



**Majesco**

**Fiscal 2017 Third Quarter Conference Call**

**January 23, 2017**

## C O R P O R A T E P A R T I C I P A N T S

**Andrew Berger**, *Investor Relations*

**Ketan Mehta**, *President and Chief Executive Officer*

**Farid Kazani**, *Chief Financial Officer and Treasurer*

## C O N F E R E N C E C A L L P A R T I C I P A N T S

**Brian Kinstlinger**, *Maxim Group, LLC*

**Josh Seide**, *Maxim Group, LLC*

**Francis McCutchan**, *Private Investor*

**Parag Bharambe**, *Private Investor*

## P R E S E N T A T I O N

### **Operator:**

Good day everyone and welcome to the Majesco Fiscal 2017 Third Quarter Conference Call. Today's conference is being recorded. At this time, I'd like to turn the conference over to Andrew Berger, Investor Relations. Please go ahead, sir.

### **Andrew Berger:**

Thank you, Dana (phon), and good afternoon to you all. A complete disclosure of our results can be found in our press release that was issued this afternoon. As a reminder, today's call's being recorded and a replay will be available on our website shortly after the conclusion of this call.

During today's call, we will make statements related to our business that may be considered forward-looking under Federal Securities Laws. These statements reflect our views only as of today, and should not be reflected upon as representing our views as of any subsequent date. We disclaim any obligation to update any forward-looking statements or outlook. These statements are subject to a variety of risks and uncertainties that could cause actual results to differ materially from expectations.

At times in our prepared comments and responses to your questions, we may offer incremental metrics to provide greater insight into the dynamics of our business or our quarterly results. Please be advised that this additional detail may be one-time in nature and we may or may not provide an update in the future. Also during the course of today's call, we will refer to certain non-GAAP financial measures. A reconciliation schedule showing GAAP versus non-GAAP results has been provided in our press release that was issued today after the market closed.

Hosting the call today are Ketan Mehta, Majesco's CEO and Co-Founder, Farid Kazani, CFO and Treasurer, and Ann Massey, Senior Vice President of Finance.

At this time, I'll turn the call over to Ketan. Ketan?

**Ketan Mehta:**

Thank you, Andy. Good afternoon everyone and welcome to Majesco's fiscal 2017 third quarter conference call. While I am pleased with our profitability performance, I recognize that we had lower growth compared to what we experienced in past. The slower sales growth is a result of delayed decisions by many of our clients and shift in our business model, which is driving demand for our cloud platform business. Demand for the cloud-based offering is increasing across all tiers and types of insurance carriers and Majesco is very well positioned to lead this fast-growing business.

During the quarter, two new deals were added to our portfolio of cloud solutions. This includes New York Life, a Tier-1 insurer, who began implementing Majesco Ratings, a component of Majesco Policy for Life & Annuity and Group in the cloud. This is one of the first cloud-based rating implementations for Majesco Life & Annuity and Group market and we are excited about the potential for this offering. In addition, Norfolk & Dedham Group selected Majesco Policy for Commercial Package in Majesco CloudInsurer. With the New York Life business, we are expanding our cloud-based solutions to Life & Annuity carrier in addition to Property & Casualty carriers as well.

Cloud revenues increased from \$14.3 million to \$18.3 million during nine-month period, representing 28% growth on year-on-year basis and that represents increase of—from 17.6% of revenue, to 19.8% of revenue. We expect the mix of cloud-based business will continue to increase and will enhance margins, as well as add more recurring revenues to our portfolio. However, cloud revenues take longer to ramp up than traditional on-premise software license sales. As a result, the total of five new cloud wins we have achieved over last six quarters will have greater impact in revenue and margins in subsequent years.

Our growth strategy continues to focus on strengthening our cloud business in our core Property & Casualty, Life & Annuity, and Group markets. Specifically, we are targeting customer segments including Greenfield, mid-market, and Tier-1 insurers for our portfolio of solutions and services. I'm also encouraged by our IBM partnership where we see a growing pipeline including some exciting Tier-1 prospects.

