TDCX Inc.

Muted by macro uncertainty

StocksBnB.com

UNITED STATES | SERVICES | 3Q22 RESULTS

24 November 2022

- 9M22 revenue was in line at 73% of our FY22e forecasts. PATMI was above expectations, at 84% of our FY22e forecasts due to higher interest and other operating income.
- The travel and hospitality vertical continues to provide growth tailwinds, returning to pre-pandemic levels with 29% YoY growth for 3Q22.
- We raised our FY22e PATMI by 12% to S$108mn primarily from higher-than-expected interest and other operating income, while keeping FY22e revenue unchanged. However, we cut our FY23e revenue growth forecasts by ~5% due to macroeconomic uncertainty and pullback in spending by tech companies. We maintain a BUY recommendation with a reduced DCF target price of US$15.50 (prev. US$16.39), a WACC of 10.4%, and a terminal growth rate of 3.0%.

Results at a glance

SGD (mn)	3Q22	3Q21	YoY	2Q22	QoQ	Comments YoY%
Revenue	172.8	148.8	16.1%	162.3	6.5%	Launched 12 new campaigns during 3Q22
- Omnichannel CX	100.9	89.3	13.0%	95.3	5.9%	
- Sales & Digital Marketing	42.8	32.4	32.2%	39.1	9.6%	Driven by expansion of existing client campaigns
- Content, Trust & Safety	28.1	26.4	6.4%	27.0	4.0%	
Employee Benefits Expense	112.3	86.6	29.7%	105.4	6.6%	Growing faster than rev due to inflation and demand for talent
Adj. EBITDA	55.0	52.9	3.9%	50.3	9.3%	Removing SBC not present in 3Q21
Adj. EBITDA Margin	31.8%	35.5%	-3.7%	31.0%	0.8%	
PATMI	30.9	30.2	2.3%	26.8	15.4%	
Adj. PATMI	34.8	30.2	15.0%	30.4	14.4%	Removing SBC not present in 3Q21
EPS ($)	0.21	0.24	-12.5%	0.19	10.5%	

Source: Company, PSR

Note: SBC refers to stock-based compensation introduced in 4Q21

The Positive

+ Travel and hospitality rebound providing growth tailwinds. Revenue from TDCX's travel & hospitality vertical grew about 29% YoY for 3Q22, boosted by higher contributions from existing clients, and new revenue from clients added over the last several quarters. Revenue from this vertical has returned to pre-pandemic levels, with potential reopening of countries in North Asia providing optimism for further growth in this vertical. Travel and hospitality remain the company's 2nd largest vertical in terms of revenue contribution.

The Negatives

- Revenue growth decelerating sequentially. TDCX recorded 3Q22 revenue growth of 16% YoY, down sequentially from 27% and 24% over the first 2 quarters of this year. Growth is expected to continue trending downwards for the rest of this year given inflation fears and significant pullback in expenses spending by many new economy companies. 4Q22e revenue growth is expected to be around only 13% YoY – taking the midpoint of the company's FY22e guidance.

+ Adj. EBITDA margin down almost 4% YoY. Stripping out share-based compensation that did not occur in 3Q21, TDCX's Adj. EBITDA margin for 3Q22 was down 370bps to 31.8%. Several reasons for this including: 1) significantly higher business volume in 3Q21 vs 3Q22; 2) a catch-up revenue reduction related to a warrants agreement with Airbnb; 3) increasing corporate overhead costs due to business expansion; and 4) 30% higher employee benefits expense YoY due to increasing demand for talent. 9M22 Adj. EBITDA margin was at 31.4%, within the company's FY22e guidance range of 30-32%.

BUY (Maintained)

CLOSING PRICE	USD 10.52
FORECAST DIV	USD 0.00
TARGET PRICE	USD 15.50
TOTAL RETURN	47.3%

COMPANY DATA

Bloomberg CODE:	TDCX US
O/S SHARES (MN) :	146
MARKET CAP (SGD bn / USD bn) :	2 / 2
52 - WK HI/LO (USD) :	23.01 / 6.52
3M Average Daily T/O (mn) :	0.23

