, business plans and prospects, etc. They are generally identified by forward-looking words, such as "believe", "plan", "anticipate", "continue", "estimate", "expect", "may", "will", or other similar words. Forward-looking statements are dependent on assumptions or the basis underlying such statements. We have chosen these assumptions or basis in good faith, and we believe that they are reasonable in all material respects. However, we caution that the actual results, performances or achievements could differ materially from those expressed or implied in such forward-looking statements. We undertake no obligation to update or revise any forward-looking statement, whether as a result of new information, future events, or otherwise.

Corporate information

Board of Directors

Mr. Rahul Arora
Chairman and Managing Director

Mr. Ajay Mankotia
Independent Director

Ms. Jayantika Dave
Independent Director

Ms. Achal Khanna
Independent Director

Dr. Piyush Kumar Rastogi
Independent Director

Ms. Yamini Tandon
Non-Executive Director

Chief Financial Officer and Company Secretary

Mr. Sunit Malhotra

Statutory Auditors

Walker Chandiok & Co LLP,
Chartered Accountants
Firm Registration No.: 001076N/N500013
L-41, Connaught Circus, New Delhi – 110001

Bankers

HDFC Bank Limited
C/25, Stellar IT Park, Sector 62, Noida – 201306

Kotak Mahindra Bank Limited
Kotak Aerocity, Asset Area 9, 1st Floor, Corporate Banking, Ibis Commercial Block, Hospitality, District, IGI Airport, New Delhi – 110037

Corporate Office

4th Floor, Tower – A, Windsor IT Park, A-1, Sector 125, Noida, Uttar Pradesh, 201303, India

Registered Office

RR Towers IV, Super A, 16/17, Thiru-vi-ka Industrial Estate, Guindy, Chennai – 600032

Other Offices

- HMG Ambassador, 137 Residency Road, Bengaluru – 560025, Karnataka
- 709 DLF Corporate Greens, Sector-74A, Narsinghpur, Gurugram – 122004
- 33, IT Park, Sahastradhara Road, Dehradun – 248001, Uttarakhand
- 1901 S. 4th Street, Suite 222, Effingham, IL 62401, USA
- 477 Madison Avenue, 6th Floor, New York, NY 10022, USA
- 103 Carnegie Center, Dr. Suite 300, Princeton, New Jersey, 08540, USA

Subsidiaries

MPS North America LLC
5728 Major Boulevard, Suite 528, Orlando, FL-32819, USA

MPS Interactive Systems Limited
RR Towers IV, Super A, 16/17, Thiru-vi-ka, Industrial Estate, Guindy, Chennai – 600032

The Great Oasis, D-13, 2nd Floor, Marol Industrial Estate, Andheri (E), Mumbai 400093, Maharashtra

Smartworks, Room No-30,31, Victoria Park, Block GN, Plot no. 37/2, Sector V, Salt lake, Kolkata – 700091, West Bengal

TOPSIM GmbH
2nd floor, Neckarhalde 55, 72070 Tübingen

MPS Europa AG
First Floor, Lindenstrasse 14, 6340 Baar, Switzerland

Semantico Limited
Lees House, 21-23 Dyke Rd, Brighton, BN1 3FE, UK

Registrar and Share Transfer Agent

Cameo Corporate Services Limited
Subramanian Building, 1 Club House Road, Chennai – 600002

GOING gestalt

Why Gestalt?

According to the Cambridge English Dictionary, gestalt is defined as "something such as a structure or experience that, when considered as a whole, has qualities that are more than the total of all its parts."

We, at MPS, strive to unlock the significant synergies resulting from our distinct acquisitions and combine them to create something momentous.

How is it important for us at MPS?

For over five decades, MPS has been transforming the way the world learns. Over the years, we have been accelerating growth, both organically and inorganically. With the aim of achieving significant expansion in terms of both the scale and scope of our business, we acquired seven businesses in the last eight years.

Now, it is all about making these distinct businesses add up to something impactful and value accretive for our customers and stakeholders. It is all about "Going Gestalt" with the right strategy, execution model, and foresight.

For over five decades, MPS has been transforming the way the world learns.

Our growth pivots include ramping up our business offerings to achieve better synergies within segments, driving a platform-led approach in all aspects of the business, maximizing the market share in high-performing areas, and elevating our stature in the marketplace as a platform company that ensures consistent value creation.

At MPS, our vision for the future is to power the differentiation and competitiveness of our customers through

smarter content solutions

richer platforms

immersive eLearning solutions

We help transform learning by making it transparent, real time, and outcome oriented. With our holistic approach, we are GOING gestalt, where the whole of all that we are doing now or plan to do in future will be far greater than the sum of its parts. Through the successful execution of this strategy, we aim to be the undisputed market leader, admired by all our stakeholders.