In addition to increasing cloud platform demand, insurance carriers are also investing in new and expanded digital offering. Digital is shifting from a tactical approach of implementing portals or mobile apps for different functions, to enabling a digital operating model on a platform that enables a unique customer journey across the entire value chain. This is highlighted in Majesco's primary research of consumers and small business owners. This is an approach—this the approach New York Life implemented with 33 unique portals for the Affinity Group customers which liberates Majesco's Digital Connect platforms in just four months.

I'm also encouraged by the growth opportunity to provide Majesco Solutions for Life & Annuity and Group carriers. We have invested in building a compelling platform to serve this market and believe we are well positioned to lead this Segment. During the quarter, we released a latest version of Majesco Policy for Life & Annuity and Group, Version 2017. This release supports individual and group products, including true (phon) group, voluntary benefits, and worksite on a single instance of a single software platform. It supports all tiers of individual and group insurers for life, annuity, disability, and other non-medical health products. Throughout fiscal 2017, we have also focused on enhancing profitability by improving operational efficiencies. As a result, during the fiscal 2017 third quarter, Majesco produced its fourth consecutive quarter of improving Adjusted EBTIDA which was 5.8% of revenue, compared to negative 3.6% for the third quarter a year-ago. While the profitability is an important focus for Management, we remain committed to

investing in sales and marketing as well as R&D activities that will support our long-term growth opportunities, customer partnerships, and take advantage of compelling market dynamics.

To conclude, I believe there is a fundamental shift taking place in the industry where the carriers are looking for a low-risk and a faster platform route that provides an ability to innovate new products, new customer experience, and liberate different business models. We have over five real-life case studies of enabling our clients to innovate, grow and transform their business models through our CloudInsurer platform. We plan to significantly scale up our business to build upon the success in coming quarters.

With that, let me turn the call over to Farid to discuss the financial drivers for the quarter.

**Farid Kazani:**

Thank you, Ketan and good afternoon to all. I will briefly cover the financials for the third quarter fiscal 2017. On the revenue for the third quarter ended December 31, 2016, it increased 1.3% to \$30 million as compared to \$29.6 million in the corresponding quarter of last year. Revenues for the nine-month period ended 31 December 2016, increased 15.6% to \$93.6 million as compared to \$81 million in the corresponding nine-month period last year. The growth during the quarter was lower than the previous quarter's witnessed due to client-led delays, slowdown in our Life business, and the impact of the exchange rate on our—on the GBP exposure for our UK business.

Turning on to the expense and profitability. For the quarter ended 31 December 2016, gross margins were at 49%. The 670-basis-point improvement in gross margin as compared to the third quarter of the previous year was primarily due to the successful integration of the Cover-All business, improvement in efficiency and productivity, and cost improvement initiatives undertaken by the Company. For the nine-month period ended December 31, 2016, our gross margins were higher at 48%, an increase of 350 basis points as compared to the previous year.

SG&A expenses for the third quarter fiscal 2017 was 35.2% as compared to 35.8% during the third quarter of fiscal 2016. For the nine-month period ended 31 December 2016, the SG&A expenses increased by 15%—15.1% as compared to the nine-month period of the previous year. The increase in SG&A was primarily due to the planned expenses in sales and marketing efforts and the addition of the Cover-All business.

Fiscal 2017 third quarter saw product R&D expenditure at 13.2% of the third quarter revenue as compared to 14.3% during the same period of fiscal 2016. During the quarter, the R&D programs continued to focus on executing our product roadmap in both P&C and the Life & Annuity business suites. It is important to note that the Company has a policy of expensing all the R&D expenses through the P&L account. For the nine-month period ended December 31, 2016, the product R&D expenses were higher by 11.9% as compared to the similar period last year.

We're happy to report a positive net income for the second quarter in a row. The net income for the third quarter ended December 31, 2016, was \$0.2 million or \$0.01 per share as compared to a net loss of \$1.1 million or \$0.03 per share for the same period last fiscal. Net loss for the nine-month period ended was lower—for the nine-month period ended 31 December, 2016, was lower at \$0.1 million or \$0.00 per share as compared to a net loss of \$2 million or negative \$0.06 per share for the corresponding nine-month period ended 31 December 2015.