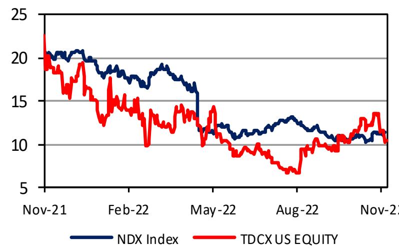
MAJOR SHAREHOLDERS

Capital Group Cos Inc/The	8.0%
Tree Line Advisors Hong Kong Ltd	6.9%
Morgan Stanley	6.5%

PRICE PERFORMANCE (%)

	1MTH	3MTH	YTD
COMPANY	(9.9)	49.2	(45.1)
NASDAQ RETURN	4.8	(7.9)	(27.5)

PRICE VS. NASDAQ



Source: Bloomberg, PSR

KEY FINANCIALS

Y/E Dec, SGD (mn)	FY20	FY21	FY22e	FY23e
Revenue	435	555	665	811
EBITDA	143	180	186	225
Net Profit	86	104	108	137
EPS (S$)	0.70	0.81	0.75	0.95
P/E (X)	NM	30.9	18.3	14.5
ROE	77%	22%	20%	20%
ROA	35%	18%	16%	16%

Source: Company, PSR

VALUATION METHOD

Discounted Cash-Flow, WACC 10.4%, g 3.0%

Jonathan Woo (+65 6212 1852)
Senior Research Analyst
jonathanwookj@phillip.com.sg

PhillipCapital

Figure 1: Our PSR FY22e forecasts of ~20% YoY revenue growth are within company guidance.

SGD (mn)	TDCX FY22e Guidance	PSR FY22e Forecast	Comments
Total Revenue	655-670	665.3	Narrowed top and bottom range by 5mn
Revenue growth at midpoint YoY	19.3%	19.8%	Unchanged
Adj EBITDA Margin	30-32%	31%	Unchanged

Source: Company, PSR

Note: Adj EBITDA represents profit before interest, tax, depreciation, and equity-settled share-based payments

Outlook

Management narrowed both the top and bottom-end range of its revenue guidance for FY22e by S$5mn, with expected revenue growth at the midpoint of this range unchanged. Adj. EBITDA margin guidance was also unchanged. Management was also uncertain as to whether the cost-cutting initiatives of many new economy clients will affect revenue growth moving into FY23e.

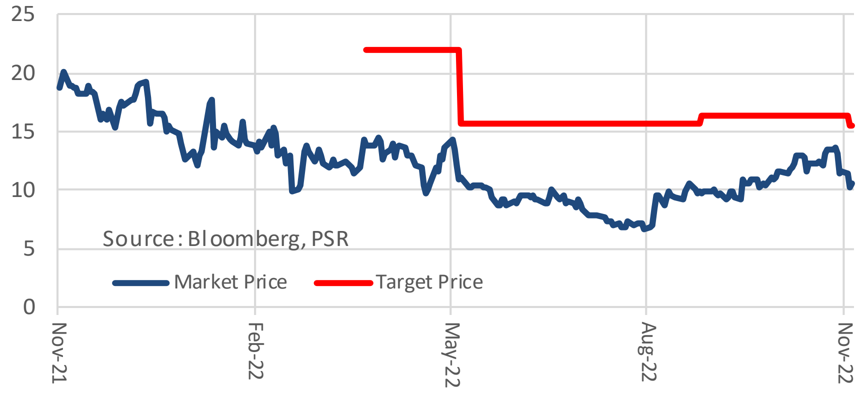
TDCX is starting to see some return from its geographical expansion initiatives in North Asia and Latin America, with Colombia, India, Romania, and South Korea making up close to 10% of revenue growth in 3Q22. The company also continues to diversify its client concentration, with revenue from its top 2 clients as a percentage of total revenue decreasing from 63% in 3Q21, to 56% in 3Q22. TDCX also launched its new Turkey office to strengthen its capabilities in Turkish and Arabic, as well as German, to better serve a growing Middle Eastern market.

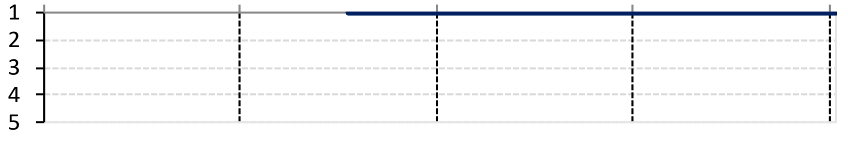
Cash flow generation continues to be healthy, with the company increasing its 9M22 operating cash flows by 53% YoY to S$130mn. TDCX remains focused on M&A to accelerate its growth strategy, with a healthy pipeline of potential acquisitions lined up. The company ended the quarter with S$386mn in cash and cash equivalents.

