Luxoft USA Investor Day
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Tracy Krumme: Good morning everyone. I'm Tracy Krumme. I'm Vice President of Investor Relations for Luxoft, and it's my pleasure to welcome you all here for our Investor Day.

Before we start, we have a few housekeeping issues. If we could please ask that you silence your phones and your laptops, that would be very much appreciated.

Additionally, I would like to point out that some of the matters discussed in today's meetings, including our business outlook, are forward-looking statements. And as such, these are subject to known and unknown risks and uncertainties including but not limited to those factors set forth in our 20-F. These risks and uncertainties may cause our actual results to differ materially from those expressed or implied during our presentation, and we are not--these are not a guarantee of actual results. As always, we assume no obligation to update any statements made in these presentations.

Turning to our agenda, we have an excellent program lined up for you today. I'm pleased to say that we have a number of our leaders here to share our story, as well as the CEO of Visteon, Sachin Lawande, who will talk about what's going on in the automotive sector and some key trends as well as our partnership.

We will save all questions for the end, and we will also have a break at approximately 2:30. We'll conclude at 4:30, and at that time we would invite you all to go upstairs with us and join us for our cocktail hour. It'd be a great time to meet and discuss some of our--with some of our team here.

So, once again, thank you for being here. I'm going to show a quick video, and then I'll turn the podium over to our CEO, Dmitry Loschinin. Thank you.

[Video presentation.]

Dmitry Loschinin: Hi everyone. First of all, thanks a lot for coming to our event. It's a pleasure to see you all here. My name is Dmitry Loschinin for those who don't know me. I am founder and CEO, so started Luxoft 18 years ago. And I am software engineer by background, and obviously have quite a bit to say but I want to start with a few remarks.

So, over the last year, Luxoft has become quite a controversial stock, I would say, with--and I would also want to say it's clearly undervalued. So, there is some mystery about us. And the purpose of today's presentation and the Investor Day is to give you more color, you know, what we do, what we believe, what are our plans.

And you're going to meet with our main leaders who are in charge of different business segments. And again, we want to be as transparent as possible and answer your questions. Obviously, there will be questions about DB and UBS. We anticipate them. But we want to show you more than this, right? So, of course we are going to touch these questions as well.

So, let me start. So, I assume that most of you are familiar with the story. We are a global software company, focused on the high-end system integration and development, very strong in the digital space. We are focused on several industries and, again, are going to show that. You know our size, so we are approaching one billion. We are around 13,000 people.

One thing I want to stress here, over the last few years, you know, we have become a true global enterprise. And we have grown and diversified both our delivery, our engineering footprint, also our client base. So, as you know, we started in Eastern Europe. [Unintelligible] is the European roots in engineering, but over the years we have developed, you know, true global delivery capabilities.

We started growing our presence in Asia. We have India, Malaysia, Vietnam, China today. And we see this market as actually both good for the business development but also good for the engineering capabilities, you know, once we do, you know, very careful selection according to our standards. And the same we are doing in Asia and Latin--or in America and Latin America.

So, that--I think we crossed the borders a long time ago. There is very little center of gravity. The only thing that's important for us is, you know, how to find good engineers, make sure that they are capable of doing job, you know, make them kind of unleash their talents and integrate in the company.

So, the engineering organization delivery is fully integrated. It's very consistent. And whoever of you would talk to our clients, or if you want to talk to our clients, that you will find a very consistent manage--message, high quality, excellent delivery, innovation at scale. That's what we do.

And on our client side, again, we have grown. We still have a lot of business in Europe, you know, primarily Western Europe, Germany, UK, some other parts, but we also continue to diversify. Asia-Pacific was a focus for us in the last couple of years, high growth area, lots of opportunities. And clearly, U.S. is an area of focus where we can do better. But again, we are going to talk about this. On the bottom line is some facts. You know, we operate in 21 countries and 45--42 sites.

So, some history, so 18 years in business. Nearly five years ago exactly we went public. And we met and talked to some of you, you know, explaining the growth of the story. And I think at that time, you know, some things were quite different than it is today.

So, first of all, we have, you know, focused on large scale accounts. And, you know, we had a lot of, you know, account management discipline, and our top 10 accounts represented--was--were like 80% of the business. Also at that time, financial services was the major industry. It's still remains a major industry, but within financial services we were focused on investment banking, which was kind of majority. And then two large clients at that time were like more than 50% of the business.

So, the paradigm of the business at that time was focus on large accounts, develop them in-house, you know, bring new logos onboard. But still, the major--the main growth driver was these core accounts for us. And we were, you know, doing that very well, quite successful. Things change since 2016, you know, some headwinds; financial industry, IB especially, and Roman is going to talk about that.

So, you know, things that worked really well changed. And we, you know, clearly see some of the changes both on the landscape but, more importantly, with our top two accounts, also from the rest of our top 10, actually. If you talk about top five, [unintelligible] went bankrupt, and we also had some issues with Boeing because Boeing consolidated their systems. And, you know, basically they brought together their defense side and commercial side, and a lot of work which we used to do become classified.

Anyway, just to cut it short, the 70% of the business which was the main growth driver stopped being the growth driver and actually started to decline. And as you can see, today some of those names are not part of our top 10. So, clearly a tough challenge, you know, and we realize it's not--was not just the way that we grew our accounts and was not just the story of the accounts, but certain things which we used to do at that time which worked well didn't stay relevant, you know, and we had to do a lot of changes on our end.

And the changes are, you know, clearly digital agenda become the main topic. You know, 70% of new IT spend is related to digital agenda. We headed, distributed, we operated the companies, you know, by silos, but we didn't have, you know, this strong horizontal offering, and that, you know, change was really required. And the sales and account management organization was mainly focused on account management, was not aggressive enough to go out. And this we had to change, obviously, bringing much more focus and attention to new business generation.

The offering which we had was focused, again, a lot of IB. We needed to change. And we went and we start looking at some other industries, and had actually piloted the model I think greatly with automotive. When we focus on the industry with a high growth potential, there's a lot of digital disruption, put accelerated effort and achieved great results.

Obviously, HPAs, you know, we continue talk about that, you know, bringing more of that, you know, having the accelerated growth. And all in all, what we also did, we have restructured our business. So, we look at the way we operated and we realized it was not efficient, was not strong enough.

It didn't have enough accountability, didn't have--you know, was not related to the market, was not well connected to the market and didn't have proper strategy. So, within these two years, you know, since 2016 'til now, a lot of changes has been made. And again, today we are going to talk about this. Also, digital has become the main theme, and a lot of investment has been done and a lot of--you know, a lot of opportunities that we are having today is actually a result of this.

So, a few things to mention there, first the way we operate. So, we used to operate with these silos. And silos were, you know, by large accounts and by also the verticals, and we also used to have a separate sales organization. So, we realized over that time that it's not efficient. We really needed to combine and have a marketing--a market focused entities that has a very clear strategy, very clear go-to-market idea, very clear purpose, you know, being essential to the respective client segment, and it has to drive its sales.

And so, we consolidated sales within the business units. We went from six, and at some point of time seven, business units to three. And again, that's the difference of today. A lot of focus that we have today is focused on B2B. The marketing part of the story was not ideal. And we are investing in the marketing and we are increasing our efforts in this space. We want that the brand is known, but more importantly that the services and the offering that we have in-house be communicated. We provide this last mile to our clients.

Digital, continuously invest in that. And again, we are going to talk in more detail also what we do. So, the last two years, this is the major investment bucket of Luxoft. We--I think we have a very clear idea and understanding how we should combine the horizontal digital offering with the business needs of specific industries. And again, Vasiliy and Sam and other guys, they are going to talk about that today in more details.

So, some numbers, so the progress which we have achieved of today. So, as I already mentioned, we had 80% of our revenue concentrated with top five. Today it's 47. And we had more than 52% of revenue concentrated with top two. Today it's 33. We talked about HPAs, and in 2016 they were 18% of the revenue. Today it's 37, so it's more than doubled.

If you look by diversification in terms of the lines of businesses, financial services was 70%. It's 55, and eventually we definitely see that being, you know, less than 50% of the business. Automotive though, which used to be 8%, then became 11% with an incredible growth momentum, is 17%, eventually, you know, going to grow to 30 in the future.

And digital enterprise also has grown to 28%, and that has a lot of, you know, changes that we are going to address today, you know, how we approach this market. Also, we have some improvement in productivity that talks about the added value of our offering and that we are capable of--and obviously, it also tells about the kind of nonlinear growth of our revenue.

So, important slide talks about our client portfolio, and I'm really proud to see. This is actually the best proof of our efforts. If you look at the portfolio which we used to have in 2016 with

183 clients onboard, today we have nearly twice more. But more importantly, the quality of the client base has improved significantly. So, we still have two large accounts which are the same, DB/UBS, but we have three accounts instead of one in the range of 30 to 70 million.

Fifteen to 30 million, you know, nearly doubled from three to five. And especially important for us, that five to 15 million, actually our target range, which actually tells you about these are still accounts that has the potential to grow, that they are already in the range that represents a pretty significant spend. And today, out of this nearly 300 clients, more than 50% are Fortune 500.

So, clearly there, you know, it tells you about the change in terms of the quality and the efficiency of the sales organization, and still room to grow and still, you know, lots of things to improve. But as you can see, we are on the right track.

So, we just reported our fiscal '18 numbers. And even though we had a lot of, you know, quite strong headwind with DB and, you know, some other issues, but overall if you look at the results, they are pretty impressive. So, 15% growth of the company, revenue excluding top two 33% growth, was 43, so consistently above the industry, you know, benchmarks. Financial services revenue, 40% growth excluding the top two. Automotive 43% growth; digital enterprise 23% growth.

Now, obviously there was some nonorganic part of the revenue built in here. But all in all, I mean, it tells you about--it tells you the story. There is a lot of growth momentum. Yes, DB and UBS, UBS is much less, lower. They still remain kind of issues and challenges for us. But eventually we will overcome it, and eventually is actually next year.

We need to digest and absorb, you know, things which are coming out of DB. And we all know this story, that DB is kind of unpredictable, probably the most troubled bank. And this is not our fault. But once--yeah, once you look outside of DB, lots of good things happening on all fronts.

We are closing new clients. We are growing new domains. We have incredibly strong performance in financial services, and Roman is going to talk about this. We see lots of opportunity there. We refocused our efforts. We have much more relevance in terms of our market play. Automotive is great. We still need to improve and do a better job on digital enterprise, but it's a very well coordinated and, you know, very efficient effort the team has been doing so far.

So, we also were--because of INSYS and IntroPro, you know, we reported that those acquisitions were not the most successful, and there is a perception that Luxoft is not really good in M&A. I want to give, you know, some color on that. There are all of the M&As that we did since 2015, and each of them had a very clear purpose. So, we don't buy for volume. We buy for certain qualities, right? The--Excelian was acquired to expand our offering in the financial services space. So, it's a consultancy with strong Murex risk management expertise with certain ingredients which we didn't have at that time as us being, you know, pretty much the engineering shop.

Combined, we became much stronger. Actually, we realized that the Excelian brand is a very well perceived brand in financial services industry. So, today we operate as Excelian even though this is just the fully integrated part of Luxoft. We became, since that time, number one Murex partner.

We actually expanded our portfolio of services. We grew globally. We have operation in Singapore. We have operation in Australia. We just won several large deal. Very strong in UK, very strong in Europe, good sales team. Pretty much most of the key people who came with this acquisition are still onboard. Andre, who is going to talk, you know, you can ask him about his experience.

So--and then we actually bought them very cheap, you know, with some really funny price, I would say. Improved margins from like 6% and this is, you know, above 20% today, so great story, very successful.

Symtavision, very little, small thing which we acquired with a strong skill set in the subset of autonomous driving; a small team in Braunschweig, so next to Volkswagen based. Today it's the fastest growing area in Luxoft, which is autonomous driving.

You know, we have more than what, quadrupled the size of the business? Last year, you know, we reported like 100 plus--200 plus percent growth. It's like 2, 3% of revenue was in 2017 and it is growing to 20% of revenue; really good story, very good team, lots of energy, very good understanding of the business, you know, good connection to the clients, well integrated to community, really happy.

We will talk about INSYS and IntroPro. Pelagicore, Alwin is with us, so the company that was focused on digital cockpit, who had, you know, a strong digital cockpit experience. Combined, we became the company--go-to company in the space. And what we do and what we did is done there, and we are going to talk about today is actually the result of this acquisition. A lot of skills combine in a way that's very, very unique, you know, value proposition. We work with

Visteon and other tier ones, and everyone understand the value we bring to the table. Again, the team is onboard, great success, incredible outcome.

So, INSYS and IntroPro, troubled acquisition as we speak. But if you look, you know, the purpose of acquiring INSYS was to get our foot into the several doors. One was healthcare and pharma. And they had, you know, a really great client base in the space. And we did; we actually are in pharma and healthcare.

And Sam is going to talk about that. He comes from Novartis, being CIO of Novartis. We are going to make it. You know, there's no doubt about this. And also, we expanded our offering in the telco space working with the carrier, which is the biggest spend. And AT&T is the biggest company in this space. This is our client.

And IntroPro came connected because IntroPro actually provided this, and one client business provided services to AT&T in the media space. And combined, we saw that as a very strong opportunity which should enable us to penetrate AT&T in the broader spectrum. So, all in all, I mean, we--it shift the qualities of it. We did not shift the quantitative result for different reasons.

But again, you know, there are certain lessons learned. Still, if you look at IRR of those two acquisitions, INSYS would be around 18% and IntroPro is about 20%. Average IRR of all acquisitions we have made up to now is 25%.

So, I mean, again, just to comment and to illustrate our approach, recent acquisition which we did, derivIT, very clear purpose, opening some doors in Asian market. It actually helped us establish our self in India. It has a strong, you know, delivery footprint, very good performance of today. We are really happy.

UNIFORTIS, wealth management, core banking expertise, small team. Again, we tried to use them similar as we did with Symtavision, core and grow and enable them for the growth.

So, we are going to continue to really go for targeted, relatively small bolt-on acquisitions with a very clear purpose. We definitely learned from INSYS and IntroPro there are certain risks that we should--you know, we should foresee and we should be, you know, better with due diligence.

So, again, over the time, we have done quite significant changes in terms of the management team, in terms of overall structure. It's very clean now. It's very clear. And I think it's really important to understand that we have a clear accountability. We have three major lines of businesses, which is--are the three main profit centers.

So, Roman Trakhtenberg, who drives our financial services, which is branded Excelian, is going to present. He's been with us a long time. Alwin Bakkenes, who came from Pelagicore acquisition, long time in automotive, he drives automotive line of business. And again, he's going to present. Sam Mantle, we brought Sam to help us build and grow, you know, healthcare and life science. We realized he has got lots of potential, good level of energy. So, we promoted him and he drives, you know, what we call digital enterprise.

So, clear responsibility. Each line of business has own strategy. We always look at the relevance, you know, what we do longer term, whether what, you know, we are building today will be required by the clients and by the market in the future.