The Adjusted EBITDA for the third quarter ended December 31, 2016, was \$1.8 million or 5.8% of revenue, as compared to a negative \$1.1 million, or negative 3.7% of revenue, during the quarter ended 31 December 2015. Adjusted EBITDA for the nine-month period ended December 31, 2016, was also higher at \$4.5 million, or 4.8% of revenue, as compared to \$0.2 million, which is 0.32% of revenue, during the nine-month period ended December 31, 2015.

From a geographic standpoint, North America, the UK and APAC regions represented 89.8%, 6.4%, and 3.8% respectively of the third quarter's total revenues as compared to 88.8%, 8.3%, and 2.9% respectively for the same period the last fiscal. For the nine-month period ended December 31, 2016, North America, UK, and APAC represented 89.4%, 7.1%, and 3.5% of the total revenue respectively.

In terms of business split, the P&C represented 83.4% of revenues, Life & Annuity represented 14.9%, and non-insurance is lower now at 1.7% of the third quarter fiscal 2017 revenue, as compared to 80.9%, 16.7%, and 2.4% respectively in the corresponding period last year. For the nine-month period ended December 31, 2016, P&C represented 81.3% of revenues, Life & Annuity represented 17.1%, and non-insurance represented 1.6%.

On a contractual basis, 3.2% of fiscal 2017 third quarter revenues was for license contracts license revenues, 51.1% was for implementation of professional services including consulting work, 19.8% was from cloud services, and 16% was from support and maintenance, as compared to 7.9%, 56.7%, 20.1%, and 15.3% in the same period last fiscal. For the nine-month period, the same was at 3.2%, 61.8%, 19.5%, and 15.6% respectively.

In terms of client concentration, the top customer in this quarter represented 7.1% of revenue, while top-five constituted (inaudible) and top-ten customers constituted 42.7% of the third quarter fiscal 2017 (inaudible). For the nine-month period ended December 31, 2016, the numbers stood at 9%, 28.4%, and 42.5% respectively.

Quickly turning on to the balance sheet, Majesco had a cash and cash equivalent of \$19.5 million as at December 31, 2016, as compared to \$9.7 million as at December 31, 2015, and \$13.3 million as of the previous quarter ended September 30, 2016. Total debt as at December 31, 2016, was \$17.2 million as compared to \$12 million as at December 31, 2015, and \$17 million as at the end of the previous quarter, September 30, 2016.

As you would see, the net cash as of 31 December, has substantially improved, which now stands at a positive \$2.3 million as compared to a negative \$3.7 million at the end of the previous quarter, 30 September 2016.

The DSOs also improved and stood at 69 days at the end of the 31 December 2016, as compared 73 days in the previous quarter ended September 30, 2016. The employee headcount stood at 2196 at the end of 31 December 2016 as compared to 2240 at the end of September 2016.

This concludes our prepared remarks. I'll now pass it on to the Operator to please open the call for questions. Thank you very much.

**Operator:**

Thank you. If you would like to signal to ask a question, please press star, one on your phone. Please make sure your mute function is turned off to allow your signal to reach our equipment. Again, that's star, one for any question.

We'll take our first question from Brian Kinstlinger with Maxim Group.

**Brian Kinstlinger:**

Great, thanks. Good afternoon. On the L&A business, do you see the pressure there as a shift in the market or is it—and be more prolonged or do you think that is a short-term trend that you're seeing?

**Ketan Mehta:**

Hi, Brian. In the L&A market, one area where we find lot of activity or attraction is in the Group side of the business where there is a long-term trend of business model shifting more employee-funded and employee-driven plans as opposed to a traditional group business where it was primarily employer-driven plans, and this changing business model is driving a fair amount of investment in new capabilities for the insurance carriers to engage with employees and give them an option for products like voluntary business and give them an option to purchase the types of product they want to do through their platform.

**Brian Kinstlinger:**

So right now, they're doing more due diligence on where to make those investments that you're seeing demand drop in, or just I'm trying to understand what that means from a demand perspective in the near-term and the long-term.