MPS overview

Pioneering digital disruption

We are a leading content, technology, and eLearning platform focused on the digital learning landscape.

MPS is a premium digital-first outsourcing platform with end-to-end solutions that target a rapidly growing market. Some of our key highlights are as follows:

Well-Established Platform

We are a combination of three leading institutions across content outsourcing (Macmillan/1970), eLearning (Tata Group/1991), and an independent platform (Stanford/1995)

Robust Industry Drivers

We have a large $310bn+ total addressable market with significant runway for growth across research content outsourcing, digital education content, and corporate eLearning end-markets

Compelling Value Proposition

We are the only independent vendor that provides end-to-end solutions throughout the content lifecycle

Tremendous Growth Opportunities

We aim to maximize cross-selling with existing customers and develop a central growth engine to add new logos

Vision 2027

To create a compelling learning company at a meaningful scale that helps the world learn smarter. We aspire to be the provider of choice in our markets that powers experiential learning experiences with the latest technology innovations.

Our Values

Our ambitions are powered by our core values that we call the **Triple E**. These are principles we will not compromise on, and are tools that we depend on.

Excellence

Excellence is a way of life for us. It means respecting our colleagues, owning our responsibilities, and committing our best to our customers.

Empathy

Empathy is caring. It means understanding things deeply, absorbing the unwritten, and going an extra mile for people who depend on us.

Efficiency

Efficiency is who we are. It means driving automation, smarter workflows, and innovative operating models, and not allowing any job to be "grunt work" at MPS.

Key highlights

50+
Years of rich history

15
Offices

2500+
Talent pool

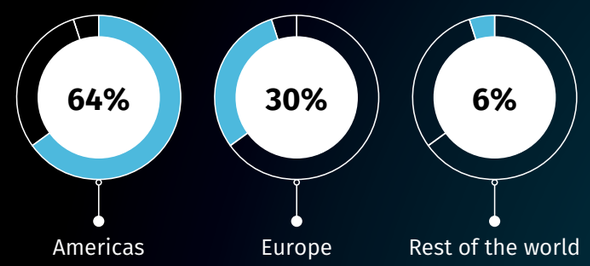
7
Acquisitions in 8 years

₹ 449 Cr
Revenue

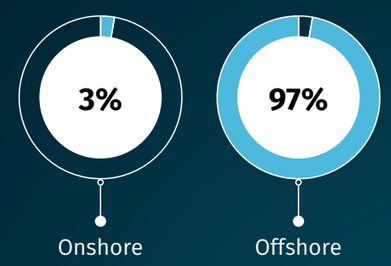
₹ 118 Cr
PBT

Leaving a global footprint

Revenue Mix



Our Base



Employees

42
Americas

44
Europe

2,519
India

Chairman's Letter

To the Shareholders of MPS Limited

MPS earned an unprecedented INR 48.61 per share in FY22. This year, I decided to write you a letter, hopefully the beginning of a longstanding tradition, to help you navigate what's changed at MPS. The excellent business performance in FY22 resulted from a journey that started a decade ago when the change of majority ownership from Macmillan to ADI was completed in 2012.

The timing is relevant, but more importantly, there is a great deal that I want to share with you about the Company, including a deeper understanding of what got us here, the specific progress in the last two years, and our growth strategy that envisions a new scale for MPS in FY27. While on the one hand I have never believed in five-year business plans, on the other hand, I believe it is important to have and own a bold vision; put in more efforts than anybody else to pursue the vision; stay relentless because while there will be ups, there will be many downs, and we learn more from failure than anything else; and ignore any naysayers because growth comes with optimism, and while the paranoid does survive, it's the dreamer who thrives.

Let us begin by understanding what got us here

Macmillan gave us a great platform. During the change of ownership, the exiting Chairman of MPS commented that they were handing over the jewel in their crown, and that we must nurture their legacy. His comment was on point because MPS possessed more capabilities and depth than anybody else in the marketplace. What was missing was a drive toward speed and efficiency that customers needed. We brought that perspective in by moving the organization to a flatter structure powered by a culture of agility, and that assumed efficiency was table stakes. The impressive and global-scale infrastructure in Dehradun allowed us to get ahead of our competitors. This plus the small mercy of the rupee depreciation offered us additional tailwinds in FY12 and 13.