Maintain BUY with an reduced target price of US$15.50

We raise our FY22e PATMI by 12% to S$108mn primarily due to higher-than-expected interest and other operating income, while keeping FY22e revenue unchanged. However, we cut our FY23e revenue growth forecasts by ~5% due to a continued period of macroeconomic uncertainty. We maintain a BUY recommendation with a reduced DCF target price of US$15.50 (prev. US$16.39), a WACC of 10.4%, and a terminal growth rate of 3.0%.

Ratings History





PSR Rating System

Total Returns	Recommendation	Rating
> +20%	Buy	1
+5% to +20%	Accumulate	2
-5% to +5%	Neutral	3
-5% to -20%	Reduce	4
< -20%	Sell	5

Remarks

We do not base our recommendations entirely on the above quantitative return bands. We consider qualitative factors like (but not limited to) a stock's risk reward profile, market sentiment, recent rate of share price appreciation, presence or absence of stock price catalysts, and speculative undertones surrounding the stock, before making our final recommendation

Financials

Income Statement

Y/E Dec, SGD mn	FY19	FY20	FY21	FY22e	FY23e
Revenue	**330**	**435**	**555**	**665**	**811**
Gross Profit	140	177	216	216	265
Other Income	(0)	(1)	(1)	(3)	(4)
EBITDA	**108**	**143**	**180**	**186**	**225**
Depreciation & Amortization	(25)	(33)	(40)	(40)	(49)
EBIT	**83**	**110**	**140**	**146**	**176**
Profit before tax	81	107	132	146	176
Taxation	(8)	(21)	(28)	(38)	(39)
PATMI	**74**	**86**	**104**	**108**	**137**

Per share data

Y/E Dec	FY19	FY20	FY21	FY22e	FY23e
Diluted EPS (S$)	0.60	0.70	0.81	0.75	0.95
BVPS (S$)	0.81	0.91	3.60	3.72	4.65

Cash Flow

Y/E Dec, SGD mn	FY19	FY20	FY21	FY22e	FY23e
CFO					
Profit before tax	**81**	**107**	**132**	**146**	**176**
Adjustments	27	34	54	60	73
WC Changes	(28)	4	(57)	16	23
Interest & Tax	(4)	(15)	(25)	(35)	(35)
Cash Flow from Operations	**76**	**130**	**104**	**150**	**199**
CFI					
CAPEX, net	(26)	(17)	(21)	(20)	(16)
Others	(2)	(6)	(23)	-	-
Cash Flow from Investing	**(28)**	**(24)**	**(44)**	**(20)**	**(16)**
CFF					
Debt Issuance	10	12	253	10	10
Debt Repayment	(6)	(6)	(277)	(6)	(6)
Issuance of Shares	-	-	502	-	-
Others	(41)	(89)	(279)	-	-
Cash Flow from Financing	**(37)**	**(83)**	**200**	**4**	**4**
Net Change in Cash	12	24	253	134	187
CCE, end	**36**	**60**	**313**	**447**	**634**

Balance Sheet

Y/E Dec, SGD mn	FY19	FY20	FY21	FY22e	FY23e
ASSETS					
Cash & Cash Equivalents	36	60	313	447	634
Receivables	64	49	106	92	76
Contract Assets	27	47	49	69	89
Others	1	8	33	33	33
Total current assets	**128**	**164**	**501**	**618**	**808**
PPE & IA	41	41	40	20	(13)
Right-of-Use Assets	23	29	33	39	46
Others	8	10	7	7	7
Total non-current assets	**71**	**80**	**80**	**66**	**41**
Total Assets	**199**	**243**	**582**	**684**	**849**
LIABILITIES					
Payables	27	37	39	62	89
ST Debt	34	24	14	15	15
Others	18	28	33	33	33
Total current liabilities	**79**	**90**	**86**	**109**	**137**
LT Debt	-	16	3	6	9
Others	20	25	29	29	29
Total non-current liabilities	**20**	**41**	**32**	**35**	**38**
Total liabilities	**100**	**131**	**118**	**144**	**175**
Equity					
Share Capital & APIC	(21)	(20)	227	195	192
Shareholder Equity	**99**	**113**	**464**	**540**	**674**