So, we also established, and it's been for like more than a year, Luxoft Digital, the horizontal offering that actually is the main R&D shop, you know, that covers all of the digital topics, continuously looking at new trends. And Vasiliy is going to talk about that. Yuri is not here with us, but Vasiliy is our CTO so he is going talk about it.

So, Grigory is taking care about the services, global services organization. You know Evgeny is our CFO. He joined a little more than a year ago, interesting experience so far. And Michael, he has been with us for quite some time, and he is in charge of the back office organization.

So, that's pretty much the way the company is operated. Obviously, we have lots of geographies, but we have a geography that provides just the horizontal support. You know, we operate by vertical silos, so this is pretty much, you know, well integrated. And I think this structure which we have today is very easy to steer. And actually, you know, things which--what we have experienced, you know, over the last couple of years, even though quite tough, it's good.

You know, you need to have this shake, you know, to look critically, you know, look at each part of the business from a very simple--it is a very simple question. What's the value? Can we do it better? How--what's the alignment there? What's the market relevance? And basically line by line, business by business, we have been doing that and looking it over. How efficient is our organization? How well we are positioned?

So, the message here, Luxoft today is a much better company than it was two years ago. You know, we still need to prove it to you, but it is there. The architecture, the structure and the people we have in place, they are capable on delivering, so just give us some time.

Again, going forward, we will continue doing what we have been doing. We will continue invest in digital offerings. You know, we clearly see this is a very important part of our clients' agenda and therefore part of our business. And we want to become a recognized leader in the digital space. It's not only about technology. It's also about the partnership. It's about how we can get connected to some of the ecosystems.

Sales and marketing, big focus this year. In some areas we do exceptionally well. We know how to build it. We know what--what's missing. But the prime goal there is to double the size of the new business that we generate annually.

Drive margin expansion, Evgeny is going to talk about our approach there. Obviously, we had some challenges here. Again, predominantly that came from the volatility with some of our large accounts. We want to get back on track with a 70% margin partially by being very selective and I would say consistent with high value, high margin business that we drive from that. We execute it for our clients.

On another hand, we clearly see our opportunities to optimize our SG&A and therefore get, you know, the margin up. So, we believe that we can, you know, save up to 3% of the revenue by improving our SG&A.

So, all in all, we believe, you know, we have built a much stronger Luxoft. We still will be doing and pushing for even stronger company with a very clear focus on high growth areas. The fundamentals which we have, they are in place. You know, it's impossible to do the things we are planning to do without strong engineering, strong R&D capabilities, which are embedded, you know, in Luxoft, in our DNA from day one. We just need to properly bridge, properly focus that.

So, strategy is very essential, and that's what we request. Each of the leaders come with a very sound and clear and executable strategy and monitor that. And you also can monitor it, because, you know, again, they are going to show you what we believe is going to work in each of the business segments; clear accountability short to midterm for all of the business leaders, alignment the motivation for a longer term perspective, and very well aligned team.

This is what we have at Luxoft today. We talked about sales/marketing. It has to be strong. We see our competitors. You know, they--in some areas, they are definitely doing better than us. But again, this is, you know, something that just--you know, proper execution required to do it. And obviously, driving improved execution, show that to you guys.

So, again, if I look at Luxoft today, you know, with the price, I mean, it's an interesting stock. You can keep, you know, sitting on the sideline waiting, you know, when things improve, but the price will improve as well. You know, I myself, personally buying, you know. And then there's--the stock repurchase program is another thing, proof that we believe that the company is in a great and a right growth streak.

But you're right, you know, that we need to show. We need to execute. We took a different approach to guidance as, you know, the volatility with our main account has been dragging us, you know, down all the time. And eventually, we decided that--you know, why should we be punished for something that we do not control.

The more we go, the less impact on our business DB has. And there are some like conspiracy like thoughts that DB is phasing us out and potentially it goes to zero. It's not going to go to zero. I mean, there are few things that happened on DB side, but it is not. We are still one of the major supplier. You know, we meet with the top management there. There are some headwinds, but eventually, you know, it's going to be over. So, we will overcome that. Hopefully next year DB will be below 10% and then it's going to be a different story.

But as I said, you know, please take a look at the rest of the business and see things as we see them today, because we believe. You know, we believe in that because we know it's just, you know, a matter of time.

Yeah, I think that's it. And we have the questions at the end, so if, you know, you want to remember them, write them down.

I want to invite Sachin Lawande. Sachin is a very good partner and client of us. We started working with Sachin when he was leading HARMAN connected car division a quite long time ago.

Sachin Lawande: Before you went public, yes.

Dmitry Loschinin: Before we went public, yeah. Sachin is a very unique leader. He combines very strong management skills, but also he has incredible technical depth.

And I remember at one point we had a, you know, very challenging project with one of the German OEMs with very tight delivery timelines, lots of moving parts. And Sachin came, and he was literally going into the code, you know, helping some of the developers to fix the bugs, which, you know, was super impressive. So, I guess he's the very right person to give you insights of what's going on in automotive industry.

Sachin Lawande: Thank you, Dmitry. If I can grab this from you? Thanks for that introduction. And again, good afternoon. It's a pleasure to be in front of you. My name is Sachin Lawande. As Dmitry mentioned, I am currently the CEO of Visteon Electronics--or Visteon Corporation. Visteon is a customer of Luxoft, and we are truly proud to say that we are partners.

Visteon was not a customer before I joined the company. Visteon might have been doing some small work with Luxoft. But my prior company that I was with, we had a really good experience doing some incredible things, somewhat--some of which Dmitry has mentioned. And so, when I joined, I brought that relationship with me to Visteon. That should say something about the trust we put in Luxoft, the value we feel for the relationship and so on.

So, today I would like to give you a peek into the automotive industry, specifically automotive electronics. Dmitry mentioned that this year it's about 17% of your business, expected to grow to a good third of the company. So, I think it would be appropriate for all of us to understand what are the key trends that are driving this industry. There has never been more change occurring in automotive than now, and I often say that the next five years will see more change occur in the space than the last 50 years combined.

Now, this is obviously going to create some opportunities but also challenges. And I think, and hopefully you will agree with me at the end of the presentation, that the two companies that are here are in a great position to take advantage of these opportunities. Luxoft has done remarkably well in a section. We often call it the digital cockpit, sometimes also known as travel info.

But key point or the theme that I would like you to take away from here is that besides this digital cockpit, and there's still a lot of room to grow within that, there is a second catalyst that is coming. Dmitry mentioned that a little bit earlier, saying that this small business that they acquired has grown 100 plus percent, and that's in this area of safety or autonomous driving. And that is the second catalyst over and on top of what you currently have in the current business.

So, a brief blurb on us. We are about $3.2 billion in revenue, 10,000 people global--or globally, and we are one of the largest suppliers to the industry. We are a so-called tier one supplier. That means we supply directly to the car manufacturers. And we have facilities, technical centers, manufacturing sites everywhere that they make cars, so we have a really good ringside seat to observe all these changes that are going on and to distill from that a strategy to address it.

Dmitry mentioned something that I could not agree with more, which is you need to have a very sound strategy that's executable, but the basis of the strategy is in your understanding of the market. If you don't understand the triggers, if you don't understand the pressures, the forces that are going to change that market, your strategy may not exactly be what you think it is.

So, going ahead, now automotive is one of the largest industries in the manufacturing sector. And it--in 2017, last year, the year that ended, the industry manufactured about 95 million cars globally and contributed almost 2% to the global GDP. But the industry is going through certain changes. And since recovering from the crisis of 2008 and '09, since 2010 the industry has experienced a sustained period of very robust growth. But now, as we look forward the next five years, this growth is clearly slowing down, and it's expected to slow down even further as we look beyond the next five years.

So, suppliers, at the end of the day, us and Luxoft are suppliers to the industry, cannot count on just the underlying vehicle production growth to drive our revenue growth. Growth in the future will be based more on our product portfolio, our capabilities. And as you will see as we go through the rest of the presentation, more and more of these products and capabilities are in the domain of software.

There was a very nice article written by Marc Andreessen, and since you guys are in the finance space you know the name, where he said software is eating the world. And I think we are right now in this era where you can truly say software is eating the car. It's not done digesting it yet. It needs a little more time, but it certainly is going in that direction.

So, moving ahead, how is it eating the world? There are a few significant trends that are disrupting the industry. Now, you have to remember the auto space is not accustomed to this magnitude of change, and it's all occurring at the same time. There are four significant changes that are occurring in the space that, by the time we are done with these, we will not necessarily recognize the industry as it stands today.

The four key trends are autonomous driving, connected car, electric power train, and shared mobility. Now, for our businesses, Visteon/Luxoft, the autonomous driving and connected car will have a much bigger impact than the other two trends. Not to say that the other two trends are any less important, but for the rest of the presentation I'll focus on the impact that is caused by these two trends and how they present opportunities for us going forward.

Now, you'll have to pardon me because I am going to dive a little bit into the technical details. I promise to keep it at a high level enough that everybody should understand, but it is important to understand what's happening within the car to understand and appreciate the opportunities here.

The first question people often ask me is why is this hard? Why are you guys the special guys? Why can't--take you pick, right, Wipro, this or that, why can't they do everything that you guys do? And the reason is that few people understand that the car, from an electronic and software viewpoint, is one of the most complex consumer electronics devices ever built. And the reason is that a vehicle, if you take out all of the metal, ultimately looks like a complex network of multiple electronics components that are interconnected on wheels.

Now, there are multiple domains within this complex electronics network. And the four primary domains that are shown here, the driver information domain, sometimes known as the digital cockpit; there is the safety domain, there is power train and body and chassis electronics. Each one of these domains has their own unique requirements and challenges.

Each domain consists of multiple electronic computers, the standalone computers. In the industry, they are known as electronic control units or ECUs. These ECUs use different software, different operating systems, different software frameworks, different capabilities which makes them extremely heterogeneous. There is no homogeneity within the environment, which means you have to have a broad set of capabilities and expertise to be able to do all of these.

Now, in the days when the pace of innovation was relatively modest, you could aspire to build these type of capabilities across all of these. But as we go forward here, the pace is picking up dramatically. And you'll see some of this stuff later on. That's going to present significant challenges to anybody trying to really spread their arms wide to try and cover everything here.

So, if you look at the other thing that is going on, while this complexity is exploding, while this is putting a lot of challenges on people like us, on account of competitive pressure, on account of consumer demand, on account of regulatory push, there is more and more electronics going into the cars. So, cars of today have anywhere between 30 to upwards of 150 ECUs or computers hanging off of various buses or networks in the vehicle.

And on account of the software complexity increasing, the amount of code, the software, has grown both in terms of the complexity but also in terms of the size. A premium car today has over 100 million lines of code. Just to put that into context, an Airbus plane has less than 20 million lines of code. Your desktop computer, strip out of--the applications, has less code. So, in short, the vehicle has become one of the most complex software products that we, as our industry, have ever put, and this is what is driving the complexity.

Now, as I said, we are going to focus here on the two trends, autonomous and connected car, and then also look at the domains where we play, the domains that we at Visteon have chosen to focus on, which also aligns very well with what Luxoft is doing. It is the so-called driver info domain and the safety domain.

Now, what's happening in the driver info domain? What are the trends that are causing it to change very dramatically? In short, your cockpit is evolving into a digital environment, right? The knobs, the buttons, the LEDs, the lights that used to give you some information, meters, are all going away because these things are--they belong to the analog world. They don't belong to the digital world, and therefore that is all changing into LCD-based, software-based interfaces unlike the mechanical--electromechanical products that they used to be.

The second trend is that your basic AM/FM, maybe Bluetooth radio and maybe embedded navigation, is also dramatically changing. It's becoming a Internet connected platform that's able to then stream all kinds of information, and information that we can't even imagine standing here what might be the situation a year from now, much like how your phones have come up to being mobile platforms.

In many ways, what you see in the industry today reflects the--smartphone is not the right term for it, the cell phone industry circa 2005. If you remember those days, we all used to carry those devices. I used to carry a Nokia device, and I was very proud of it. It was state of the art. It had a small display. It claimed to do some Internet, but I wasn't quite sure exactly what it meant. And they were obviously very sophisticated devices, right?

And then the smartphone happened and the magic there was that Internet really transformed everything. Connectivity transformed everything. And what we take for granted today could not have been envisioned in 2005. So, much like that, we are seeing the same dynamics happen in the driver info domain.

Now when you come to the safety domain, that's a slightly different dynamic. Now, we should remind ourselves of one sobering thought, which is, as much as cars have become more robust, more reliable, they don't break down as much as they used to; safety, although we've made tremendous amount of progress over the last 50 years in terms of reducing fatalities and even accidents on the road, we have come down to what I call the stubborn floor, which somehow does not seem to be giving way.

And that floor in the U.S. is about 30,000 deaths a year. It's a similar number in Europe, in Western Europe. It's much worse in the emerging countries of India and China, where you don't even want to count the number. But more worrisome is the fact that these numbers are trending upwards if you look at the last two years, the number of deaths. And I'm only reporting deaths here. The number of accidents and the damage they cause to life, limb, property, etc., is just tremendous.

So, safety has come a long way with the use of sensor-based driver assistance systems. These are camera, radar-based systems. That has really made a very positive impact, but there's a long way to go. How do we get to that last 30,000 and drop that down further? And you'll see that is the wave that's going to bring a whole new set of innovation into the industry.

On top of that, a very brief mention on the slide--this is this complex because I picked it up from some other presentation. I won't go into the details, I promise. Basically, the 30 to 150 ECUs in the car and growing with all these features that we are talking about, what does it do? It increases the power consumption. It increases the weight. It increases the cost.

Cost of electronics today is 25% of the cost--average cost of making a car. And that number is going up. Ten years ago it was less than 10%. Our customers, our customers, the car manufacturers, cannot absorb this cost. Neither can they pass it down to the consumers. So, there is a tremendous push to leverage the newest innovations in silicon and software, to leverage what are known as multi-core CPUs and virtualization technologies, etc.

Just in your minds, think of complexity, right? But there is a benefit to that. The benefit is a reduced number ECUs, reduced weight, reduced power consumption. And as we make the transition towards electronic power trains, all these things are extremely important. So, the point I'm making is all the complexity in driver info domain combined with this trend is making the world in our space a very complex, very software oriented world.

This just gives you visually, because I said so many words, this is really what's going on in the industry with respect to digital cockpit. Analog is going digital. And once you go all digital, the next step is to integrate it because you can, although the price you pay is through increased complexity. But that's our job, to absorb and to build and to reduce the cost for the industry.

The image that we show on the right there, the bottom, the interiors of the cockpit, is the one that Dmitry mentioned, this Daimler system that we collaborated on. MBUX is the name that they refer to it. It is absolutely the cutting edge when it comes to digital car. And I can honestly stay here and say we couldn't have done it without the help from the excellent people at Luxoft. That alone should tell you a lot. Nobody in the entire industry has built a complex system that's as complex as this.

And it's not just complexity for complexity's sake. It's delivering some amazing value proposition that has never been seen before. This first launch is in Mercedes A-Class that was launched about two months ago. And the A-Class, which is the entry vehicle for Mercedes, today actually has better capabilities in the cockpit than their S-Class of just a few--couple of years ago. That tells you how quickly technology is evolving and the value it's able to deliver to our consumers.

