



LUXOFT HOLDING

SmallTalk Stock Study
By John Rogers, director
Rocky Mountain Chapter, Better
Investing



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COMPANY OVERVIEW



- IT outsourcing/offshoring
- Established: April 2000
 - Subsidiary of IBS Group Holding Ltd.
- Incorporated in British Virgin Islands
- 8300 employees worldwide
- 22 offices around the globe
- Over 130 clients

COMPANY OVERVIEW



- Current Revenues of \$489.5
- Historic Sales Growth 25.1%
- Historic Earnings Growth 18.8%
- President and CEO: Dmitry Loschinin
- Headquarters: Zug, Switzerland
- 2013 Listed on the NYSE: LXFT

FIRST LOOK



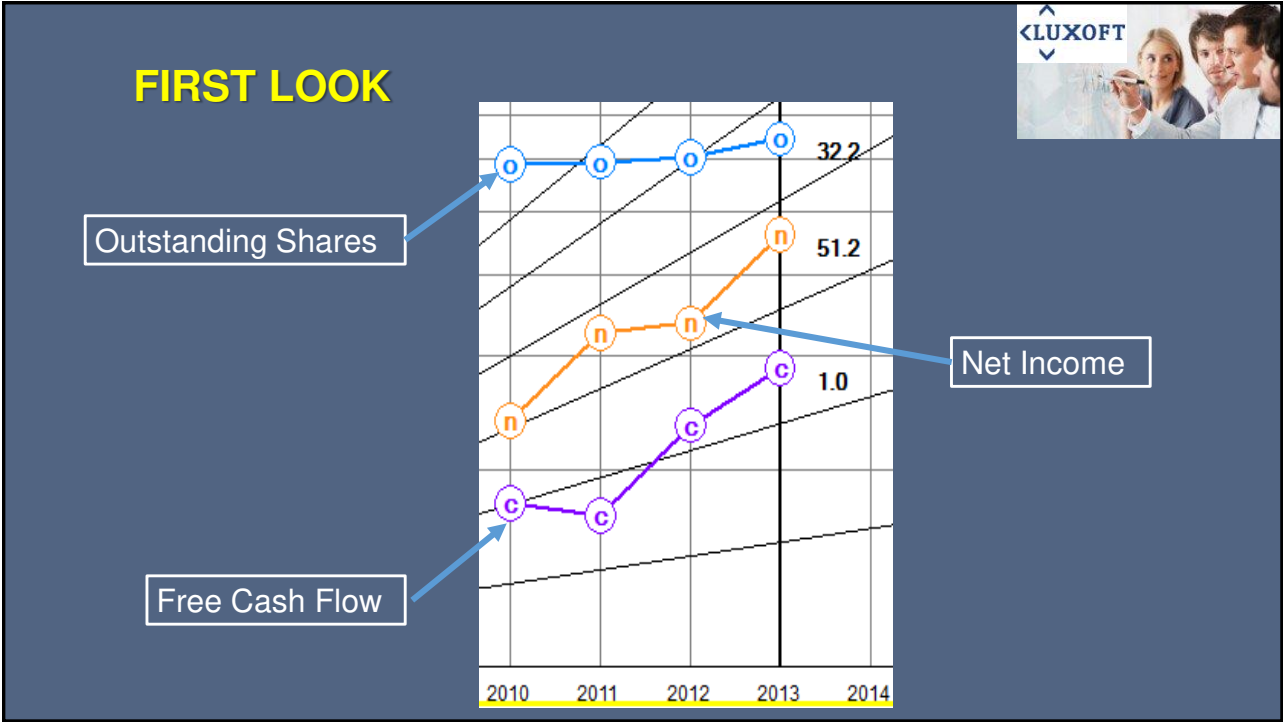
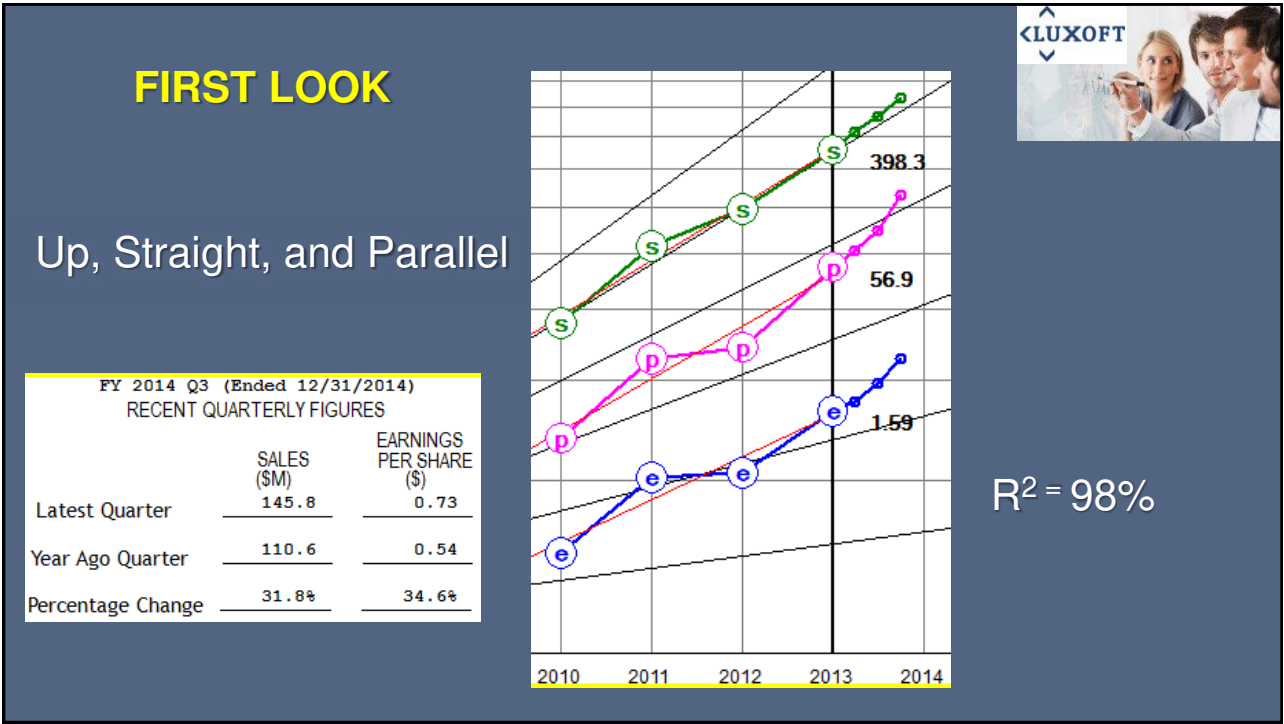
- Outsourcing/Offshoring IT Services
- Software Application Development
- Clients free to focus on core business
- Very Profitable Industry
 - Accenture
 - Cognizant Technology Solutions
 - Infosys
 - IBM