**Ketan Mehta:**

So, what we find is that, we're evaluating options to offer those capabilities. Clearly, there is an opportunity and insurance carriers recognize that their current or legacy platforms are unable to deal with the employee-focused voluntary benefit products very effectively. So, they're actually actively evaluating number of different options and there are very few strong admin platforms, which have those capabilities, which generates potential demand. We would expect this trend will continue for next couple of years.

**Brian Kinstlinger:**

Okay. You know the backlog was down 5% sequentially. Is this the result of the delays in awards that you're talking about in your prepared remarks, or is it something in terms of competitive losses that are hurting bookings? Maybe just go through that trend.

**Ketan Mehta:**

Sure. So, I think we look at it as a combination of both. There are some delays from our existing customers as well as the prospects compared to what we expected. So, that causes that. The second is that every transition into cloud platform, we recognize that the cloud customers take longer to ramp up than what we previously expected and that is causing a delay in the revenue ramp up.

**Brian Kinstlinger:**

Okay. With the—with those bookings and the pipeline that you've got and with a push towards cloud, which is a little bit slower to recognize, should we see a little bit more pressure on revenue? We've seen it come down sequentially two straight quarters before we see a return to growth or where do you see the bottom?

**Farid Kazani:**

Brian, we're not specifically guiding to that. We have seen pressure this quarter and while Ketan has explained that both the reasons in terms of delay on client side and the shift to the cloud model, will have some pressure for us in the short-term, but hopefully with our ability to kind of build the cloud business, we should potentially see the business pullback after a few quarters.

**Brian Kinstlinger:**

Okay, and then the—do you see the election impacting demand in anyway and then with the new administration starting recently, how do you see that impacting the industry if at all?

**Ketan Mehta:**

We are watching that closely, Brian, in terms of the impact of the new administration and what that means to the insurance carriers, but initially we do not see a material impact at least at this point of time. But, we'll have some more clarity as some of the actions from the new administration unfold.

**Brian Kinstlinger:**

Then, from the competitive landscape, has there been any change especially on the cloud side? Are there more or even stronger competitors out there?

**Ketan Mehta:**

We—the competitive landscape is changing. One of that is the fact that Guidewire acquired ISCS, which is to address the cloud business to a smaller tier carriers as well as some new emerging competitors coming in the marketplace. However, I think with Majesco's strong content and ready-to-offer—the speed-to-market platform and our client-centric business model, will give us a competitive advantage in that marketplace. We also have a set amount of case studies of actually implementing those transformative initiatives to Greenfield startups as well, but that is also will—that will also play an important role in terms of the competitive landscape.

**Brian Kinstlinger:**

If I'm not mistaken, ISCS is tier like four or five that actually they provide to. Is that right or are they small or am I mistaken?

**Ketan Mehta:**

That is correct.

**Farid Kazani:**

That is correct, and I think the ability for us to scale and provide a cloud platform for larger players also, okay. Because, we have seen the traction also from Tier-1 customers to kind of go on cloud. So, having that ability gives us—puts us in a little advantageous position.

**Brian Kinstlinger:**

Can you give me a rough percentage of revenue from Tier-1 and Tier-2 of your total revenue?

**Farid Kazani:**

Brian, I don't have the numbers straightway. I can share that with you later.

**Brian Kinstlinger:**

But, is it the—is it the majority of your business in Tier-1 and 2?

**Farid Kazani:**

In the top-10 clients, we have at least three customers from the Tier-1 group, yes.

**Brian Kinstlinger:**

Okay, and then finally on the balance sheet, you saw a crude expenses spike which has caused a little bit of a cash flow in their last three months. Can you quote what's the reason for that and will that reverse itself?

**Farid Kazani:**

That's typically the provision that happens for certain expenses on the incentives that gets built up as the quarters come along.

**Brian Kinstlinger:**

So, what is that? Is that bonuses or is that—will that be paid out and come back to being a cash flow in next quarter or?

**Farid Kazani:**

You know depending upon the performance for the year, obviously, these are kind of expenses that will get paid out in the first quarter of next year.