All right. So, again, quick, quick, quick take here. The bottom line is, as a result of these changes, although the underlying vehicle production is growing only at 2%, our market is growing at an 8% CAGR between here and 2022. It's about $34 billion today, expected to cross $50 billion, and that's just the digital cockpit or the driver info market, so tremendous growth potential.

On safety, all these driver assistance products that are already out there, very successful, have really driven down the number of accidents. And the pickup from the market, consumers demanding it, has been very good. That's also evolving. And the trend of using sensors will continue with LIDAR and other technology.

And as we go forward, the key difference is that the industry now needs even newer technologies such as artificial intelligence to start on the path to deliver more automated driving. What does that mean? New technologies, new software complexities, more leaning towards software.

However, the market--okay. How do I go backwards here, the red? Yep. So, the market, however, is expected to grow even faster in this case than in the driver info at 16% CAGR. And this is exactly the message that I would like to leave you guys with. Luxoft, doing well in the driver info space, by the way so is Visteon, 8% CAGR of the industry, but this is the second catalyst. And this is something that people don't understand perhaps, that this is truly where you can get a growth on top of a already robust growth.

Now, all that is good. The growth is good. Markets are very good despite the fact that the underlying vehicle production isn't exactly great. What does that mean? That means we are decoupling ourselves from the normal cycles of automotive, right? Automotive is famously cyclical. But the point I'm trying to make is, because of the change that's occurring within automotive and the fundamental approaches to technology being very different and the expectations being different, we are now kind of insulated from the cyclicality of the market.

Now, we still have to win market share. We still have to update our product portfolio, our capabilities, etc. Those are the challenges. So, what are they? To give you some more color, this chart tells you that the pace of new technology introduction is quickening. And that means that the complexity is increasing. The diversity of the technologies means that you cannot have a homogenous approach. It is a very heterogeneous approach.

So, this means that companies have to be fundamentally software companies in our space. People like ourselves, who used to build our capabilities on a foundation of manufacturing prowess, have to reorient ourselves, have to pivot ourselves to being software companies. That doesn't mean we give up what we have been good at, but we now need to be much better at software.

So, implications for us in the new world of auto, auto 2.0, is that we all need to be in the software business. We need to be a technology company. And when it comes to software, the challenge is talent. And for us, there are two ways to get talent, talent of our own and then work very closely with suppliers like Luxoft.

As I mentioned, I've worked with them for a long time. They have gone a wonderful job of really building capabilities in the digital cockpit and the driver info segment. And now, as we pivot towards safety to take advantage of the opportunities there, we are going to count on their capabilities, their ability to scale.

Therefore, their movement to India extremely important, something that I expect to see more come out of. And these things are going to help people like us. It doesn't mean that this is an exclusive relationship. In fact, we want them to be successful in the broader industry because that means we can take advantage of the demand that we foresee in a little easier manner going forward.

So, that's really what I would like to leave you with. Industry is changing in automotive. ACES, autonomous, connected, electric, and shared mobility are changing the industry in a fundamental manner. This is going to create a lot of opportunities. But we, as suppliers, as incumbent suppliers, have to change along with it to be able to take advantage of it. And I think in Luxoft you will see them emerge not just as a partner to Visteon, but as a key partner to the industry as the industry starts to make this shift, which has its own challenges and at the same time tremendous opportunity.

I know I've been going at a blazing speed here because I realized I don't have enough time. But I will take more questions later on if you have any as we sit for the panel discussion later on. Thank you very much.

Sachin Lawande: Thanks a lot. Thanks a lot, and I guess it’s obviously a great overview and a great story and a very good segue to what Alwin is going to tell, and we pretty much see the same way opportunities in the space. It's a tremendous space. Also there are some challenges, but lots of disruption. And I guess one thing which is important not just [unintelligible] but overall partnership is what makes a big difference. So once you see the changes happening at that speed, you know, together we can do so much more. And again, even in some situations we might see each other as some sort of competitors, but the partnership approach is something that drives the whole industry forward and our business forward.

Alwin Bakkenes: Great. So thank you very much, Sachin. That was, I think, the best introduction anyone could ever wish for in a setting like this. So my name is Alwin Bakkenes. I head up the automotive line of business at Luxoft. I joined Luxoft about a year and a half, close to two years ago through the acquisition of Pelagicore where I was the CEO. We were a digital cockpit company, as Dmitry already said, trying to focus on helping the industry build software in a better way. Before that I come actually from a carmaker. I was at Volvo Cars where I headed up the digital cockpit area for about seven years. And before that I had a number of years in various IT companies, such as Netscape remembering Marc [sp] and how the software is going to rule the world, etc.

Anyway, so I wanted to give you an update on where we're going and how we are addressing and choosing to play in this market. We spoke a lot about digital disruption, and the automotive industry is, just like Sachin said, going through a massive disruption, which we call the mobility revolution. Different words, but the exact same meaning behind this. This is about the personal digital lifestyle that we all bring, we all expect of the vehicles. And we expect to be able to transparently flow between our mode of transportation and our digital lifestyle that we have regardless of what ecosystem we adhere to. Electrification is driving fundamental changes in the industry, fundamental. And also from an architectural perspective it changes a lot of things, which of course requires a lot of new software to be developed as well.

Autonomy, as already mentioned, massive investments ongoing. And again, completely changing architectures in vehicles. And the sharing economy. I think this is actually the biggest change for the automotive industry. I read a really interesting reporting from PricewaterhouseCoopers which values the complete automotive industry at about $5 trillion, so everything from insurances to producing of cars, and over the next 15 years that's expected to grow to way beyond $7.5 trillion. Two interesting things, though, because of these big megatrends are that the amount of money that will be captured by the traditional carmakers and their supply chain is decreasing. And new entrants, car sharing companies, etc., are taking a bigger share of the revenue. What will also happen, according to that study, is that the amount of profits will shift. So profits will shift from traditional production of vehicles to providing the service, and that's the sharing economy that's driving that. So that's one topic that we're going to talk a little bit about, about how we approach that as well.

So what do we want to do? Well, what we do is we want to co-create smart solutions that empower our clients to actually succeed in the mobility revolution. So we differentiate ourselves in about three ways fundamentally from our competition. On the one hand we have very strong technology focus. So we spend a lot of time and energy co-creating solutions that actually power tomorrow's vehicles together with our clients and with our technology partners. Some of those are on display today. So you can talk to the team later about that. Secondly, all this technology needs to be implemented and go on to the road, and a lot of this technology has software as -- it's software-defined. So a lot of software needs to be developed. Again, [unintelligible] on the numbers shown by Sachin earlier. And these two axes is what we combine. This is what we do. Everything we do, we strive to have a strong co-creation strategy together with partners to understand where the industry is going and be there and define the solutions for that and have the capability of actually putting it into a product. That's key for us, and we'll give you some examples of how we've worked with that in the past. The third one is that we are an independent. We're an independent company in this industry. Many companies like us are not independent, and that actually limits their outreach. I'll show you a slide how we've succeeded over the past year when it comes to the amount of clients, and you'll see that we -- because we're independent we can work with many, many different companies, which is very, very good for us.

Now within the mobility revolution and this particular strategy it's important to understand where we choose to play. So we choose to play in the digital cockpit area. And we have an approach which is from pixel to silicon. So we have a very strong design team that was actually part of the design process of, for example, MBUX and other clients where we actually designed a user experience together with the carmaker for their clients. That's very important. We go all the way down to hardware reference platforms. That's the one that's on display here, which was co-created together with Intel, to actually build the building blocks to be able to efficiently develop the product of tomorrow. We focus a lot on how we deliver. So we have a software house offering where we have a scaled agile delivery model which actually enables carmakers to become software companies and also enables our Tier 1 suppliers to scale effectively the delivery of new product into the market. We have an example on that as well.

When it comes to personal digital lifestyle integration, which is super important for all of us that -- you know we love our ecosystems, if it's the android or iOS, or whatever you use, we know it's super important to integrate those into the vehicle of the future. And we do this -- of course we have a lot of capabilities and experience of doing this with the big ecosystems, but also we're one of the founding members of the SDL consortium to actually make an agnostic way of integrating personal digital lifestyle experiences into the vehicles.

The other area where we play is autonomous drive. Now autonomous drive, as mentioned, is our fastest-growing area. We do a number of things here. First of all, autonomous drive changes the way that architectures work. Cars of the past, although they have loads of -- lots of software and lots of complexity, they have a different way of being developed as, for example, a mobile phone. So it's very event-driven -- sorry; it's not event-driven. And the new architectures are service-oriented architectures, just as you see in the mobile industry and the rest of the industry. And that's a big change, actually, for how carmakers engineer their products. That was typically the only infotainment space that was built like that, and we help, based on the acquisition of Symtavision, carmakers, multiple carmakers developed a next-generation architecture, service-oriented architectures, from network to ECU [sp] architecture design. And on top of that we work in the autonomous space with Tier 1 suppliers that develop fantastic technology, such as, for example, sensor technology. And we'll show you an example later, as well, where we helped them integrate this and develop the software to actually make it fit into the various customer products.

Finally, autonomy is not just about developing. Autonomy is very close to safety, of course. So autonomous drive -- autonomous vehicles have to be safe, and that has to be documented. It has to be validated. And the amount of data that needs to be processed to validate an autonomous vehicle is huge. It's a major challenge in the industry. So we do a lot of investments together with partners in developing highly-automated data annotation and validation platforms to be able to actually efficiently validate that the product that's being developed works. And of course, as part of this, these systems need to be safety critical. But we do a lot of consulting in the area of safety critical and [unintelligible] too.

Now the final area where we play -- and this is our biggest growth area in a couple of years -- is connected mobility. Connected mobility for us is about helping carmakers actually transform from developing a fantastic user experience in the vehicle to understanding how to build a fantastic customer experience. So if you look at the area of service design, and if I think back about my own history, I remember that at a carmaker 10 years ago we did not have access to our customer data. The customer database was owned by the dealers because they -- we didn't own the dealers, and the dealers, they owned the customer data. So our touch points were very limited. So the product was really the product, and if you look as a carmaker, if you start to sell mobility as a service and the whole service experience, multichannel service experience becomes one of the most important things to understand and control. And this is not what carmakers have traditionally done. But this is a very, very important focus area for us to help them do this. Also, of course, we bring smart technologies into the vehicle. So we work with a lot of customers to actually bring intelligence assistance in the car, for example, and to create really good user experiences. As well as the actual telematics part to actually be able to connect to the vehicle, to make them connected, diagnostics and cyber security to protect the vehicles that are connected.

These are the three main areas where we play. The foundation of how we run our business. First of all, it is about co-creation. So we strongly feel that being, having good technology know-how, which is closely related to what our clients actually want and need, is key. On the other hand, if you have that but you cannot deploy that into a product, if you don't have the scale and the ability to match the footprint and the requirements of your customer to actually deploy it when it's needed, you can't really leverage it. So we strive to do both, very clearly so. So on the co-creation part, some examples that we have is, for example, the hardware platform that you see over there, but also on the US software part where a big journey started for us about a couple of years ago in the MBUX project. We actually worked together with both the carmaker and the technology vendor, The Qt Company, to co-create a product called Qt Automotive Suite. So we invest together around the requirements of the market and donate that to open source. We also are active in various industry initiatives such as AUTOSAR where we invest heavily in AUTOSAR Adaptive, together again with major German carmakers to define the basic platforms of tomorrow that fuel future autonomous vehicles.

When it comes to being a trusted deployment partner, technically speaking we leverage blueprints, reference platforms. We also leverage process know-how. Again, it's a big transformation for the car industry to become so software focused or software-defined, even to say. And there's a lot of process know-how about how to develop software that needs to be added there. So this is an area where we invest a lot to enable efficient development of software. And of course fast scaling potential, both on-site and near-shore. We have that ability which is an extremely good asset for us. Again, combining these two, that is the key. However, everything starts and stops with good client relationships. We always focus on delivering high-quality, and we always work in partnership. So we make sure that our objectives are always aligned with the customer's objectives, carmaker, Tier 1 supplier or even technology vendor. That' super important for us. Trust and transparency is also very important for us, so the typical duration of contracts, for example, in this industry is quite long, and therefore it's a big commitment to engage on a big journey with a company like us. And we always strive to have full transparency and to make sure that the client wants to work with us and is not forced to work with us going forward.

One example of how we help carmakers to become software companies is a software house model. If you look at this particular example what you see here is a traditional way of a carmaker buying software and ECUs from a Tier 1. What happens is, to give you an example, many carmakers, they have strategies to actually buy these components from multiple sources at the same time to balance out their supply base, especially in the domain infotainment, which is very high value domain. It's very expensive. They have multiple places to source, and you have multiple technology stacked side-by-side implementing the same look and feel, behavior in the vehicle. It's a massive investment. It's really expensive for the carmakers. So what we do in this particular setup is actually help carmakers in-source software development, which is then provided to multiple hardware vendors, and that is provided into their manufacturing chain. This is a big trend in the industry where carmakers are becoming software companies and taking ownership of first small pieces of software and then bigger pieces of software. And they choose the software which is relevant for them, which is basically the parts that we spoke about before in autonomous drive in the UX or the client relationship and of course going forward in the entire customer experience that's being developed.

So a quick look at our business. We've had a very good fiscal '18. You can see the numbers. We grew 43%. We are now at $159 million, which is for us was a very good year. We have fantastic client base. We have really premium customers that actually are leading in the areas where we choose to play, which is fantastic for us. One thing I'd like to highlight is we have managed to grow our client base a lot over the past year. So carmakers, we went from 9 to 15, which is a fantastic achievement. And Tier 1 supplies we went from 12 to 18, which is also really good. For us, if you combine this with some other things, such as, for example, that we've since fiscal '18 have three of our clients in Luxoft Global Top 10. We had one the year before. So we're talking about sizable engagements. These are really long-term strategic engagements based on trust and quality, which is really good for us.

In this picture our strength is we have good understanding of the market and the industry, which allows us to focus where we play. We have a really good customer base, and we're independent, which enables us to work with many various and so different companies, which is good. Already mentioned by Dmitry, we're quite effective in the integration of M&As. I, myself, am the product of an M&A, and I'm very happy being here.

So our next steps, we'll talk about a little bit more of that in the end, actually, but as you can see, we have really good growth. Our next steps are to expand our geographical footprint. We started to build this business a couple years ago with a very, very big concentration on Europe, which is quite natural because Europe is leading a lot of these technology areas. Those [sp] investments are bigger. We have, you know, a number of carmakers in Europe that have really good cash flow and a good ability to invest, and they do invest, actually. However, the business is the same across the globe. So we think we can replicate this across the globe. We've opened up a significant number of new accounts, which we are going to hope to grow, of course, in the coming years. And to make this possible we're going to work industry-wide with good partners, technology partners and reference platforms to scale that [sp].

Now to give you an impression of what we've actually done we'd like to start -- we'd like to talk about a few examples, a few case studies. And one I think is best introduced when our main clients at Daimler themselves speak about, at CES, about the product that they just released.