FIRST LOOK
-Addressable Market-



Projected Offshore IT Sales/Services by 2017





↕LUXOFT↕



FIRST LOOK

Key Stats LXFT

More...

	Stock	Ind Avg	Relative to Industry	
VALUE	Price/Earnings TTM	27.7	71.4	<div></div>
	Price/Book	8.7	5.2	<div></div>
	Price/Sales TTM	3.6	5.0	<div></div>
FUNDAMENTALS	Rev Growth (3 Yr Avg)	26.2	10.8	<div></div>
	Net Income Growth (3 Yr Avg)	25.6	-10.0	
	Operating Margin % TTM	15.9	12.2	<div></div>
	Net Margin % TTM	13.2	7.1	<div></div>
	ROA TTM	26.3	3.9	<div></div>
	ROE TTM	37.5	7.5	<div></div>
	Debt/Equity	—	0.4	

↕LUXOFT↕



THE BUSINESS

SERVICES

- Custom software development and support services
- Product engineering and testing
- Technology consulting

THE BUSINESS



PRODUCTS

- **Horizon**: an Advanced Data Visualization Framework
- **Twister**: testing telecommunication equipment, devices and related applications in the distributed environment
- **iStockTrack**: helps build mobile applications for iOS-based devices (iPads and iPhones) for clients in the financial services sector.