MPS' dominance was in content solutions outsourcing, with a strong focus on scholarly publishing, though our ambitions were grander. We scaled our presence in the education market through the acquisitions of Element, EPS, and TSI Evolve between 2013 and 2015, which also helped us establish meaningful onshore operations in the US. The resulting momentum allowed us to raise our growth capital via a QIP process in 2015, which funded the next three acquisitions. The acquisitions of Magplus (2016) and THINK (2017) improved our revenue quality since they are platform businesses with a high proportion of SaaS-based recurring revenue. The acquisition of Tata Interactive Systems Group in 2018 powered our definitive entry into the eLearning space with operations in India, Switzerland, and Germany. The expansion also opened us to newer markets, including corporates and educational institutions. Our most recent acquisition of HighWire in 2020 further improved our revenue quality as HighWire again is a platform play. All the acquisitions we made were motivated by the expansion of scope to enhance our competitive advantage. The period between FY14 and 20 was a thoughtful diversification play that:

1. Expanded our total addressable market from USD 2 billion to USD 310 billion.
2. Enhanced the business mix from 100% content in FY14 to 60% content, 28% platform, and 12% eLearning in FY20.
3. Reduced the revenue concentration from the top 10 customers - 75% in FY14 to 53% in FY20.

During our diversification phase, all our energies were focused on optimizing each of the acquisitions because we had acquired assets that were historically premium but more recently distressed. With each turnaround, we got more efficient and had better upside with each subsequent acquisition. To develop a greater whole, we have begun to optimize the sum of the parts in the past two years. We have unlocked synergies across the business mix during this phase to further extend the margins of our expansion. We have developed new revenue streams that can combine our business interests to solve the increasingly complex problems of our customers.

> "Instead of taking five years to expand margins, we will achieve our target margins in the second year while ensuring a high ROIC and timely payback."

- We have seen robust growth in our education business through a revamped and integrated global delivery model that combines diverse capabilities.
- We realized a profitable transformation of our eLearning business by utilizing wage arbitrage levers at a group level versus a business segment level.
- We built a new scale in our research content customer base by successfully delivering through the pandemic by leveraging a more diverse talent pool than any of our competitors.
- We expanded our Platform business through acquiring HighWire, advancing positioning in the research end-market as a "thought leader."

The road to FY27 then is about diligently building new scales. We have redefined our sales and marketing strategy to include a market-oriented approach to drive organic growth. Our customer interactions are focused on leveraging multiple capabilities to address customer needs versus a product-based approach. In the research market, we now play the role of a price warrior and aim to bundle our products/services to acquire the market share. Our tech IP and low-cost delivery locations help us protect our margins in this competitive marketplace. To further our momentum in the corporate market, where we have an unprecedented Order Book, we are scaling up our investments by three-fold in marketing and adding sales hunters in new markets to better our geographical coverage. We are also going gestalt in the Education sphere by unlocking the synergies between our content and eLearning solutions to focus on digital and experiential learning. The expansion in education also includes a developing customer base, including educational institutions, Edtech, and emerging learning companies.

A new Acquisition Playbook will further augment our ambition to build serious scale. We are enhancing the first phase of the acquisition playbook, which was about acquiring distressed assets at distressed prices, to moving into the next stage about acquiring growing assets at competitive prices. We are now pursuing growth assets that have inherent financial strength. Our inorganic focus will be on acquiring growing companies at attractive valuations, ensuring that our recently established momentum attains further acceleration. The next wave of acquisitions will also give access to new markets, enhancing our competitive advantage. Instead of taking five years to expand margins, we will achieve the target margins in the second year while ensuring a high ROIC and timely payback.

My vision for MPS in 2027 is to create a compelling learning company at a meaningful scale that would help the world learn smarter. We aspire to be the provider of choice in our markets that powers experiential learning experiences with the latest technology innovations.

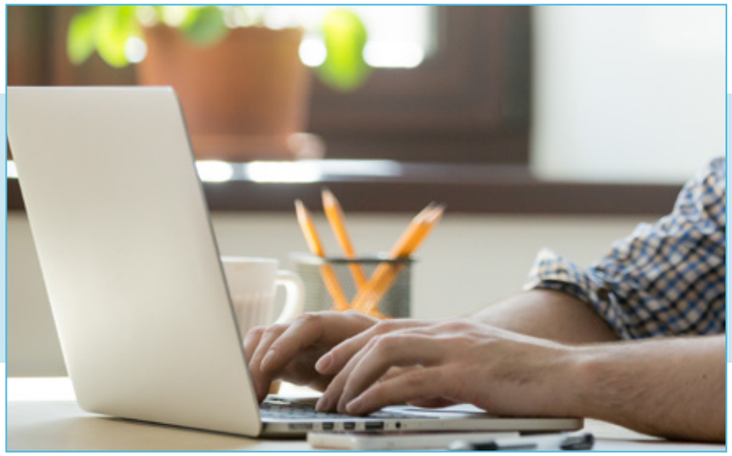
Regards
Rahul Arora
Rahul Arora
Chairman and Managing Director

Business overview

Distinct solutions for diverse clients

We are recognized as trusted industry partners who provide comprehensive offerings across the value chain. Our end-to-end offerings provide a one-stop solution, leading to operational efficiencies, enhanced scale, and unparalleled customer experience.