[Video Presentation]

So just to give some more color to that, this is a journey that we started with Daimler back in 2013 -- there we go. And the challenge was to design and develop the best user experience in the industry. That was the ambition. That was the goal. And to in-source the development of UI software. So the client decided we want to do this ourselves because this is our DNA. We want to be able to deploy this DNA everywhere, and keep it fresh, and to be innovative. So what we actually did is we literally co-created the software platform that actually is the basis for MBUX. We did that jointly with technology partners and with the client back in 2013. We then actually scaled this into a very significantly-sized team to deliver the actual product, and in the end we actually deliver the MBUX software on behalf of Daimler to the Tier 1 vendors that build the platform that's underneath. I looked at some press clippings about what people thought about this, and I thought TechCrunch was actually the best one. Typically, if a couple of years if you went to CES automotive wasn't there. Currently automotive is very heavily represented at CES, but even that, the level of innovation that you expect from a car is typically not what, you know, you expect from a mobile phone. And the guy from TechCrunch, he wrote, if you would have told me a week ago that my favorite thing from CES this year would be a carmaker's infotainment software, I would have laughed, but here we are.

So we're extremely proud of that particular journey, of course. Good to mention is that, again, going back to how we work, we work strategically with our clients. We are together with them currently in an engagement which is a software house to go further for future generations. We've opened a software house in Berlin jointly quite some time ago. If you look at the footprint of where we work with them, not to disclose the exact numbers, but we have like some 100+ engineers working in Berlin side-by-side to develop future innovative software. We also have, of course, close to their production facilities a site with about 100+ engineers. And to make it all affordable we also have 100+ engineers in near-shore.

Another example in the autonomous space. So the autonomous driving space is, like we've mentioned a number of times, extremely fast growing. One of our very good clients, Valeo, they developed leading technology in terms of LIDAR, a sensor component. This LIDAR, they recently received a PACE award for, and it's the first production LIDAR system actually to be used in a production vehicle. It's a fantastic product. And the challenge at the time was we have this great technology, and we think we're going to win lots of business. And we need a partner to help deploy this into all of our customer projects. And what we did is because we understand the technology domain, because we understood the technology, we were able to quickly set up quite a significant delivery team, so in total over 200 engineers, to deliver this component ready software hardware combined into carmaker projects. And we do this in a way which is aligned to the footprint of this particular client. So we do this -- in Russia we do core platform development. We have delivery in Europe and also in Mexico for American clients. So we can do this in the same time zones. Very, very good customer of ours.

Looking at the future, connecting consumers to your brand is super important. And this, again, if you think back to what I mentioned, how I introduced the study from PricewaterhouseCoopers, a big portion of the profits out of the car industry are going to move into new entrants, people that provide mobility as a service. So what we strive to do is to make sure that our clients are actually part of that particular transformation as well. So we are very happy to announce that we have a very good partnership with PEGA, and what we strive to do there is to actually help carmakers understand the data that they have and address continuously the pain points and gain points of the customer journey. So again, if you look at a multimodal customer journey where you understand how your customer is using your service and you know how to optimize it, where to tweak, where to change, we believe that the companies that master that best, they are the ones that succeed. Very similar to how, for example, coffeehouses optimize their experience. The ones that do this best, you know, the customer experience becomes your brand. That's the essence.

So what we've done together with PEGA is we've invested in an [unintelligible] mobility platform, combining our reference platform with the PEGA platform. So we go all the way from the in-car user experience, harmonize the data to the PEGA platform where the PEGA platform does analysis on the data and can provide next-best action proposals, which can either be used in the vehicle or other media, web, mobile, etc. We are of course also a PEGA deployment partner, and we use PEGA a lot in other verticals in the industry. So it's also a good example of how we try to leverage technology know-how from other verticals such as financial services and enterprise into automotive as their business evolves.

So finally, our growth strategy is -- well, our objective is very clear. We want to establish ourselves as a software company that's actually empowering the mobility revolution. That's who we want to be, and we think we can do this with continued 35% growth and sustainable margins. How? We are going to grow our newly opened accounts. We are going to expand our business, and we've made significant investments actually now in both America and JAPAC, so we expect some good outcomes from that. We will see that we grow our share of the OEM business, so the carmaker business where we have quite a unique offering for the carmakers. At the same time we are continuously looking also at new clients where we have a very, very interesting partner strategy, technology partner and reference platform strategy to first start to work with them as partners and then as -- get references out of that.

For the future we will continue to invest in an offering portfolio for mobility services. This is a big future growth driver for us. We are already growing that business really quite significantly year over year, but that for the next couple of years is going to be a big growth driver for us. And as Dmitry said, we are continuously looking at selective, smaller, value added M&A to enrich our skills and service set. Okay. Thank you very much, and I would like to hand over -- I would like to introduce Roman Trachtenberg, Head of Financial Services.

Roman Trachtenberg: You know it's very difficult to speak after the automotive colleagues because no matter what I do and how hard I try I cannot find sort of the logo that shows the inner beauty of a derivatives trade. So one day it will happen, but I would like to assure that the thousands of people that work in the financial services segment find that beauty every day. So just to kick this off, so I've been with Luxoft for nine years. Before joining Luxoft I was a client for many years, so I know the company for almost 20 years at this point. So I spent half of my career on the enterprise side working at banks, private equity, and half of my professional career was in the services space as a buyer. Now I'm a seller, and so I will dive in into detail.

So first of all what I'd like to do is -- and for you guys I believe it's going to be easier to understand our positioning. Most of you are part of the financial services space, so basically for [unintelligible] banking, we are a capital markets and investment banking front office technology specialist. So in the world of banking capital markets is what we do. We have developed one of the most recognized brands in the space. We specialize in what I find to be the core of the investment process, the core of the process that is driven by technology and will continue to be driven by technology. We have done so by accumulating expertise, and Sachin mentioned this, and everybody mentions that business and domain depth is what defines the value proposition and allows us to stay relevant. But we worked with almost every asset class that's traded and untraded. We worked with most of the investment banking products. We have operated in all areas of the investment banks, every functional area. And what's important, we've been weatherproof in many ways because we have adopted our strategy quite successfully to strong market trend that the industry had in the past 10, 12 years.

So we see our main competitor -- if you look at our competitive position we see Accenture as really the only strong competitor that we see in the capital markets front office space. So looking at the other participants in the market, so there are general-purpose outsources. There are BPO companies, large Tier 1 Indian providers. There are well present in the banking space, but they tend to focus on things that are slightly less complex typically found in middle and back office. So on the other hand there are local specialists, a few companies, a European company called CAPCO. There's Lab49. Those would be front office technology boutiques. We tend to win against them on the basis of very high price because they're all -- they're mostly localized, and we tend to win on the basis of scale. So if I look at the Excelian Accenture [unintelligible] partnership, so to speak, you know we tend to win. We tend to win because of favorable pricing. We tend to win because this place represents the core of our business. And if you look at the Accenture it's a very big company with a very diverse set of service offerings, so there are [sp] also things that are left unattended that -- and I think that level of commitment and the level of specialization is what the clients appreciate.

So our journey in the space started in 2003. So we've done quite a lot, and as Dmitry pointed out, we've gone through major transformation and upgrade and development of the business. So we started and mastered the outsourcing, the classical IT outsourcing service offering for Tier 1 global banks, predominately European -- of European origin. We drove this delivery out of Eastern Europe. The core markets were all worn [sp]. We scaled it throughout Central and Eastern Europe. We became number one company by revenue size in the region. And in 2012 is when we went into a major -- first major effort to transform the business. So that's when we acquired Excelian. This is when we made a major push into the consulting service as the industry transformed and the value drivers of the industry changed as well. We entered a packaged and system implementation business, so combining software development qualities with third-party packages as the industry started to get a bit more rational about buy versus build decisions. And most importantly, we started the journey to diversify our client portfolio from Tier 1 global banks into what we call Tier 2 regional and national banks, and I'll talk a little bit more about it. Also as part of the journey, strong presence in North America, strong presence in Australia, all on the basis of very strong Central and Eastern Europe delivery.

So as we're entering sort of the -- as we entered 2017, and I'll talk about this in a second, we went into another major upgrade of the strategy and moving away from what I would call an IB technology specialist, a one-stop shop for your investment banking technology needs, onto what I believe is a true digital transformation partner for the industry. And I believe unlike automotive, capital markets industry is still not there. So the wave is coming. The digital transformation wave of the industry is coming, and it's supported by the numbers. It's supported by the sort of analysts, by the CIO agendas. But it's not here yet. But it will be. And just to make a couple points in terms of the shifts in the industry, I think as Dmitry pointed out we are -- we have a few challenges. Our core challenges are one, we are -- we have been too focused on the sell side of the capital markets business, and that is the industry that's been in decline for the last 10+ years. So our growth shows relevance of what we're trying to do, but nevertheless we are moving. You know, we're trying to push uphill, and this is not an easy battle.

So the second issue is related to what Dmitry pointed out. We have developed account management muscles. We are great at going in and using existing relationship to expand. We have not been active in hunting new business. So that's a challenge we need to overcome, and I'll talk about this as well. And number three, obviously over-concentration of two major accounts. I expect as part of the Q&A I'll answer more questions on that subject, so I'll probably skip this for now, but in general I think what makes me feel strongly about the success of the strategy and most importantly the ability to leverage the assets were accumulated is the capital markets is not IB. It's not a sell-side business. It's a diverse industry. It's a very powerful industry. It's a very big industry, and that industry is growing.

Now the value in the ecosystem is shifting, has been shifting, and we are starting to adjust the strategy of what we go after and how we do it to really try to capture that wave. So from an overall market structure perspective on top you'll see the sell-side business. It's declining. It's declining at a rate of about 5% a year, and the long-term outlook for the industry looks a little, generally a little grim. However, the buy-side, obviously driven by the indexes, you know, is growing, but nevertheless this is the core of the business that I think we almost have not made an orchestrated effort to penetrate.

So in general, just to cover a kind of key point, and I'll start with the core, which is our sell-side business. Within the sell-side business that's what I mentioned. Revenues are down. They're down every year. At the same time, after 10 years of vertical cost cuts, costs are 4% up. So the general sustainability of how investment banks operate is in question. And what we're starting to see and to an extent Deutsche [sp] news are really all about that, banks are starting to rationalize what their business model is. And there are three patterns that emerge. There's a pattern of scale, which the universal super banks, the JPMorgans, the Citigroups of the world, that they will continue to consolidate the market. They will continue to dominate the space. They will be in every geography with every product for every client. So these are largest spenders, but it's the most competitive space in the technology services. The sales cycles are very long. Competitive pressures are very great, and clearly everyone from the industry wants to be there. So overall there are 10 to 15 banks in the space. We work with eight of them today. So we have a very strong client portfolio, which we're building upon. So it's not really about Deutsche Bank and UBS.

So there are global boutiques that are forming, and these are normally or usually so far are M&A advisory ECM DCM shops that do one thing, do it globally, do it very well. For example, you know, telecom or -- and however this is not a tech-heavy industry, so we're not really driving heavily to be there simply because I think the value of our service is not going to be that impactful. What is a core of the business -- and this is what we are focusing on very much so now, and that's a growing segment -- are the regional specialists, are the guys that will really cover full product stack for a given client set in a certain geography or set of geographies. These guys normally are large retail and commercial banks. They will have capital markets franchises that are some bigger, some smaller. They are underserved, and every time I meet with the CIOs from these groups I get a very clear signal that there is really no market alternative that is able to deliver at our scale with our quality at the price point that is very, very favorable. So there are 50 to 75 banks per our estimation in the regions where we are strong. We work with 17 of them today. And so there is room to grow with existing client portfolio, but most importantly we still have quite a few logos. And considering our hunting focus we should be able to get there.

Now on the buy side, and I'm talking about asset management, asset managers, wealth managers, there is a lot of growth. And all the signals and all the noises point to what I would find a challenging transformation in the making purely because of what's going on in the industry. We have not made a very focused effort to build a business there, but even without that effort we manage to secure five clients. It represents 13% of our revenue base as in FY '18, and the revenues are doubling. So we could see all the right signals coming out of that industry.

So I don't want to focus on all the changes. I'll just highlight sort of key trends. I think the key trends that we're seeing is that while the AUM is growing, the revenues are trailing behind. So there's a lot of competitive pressure. There is consolidation in the market. And most importantly, just a few top scale players, five or six players, are managing to maintain the margins while the rest of the industry is losing margins very quickly all the way around 8%. So that points out that efficiency becomes a major driver for the industry that's been very stable and very conservative for many, many years.

So from our perspective what makes us special for that industry? And trend number one, what I would call with the proliferation of low-fee products, passive investment ETFs, the word real-time became essentially a standard part of an operation of an asset manager. And it's a big change for companies that used to operate on the end of the business for years. So real-time is what we bring in. Real-time is where we have developed a lot of battle scars. Real-time is what we know what to deal with. So there is a second big disruption that's coming in the industry, and obviously -- and that disruption comes from a question of scale. Scale can only be achieved through automation through the development of consolidated platforms that are efficient, that run well. And that's, again, just a sweet spot of what we've been doing as a company for years.

And the last point which is quite interesting to observe, there is a push on direct-to-consumer. As the regulation, as the push for transparency comes in there is a notion that asset managers, some asset managers will need to start working building their global brands, working directly with consumers because the shelf space and the soft dollars are going to be gone, and this is a competitive question of long-term competitiveness for the non-specialized players. So from my perspective all the right signals are there. Large market, growing market, cost pressure. Technology can solve the problem and has solved the problem before for a very similar segment, and we have been part of that major transformation for the last 15 years. So what's also important is that that industry is still quite fragmented. There are 75 to 100 firms in our focus regions, and we usually operate in developed markets from a client perspective, and if we're judging simply by the amount of money they spend on technology, applying reasonably sort of simple standard formulas of what can be accomplished, all of them represent a 5 million+ spend for the services that we offer. So again, it's a big addressable market. We are going to make a pretty orchestrated, focused effort to go after this market going forward.

And I think the last point before I hand over to Andre who will brief you on the -- just show a case study which I think is very relevant, when it comes to digital opportunity, and everybody talks about digital, digital, but once you break it down, at least for the purpose of an investment firm, what this really is is the transformation of the core business model and the capabilities that usually stem from the ability to deliver insight from data. So it's including machine learning, artificial intelligence. So all of this requires that the data to be in place, to be organized, to be reliable, and that is something that the industry is really not good at. Build by silos. Build by product silos. Build by functional silos. Every organization of an enterprise size will have a ton of legacy systems. All of this is holding the industry behind, and you can see that the forward thinking companies have launched simplification programs three, five years ago to really consolidate and build a proper foundation for what can become the digital set of capabilities for the industry going forward. And this is the area where our specialization, where our focus, where our service portfolio fits perfectly, and it's quite universal in terms of its skills, whether it's an asset manager, whether it's a hedge fund, whether it's an investment bank because these will be very similar patterns, very similar business problems that we need to solve.