THE BUSINESS



PLATFORMS

iviLink/SDLP: an in-car connectivity solution that enables two-way integration between in-vehicle infotainment systems—such as head units of a car, car radios and rear seat entertainment—with consumer devices built on operating systems like Android and Apple iOS.

DMFusion: enables utilities develop demand management solutions

TEORA: a framework for rapid development of automotive HMI.

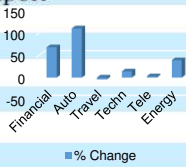
THE BUSINESS



THE BUSINESS



	Years ended March 31,					
	2012		2013		2014	
	Amount	% of Sales	Amount	% of Sales	Amount	% of Sales
Industry Vertical						
Financial services	\$ 141,836	52.3%	\$ 172,086	54.7%	\$ 238,712	59.9%
Automotive and transport	21,414	7.9	25,945	8.3	44,875	11.3
Travel and aviation	38,892	14.3	38,976	12.4	37,206	9.3
Technology	29,258	10.8	36,123	11.5	33,505	8.4
Telecom	31,230	11.5	31,587	10.0	32,076	8.1
Energy	7,190	2.7	8,236	2.6	9,973	2.5
Other	1,322	0.5	1,643	0.5	1,984	0.5
Total	\$ 271,142	100%	\$ 314,596	100%	\$ 398,331	100%



	Years ended March 31,					
	2012		2013		2014	
	Amount	% of Sales	Amount	% of Sales	Amount	% of Sales
Client concentration						
Top five clients	\$ 192,087	70.8%	\$ 219,329	69.7%	\$ 286,447	71.9%
Top ten clients	\$ 223,901	82.6%	\$ 255,393	81.2%	\$ 325,486	81.7%

INTERVIEW WITH THE CEO

Software for a Smarter Car



Dmitry Loschinin
President and Chief Executive
Officer

THE BUSINESS



Client location	Years ended March 31,					
	2012		2013		2014	
	Amount	% of Sales	Amount	% of Sales	Amount	% of Sales
U.S.	\$ 98,509	36.3%	\$ 114,132	36.3%	\$ 167,038	41.9%
UK	86,928	32.0	88,729	28.2	110,950	27.9
Germany	34,477	12.7	40,306	12.8	49,648	12.5
Russia	24,627	9.1	35,199	11.2	35,835	9.0
Canada	8,300	3.1	17,947	5.7	11,919	3.0
Rest of Europe	14,341	5.3	14,526	4.6	21,091	5.3
Other	3,960	1.5	3,757	1.2	1,850	0.4
Total	\$ 271,142	100%	\$ 314,596	100%	\$ 398,331	100%

57 RISK FACTORS IN THE F-20 FILING



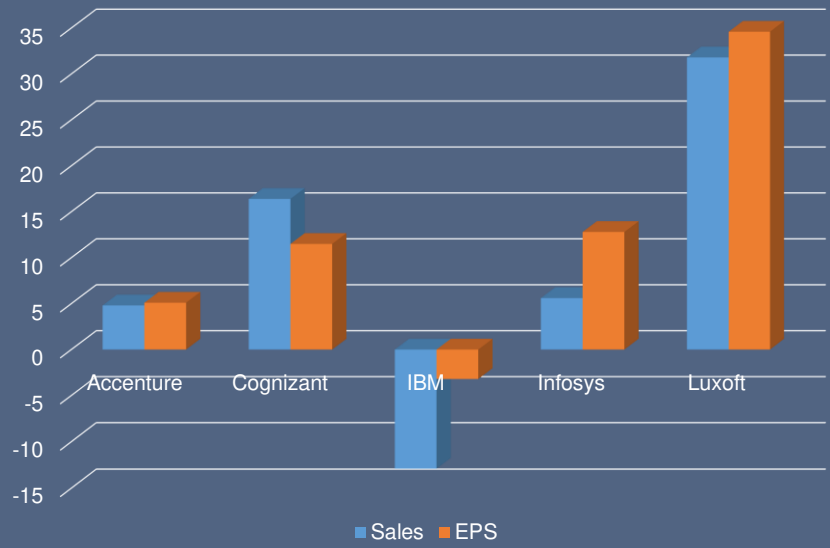
- Ukraine instability
- Some 80% of Sales from ten clients
- Some 60% of Sales in Financial Services
- IBS Group controlling shareholder
 - Controlled company status with the NYSE