**Brian Kinstlinger:**

Okay. All right. Thank you.

**Farid Kazani:**

Performance (inaudible).

**Brian Kinstlinger:**

Great.

**Operator:**

We'll take our next question from Josh Seide with Maxim Group.

**Josh Seide:**

Hi, thanks for taking the questions. Can you please talk a bit more about the IBM partnership and when that might impact the top line?

**Ketan Mehta:**

Absolutely. So, as we mentioned IBM signed the partnership last quarter where they have selected Majesco's platform as a part of their industry platform initiative to offer to the insurance carriers and IBM and Majesco jointly are offering that platform—integrating Majesco platform with IBM's Watson cognitive capabilities to be offered on IBM cloud. We find that there is clearly a significant interest especially from the larger Tier-1, Tier-2 carriers for this joint offering, and while these are early days of the partnership, we are very encouraged by the way the pipeline is building up for this initiative.

**Josh Seide:**



That's helpful, thank you, and could you just also quickly remind us of any seasonality in the business to be expected going forward? Thanks.

**Farid Kazani:**

There is nothing in particular actually here.

**Josh Seide:**

Okay. Thank you.

**Ketan Mehta:**

Okay

**Operator:**

Again, it is star, one if you'd like to ask a question. We'll go next with Francis McCutchan, a Private Investor.

**Francis McCutchan:**

Thank you very much. My main question was already answered as far as Guidewire and their acquisition of ISCS and I was just wondering their capabilities compared to Majesco's and then the New York Life transaction is—are they a smaller version of your capabilities?

**Ketan Mehta:**

Yes. They offer equivalent capabilities and we used to compete with them in past, in the smaller carrier market. We have—it remains to be seen if there any changes after the acquisition, but overall I think the places where we have differentiated offerings were primarily around our stronger domain expertise into certain segments of the market, ready-to-use content as well as the track record of success which have been our differentiator in that marketplace, especially, on the ready content on the ISO-based carriers have been important differentiator.

**Francis McCutchan:**

One other—two other questions actually. You know in trying to follow the stock, I know you have some writing analysts. I find it difficult follow and maybe somebody from Investor Relations there, who are the analysts that actually follow the stock and write on the stock as far as earnings per share estimates and price targets?

**Farid Kazani:**

So, there is Maxim and there is another analyst called Michael who cover the stock and—but that there fair bit of analysts who also cover the stock at an India parent level, okay, which are obviously the Indian analysts. So, there are four, five of them that cover the stocks.

**Francis McCutchan:**

But, you know I mean if you pull up different news feeds, sometimes they'll say two analysts, but only one analyst is following the stock from an earnings per share or from a price target. I mean if you look at the stock, you will have one analyst at 8 bucks and other analyst at 13 bucks. So, I mean, I know Maxim covers, but who else here in the States?

**Ketan Mehta:**

So right now, it is Maxim only, right now, okay. There's to be (phon) to be Aegis that used to cover it earlier, okay. So right now, we have Maxim that covers it. So, we obviously are going to be working with few other analysts and see if we can get additional coverage because we still need to kind of penetrate some of these analyst's kind of...

**Francis McCutchan:**

I mean I (inaudible) I mean I've been a stockholder here for, I mean that's been a problem for 10 years. I mean what does it take to get into these guys to get them interested.

**Ketan Mehta:**

There are various factors, okay, so you know while we can discuss this, there are various factors depending upon the liquidity, the kind of the market cap, and various other factors that are led to in terms of an analyst looking at covering a stock. So yes, we obviously are doing our bit of work to kind of communicate and then educate some of these analysts and then get their help to kind of cover our stock. We're also taking help of our IR Firm to kind of help us to do that, yes.

**Francis McCutchan:**

Finally, the market making capabilities, I mean if you watch the stock, I mean I don't know who makes the market, but if the market two minutes before is \$5.85, \$5.90, it closes at \$5.80. I mean it's—I don't know who it is, what exchange it's on, but it's like today. It was trading at \$5, it closes at \$5.75. I mean there's like absolutely no strength behind whoever that market maker is.