Also, all of this, it hangs on the back of foundational capabilities that are just now being put in place to pointing back to my question that the industry just started on that journey. Cloud. Everyone talked about cloud for years. Now is the time with cloud migrations are starting to happen. Data centers are being shut down. Money is being reinvested into the core platform rebuild. So I believe our service catalog, both our horizontal offerings and our specialized financial services offerings are a perfect fit to address the pain points and the challenge of the industry. And when I ask the majority of the CIOs what do they see opportunity as, what message is 20% to 30% P&L improvements. And that's before any disruptive business model or transformational activities take place. So there's a lot of money at stake. We believe that we're super well-positioned and super relevant to capture that volume. I think on that I want to pass on to Andre to give you an example.

Andre Nedelcoux: Sure. Thank you, Roman. Hi, everyone. My name is Andre Nedelcoux. I run the Digital Financial Services. I joined the Luxoft adventure through the Excelian acquisition three years ago, and my background is 20 years of experience in financial services. So I want to talk to you about a project we've done for a client which I believe aligns very much with exactly the vision which Roman has described around where the industry is going. As you all know, our industry is a data industry. So it's very much about how you leverage the data to make better investment decisions, to understand your customers and to be more efficient in the way you operate. So that's really at the core of what the industry is doing. And if we look at how this data is used and what is the best way of using it, it's really by combining data which you will have internally as part of your normal business with alternative later. So when you're going to look to overlay your investments and your portfolios and your clients' data with actually alternative data coming from satellite imagery, from social, from media, it's when you're going to bring these two together that you can actually be able to make some differentiating decisions. And to give you an example with the commodities trading, which is a very simple one to understand, if you're able to overlay and understand exactly where all the ships which are shipping commodities are in the world, where they're going to deliver which commodity, you can start to make decisions based on the locality of this. And how do you do that is by combining satellite imagery, ship tracking, shipment tracking and information from the market. So that's really how now the industry is going to make decisions.

So the project I want to talk to you about is a project we're doing currently with a very large global asset manager. It started off as a CRM knowledge management and research platform build, and the idea was really to bring together the data in one place so that, for instance, a portfolio manager interested in looking at the automotive industry as a semiconductor investment, but also the other ones working somewhere else in the industry in the company interested in looking at how do you invest in equity stock, well actually they all have the same data and the same information in the same place, and they made better decisions. So it started off as a core build in the cloud, organize the information, be able to rate it, be able to sort it and add relevance, and then we started doing some really more advanced and more intelligent things on top of that. We started using natural language processing to be able to harvest a lot more data from the internet and really automatically and near real time start to categorize it and reach all the collections we have built in the system already. And then we started using also then machine learning on top of all of that and on these large data platform to be able to start looking at predicting where some stocks are going to evolve and where the best investment strategy will be and also to compute, for instance, sentiment on a stock or sentiment on a company and use this as a way to make better decisions.

And what we're doing now on this core infrastructure we've built, and with all these large data sets, it now opens the door to two very interesting use cases. The first one is related to a virtual assistant. Think of it as almost a Siri or an Alexa that will speak to you and let you know that in your portfolio the sentiment of the stock has gone down, but this other one actually has gone up. Do you want to make a decision? Do you want to make a rebalancing of your portfolio? And you can interact directly with it and actually make this rebalancing happen in a very transparent and simple real-time way. And the other very interesting use case is related to social and to crowdfunding. Once you've built this platform, once you have an infrastructure where you can plug in different investment strategies, back test [sp] them against large amounts of data, well now you can start to open this to people who will want to invest and leverage this as a way to also make money. And again, start to build their own strategies, and you can look at use cases where you have actually revenue share systems where actually you will take some of these strategies as part of your portfolios. And that's really the -- where the industry is going in terms of really opening up and making data available, and that's how there will be very differentiated use cases which will appear. Roman, do you want to wrap up the presentation?

Roman Trachtenberg: I think now is the most important part. So I guess talking about FY '19 for us, so obviously we will continue to address the challenges that we discussed. So the first and big priority for us is to accelerate our sales functions with a very strong focus on APAC and North America. So these two regions are of strategic importance, and we're looking to grow both of them in FY '19 by 40% plus. Number two is continue to diversify our client base. And as you can see on the bottom in how well we manage to diversify and grow and change our account portfolio, but we'll continue to do so focusing exactly on the industry segments I outlined. We are still going to push for 20% plus growth year-on-year in the investment banking space. We will push for 35% growth in the asset management space, and we'll push for 30% plus percent of growth year-on-year in the wealth management space. These numbers exclude top tier accounts, just to make clear.

And I think along the digital journey we will continue to invest and develop our digital consulting portfolio, and the leveraging of industry-standard platforms, and how we help financial services firms simplify their core infrastructure. And in that regard we expect over 40% growth in our digital and consulting business, and we expect 50% growth in the core banking business, which is the part we're looking at now as part of our wealth management service development.

So overall I think if I look at the vertical outside of the top tier accounts, which we have to address separately, we are looking to grow by about 30% in FY '19, and from a medium- to long-term perspective we're looking at the growth rate of about 25% year-on-year. So in general you could see our journey. We've done pretty well. I think the numbers I outlined are well-supported by the historical trends, and I think the fundamentally one very important point is that through all of this scale I think it's incredibly important for us to retain what I believe makes this company special is the quality of our execution and the level of satisfaction that the customers have with us. That's it.

Tracy Krumme: Thank you, Roman, and thank you, Andre. We're going to take a quick break at this time, and in an effort to ensure that we stay on track here and get you out of here either by 4:30 or hopefully upstairs, we would ask that you come back in 10 minutes. So feel free to use the restroom, to refresh your drink or come over here and visit our automotive and our Pepper robot demos. Thanks so much.

[Intermission]

Hi, guys. Sorry to break up the fun, but if we could move back to our seats we can start our presentations. Guys, hello? Sorry. If we could all move back to our seats now we'll resume our presentations. So now it's my great pleasure to introduce Sam Mantle who is heading up our Digital Enterprise business, and as you heard from Dmitry, he's new in this role. He's been there all of a couple months, so please be a little gentle on him in the Q&A. But he has been here before. He did head up our Healthcare & Life Science businesses. Okay. Thank you, Sam.

Sam Mantle: Thanks, Tracy. Good afternoon, everyone. It's a pleasure to be here, and it's a pleasure to talk you through digital enterprise and the exciting journey that we're on. So I joined the company about a year ago, and I'm coming out of industry. For most of my career I've been in technology roles in large enterprises. My last major role was with Novartis, so obviously in the pharmaceutical industry, and heading up research and development IT functions and CIO within the company. So I have a little bit of an understanding about what it's like to be on the other side of the fence, having been sold to by companies like Luxoft in the past, and it's my great hope that I can bring some of that strong perspective to the organization, especially with the exciting mandate with digital enterprise going forward.

I joined Luxoft because I believe the software is going to win, and I want to be in a company which has the technical capability and the talent to be able to address the challenges that actually lie underneath digital transformation and some of the buzzwords, and I'll explore some of those as we go through the next few slides. I think the challenge and what I want to talk you through over the next few slides is that how do we take that technical depth and technical talent, a lot of which we've heard from the financial services and from the automotive sectors in which we operate very successfully, how do we take those capabilities and increase our relevancy in many of the other industries where we operate very successfully today, but there's even greater potential for the future?

So the digital agenda is on the CEO level in just about every company today in the world, and it encompasses everything from driving productivity, to engaging with clients and patients in new ways and enabling new business models that is fundamentally changing the way that the business operates. One of the big challenges that those CIOs and CEOs are facing in those large enterprises is where do they get the talent? Where do they go to for the talent to be able to address those complex technical challenges that sit underneath everything? And that's -- the numbers are there, and the digital opportunity is enormous across all of those industries.

Where CIOs and CEOs are really lacking is the partners who have the strength and depth across the different technology stacks to be able to create the solutions that ultimately are going to drive that digital transformation. And we have a -- you know, our value proposition today -- and we're going to talk about how we're going to improve it over the -- keep improving it over the coming months -- is we have a terrific execution engine. We heard from Alwin, and we heard from Roman about the capabilities in their organizations. It's the same in digital enterprise. We understand the domains in which we operate, and we can speak that client language, and that's really key. And it becomes even more key in the world of digital transformation.

We have the agility to be able to be flexible in the way that we interact with our clients and build solutions quickly. The days of waterfall and monolithic IT implementations are over. The world is moving too quickly for that, and you need the agility. You need to have your hands close to the technical talent to be able to build those teams, and we have that. And the other thing that's also strongly in our favor is that we have the ability to navigate legacy environments and combine that with the new digital capabilities [sp] that are coming along because there's pressure to move into the future, but the legacy is not going away anytime soon. And the ability to integrate across a myriad of different platforms with all of the different technical transformational tools that are available to us today, the speed at which we can do that and the proximity that we have to talent around the globe to be able to do that both on client site and in our competitively priced nearshore and offshore locations are the key differentiating factors that we have as a business. So all in all we're well-positioned, but we need to do more.

I want to talk a little bit about the transformational journey that we're on, and this is a journey that is already well underway. But there is improvement and there are steps that we're going to take to increase the focus in the remainder of this year. Our history, as Dmitry and other leaders have mentioned, we have a long history of operating across a large number of different industries, and I actually believe that our strength is our ability that we can work in healthcare. We can operate in energy. We can operate in media and communications. And we have large accounts in each of those different industries that we can really exploit. But the reality is that our -- you know, whilst we have been able to provide very strong engineering and technical support to those clients, the offering is becoming and has become too generic. As a result of that we're seeing margins come under pressure. Combined with some of the acquisitions that we've made where not all of the revenues has been high-margin and high-growth type digital work that is going to be our future, it causes us to take stock a little bit and really evaluate where we are and how do we want to turn a corner and pivot into high-value, high-margin, high-growth digital transformational activities which we know that we've got the core competencies to be able to deliver upon.

And so that’s the key to the change in strategic focus, the journey that we’re on and that we will complete throughout this financial year is moving within each of those domains in which we operate to digital solutions that are addressing the priority trends in each of those clients in each of those markets in which we can operate.

We are forming industry practices so that within those industry practices we have the dedicated domain knowledge so that we can speak that client language. We understand the challenges that CEOs and CIOs and business leaders are facing within those companies. We're combining that with sales and marketing expertise that's such that we can manage those accounts much more effectively, but also go after and hunt new business.

And I think resonating with a point that Roman made in his presentation, we face the same challenge in the digital enterprise division, whereby we've grown because we've delivered fantastically well, and because of that we've never had so much of a focus to go out and hunt and win new work because we've not had to. But the opportunity is now there for us to be able to do that, and that is what we will do. So combining those strong industry practices with dedicated sales and account management who have a stronger depth in the domains in which they're operating as professionals, and combining that with targeted solutions that are actually addressing the problems faced leaders within those companies which we are operating to drive us are margin, high value contribution see that we're able to do and is already starting to resonate with the clients with which we work.

Talking in a little bit more detail about what does that path to success look like? So how are we actually combining those ingredients to pivot and change into this new world of digital solutions, well, we have a great reference point from within our own company. Now, what Alvin and the automotive team have been able to do is a really great reference model for us. And so establishing market presence through key accounts and focusing on the digital trends, the real innovation drivers within those clients and within those markets is what we're going to replicate in the digital enterprise. And to make the comparison, we have great accounts where we have multi million dollars worth of revenue, long-standing relationships, key relationships with IT and business leaders within those clients, and through our longevity within those clients, we have access to what their challenges are and what their problems are and really how we can help them with their drive to increase productivity and move into new business models.

The proactive change that we're making, so increasing our knowledge and exposure and investing in individuals with more focused sales and domain knowledge within those different industries. Subject matter expertise. If we're going to design the digital solutions that are ultimately going to move the needle for those companies, we need to understand. We need subject matter experts, we need domain experts from those companies and we're bringing them on board to supplement our technology talent and offering. And in doing that, we start to move higher up the value chain in actually being able to consult and advise on the types of technology before they're actually implemented.

And I'm going to share a couple of examples, and I know Vasiliy is going to talk a little bit later about distributive ledger technology and blockchain. These are highly complex technologies, but they only resonate with clients when you can talk to them in their language and you can explain how a blockchain solution is actually going to make any difference for a company; for an energy company, for a media company or for a pharmaceutical company. It's a very detailed conversation that you have to have with a level of domain knowledge and sophistication.

So combining the account base that we have today, the increased focus on sales to get us into new clients and the domain to be able to create the solutions, combining that with the R&D activities and the strength and depth that we have in our technology offerings and partnerships with major software companies like AWS, with Microsoft, Appian and Pepper in the digital transformation and the BPN space, combining these things together to highlight the areas of the largest opportunity and then build frameworks within each of those industries and targeted solutions with which we can engage with the clients in much more meaningful and tangible ways.

So I want to give some insight into the methodology so that you can see that there's a level of depth to this that we really thought about and we already start to see this in action. Client perspective is really key. This only works when you approach--when you put yourself in the shoes of the client and challenge yourself what are the problems? What are the pressures on them and how do we help them navigate answers and navigate these opportunities that they see their competition taking?

So four broad categories; connecting workforce. This is about mobility. That is about user experience. This is about the experience that we have in our personal lives into the workplace, and all large enterprises are under that type of extreme pressure to adopt that and to do that. Clients engaging with clients through digital means and digital mechanisms, or in my prior world patients. There are huge opportunities to transform business models by engaging with patients in fundamentally different ways that have never been possible before.

Connecting operations, you know, automation is a very key theme throughout all of that. How are we helping organizations to stream their back office? How are we enabling them to focus in the scientific lab on the value-add activities of science rather than the mundane activities of running rudimentary experiments? And the whole world of connected products and services, we've heard all about the automotive revolution, but the same revolution is happening in just about every industry, and the way that we can take these learnings and application of technology into our other domains is a very key differentiator for Luxoft as a whole.

So our approach in terms of methodology about how we are standing in the shoes of our clients and understanding what they want to do and combining that with technology accelerators. So this drawing on our heritage and on some of our major differentiators, ability to build accelerator. The one I want to highlight here is Edge to Cloud. It combines IoT with AI and machine learning and it sits in the cloud and it's supported by robust automated dev ops processes.

These are complex components that not every company understands at the level of depth that we do. But if you want to have applications like Pepper, if you want to have connected car type applications, if you want to have applications that can read in real time what customers are experiencing and thinking about in an in-store experience, you need Edge to Cloud type solutions and understanding, and our strength is going to be behind the fact that with our accelerators, we don't have to rebuild the same set of solutions every time and we can take the Edge to Cloud concept and we can tweak it and we can make it work in a retail environment or in a hospitality environment or in a connected car environment.

And so joining up the dots within our organization behind all of these things is really key to us being able to drive up the margins, because we're going to be able to deliver these solutions without re-creating the wheel each time. And when we introduce these types of end-to-end capabilities in the different domains where we're building the expertise, it means go to market is going to be very quick at meeting the expectations of the digital transformation agenda.

Quite a complex slide, and I'm not going to talk about all of it, but I did want to highlight that this is something tangible. So I talk about we're on this journey. We're not at the start. In many industries, we've already created these frameworks and we have examples of the solutions that we're building and we're engaged in the day today with existing and new clients to present these offerings to them and driving that level of sophistication in terms of the dialogue that we have with them at a fundamentally different level.