THE COMPETITION

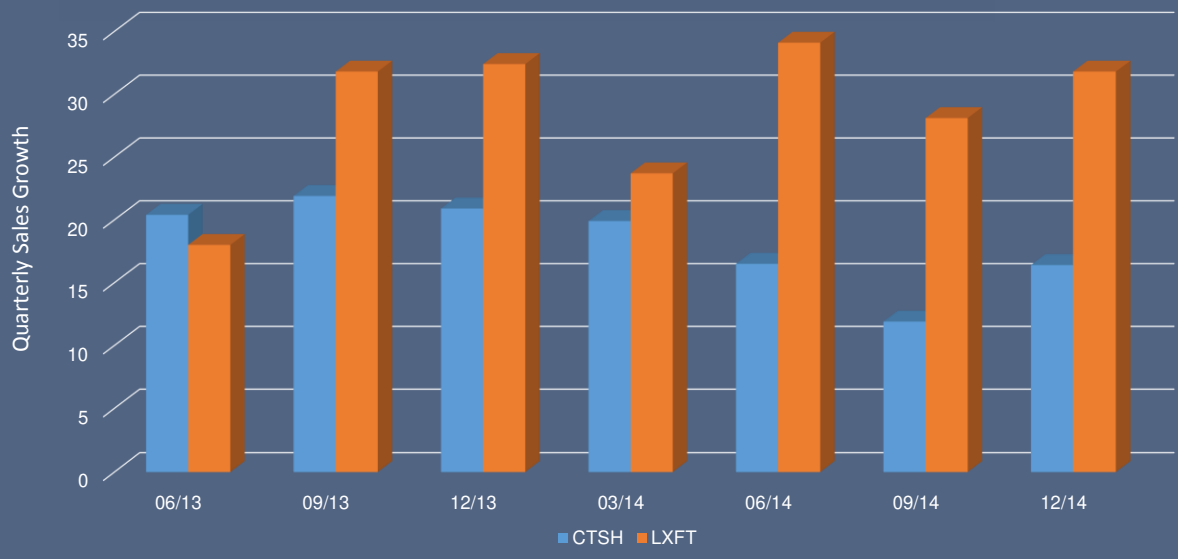


COMPANY	% 3Yr Sales Growth	% 3Yr EPS Growth
Accenture (ACN)	4.9	13.3
Cognizant (CTSH)	19	18.1
Int'l Business Machine (IBM)	-4.8	5.8
Infosys (INFY)	10.4	4.8
Luxoft Holding (LXFT)	25.4	19.9

Most Recent Quarter Over Quarter Growth



LXFT and CTSH Compared by Quarter



↑
LUXOFT
↓




PROJECTING GROWTH

SOURCE	SALES %	EPS %
5 yr Yahoo – Company	N/A	N/A
5 yr Yahoo – Industry	N/A	15.52
5 yr. Yahoo – Sector	N/A	18
1 yr Yahoo - Company	23.4	21.1
1 yr Yahoo - Industry	N/A	36.6
ToolKit6	20	17.1
ManifestInvesting	25.8	29.2
Implied Growth	N/A	34.8
Historical	25	18.8
Int’l Data Corp.	12.4	N/A
AVERAGE	21.32	23.89
AVERAGE 5 yr only	20.8	22.23

RANGE	Low	Avg	High
Sales	12.4	20.8	25.8
EPS	17.1	22.23	34.8

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LUXOFT
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POLL: SALES GROWTH