**Farid Kazani:**

We've noted your comments, and the—we've not gone through that kind of analysis at this stage right now.

**Ketan Mehta:**

So, we recognize, Francis in terms of the focus we need to have, in terms of improving the liquidity, improving the analyst coverage, the comments you made are certainly important as we try and broaden the base of interest for the stock.

**Francis McCutchan:**

Yes, I mean I think we've made a whole lot of progress, a lot of fundamental progress, but the marketing seems to not be keeping up. That's my only comment. Thank you.

**Ketan Mehta:**

You're welcome.

**Operator:**

Just as final reminder, it is star, one to ask a question. We'll go next to Parag Bharambe with, Private Investor.

**Parag Bharambe:**

Yes. Hi, Ketan. In term of sale, is it a bit subdued quarter, subdued this quarter, because I think there are only two new clients whereas in last quarter there were much more than two.

**Ketan Mehta:**

Sure. We recognize and as I mentioned in my earlier remarks, there has been some delays in some of the decision making by our prospects, which caused into, which caused into these delays.

**Parag Bharambe:**

Okay, and I don't know whether you publish it, but do we know how many cloud customers do you have or you want—I don't know whether there's a published figure or not, that's what I'm saying.

**Farid Kazani:**

No, we don't specifically publish it but we have approximately 30 customers on cloud as of now.

**Parag Bharambe:**

Okay, because you have—I have been observing the statement and you have been saying the same number for probably the three, four quarters now. So, is it like you don't want to disclose the exact number or that number is not moving substantially to say something.

**Farid Kazani:**

The count is 30 right now so you know there would be some one-odd customer where the project would have got—that we would have done some work and the revenues will come back later, but as of now the customer count stands at around 30.

**Parag Bharambe:**

Okay, so you mean—I know we have been talking about like you mentioned cloud for last probably many quarters now, and there has been no considerable addition to the number of cloud customers then.

**Farid Kazani:**

I think what we are also mentioning, and as I mentioned in the remarks here which is that cloud as a percentage of business is increasing, cloud part of the business is increasing. So, all of that shows a clear trend as we're moving into a very specific direction where we see that part of the business going up.

**Parag Bharambe:**

Okay. Coming back to cloud, I know one of the attribute like how you count, add fees like number of products which are used on the cloud, at the same time number of like—the money or revenue figure related to cloud, are you publishing that figure like how much revenue is generated by the clients who are using cloud?

**Ketan Mehta:**

We do publish what we call as a revenue from our cloud business and we mentioned that in our call earlier today.

**Farid Kazani:**

How much business goes through the cloud?

**Ketan Mehta:**

Yes, we don't publish that, no.

**Parag Bharambe:**

Okay, okay, I got it. Yes. I think my question was a bit convoluted. Sorry about that, and I know you mentioned about the competitive landscape. I know Guidewire acquired two, three companies last year, one of the one, which you discussed in detail. Then (inaudible) acquired a few companies. I don't know whether it's one or more than one companies. So, at first and second player, they are on an acquisition spree. So, are—is it changing the landscape for you considerably because you haven't acquired anything recently?

**Ketan Mehta:**

So, we definitely recognize that the market is getting consolidated and some of our larger competitors are making acquisitions. As we—as you know, we made some two large—two acquisitions last year. We're in a process of making sure we complete the integrations, but we're also looking for strategic acquisitions as we speak. So, we definitely would continue to look for the right types of acquisition opportunities in the market. We're actively doing that as well.

**Parag Bharambe:**

Okay, and in your EBITDA, Adjusted EBITDA figure, the current number is 5.8, but in your previous calls, you mentioned aspiration to be 12 to 14 range. Are you—like what is your confidence level in achieving that range? I know there are five more quarters to go but...?

**Farid Kazani:**

Definitely, if you look at, that number was linked to our expected growth, okay, that we would have liked to have achieved in the next year. So, obviously depending on how we grow next year and both organically and inorganic, okay, it will then shape up the overall EBITDA margins. But, if you see the improvement that we have done from in this last three quarters or last four quarters, December same period last year we were at a negative kind of EBITDA margins and we've improved that substantially, okay. So, if you consider that there's been a movement and positive trend every quarter in spite of some revenue kind of challenge that we've had.