One of the examples I would like to give from my old world, you know, healthcare and life science, is happening in many industries that industries are converging. Industries are converging through access to data and the prevalence of technology that we have in the day-to-day. And solutions like distributed ledger technology are enabling trustful relationships to take place between traditionally untrustful organizations.

So healthcare providers sharing data with insurance companies, giving access to pharmaceutical companies and patient data and enabling all of that in a way that is regulated and also trustful so that the wrong information cannot fall into the wrong hands. These types of technologies are fundamentally changing the ways that pharmaceutical companies go to market because the pricing pressure is on them in exactly the same way it is on the car manufacturers.

You know, precision medicine requires increased cost to be able to deliver that, and access to patient-related data is enabling the drug development process to be streamlined and accelerated in a way that it could never be done in the past. So there's many examples that were building of these solutions that we can go into our clients and talk about in that level of detail and sophistication.

And yet on the right-hand side of the chart, you'll also see that we are able to position this, the three levels of our offering where we've got the technology blueprints, which I'm saying means we can bring things in a very agile and a very rapid way to market to our clients. We got the industry solutions where we've taken flavors of those the technology accelerators and we have prebaked solutions that can be easily tweaked for the different clients that we present them to. And all of this sits within the broader ecosystem that many of our long-standing clients understand as to the broader ODC, the broader offshore, the broader development and maintenance type activities that they know and trust us for today.

So complementing that legacy with the digital innovation, with the technology that ultimately is driving the digital transformation is the key to moving the needle forward. It's not all about life science. I give the broader context around that because that's my particular background, and we're already starting to bring online mainstream, scalable digital solutions into our existing and new client base. Intelligent dialogue framework is widely recognized as an industry-leading concept.

It's enabling field engineers within the telecom sector to be able to get rapid, real-time information on the troubleshooting that they're doing out in the field without having to dial up a call center. The information can be said to them in a real-time way through AI and machine learning. We're seeing that that is equally relevant for health care insurers where they're having internal help desks to be able to respond to client needs or insured patients are having questions about what's up with their policy and how best they can get value out of their relationship with their healthcare insurer.

Pepper, which I hope you've been able to interact with during the break, and she's not going anywhere after, so there's plenty more time with that, it's another great example of our relevance in digital innovation across the industries. You know, we had the pleasure of working with SoftBank Robotics. They're great at manufacturing hardware. They're a lead, state-of-the-art robotics company, but software, they're not a software house. So we been able to create the application development platform that means that Pepper can be programmed in a retail environment or in a hospitality environment, or even in a hospital environment, and has the ability to learn through other robots.

It's sitting on a cloud platform and it's another example of the Edge to Cloud type of technology that we can build. Everything from IOT all the way to the support and automation that sits underneath the fundamental technology. And I just wanted to play a short video now.

Video: Robots are fundamentally changing the way humans interact with machines. Using Pepper, the robot produced by SoftBank Robotics, Luxoft was challenged to advance the capabilities of robots in the workplace, focusing on improving the visitor experience. By creating a technology that utilizes IoT patterns and cloud services, we are providing Pepper with artificial intelligence and chat features to improve human engagement.

The new solution allows visitors to notify a host when they arrived and provides an effective way to communicate information, offer assistance or just have fun, creating a high-touch, specialized experience for the guest. During peak times, businesses it may shorten wait time by enabling pepper to answer questions and take action, making both visitors and workers happier. Find out more about digital.luxoft.com.

Sam Mantle: Great. And like I said, Pepper is ready for all of your questions at the end. Maybe a summary slide just to wrap up at the end. So in terms of taking this forward and executing on the strategy, so I've said that we're on the journey. This year is going to be the completion of the transformation to get us in the position for future growth in the coming years. We continue to make the sustained investment in sales force and account management and domain-relevant expertise to be able to scale the interactions that we are able to have with our existing and new client base.

A large focus on going out and winning new work with new clients, because we believe now we have the collateral to be able to do that and were able to package it in a way that means we can have far more lead generation and marketing campaigns going forward. And then, we continue to invest in the technology depth, and Vasiliy is going to talk we do that, how we stay on the leading edge of technology, because that is always going to be one of our core differentiators versus our competitors. And our footprint is strong. The client base is growing and we have a very strong reputation for the type of software engineering on which real digital transformation is enabled.

And we already see the strong pipeline as we move into the second half of this financial year we know that Q1 is going to be challenging you really ramp down and defocused a lot of the low-margin work that has been part of our portfolio over the last year or so. And we transition into the second half of the year, into the higher-growth, newer digital solution business. And as I said, with the existing sales cycles, we already start to see that pipeline filling up and we start to mobilize our resources to be able to deliver upon that. So with that, I thank you and look forward to taking questions at the end and I hand over to Vasiliy.

Vasiliy Suvorov: Thank you, Sam. You actually did a very good introduction segue into my slides. Okay. Here we go. So you've already seen some part of that, and I think I will build on what Sam really talked about. How will we use this concept in those different industries? Actually, the history behind Luxoft digital is that when we looked at the company and all the great technologies we've been building with innovation into automotive, financial services and telco and many different areas of IT, we discovered that a lot of these things actually have a lot of commonality. So we decided to combine all the sources of innovation together into one business unit, because what we see when we talk about digital, and that's definitely a big opportunity is that digital is about driving business impact, right?

And when you drive the business impact, it's important to realize that a lot of disruption happens in the same way, right? The context is different, right? When you build cars, it's all about mobility, but the same thing happens in financial services as well, when financial services also focuses on the products that they do, right? And so on and so forth. But what happens there is that with the help of technology, the business changes, and all of a sudden you need to go beyond your scope of business. Right? You need to go in adjacent areas, connect things together. And so the common challenges happen everywhere.

And so if you want to drive business impact, connecting actually means removing silos, enabling frictionless interaction with the customers and your workforce and driving business efficiency, addressing new business models. And so we combine all the advanced technology capabilities together to capture commonalities across all these different business impact areas and be the operating system to deliver digital transformation through technology for our customers.

Okay, so how do we actually do that? If you look at the offering, Luxoft Digital is partnering with our vertical parts of the company, it really actually covers three different areas. One of these is a strategy and product design. Because if you wanted to address business impact, you need to work with the customers to understand, what are the business objectives? What are they trying to do? And help them understand the use cases to go after right before you match any of that business technology. And customers really appreciate that ability for us to guide them there.

Then once we understand the business use case and how it's probably applied to achieve business objectives, you can then match it with the right set of technologies and come up with the right technical strategy, how to implement a digital transformation to make it sustainable, to make it in the right way. Because a lot of our customers are actually not technology companies. As time goes forward, it becomes more and more difficult to attract technical talent. So we are actually solving a problem there. And I'll talk about how we select those technologies and what happens there.

Now, finally, new technologies is all great. Obviously, there's a lot of innovation going on, but people are not just going to reinvent, completely, other IT systems. There's a lot of platforms, there's a lot of innovation happening with the platform vendors that also goes into cloud, that also implement AI and machine learning capabilities that also connect to blockchain, and we need to partner with them and help them use some of the newer technologies, understanding the business challenge and solve the problem apprehensively to really deliver an experience for our customers and for their customers, as well.

So those technologies that we talked about, it's not just because we like blockchain or distributed ledger technology or we like machine learning or any of these things. Actually, if you look at analysts, and of course there are slightly different numbers depending on who you talk to, all of them undoubtedly represent huge opportunity in terms of market growth. So obviously, as people engage in digital transformation programs employ these different technologies, we can that opportunity and grow with the technology, with the application of technology to solve these problems.

So, just to give you an example of one of the things and how we address that, I'll talk about blockchain. And here, you see that this will definitely enjoy high growth of more than 60%. And what's interesting, that was a year ago. So now I'd say as of this year, 80% growth. Right? So opportunity is even higher.

And on one side, it's easy to say, "Well, everybody talks about blockchain," but if you look at us, we are passionate about technology and we'd like to understand what's going on before things become mainstream. And if you look at the bottom of the screen, I realize you probably cannot see that, it's a chart from the CB insights where they sort of talk about who talk about blockchain before it was cool, and if you look at Luxoft, we started to talk about it in 2015, and for a while we were talking about blockchain in the same way that IBM and other leading companies in the space where. And that's very important, because you have to start early, you have to understand the trend, you have to understand the trend and all the different capabilities to be able to deliver to customers, right?

And how do we do it? So in the case of blockchain and other technologies that we talk about, it's not about one particular platform or one particular technology. You know, blockchain is actually very, very complex. And for us, we need to work with different vendors and different technology and platform suppliers and also capture some of the usual patterns; how people apply blockchain and what is needed to close the gaps to make it profitable for people.

Besides a partnership, and we are very proud to be one of the six companies who Amazon selected to go to market with to introduce blockchain using their capabilities and introducing it to their customers, we also participate in alliances and communities. And for blockchain, it's specifically very, very important. And the reason for that is that blockchain is a team sport, right? If you just deploy blockchain on one specific enterprise, it can solve some problems, but it's not as exciting. You actually have to discover common use cases and connect multiple people on the network to solve problems and make things really exciting.

And to do that, you need to engage in meaningful conversation. We headquartered a base there in Switzerland, and Switzerland is known as a big center on innovation for blockchain, for crypto currencies, ICO's and other different things. And that actually puts us in a unique position, because we know what's going on in the crazy ICO crypto currency world, was going on with regulation. I personally advise or participate in a group that advises the federal government Switzerland on regulatory policy and how to deal with risks there.

At the same time, we engage with enterprise customers and we know what's going on there. In my mind, these worlds will converge, right? Having an ability to talk to both of these worlds is very, very important. But, we also want to deliver some of the strength that we had as well. Recently, we joined mobility open blockchain initiative, where people from the automotive world get together to really understand and build common use cases and standards on how to implement blockchain and digital ledger technology into the world.

But beyond that, we also look in other communities like Block Changers and Leader Lens and attend various types of hackathons to also learn from the start up world, meet partners, understand use cases and basically advance our knowledge as well, because things still develop. Actually, it's the same slide.

Now, we already presented a much more complex version, actually, this slide in a September 2016 at the previous investor day, and we got it mostly right, that if we look at the macro trend, obviously we still are in early days of adoption of blockchain technology. We're just moving slowly from the first deployment to standardization conversion, and it's very, very important, before we go to mainstream obviously standards have to be developed. Emerging platforms have to become a parent and people have to invest into building use cases there. What changed, though, is the fact that we actually felt that financial services would move a little bit faster and that would be the biggest, probably, adapter of blocking technology and distributed ledger technology.

What happened, though, is that we see a lot more other industries jumping on the bandwagon, and specifically now, I don't think you can find an industry that's not investing in blockchain technology and use cases there. You know, moving forward, what we're seeing from the field and what we're seeing from our customers, we believe that 2020 will be the year when mainstream adoption happens, meaning that a lot of the projects that people invest into today will be usable by customers in the field, not just within the small pilot and things like that.

And here, I think financial service is definitely going to be a leader there, but they will be joined by insurance, logistics and automotive as well, followed by travel, energy and Pharma. So this is how we see adoption. Now, besides all the technology work that we've been doing, partnering with a number of different vendors and understanding deeply how technology works, we've been also working with them understand technology real use cases.

But I think the state is not just about how cool technology is, but about what kind of business potential we can expect from that. And just let me illustrate maybe one of those things. So blockchain itself, the projects itself, even though they're very complex, they're not very big, right? Because you can compare blockchain projects into your database project, right? You'll basically design a database that multiple parties are using. Yes, they're smart contracts or other different things, but it's complex, but it's not very big. However, if you consider something like a smart city and wireless IT deployment for managing smart city infrastructure for waste management, electricity management, parking, lighting and all those different things, you know, blockchain naturally fits there because you are talking about multiple different suppliers that needed to exchange data, that need to secure the data. They need to trust the data.

And once you enable that, once you enable that number, all of a sudden you're touching not just one entity, but you're touching all of these different entities. And because these entities interact with other systems, with payment systems, insurance systems, financing systems and so on and so forth, all of a sudden if you designed it, you become involved with all of these different projects that go after it. So there's a very long tail, starting with the small, agile projects, innovation and then deployment and then integration.

And basically, that's reflected in our methodology. I think it's very, very important. And this is, by the way, universal sort of methodology that we use to help people address highly challenging digital transformation projects, because usually what customers really appreciate, if you can start a very small, without a big MSA, without big statement of work, maybe over coffee and a white board, help them understand the use cases.

With the blockchain, we've actually learned to develop the methodology to help people avoid pointless blockchain or distributed ledger technology projects, because if you just say, "Well, we want to do a blocking project," why? Do we have a business case for? Do you understand what it means? We help them understand the use case, understand is that the right technology choice, work with them, educate them about it, then apply another methodology to understand how to design the network, which platform to choose how to build it. And what they really appreciate is learning together and build systems together.

But more importantly, then we scale. Right, then we scale, when we implement it, integrated, connected and we can scale. So we can engage from design thinking and deeper level of technology and advisory all the way to employing the whole blockchain platform to deliver a big service and make it real for them and dependable for them, right? So that's very important.

So in terms of closing thoughts and key takeaways, I think that sort of coming back at the high level, not just the blockchain, distributed ledger technology topic is that I think we live under very exciting times. You've heard from Sachin you've heard from Roman and other guys that a lot of things are changing. People are re-thinking their business models, they're using new technologies to create this business models, go outside of their demands, and in other cases about the business and partner with other people, so it's all about just in time, dynamic, open sided, end-sided business markets that are going to happen, and you see a lot of conversions there.

And not only have we seen a new technology, but we've seen use cases developed by technology. So things will change and we need to stay close to what's going on, which will create a whole lot of opportunities if you do it correctly. So it also creates a high barrier to entry, because unless you invest into that, unless you start early, you cannot engage with the customers in a meaningful conversation and provide the service step.

However, if you do that, as I sort of talk a little bit about blockchain use case, it doesn't create sustainable growth opportunities where you partner with your customers and grow your network by participating in these digital transformation exercises where you can deliver.

Now, customers are also becoming a lot more sophisticated. You see a lot more younger people coming from open-source background, coming from software development background into management positions. People are used to frictionless business experience, so they appreciate deep technical understanding. They asked the question why? Why not that technology? What's behind it? What's going to survive in the future? The ability to advise them and guide them is very, very important.

Now, obviously there are lots of other things. And ability to use technology together to deliver those projects fast so that people can deploy a new business services based on new technologies faster is very, very important. So time to value, for example, using native cloud development is also very important, and how to do it is a know-how.

So yeah, so with that, I would just like to say that has been our DNA all along. This is our core, and by focusing on three different verticals, by creating the operating system to power digital transformation, really leveraging our innovation scale capability, which I think is very unique to Luxoft, so thank you very much. And I'll be followed by Evgeny, who will talk about numbers, finally.

Evgeny Festisov: Yeah, thank you Vasiliy. So a short introduction about myself. I am CFO of the company, joined it slightly more than a year ago. Still very humbled and excited by being part of this team. I think this is the greatest asset that we have.