RANGE	Low	Avg	High
Sales	12.4	20.8	25.8
EPS	17.1	22.23	34.8

Choose One

SEGMENT	SALES GROWTH
Low (Int’l Data Corp)	12%
2 nd Fifth	16%
3 rd Fifth	19%
4 th Fifth	22%
High (ManifestInvesting)	26%

PROJECTING GROWTH



SOURCE	SALES %	EPS %
5 yr Yahoo – Company	N/A	N/A
5 yr Yahoo – Industry	N/A	15.52
5 yr. Yahoo – Sector	N/A	18
1 yr Yahoo - Company	23.4	21.1
1 yr Yahoo - Industry	N/A	36.6
ToolKit6	20	17.1
ManifestInvesting	25.8	29.2
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RANGE	Low	Avg	High
Sales	12.4	20.8	25.8
EPS	17.1	22.23	34.8

POLL: EPS GROWTH



RANGE	Low	Avg	High
Sales	12.4	20.8	25.8
EPS	17.1	22.23	34.8

Choose One

SEGMENT	SALES GROWTH
Low (ToolKit)	17%
2 nd Fifth	22%
3 rd Fifth	26%
4 th Fifth	30%
High (Implied Growth)	35%

PROJECTING P/E RANGE



	20% GROWTH	ACTUAL	AVERAGE
LOW PE	.5 * 20 = 10	12	11
HIGH PE	1.5 * 20 = 30	27	28.5

POLL: ESTIMATED LOW EPS



Choose One

TIME	LOW EPS ESTIMATE
Last fiscal year	\$1.52
TTM	\$1.97
FTM	\$2.31
Average (TTM + FTM)/2	\$2.14

UNCERTAINTY – RISK

Risk is the interplay between uncertainty and our emotions



- To mitigate investor risk, Warren Buffett recommends buying a stock at a 20% discount to its worth or fair value
- Morningstar relates uncertainty to risk and uses a sliding scale discount for buying stock
- Better Investing divides the high to low price range into 3 or 4 pieces and buys only when the price falls into the lowest piece.

UNCERTAINTY - RISK



Uncertainty	Morningstar Discount	U/D on the SSG	Range Partition
Low	20%	2	33-33-33
Medium	30%	3	25-50-25
High	40%	4	20-55-25
Very High	50%	5	17-60-23

Number	Uncertainty	Example Company	Symbol
77	Low	Coca-Cola	KO
728	Medium	Deere	DE
846	High	Under Armor	UA
271	Very High	First Solar	FSLR
30	Extreme	Transocean	RIG

POLL: UNCERTAINTY



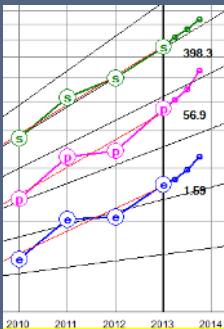
Choose One

LOW: *Feel quite confident in your choice of growth rates and the ability of the company to achieve them consistently and long term.*

MEDIUM: *Feel confident in your choice of growth rates and the ability of the company to achieve them.*

HIGH: *Feel somewhat uneasy about the prospects of the company long term and its' ability to meet your growth projections.*

VERY HIGH: *Feel very uneasy about this company's prospects even though your growth estimates are the best you can make, you realize they could vary substantially from projections.*



Thank You!

Questions?
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Key Stats	LUXFT	2014	2013	2012	2011
Price/Earnings TTM	22.0	21.4	21.4	21.4	21.4
Price/Book TTM	4.0	4.0	4.0	4.0	4.0
Price/Sales TTM	2.0	2.0	2.0	2.0	2.0
Free Cashflow TTM	26.3	26.3	26.3	26.3	26.3
Net Income (Basic) TTM	26.3	26.3	26.3	26.3	26.3
Operating Margin TTM	25.0	25.0	25.0	25.0	25.0
Operating Assets	1.0	1.0	1.0	1.0	1.0
ROA TTM	26.3	26.3	26.3	26.3	26.3
ROE TTM	25.0	25.0	25.0	25.0	25.0
Dividend Yield	0.0	0.0	0.0	0.0	0.0