Valuation Ratios

Y/E Dec	FY19	FY20	FY21	FY22e	FY23e
P/E (X)	NM	NM	30.9	18.3	14.5
P/B (X)	NM	NM	6.9	3.7	2.9
EV/EBITDA (X)	NM	NM	15.7	7.7	5.3
Growth & Margins					
Growth					
Revenue	82.2%	31.6%	27.7%	19.8%	21.8%
EBITDA	95.2%	32.2%	25.8%	3.6%	20.5%
EBIT	96.6%	31.6%	27.4%	4.6%	20.2%
Net profit, adj.	93.1%	17.1%	20.6%	4.3%	26.7%
Margins					
Gross margin	42.5%	40.7%	38.8%	32.5%	32.7%
EBITDA margin	32.7%	32.9%	32.4%	28.0%	27.7%
EBIT margin	25.3%	25.3%	25.2%	22.0%	21.7%
Net profit margin	22.3%	19.8%	18.7%	16.3%	16.9%
Key Ratios					
ROE	73.9%	76.5%	22.4%	20.1%	20.4%
ROA	36.9%	35.4%	17.9%	15.8%	16.2%
Net Gearing	CASH	CASH	CASH	CASH	CASH

Source: Company, Phillip Securities Research (Singapore) Estimates

Contact Information (Singapore Research Team)

Head of Research
Paul Chew – paulchewkl@phillip.com.sg

Research Admin
Qystina Azli - qystina@phillip.com.sg

Construction | Industrial | Conglomerates
Terence Chua – terencechuatl@phillip.com.sg

Property | REITs
Darren Chan – darrenchanrx@phillip.com.sg

Banking & Finance
Glenn Thum – glennthumjc@phillip.com.sg

Credit Analyst
Shawn Sng – shawnsngkh@phillip.com.sg

US Tech Analyst (Digital Media & Entertainment)
Jonathan Woo – jonathanwookj@phillip.com.sg

US Tech Analyst (Software & Services)
Ambrish Shah – amshah@phillipcapital.in

US Tech Analyst (Hardware & Marketplaces)
Maximilian Koeswoyo – maximilian@phillip.com.sg

Technical Analyst
Zane Aw – zaneawyx@phillip.com.sg

Contact Information (Regional Member Companies)

SINGAPORE
Phillip Securities Pte Ltd
Raffles City Tower
250, North Bridge Road #06-00
Singapore 179101
Tel +65 6533 6001
Fax +65 6535 6631
Website: www.poems.com.sg

MALAYSIA
Phillip Capital Management Sdn Bhd
B-3-6 Block B Level 3 Megan Avenue II,
No. 12, Jalan Yap Kwan Seng, 50450
Kuala Lumpur
Tel +603 2162 8841
Fax +603 2166 5099
Website: www.poems.com.my

HONG KONG
Phillip Securities (HK) Ltd
11/F United Centre 95 Queensway
Hong Kong
Tel +852 2277 6600
Fax +852 2868 5307
Websites: www.phillip.com.hk

JAPAN
Phillip Securities Japan, Ltd.
4-2 Nihonbashi Kabuto-cho Chuo-ku,
Tokyo 103-0026
Tel +81-3 3666 2101
Fax +81-3 3666 6090
Website: www.phillip.co.jp

INDONESIA
PT Phillip Securities Indonesia
ANZ Tower Level 23B,
Jl Jend Sudirman Kav 33A
Jakarta 10220 – Indonesia
Tel +62-21 5790 0800
Fax +62-21 5790 0809
Website: www.phillip.co.id

CHINA
Phillip Financial Advisory (Shanghai) Co Ltd
No 550 Yan An East Road,
Ocean Tower Unit 2318,
Postal code 200001
Tel +86-21 5169 9200
Fax +86-21 6351 2940
Website: www.phillip.com.cn

THAILAND
Phillip Securities (Thailand) Public Co. Ltd
15th Floor, Vorawat Building,
849 Silom Road, Silom, Bangrak,
Bangkok 10500 Thailand
Tel +66-2 6351700 / 22680999
Fax +66-2 22680921
Website www.phillip.co.th