Talking about numbers. When we think of the company going forward, so we basically structure, I think, about three things. Profitable revenue growth, so growing profitably, building a sustainable and efficient cost structure and free cash flow. Last, but not the least.

So Luxoft has been growing 20% over the past three years, as you see on the top line. The organic growth rate, excluding the top two clients, has been increasing from 12 to 18%. And looking into fiscal '19 as we guided you on the earnings call, we're expecting about 20% growth of the top line, ex-Deutsch and ex-UBS, excluding the top two accounts. That is the expectation that we have for this year.

Looking beyond fiscal '19 these are the numbers that we have in mind. That's what our leaders discussed today as the growth excitations are the plans that we have across different business lines. So for financial services, we are expecting the topline growth of about 8%, but excluding top two at 25% plus. Roman has been optimistic. I'll try to be slightly more conservative. This is part of what I need to do.

With automotive, we've been growing 40% on average over the past three years. We continue looking into the 35% growth going forward and, again, we are talking midterm here. For digital enterprise, the growth which we had was 26%, and we continue to target 20% plus, again over the midterm. So all of that combined gives us a 17½% organic growth rate, which we considered to be a sustainable number for the company.

So that growth, and that growth across the verticals leads us to seeing our top one client going below 10% midterm, which removes this single client or large client concentration base that we have experienced over the past year and continue to see affecting the business. And then financial services will be less than 50% of the business and automotive will be reaching 30%, as Dmitry mentioned.

So, on the margins. So what happened with the margins over the past year or so. So we have a decrease in share of anchor high margin counts, and some of them, when they declined they also affected the margins, say the costs we have to bear while ramping down the business, as it happens with, say, one of the leading accounts.

We also saw a growth of the consulting business, which increases the revenue for engineers, so we go high-value services that we provide, but the relative margin compresses. So that also affects the margins. So we target 37% plus on the gross margin side, that's the medium term gross margin number that we think is achievable and sustainable, close to what we have right now. We think that the margins will be stable because we see the benefits of growing larger clients from the automotive side. We do expect margin improvements on digital enterprise, as some discussed. And the utilization will become a bit normal [sp]. So that the combined effect should result in this number.

That will also be supported by the reduced SG&A. We are focused very clearly on reducing the SG&A that we have right now. We already reduced by 60 BPS this year. We're looking about the same number, it's reducing by the same amount. This year, I would say 60 to 80 BPSs in fiscal '19 depending on how topline develops. And we continue targeting 22 ½ % as we consider it a proper benchmark for our business.

So that should result in us seeing 17% of adjusted EBITDA. As normal margins, which would continue to show as a result of our business. So just briefly may be stepping across, as I said, we have seen 60 BPS reduction in fiscal '18, and another 4% is something which we will achieve by both operating leverage, so the business will continue--the business will grow faster than the SG&A will grow, and we will focus on reducing certain expenses and overall reducing headcount on the back side, releasing the funds and making the investments available for the sales and the R&D.

Stock option program as a percentage of revenue will continue to go down, so we have said we will not go above 3.7%. It's actually ended up at about 3.2, so we will target about the same absolute amount in dollar terms, which would bring it down to 2% in the mid term, which we think is achievable. And on the CapEx side, we are also improving year over year with 2% CapEx revenue being our medium-term goal.

On the capital allocation policy, I would say it's a very simple approach that we're using. So we're using our capital to fund our CapEx, capital expenditures, to support growth of the business, which is about 2% of revenue. We will continue spending money on a small M&As, and again at the moment our preference will be something which is taken without taking leverage. We don't plan to pay dividends in the near-term and we already announced and we started our buyback program with the window for us opened the day before yesterday, so that's something which has been replaced.

And we think this is the best way to return capital to shareholders at this point in time, and this buyback is very critical for the shareholders. On the free cash flow, briefly, so we have seen some operating challenges, which is mostly, in my part of the organization, with collecting cash in the Q2 and Q1 of this year, we started to improve. This is clearly visible throughout the year.

We will continue to improve going into fiscal '19. Our target for the free cash flow I would say is about 10%, which would be normal level for us. GSO on a quarterly basis should be targeted at 75 BPS. That will not be happening in Q1, but I would say Q3 and Q4, this is the target for the team.

So looking ahead, I think the way we think about the business again is it's been an interesting year, like Dmitri mentioned, so we need to focus on rebuilding investor confidence through consistent performance across three lines of business, and we have heard our plans and how we're going to reach that. Continue diversification of customers, geographies and industries, optimization of cost structure, basically managing the benchmarks and the industry levels, focusing the free cash flows, managing so that we can perform our business better and returning cash to the shareholders to the buybacks, and then at the end of the day focusing on EPS.

And with that, I'll turn it over to Tracy. Thank you.

Tracy: Thank you very much. At this point, we're going to do Q&A. Both Elaine and I will be walking in the audience with the microphone, so I ask that you raise your hand, and if you could please also identify yourself as well, for the benefit of the management team and also for the folks in the webcast, we'd appreciate it.

Try to keep your questions to one, just to keep our time on schedule, and I will also come back if you have additional questions. Thank you.

Andrew Brownstein: My name is Andrew Brownstein. I'm with Sun River Management. We heard a lot today about the focus on vertical expertise, specifically in financial services and auto and the other eight verticals or so that are in a digital enterprise, but the organization restructured to consolidate them all on one business unit, so with such emphasis on vertical expertise, why does it make sense to fit eight verticals under one business segment. Why move that direction versus really building out more domain expertise in all of those other areas?

Dmitri Loschinin: I can start, and then Sam can help me. So what we saw in the past, we have, let's say, two verticals but each of them requires a certain level of effort. We either bet--you know, we cannot reinvest and do it all at once. We either bet on some, and then we have a segregated management team or we have a segregated sales team and so on and so forth. So we decided to actually put them together with one similar topic, a consistent digital agenda.

So instead of having dedicated sales, dedicated delivery, dedicated management, pull it together, it consists of industry practices but is a much smaller organization. It consists of one sales team, and then the management decides which button to push, where is the acceleration? We develop, across the board, the industry solutions, which is a combination of the technology and the knowledge. We apply our methodology there. But it is the same team.

So we put it together to have better skill on the execution side, and scale is actually about efficiency. Put, you know, it under one management team that would focus on improving the margin, because margin was an issue in this space due to acquisitions, which meant in the past and overall, like kind of the area without clear focus and clear purpose.

Number two, so increasing the margins, but overall is really not having clear directions. We may be betting on several horses and then see which one would perform the best. So I think this is a consolidation effort, management effort, accountability effort, but also leveraging the scale that would just give you better execution, better outcomes.

Sam Mantle: Yeah, I mean, I agree. Two things. One is for the scale and then the second is that it gives us the agility. We're going to have the landscape which we operate on, where we see progress accelerating faster in one area versus the other, it gives me the flexibility to balance priorities and resources to push harder in one area because we see a bigger benefit, and potentially in the short term even the scale down something else.

But that's to maximize the growth and to maximize the margin that we can develop for the overall business.

Andrew Brownstein: And then maybe just to follow up on the acquisitions, the two acquisitions that didn't go as planned. I imagine when you diligence those acquisitions, you can see that they were doing lower margins, more commoditized type of work. So what changed from the time you acquired them today to when you decided to wind down a lot of that business?

Dmitri Loschinin: So we were a little bit over optimistic that we can take a kind of [unintelligible] type of deal and convert them easily into our margin profile, our value proposition. So we have a good team, doing quite great with a simple offering in a hurricane. You know, we enhanced the offering or basically enabling them to sell more so we should sell more. That was a wrong assumption. You actually need to find something that matches your DNA.

So I think that was kind of something. But at the same time, it just took us longer. You know, we want to get into the healthcare and Pharma. We are there. It just takes us longer. We wanted to convert their low margin business to high-margin business. We did it really well with Excelian, but Excelian was, exactly, that same high-value service. That was a low value service.

So we need to do much more steps. The bottom line is we will be there. It just takes us longer, and is more extensive.

Unidentified Speaker: Two quick questions. So one is in a couple of slides, you mentioned medium-term, midterm targets. What does that mean? That means one year to some people, three years to other people and five years to other people.

Evgeny Fetisov: So midterm, we are talking two, three years.

Unidentified Speaker: Two to three years? Okay. And then secondly, you talk about the incentives of the team being aligned with shareholders. I love you structured the incentives for the team? Is it on revenue growth? Margins, return on capital, what are the key incentives? Thanks.

Evgeny Fetisov: So two, I answered what midterm means. Each of the line of businesses, three, they have their three-year plan. Their incentive is aligned with this three-year plan. Prior, we had just one year, so we enhanced the current [sp]. It's now one. Two, we used to have just the one set of KPIs, and we are very much focused on that particular business unit performance.

Now, we have cross company KPI so that they are motivated to help each other and then, obviously, we are doing this in fiscal '19, but I think fiscal '19 is important. We need to build the foundation for fiscal '20. Luxoft story is the story of fiscal '20. You know, you're going to see some of these things is still out of DB that will impact our in terms of the topline growth and also the middle, but we are confident.

It's not confidence, really it's a matter of our own pride to show that we will get back to normal growth trajectory and efficiency trajectory. So that is important that everyone is really thinking, or at least two or three years ahead.

Joe Foresi: Hi, Joe Foresi from Cantor. Question is on DB. If I look at the midterm--?

Roman Trakhtenberg: --Ah, yes--.

Joe Foresi: --Are you familiar with the account?

Dmitry Loschinin: What is that?

Joe Foresi: Are you familiar with them?

Dmitry Loschinin: DB?

Joe Foresi: Yeah. Break the ice a little bit. But if you look at the midterm guidance, I think you said 8% growth in financial services. If I assume that 80% of your business is growing 20%, it means that the other 20% is probably down 40% or 50%. Want to see if that math lines up with what you’re talking about over the midterm.

And has DB already communicated to you what the cuts are going to be, or are you projecting out something that you think might happen?

Dmitry Loschinin: So, from DB we know two data points; these are the only thing we know. So, they are going to cut their budget by about 30% and that's across-the-board with the loss of that--happening in the IB space. That's at least what has been communicated to us, as well as they continue to do in sourcing. In sourcing target 70% in-house, 30% outside. They are somewhat around 60%. Again, I don't know public knowledge or not.

I mean this is--so those are two headwinds. This basically the only--how this will impact us there's no communication. But we know that we are part of like top five preferred suppliers, strategic suppliers; we will remain there. Reputation is good, relationship is good.

And we just--we take this hit, right. We just look at them and say, okay guys, we understand. We understand your [unintelligible]. There's very little we can do, just try to adjust and still keep helping them. Even in this [unintelligible] it's so, so pleasant that when it's over, we're still there. We have the best reputation across all of the vendors over the quality. Execution are there, the team is there, but it is what it is.

Joe Foresi: And then, I'm going to sneak one last one in. The margin trajectory up to 17% over a certain period of time. How should we think about how quickly--how big that cut is going to be to your headcount? Because we could back into it by revenue per head, right?

And how quickly can you redeploy those assets so that the margins start to rebound? Or are we thinking 30% this year, 30% next year?

Dmitry Loschinin: 30%?

Joe Foresi: Decline in DB. In other words, will you be redeploying twice and it's a longer tailwind to get the margins back up? I mean 17% from where you're going to be--.

Dmitry Loschinin: --I really--I would like to wait any projects DB related.

Joe Foresi: Okay.

Dmitry Loschinin: Because we used to do it in the past and we were wrong every time, and then we felt really guilty for misleading you. And that was really not in our hands to control and predict. I think DB doesn't know themselves what will happen within the next 6 to 12 months. There is another headline today, stock is down 8%.

So, I think there is a bottom kind of the ceiling--the floor, which is very unlikely we can break, so this is like $60 million, $70 million. This is just--by no means we should go below that. But how fast--whether we reach it at all and how fast, that's unclear, because it's really about what's the execution strategy, what plans and all, how are they going to reduce their US operation. Because by reducing US IB, at the same time they're growing their European presence and European--they scale there. They actually going to do this Brexit thing, which is an opportunity on its own. But really, no numbers can be provided.

Joe Foresi: Okay, one last shot at it. When you do make a cut, or DB has made a cut in the past, how long does it take to redeploy those resources? Is it one, two, three quarters? How long does it take for utilization to rebound? Thanks.

Dmitry Loschinin: So, it's max two quarters. Usually like three, four months we are able to redeploy: about 50% of the people stay in the company and then another 50% not always.

Lou Miscioscia: Okay, thank you. Lou Miscioscia, Pivotal Research Group. A lot going on in the space, maybe if you could just go into more detail there. Obviously, you've presented and think you can start to grow the domain expertise, but generally that takes a long time. And, obviously, you also talked about the backlog looks pretty good in the back half of the year. So, if you could just go into, to start, a little bit more detail on that if you could.

Roman Trakhtenberg: Is that the--?

Dmitry Loschinin: The digital.

Roman Trakhtenberg: The digital space?

Lou Miscioscia: Digital.

Sam Mantle: Yep. So, I mean I think the first thing to say is that we're not starting the story today. So, those investments in bringing on people with the domain expertise and the domain expertise in the sales organization, that's something that's been running for quite some time now.

So, we're already seeing those people come into the organization, in particular on the sales side. There's always a ramp up period as new people come onboard and they start activating their networks and they start building the pipeline for us. So, when I talk about the pipeline starting to build, it's through those initial frameworks and solutions that we've already built and we continue to evolve that. And it's the salespeople that we already have onboard that we're starting to see the pipeline.

In terms of where we're seeing opportunity, so I think I would classify it in two areas across a number of our core industries. So, in the life science space, in the pharma space, through one of the big accounts that we have, we've made that transition or we're making that transition from the lower margin into the value-add, into the digital transformation niched sector. Also, within a couple of the larger telecommunications accounts, we're seeing additional pipeline coming through some of the expanded offerings within those existing clients.

The energy and the travel sector as well, which are again two big sectors where we--.

Vasiliy Suvorov: --Yes, that's good. [Unintelligible.]

Sam Mantle: --Have at least one major client. So those are--.

Unidentified Speaker: [--Unintelligible--.]

Tracy Krumme: Vasiliy's still miked.

Sam Mantle: Okay. So that's one area. So, we're seeing the pipeline come in some of the major accounts that we're now getting traction with these new solutions.

And then also, with a number of the new sales guys that have come on board, getting exposure to Luxoft, to new accounts that haven't known us in the past. Being able to see our story, being able to talk to them in different language about how we can really help them with their solutions, especially in some of the smaller and midsized companies. So, across the board that where the additional pipeline is starting to come from.

Lou Miscioscia: Okay. Maybe just also expand out on that from a competitive standpoint in the sense of do you think it's just more Luxoft getting into these different things and getting the skills ramped up, because digital is just, for everybody, growing so fast? Or does it look like the competition is starting to get--doing the same thing, more or less, as this is obviously one of the hottest areas?