Content Solutions



Overview: Comprehensive content solutions from content creation to delivery across all media that help drive the competitiveness and differentiation of educational, academic, science, technical, medical, and professional publishers

Key offerings

- Content authoring, development, and learning design
- Rights and permissions solutions
- Media asset development and creative services
- Content production powered by Digital First workflows
- Digital transformation

Customers:

Educational Companies, Research Content Organizations, and Educational Institutes

Key Highlights for FY22

94%
Recurring revenue

2100+
Domain experts

54%
Revenue share

Platform Solutions

Overview: Complete range of configurable platform solutions across the entire content lifecycle majorly delivered as SaaS. First to market with each platform offering and respected as the innovator and thought leader in the space

Key offerings

- Submission, peer review, and workflow
- Hosting and identity management
- Insights and analytics
- Customer service and order management

Customers:

Research Content Organizations and Educational Institutions

Key Highlights for FY22

2.7X
Cross-sell in FY22

87%
Revenue from the license fee

27%
Revenue share

eLearning

Overview: Deliver high-impact learning and performance support solutions that offer a high engagement quotient, drive learner performance, and deliver high ROI for the learner and organization

Key offerings

- Custom eLearning
- Gamification and serious games
- Learning websites
- Micro learning, mobile learning
- Simulations
- VR/AR/Animation
- Experience Centers
- Learning platforms

Customers:

Research Content Organizations, Corporates, and Educational Institutions

Key Highlights for FY22

250+
Multifunctional experts

100+
Fortune 500 companies as clients

19%
Revenue share

Our Multipronged Growth Strategy

Focusing on a customer-centric approach

MPS is poised for significant growth through both organic initiatives and M&A

Market-based Approach

- **Refocused sales strategy** using a market-based approach to enhance and unlock cross-sell synergies across research, education, and corporate end-markets
- Client interaction focused on **leveraging multiple capabilities** to address client needs vs. product-based approach
- Lead marketing with **compelling value proposition & impactful brands**

Penetration within Existing Customers

- More proactive management of key accounts to **advance relationships with strategic clients** using dedicated account managers
- Executive sponsors from the senior management team assigned to each star account
- **Leverage strong client** relationships to continue to **gain wallet share** with existing clients

Winning New Logos

- **Research Content:** Bundle our products/services and play the role of a price warrior to acquire the market share
- **Corporate eLearning:** Advance our unprecedented Order Book by scaling up the marketing three-fold and improving geographical coverage
- **Digital Education Content:** Unlock our synergies to expand our customer base geographically and by client type (e.g. Edtech)

Strategic Inorganic Expansion

- Approach to M&A evolving from acquiring distressed assets to **acquiring growth assets**
- **Tried and tested M&A Playbook** enabling seamless integration and focusing on value creation
- Continue to target **superior ROIC and rapid payback**

New Product and Capability Development

- **Grow experience center business** globally to target the marketing budgets of large corporates
- Unlock synergies between Content and eLearning business by **launching a Digital Studio** dedicated to the education market
- **Expand Platform offerings** via a series of new product launches

Content	Platforms	E-Learning
TSI evolve Electronic Publishing Services Element LLC	HighWire Powered by MPS THINK360 mag+ Powered by MPS	TATA INTERACTIVE SYSTEMS

Key industry drivers

Positive business tailwinds create an attractive opportunity for scaled players. MPS is well established to benefit from market tailwinds and growth enabled by technology.

eLearning*

- Increasing demand for trusted providers with deep technology expertise and the ability to manage end-to-end eLearning solutions.
- Answering the need for digital learning capabilities, particularly post pandemic
- Unprecedented demand for immersive and experiential learning including simulations, games, AR, VR, and XR

(Served by content and platform)

21%
Industry growth

Digital education content**

- The pandemic has accelerated the shift of our content to digital
- Preference to work with players that have a track record in a global delivery model
- New outsourcing programmes are expected as customers do not have the in-house capacity to deliver on demand

(Served by content, platform, and eLearning)

11%
Industry growth

Research content outsourcing***

- Vendor consolidation in mature areas of outsourcing
- Customer preference to work with partners that own technology IP that will support efficiency requirements and future-proof customer needs
- Drive to automate new processes and application of AI/ML to mature processes

(Served by eLearning and platform)

5%
Industry growth

Source:

* eLearning - https://www.gminsights.com/industry-analysis/elearning-market-size

** Digital Education Content - https://www.prnewswire.com/news-releases/global-digital-education-content-market-to-reach-108-billion-by-2026-301305030.html

*** Research content outsourcing – Global publishing outsourcing market size – EY Parthenon

Our journey

Making strides into the future

Our journey highlights a track record of growth—Years of acquiring customers and expanding our capabilities. Our journey can be summarized in four major phases of evolution.