FRANCE
King & Shaxson Capital Limited
3rd Floor, 35 Rue de la Bienfaisance 75008
Paris France
Tel +33-1 45633100
Fax +33-1 45636017
Website: www.kingandshaxson.com

UNITED KINGDOM
King & Shaxson Capital Limited
6th Floor, Candlewick House,
120 Cannon Street,
London, EC4N 6AS
Tel +44-20 7426 5950
Fax +44-20 7626 1757
Website: www.kingandshaxson.com

UNITED STATES
Phillip Capital Inc
141 W Jackson Blvd Ste 3050
The Chicago Board of Trade Building
Chicago, IL 60604 USA
Tel +1-312 356 9000
Fax +1-312 356 9005
Website: www.phillipusa.com

AUSTRALIA
Phillip Capital Limited
Level 10, 330 Collins Street
Melbourne, Victoria 3000, Australia
Tel +61-03 8633 9803
Fax +61-03 8633 9899
Website: www.phillipcapital.com.au

CAMBODIA
Phillip Bank Plc
Ground Floor of B-Office Centre,#61-64,
Norodom Blvd Corner Street 306,Sangkat
Boeung Keng Kang 1, Khan Chamkamorn,
Phnom Penh, Cambodia
Tel: 855 (0) 7796 6151/855 (0) 1620 0769
Website: www.phillipbank.com.kh

INDIA
PhillipCapital (India) Private Limited
No.1, 18th Floor, Urmi Estate
95, Ganpatrao Kadam Marg
Lower Parel West, Mumbai 400-013
Maharashtra, India
Tel: +91-22-2300 2999 / Fax: +91-22-2300 2969
Website: www.phillipcapital.in

TURKEY
PhillipCapital Menkul Degerler
Dr. Cemil Bengü Cad. Hak Is Merkezi
No. 2 Kat. 6A Caglayan
34403 Istanbul, Turkey
Tel: 0212 296 84 84
Fax: 0212 233 69 29
Website: www.phillipcapital.com.tr

DUBAI
Phillip Futures DMCC
Member of the Dubai Gold and
Commodities Exchange (DGCX)
Unit No 601, Plot No 58, White Crown Bldg,
Sheikh Zayed Road, P.O.Box 212291
Dubai-UAE
Tel: +971-4-3325052 / Fax: + 971-4-3328895

Important Information

This report is prepared and/or distributed by Phillip Securities Research Pte Ltd ("Phillip Securities Research"), which is a holder of a financial adviser's license under the Financial Advisers Act, Chapter 110 in Singapore.

By receiving or reading this report, you agree to be bound by the terms and limitations set out below. Any failure to comply with these terms and limitations may constitute a violation of law. This report has been provided to you for personal use only and shall not be reproduced, distributed or published by you in whole or in part, for any purpose. If you have received this report by mistake, please delete or destroy it, and notify the sender immediately.

The information and any analysis, forecasts, projections, expectations and opinions (collectively, the "Research") contained in this report has been obtained from public sources which Phillip Securities Research believes to be reliable. However, Phillip Securities Research does not make any representation or warranty, express or implied that such information or Research is accurate, complete or appropriate or should be relied upon as such. Any such information or Research contained in this report is subject to change, and Phillip Securities Research shall not have any responsibility to maintain or update the information or Research made available or to supply any corrections, updates or releases in connection therewith.

Any opinions, forecasts, assumptions, estimates, valuations and prices contained in this report are as of the date indicated and are subject to change at any time without prior notice. Past performance of any product referred to in this report is not indicative of future results.

This report does not constitute, and should not be used as a substitute for, tax, legal or investment advice. This report should not be relied upon exclusively or as authoritative, without further being subject to the recipient's own independent verification and exercise of judgment. The fact that this report has been made available constitutes neither a recommendation to enter into a particular transaction, nor a representation that any product described in this report is suitable or appropriate for the recipient. Recipients should be aware that many of the products, which may be described in this report involve significant risks and may not be suitable for all investors, and that any decision to enter into transactions involving such products should not be made, unless all such risks are understood and an independent determination has been made that such transactions would be appropriate. Any discussion of the risks contained herein with respect to any product should not be considered to be a disclosure of all risks or a complete discussion of such risks.