Sam Mantle: Yeah. I mean, obviously, there's a lot of competition out there. I think what--in the conversations that I'm in with clients, where we're able to differentiate ourselves--again, alluding to what I said in my presentation--is that we are--we have the agility and the technology assets across these different stacks that we're able to pull into discussions very early to demonstrate how we can show value very, very quickly. So, the timeline to us showing value, the timeline to us demonstrating how we are different because of the technology heritage that we have and because of the way we've been able to package that in their language, that is something that is differentiating us from--versus competition. Especially in some of the accounts where we're maybe not a strategic vendor, so we're not doing $100 million worth of work with them, and for us, $5 million to $10 million of new business that's a significant thing for us. And they're seeing our eagerness and our ability to win that work.

Lou Miscioscia: Okay, thank you.

Ravi Patna: Yeah, this is Ravi Patna with Hawk Ridge. Over here.

Can you guys talk about the sales organization, like who in the organization is tasked with that? Who's the head of sales? How many reps? What's the structure, geographic versus vertical? That sort of thing.

Dmitry Loschinin: So, just on the structure and the way we operate. We used to have a centralized salesforce, which was a standalone organization, so we found that not the most efficient, disconnected from the business, different agendas, and there's not always alignment. And, more importantly, is a judgment of who is the right salesperson, who are the people who can really connect the dots, that's what was missing.

So, we did the reorg. And, basically, what we did it we split the sales organization into three, so each of the line of business has its own sales organization with the leaders, but it sits underneath those guys. They make the decision when to accelerate. They make the decision you know what are the sales people that really--.

And they also--what has changed big time, in the past we were not that much focused on the new business. So, basically the volume were the only criteria, but now we also ask them to produce new business because this is the growth story for the future.

So just back to your--it's within the three lines of business they have the dedicated sales organization. They also have a dedicated B2B organization, so this is all very well-aligned. And presale and sale delivery and practices, it's all in one and we clearly--so automotive was the first one to implement and we clearly--I can say it's even smaller scale operation, but it's much more efficient. Everyone is kind of on the same page and the same boat. They help each other.

Once you have the segregated and you start in all of this collisions, who is responsible for what, but ultimate decision-making is only Roman or Sam. They see what's going on. So that accountability, decision-making cycle, and then--first of all, there the performance. You can have 10 salespeople producing nothing or you can have three actually.

So we--it's not ask about growing the sales organization, it's really improving the quality. Quality is so essential, also the composition, who can bring--. These like gray hair, seasoned salespeople, they have their Rolodex. They are not really as good these days as before, because if you want to sell digital, you need to be digital. You need to actually know about the technology. You really need to kind of fit well into the very young crowd that are often the case on the client side.

So, we found that we really need to create there to--basically the organization should reflect what's happening on the client side. A consultive type of sale, technology type of sale, that works and we see a big difference. So, these are the things which we've been changing.

So, in terms of the size, we don't provide it by lines of businesses. I think it's like about 200 people we have on work; they focus on sales. And the investment have increased over time, but now it's not about increasing, doubling the size, but improving the quality. Quality is the key.

Ravi Patna: When did that reorg occur for each of the lines of business?

Dmitry Loschinin: So, automotive has been like two years but [unintelligible] on board this about a year ago. And we bought a year and a half ago the same--actually we used to have separate business silos. DB was its own organization, UBS was its own. We put it one and made the full integration. We're selling to this about a year and a half roughly for Roman, and it's a little bit more than six months for Digital Enterprise.

Sahm Adrangi: Thanks. This is Sahm Adrangi from Kerrisdale. Just going back to the digital. I want to stay in one of your charts you were showing the growth, you had flat growth for fiscal year 2019 and 20%-plus growth this year. How much of that has been acquisition-related for the past two years? And if you could just sort of provide a little bit more color on why we're expecting flat growth next year in digital?

Dmitry Loschinin: So, if you look at the growth trajectory of that part of the business, which you know we had very solid focus on financial services clearly, and then we started actually pushing and making lots of effort around automotive that--other industry were--. And this is one of the reasons we really want to combine, make it purpose, and put a management team, alignment, all of that.

So, in the past was around single-digit, single-digit, while the rest of that was growing, because we really didn't push for the digital agenda. The growth drivers were not there. So, then we added the acquisition, which actually pumped the revenue, and then you saw that. And this year what we're doing--we're actually kind of realigning the business and transforming the business so that it's high margin. Because if we continue with relatively low margin, we still going to struggle in the [unintelligible]; the base is going to grow. And all of the efforts, what Sam has described.

The good news, really good news that we see very strong pipeline today, so that gives us a confidence. So, you're going to see a flat performance and as Sam said, like Q1 is not going to be the best because we still continue phasing out some of this legacy low-margin business. But throughout the year we already--because we see the pipeline, you're going to see the growth. And then we are building on the momentum for that, the third leg of the company, to have a decent growth trajectory in fiscal 20.

Sahm Adrangi: And within digital, some of the customers that used to be larger in the past—Boeing, I'm forgetting two of the telecom companies that were clients there--have you seen situations there where you had projects where the revenue was increasing and then has been rolling off or have those stayed stable? Are those growing? Because you've been talking a lot about growing within digital for new customers, but in terms of your prior customers, excluding the acquisitions. I guess we haven't really talked about that.

Dmitry Loschinin: Yeah, two particular examples. One, as we discussed what happened when combined the defense and commercial in the IT side and all of a sudden just things become very complex for any sort of sourcing. Not even outsourcing, but sourcing. So, that they just brought in house that resulted--we still have one because then you can't just do volume churn because also like were limited to what you can do. It's all restricted and stuff like that.

[Unintelligible] just had difficulties and they sold the business, so they kind of split the business into parts so that's why you don't see. Actually, with the parts of [unintelligible] one is the company they acquired their networking business, we see a pretty good decent growth.

Isaac Ahn: This is Isaac Ahn from Kerrisdale Capital as well. Another follow-up question to the digital segment. I think, in general, there's a high level of confusion within the composition of digital and so, if we assume some drop off in Deutsche Bank for the next quarter, it basically implies that there is a deeper drop within the digital segment as well. So, how much longer can we expect sort of these acquisitions to be a drag on that digital segment?

Because I think--you know, you guys are going to a midterm target of 20%, if I'm not mistaken, and so, if it's flat this year--. I'm just trying to connect your guidance, which doesn't--it's very difficult to back into based on sort of what you guys have been saying.

Dmitry Loschinin: Again, what we guide—we guide Q1 and you can try to compile the numbers. There is a certain seasonality, but also, we are saying on the digital enterprise this is the lowest quarter in terms of the performance because some of the things inherited from the acquisitions. Some others just the transformation as being at kind of at max, but then you're going to see some improvement throughout the year. And it's going to be flat for the year, but that assumes--flat assumes actually the sequential growth. And the sequential growth is, basically, the illustration of the growth opportunity on there.

Isaac Ahn: One last question. We haven't had an update on Harman in a while. Just following the acquisition by Samsung, has that account been growing or declining? Could you give us an idea of how big that account is today relative to the rest of the auto business?

Alwin Bakkenes: Sure. Harman is still one of our top 10 clients. It's a really good client long-term. The acquisition by Samsung has resulted in new opportunities for us in the sense that Samsung is, of course, also now a client directly, so we work with them, too. And we see them continuing as a very important and good client for us.

Vladimir Bespalov: Vladimir Bespalov from VTB Capital. I have a question on automotive. First, in terms of technology, it looks like there are so many solutions which are required by the automotive industry and probably a lot of vendors still supplying the industry. So, my question is, is it possible to move to kind of integrated solution and can Luxoft become a provider of such integrator, like a single maybe out of few suppliers for the industry?

And the second thing is, is it possible maybe to develop a kind of commoditized solution for the automotive industry which will be widely used by many manufacturers, rather than just each solution is very tailored and customized and things like this?

Alwin Bakkenes: Good question. Generally speaking, in the automotive industry, there is always collaboration ongoing between the carmakers and the sub suppliers, because as we've seen, the automotive software market is just growing so fast and the investments are becoming so big that commonality is important, standardization is important.

There's two types of standardization being driven. On the vehicle platform side, for example, there's standardization being driven in organizations such as AUTOSAR. With the automotive architectures moving to a different type of computing, you see a big investment in AUTOSAR Adaptive, which is moving to what we call POSIX compliant systems, similar to what has been employed in the digital cockpit for quite some time. That's being standardized. There are a number of vendors building those platforms and carmakers are collaborating to actually build more open variants of that. Just like was done in Linux space with GENIVI and AGL and other environments.

The second part is that there are product vendors trying to bring more standardized solutions themselves. Obviously, if you look at the infotainment space, android automotive is a big example there, of course.

Our strategy is we are, in principle, agnostic to technology stacks, so we work with technology stacks from multiple different vendors. Where we see a good push behind standardization in the industry, we support that. So, we're active members of the GENIVI Alliance. I, myself, have been on the board for many years. We are premium members in AUTOSAR. We are actively contributing to the development of AUTOSAR Adaptive. That's it.

Vladimir Bespalov: And the other question on automotive, you mentioned that you started to develop [unintelligible] in 2013, so it's like a long time before it got to the market. My question is on the structure of your current contracts. So, it looks like these are long-term and you should probably have very good visibility. So, the growth rate that you mentioned, how much of visibility for that growth rate is supported by your current contracts, and in general, what is the visibility of your current portfolio?

Alwin Bakkenes: Good question. You're absolutely right; most of the engagement we have follow the development cycles in the industry, where you have 2 to 3 years for the development cycle of a product from a software perspective, and then you get a number of years of maintenance after that. So, as that is, we have pretty good visibility into the future. And just to give some impression of how that translates into how we feel about fiscal '19, we had a very Q4 in fiscal '18.

Vladimir Bespalov: Thank you.

Avishai Kantor: Avishai Kantor from Cowen. Can you talk a little bit about your--share some of your thoughts about your early days entry into the North America automotive market in terms of in-the-cockpit versus under-the-hood and your growth opportunities there?

Alwin Bakkenes: Let me just start by saying--checking if I understand the question correctly. You're asking how we're doing to enter the North American market?

Avishai Kantor: Yes, your efforts around that.

Alwin Bakkenes: Right. Well, as we explained, we started very much with a European base, with premium carmakers so top-tier clients and top-tier Tier 1s, such as Harman, for example. And over the years we have through, for example, Tier 1s we've delivered to many American carmakers as well. So, Ford is specifically mentioned as a direct client, is a very good client of ours, but we've also delivered to them through Tier 1 suppliers for many years and also for other carmakers in North America. We also support Asian carmakers to actually modify their product for use in America, because the American market is quite specific, so there's quite a lot of North America specifics going into those products.

What we have decided to do a while ago is to actually invest in our localized presence. So, we opened up a site in Guadalajara to address specifically the North American market, so we do near-shore delivery in the same time zone, which has proven to be extremely successful, and that's actually giving us a lot of support in growing our business in North America.

Avishai Kantor: And my next question is you spoke a little bit about technical accelerators, generally speaking. Can you talk a little bit about your effort to implement those technical accelerators and maybe automate some of the process in order to ease some of the margin headwinds within the company?

Dmitry Loschinin: Well, I think the question is how much of reusable accelerators we deploy and we develop. So, actually it's industry by industry and then, as we present today the whole idea of digital and digital enterprise, it's really about developing use cases which then translate to blueprints. And blueprints is supported with accelerators because combination of the technology stack and something reusable that you apply basically case-by-case.

In some areas we go kind of the step further. In automotive invested heavily in [unintelligible] and then AUTOSAR Adaptive we have our own products. We've built our reference platform on Intel because then, hopefully, this will get into the production. That's completely different dimension.

So, the more we understand--at the same time, we try not to compete with the major ecosystem players, because once you become a competitor, you eliminate yourself from being a strong partner. So, we are being careful, usually do open source. We really like open source game, because it kind of keep you in a neutral place.

At a same time, we look at maybe even a bit further, but there are opportunities out there that we believe that a new ecosystem can be developed. So, there are new entry, new players in the market, then hopefully we will talk about that later. That actually making a very strong effort and we support them that can be really grow to something very substantial. In this case, we take the raw, we take the technology of those vendors, and we build layers on top of that that actually make them applicable for specific industries.

Avishai Kantor: Thank you.

Tracy Krumme: One more question.

Unidentified Speaker: Thanks. On the digital enterprise piece, you've identified a number of verticals that you're trying to get into or you've identified for growth. One vertical that I think your competitors have been successful in is basically software product development, working with ISVs. I didn't see that up there. Can you talk about why that's the case, why that's not a focus area for you?

Dmitry Loschinin: Yeah. So, we do have companies in this space: our clients, Microsoft being one, and then we have a few other players. Outtake here is such that even though it represents growth opportunities, it's still much more in the extended workforce because these companies are their software house themselves and they obviously need to scale their capabilities, but it's very hard to stay long-term essential or critical for them. So, we believe that we bring--and then the cost pressure is extremely high, because they know how to procure, they know how to execute, so on and so forth.

So, again, even though that IBM is our client, Microsoft is our client, Google is our client, so we see opportunity there, we just don't think this is as strategic as some other industry where our value is significantly high.

Jamie O'Dell: Hi, sorry. Just one more question. Jamie O'Dell from GCA. I think I'm still trying to get my arms around what margins could look like for 2019. And it sounds like in automotive and maybe in digital there's a glide path that's somewhat visible. Clearly, Deutsche is a little bit of an unknown, but if we take their guidance around budget cuts and insourcing as a starting point, if that did come down, call it, 30% or 40% this year, what would that potentially imply for margins for the full year 2019?

Dmitry Loschinin: Again, we don't guide full year and this is tricky. Whatever I say it can be--first of all, we either go very conservative and then we will spook you or we put a number that we don't achieve. So, we just say, okay, let's talk about our quarter guidance.

The outlook, though, is such because there is an impact of Deutsche you know. How rapid this will shrink, obviously we need to observe that. And there are extra costs associated with extra bench [sp] and so on and so forth. There is significant margin impact. It will be significantly less, though, next year because it will be smaller base and we don't anticipate that to continue at the same pace.

But what we say actually of automotive and financial services, ex DB and DB itself, good margin but given the poor utilization then it's a struggle. But outside of that, good margins. The team has been very, I think, prudent in maintaining the marginality. The automotive is actually producing very good margin and has very good chances to improve.

Where we see challenges in the digital enterprise, we talked about that. If you want to grow this business, we really need to shrink it a bit but get a decent margin improvement and bring it over next two years to the same level. By doing that, we actually will bring our growth margins at the level--used to have 40%-plus, now we have 36%, 37% given the DB challenges. Above 37%, and this with some—[unintelligible] will give us a very strong tailwind for EBITDA, that is a given.

Jamie O'Dell: All right, thank you.

Tracy Krumme: Thank you. And with that, that concludes our Q&A session. Thank you very much for coming. We greatly appreciate you all taking time out of your busy day. We hope you are leaving here with a better understanding of Luxoft: what we're doing in terms of taking the right steps in our transformational strategy to ensure that we grow in 2020 and beyond, and certainly, you've had a chance to see the depth and breadth of our management team.

And we will all be available upstairs for the cocktail hour, so we hope you can join us. Thank you very much.