**Parag Bharambe:**

Okay, and this like when you provided—like when the Mastek and Majesco had demerged, you said first year was integration, second year focus was on generating revenue and third year focus is on profitability. Now second year, the revenue part, are you—is it shaping up to your expectation? I know there are some delays but is it shaping up to your expectations or it's considerably less? Considerably more?

**Farid Kazani:**

You know, Ketan alluded to this in his remarks with regard to the kind of shape of how the—we see our revenues growing. A shift in the cloud has definitely impacted our short-term revenue growth, but it obviously has helped us build a longer and a stronger revenue stream going forward and there have been

delays in certain client decisions which has impacted our short-term revenue, so these two have been the major reasons for the current base of revenue although we would've liked it to be higher.

**Parag Bharambe:**

Okay. Okay. Thank you very much and all the best. Thank you. Bye.

**Operator:**

We'll take our next question from Brian Kinstlinger with Maxim Group.

**Brian Kinstlinger:**

The first question, I just wanted to clear up some confusion from that last caller. If I'm not mistaken, you said you have 30 cloud customers. Was that the right number you said?

**Ketan Mehta:**

Yes, 30 cloud customers.

**Brian Kinstlinger:**

But, I remember 18 months ago you had 20...

**Ketan Mehta:**

Yes, that's right.

**Brian Kinstlinger:**

...if I'm not mistaken. So, to say that you've been flat, well, maybe you like more growth to say 20 to 30 is flat, that one sounds accurate, am I wrong?

**Ketan Mehta:**

No, you're right, Brian. Actually, if you look at 18 months back, we are at 20. So, thanks for bringing that up and, we've grown the cloud business both in absolute number, in client numbers and in percentage to revenue, okay.

**Brian Kinstlinger:**

Yes.

**Ketan Mehta:**

There has been a kind of not much movement in the previous quarter, but we definitely moved a lot of it in the last 18 months.

**Brian Kinstlinger:**

Yes. I just wanted you to be clear on that. The second is, M&A, I agree you've been less active than some of your peers. Talk about the M&A pipeline, are you evaluating a few properties, maybe just talk about valuations, how do you think about those?

**Ketan Mehta:**

Sure. So, as we are evaluating properties, some of our focus areas are in the areas of both data analytics and digital capabilities where we see some opportunities to enhance our value proposition. So, we are looking at some options in that space. In terms of the valuation it (inaudible) changes and the size of the company from the nature of the business so—but we are focused on looking at companies which could be accretive to our shareholder as well as build capabilities which drives our growth.

**Brian Kinstlinger:**

Right, okay. Thanks guys.

**Ketan Mehta:**

Thanks, Brian.

**Operator:**

We have a follow-up from Josh Seide with Maxim Group.

**Josh Seide:**

Hi, guys, just one more, quick one from me. Can you please just share the percent of cloud revenue in the fiscal third quarter this year versus the percent of cloud revenue in the same quarter last year? Thanks.

**Farid Kazani:**

Just give me a second. I'll share that. It's 19.8% in this quarter as compared to—in the last year the same quarter was higher because it did not—we did not have Cover-All revenues, so it was on the lower base of revenue.

**Josh Seide:**

Understood.

**Farid Kazani:**

It was almost at the same level, but because it did not have Cover-All revenue, so therefore, you didn't have—the percentage looked higher but with Cover-All revenue right now that we have, it's still at 20%. So, effectively in absolute terms, it has grown.

**Josh Seide:**

Okay. Thanks.

**Farid Kazani:**

Welcome, Josh.

**Operator:**

We have no further questions at this time.

**Ketan Mehta:**

Thank you everyone for participating in the call. We'll speak to you next quarter. Thank you.

**Farid Kazani:**

Thank you very much.

**Operator:**

Thank you and that does conclude today's conference. Thank you for your participation. You may now disconnect.