Nothing in this report shall be construed to be an offer or solicitation for the purchase or sale of any product. Any decision to purchase any product mentioned in this report should take into account existing public information, including any registered prospectus in respect of such product.

Phillip Securities Research, or persons associated with or connected to Phillip Securities Research, including but not limited to its officers, directors, employees or persons involved in the issuance of this report, may provide an array of financial services to a large number of corporations in Singapore and worldwide, including but not limited to commercial / investment banking activities (including sponsorship, financial advisory or underwriting activities), brokerage or securities trading activities. Phillip Securities Research, or persons associated with or connected to Phillip Securities Research, including but not limited to its officers, directors, employees or persons involved in the issuance of this report, may have participated in or invested in transactions with the issuer(s) of the securities mentioned in this report, and may have performed services for or solicited business from such issuers. Additionally, Phillip Securities Research, or persons associated with or connected to Phillip Securities Research, including but not limited to its officers, directors, employees or persons involved in the issuance of this report, may have provided advice or investment services to such companies and investments or related investments, as may be mentioned in this report.

Phillip Securities Research or persons associated with or connected to Phillip Securities Research, including but not limited to its officers, directors, employees or persons involved in the issuance of this report may, from time to time maintain a long or short position in securities referred to herein, or in related futures or options, purchase or sell, make a market in, or engage in any other transaction involving such securities, and earn brokerage or other compensation in respect of the foregoing. Investments will be denominated in various currencies including US dollars and Euro and thus will be subject to any fluctuation in exchange rates between US dollars and Euro or foreign currencies and the currency of your own jurisdiction. Such fluctuations may have an adverse effect on the value, price or income return of the investment.

To the extent permitted by law, Phillip Securities Research, or persons associated with or connected to Phillip Securities Research, including but not limited to its officers, directors, employees or persons involved in the issuance of this report, may at any time engage in any of the above activities as set out above or otherwise hold an interest, whether material or not, in respect of companies and investments or related investments, which may be mentioned in this report. Accordingly, information may be available to Phillip Securities Research, or persons associated with or connected to Phillip Securities Research, including but not limited to its officers, directors, employees or persons involved in the issuance of this report, which is not reflected in this report, and Phillip Securities Research, or persons associated with or connected to Phillip Securities Research, including but not limited to its officers, directors, employees or persons involved in the issuance of this report, may, to the extent permitted by law, have acted upon or used the information prior to or immediately following its publication. Phillip Securities Research, or persons associated with or connected to Phillip Securities Research, including but not limited its officers, directors, employees or persons involved in the issuance of this report, may have issued other material that is inconsistent with, or reach different conclusions from, the contents of this report.

The information, tools and material presented herein are not directed, intended for distribution to or use by, any person or entity in any jurisdiction or country where such distribution, publication, availability or use would be contrary to the applicable law or regulation or which would subject Phillip Securities Research to any registration or licensing or other requirement, or penalty for contravention of such requirements within such jurisdiction.

This report is intended for general circulation only and does not take into account the specific investment objectives, financial situation or particular needs of any particular person. The products mentioned in this report may not be suitable for all investors and a person receiving or reading this report should seek advice from a professional and financial adviser regarding the legal, business, financial, tax and other aspects including the suitability of such products, taking into account the specific investment objectives, financial situation or particular needs of that person, before making a commitment to invest in any of such products.

This report is not intended for distribution, publication to or use by any person in any jurisdiction outside of Singapore or any other jurisdiction as Phillip Securities Research may determine in its absolute discretion.

IMPORTANT DISCLOSURES FOR INCLUDED RESEARCH ANALYSES OR REPORTS OF FOREIGN RESEARCH HOUSES

Where the report contains research analyses or reports from a foreign research house, please note:

(i) recipients of the analyses or reports are to contact Phillip Securities Research (and not the relevant foreign research house) in Singapore at 250 North Bridge Road, #06-00 Raffles City Tower, Singapore 179101, telephone number +65 6533 6001, in respect of any matters arising from, or in connection with, the analyses or reports; and

(ii) to the extent that the analyses or reports are delivered to and intended to be received by any person in Singapore who is not an accredited investor, expert investor or institutional investor, Phillip Securities Research accepts legal responsibility for the contents of the analyses or reports.