Drive for speed and efficiency

FY12-FY13

- Acquisition of MPS, a subsidiary of Macmillan
- Opened the largest global office in Dehradun to improve efficiency and lower costs
- Acquired Element LLC to expand content solutions

Unlocking synergies

FY21-FY22

- Robust growth in the education business through revamped and integrated global delivery model that combines diverse capabilities
- Profitable transformation of the corporate eLearning business by leveraging wage arbitrage levers
- Expanded the platform business through the acquisition of HighWire, advancing our positioning in the research end-market as a "thought leader"

Major diversification play

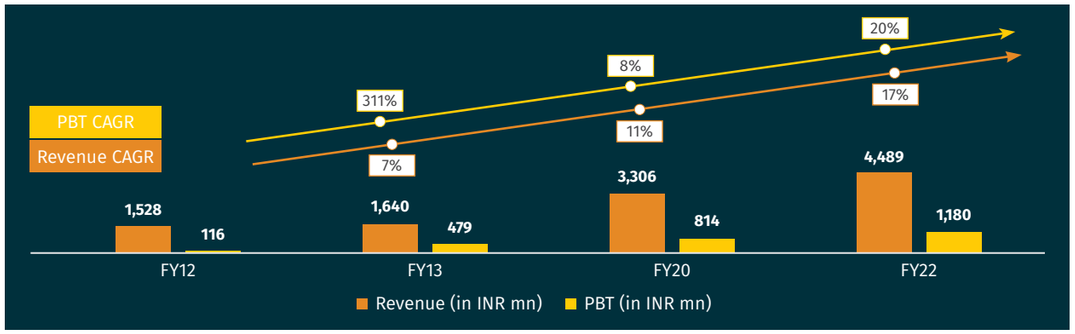
FY14-FY20

- Completed 7 acquisitions over 8 years
- All acquisitions of scope to enhance strategic competitive advantage
- Reduced revenue concentration from top 10 customers - 75% in FY14 to 53% in FY20
- Diversified business mix from 100% Content in FY14 to 60% Content, 28% Platform, and 12% eLearning in FY20
- Expanded TAM from $2 bn to $365 bn

Building scale

2023 onwards

- Redefine sales and marketing strategy to a market-oriented approach to drive organic growth
- Shift the focus of inorganic strategy to focus on acquiring growth assets
- Explore opportunities for further consolidation to further improve efficiencies and drive margin expansion



Operational excellence

Leveraging our expertise to create value

Our employees are at the core of our growth, and we employ a highly trained workforce dedicated to creating improved value for all our customers. Our expertise in building, maintaining, and managing a highly trained and scalable workforce has resulted in exemplary employee metrics.

Our scale allows our diversified pool of talent to drive efficiency in **15** delivery locations

Our global integrated delivery has allowed us to take on larger projects and avail service from **low-cost** destinations

Improved contribution margin as **9** out of our **15** delivery systems are located in low-cost cities, which offers **50%** lower labor cost

Our relentless effort on employee well being has resulted in a low attrition rate allowing employees to build **specialization**

Deep domain expertise

We have reinforced our expertise in content transformation and eLearning with a robust technology, a team of industry experts, and a comprehensive portfolio of capabilities. More than 50 years of content building has helped us provide the best-in-class outsourcing solution for the publishers.

Leveraging technology for excellence

We enhance customer experience by integrating our operational expertise with technology. Our cloud-based workflow processes are highly automated and streamlined, resulting in quicker turnaround time.

Awards and recognition

1 Brandon Hall Technology Award

30 Brandon Hall Excellence Awards

APEX Awards 2021

Top 20 Companies - Training Outsourcing 2021

Top 20 Companies - Custom Content Development 2021

LearnX Live! Diamond and 2 Gold Awards 2021

Top 20 Companies - Experiential Learning Technologies 2021

Ranked among the top in the industry for Gamification and Learning Content Development

Strategic Challenger in Fosway Group's 9-Grid for Digital Learning