



Sagility Limited.

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Siddharth Rangnekar:

Good evening and welcome to the Quarter Two FY '27 Earnings Webinar of Sagility Limited. This is Siddharth Rangnekar from CDR India, and I shall be your host for today. As a reminder, all attendee lines will be in the listen-only mode, and there shall be an opportunity for you to ask questions after the presentation concludes. Please note that this webinar is being recorded.

To introduce the management we have with us today, Mr. Ramesh Gopalan, Managing Director and Group CEO; and Mr. Srinivas Mattapalli, Executive Vice President and Group Chief Financial Officer.

Before we begin, I would like to state that some of the statements made on today's call could be forward-looking in nature and may involve certain risks and uncertainties. A detailed statement in this regard is available at the quarter two and H1 FY '27 earnings presentation that has been uploaded to the stock exchanges.

I would now like to hand over the forum to Mr. Ramesh Gopalan to begin the proceedings of this webinar. Over to you.

Ramesh Gopalan:

Thank you, Siddharth. Good evening, everyone, and thank you for joining us for our Q2 FY '27 earnings call. U.S. healthcare is still navigating steep cost increases overall. However, many of the national payers reported a significant improvement in their profitability in the first half of 2026 as a result of right sizing of membership and decrease in medical utilisation rates. In order to retain these margins, they need to continue to focus on managing medical costs, improving clinical and care outcomes, and driving operational efficiency. To help them achieve these objectives, they turn to large scale domain specialist players like Sagility, that combine deep healthcare expertise with AI capabilities and flexible partnership models, and greater accountability for outcomes.

We are pleased with the progress that we have made through the first half of FY '27. The business momentum has been strong. We are expanding within our existing relationships. The clients we added in FY '26 are growing well, and our pipeline is robust.

Let me start with what we are seeing in the market. Demand remains healthy, and clients are more deliberate in how they make decisions. Clients are prioritising investments that address immediate business pressures and show a clear path to measurable value. This is creating opportunities across our core business, managed services, and AI. For larger transformational deals, the buying process is more rigorous. More senior stakeholders are involved, and clients want a compelling business

case, clear evidence of value, and confidence that their partner can execute at scale.

Increasingly, they are choosing partners who combine deep domain expertise with practical AI and a willingness to take accountability for outcomes. Our pipeline reflects the shift. It includes more managed service deals and a healthy set of opportunities with Blues and other mid-market plans. This quarter, we won a large payment integrity engagement from a Big Ten health plan covering over 10 million members. This win demonstrates our growing ability to secure larger, higher value engagements. The deal has a minimum potential of over \$10 million in ACV and could possibly be much more.

In payment integrity deals, which are contingency-based linked to payment recovery, revenue will build progressively over time. Our other managed services deals are also progressing well. By their very nature, they take longer to negotiate and close, but they lead to deeper, longer-term relationships. AI is now central to these transformation conversations with clients. We are seeing this momentum translate into new SOW wins and more solutions moving into production.

Our focus is on practical healthcare-specific solutions such as SmarTec Appeals Assist, Nurse Assist, and Claims Assist, which address real client priorities. We are gradually progressing from narrow AI use cases to a larger end-to-end workflow transformation using agentic AI. For example, for a client, we are implementing Synchrony Claims Lifecycle, an agentic workflow for claims adjudication, where multiple agents working in tandem with human in the loop handle extraction from unstructured inputs, drive workflows basis SOP for each scenario, do reasoning and decisioning, all of this in order to adjudicate a claim adhering to all compliance requirements.

Similarly, in RCM, we are deploying Synchrony RCM Lifecycle, an agentic solution to handle denials, including identification, evidence collection, determination of appealability, and writing the appeal letters, again with humans reviewing at distinct checkpoints. We are also leveraging AI in how we go to market. It's helping us develop solutions faster, align more closely with client priorities, and have more strategic value focused conversations with clients.

We are making progress on our other strategic priorities as well, broadening our capabilities across the healthcare value chain, and expanding our addressable market. The CareSeed acquisition announced last quarter is now integrated into our clinical practice. It

strengthens our healthcare quality capabilities, particularly in the Medicare Advantage market, and gives us access to a broader base of mid- and small-sized clients.

Yesterday, we announced the acquisition of Chirok Health LLC. Providers are a clear growth focus for us, and Chirok fits in line with that strategy. Chirok's mid-cycle revenue solutions are a natural complement to Sagility's proven front-end and back-end revenue cycle offerings, helping Sagility generate improved financial and operational outcomes for health providers from patient access through final payment. I will talk about Chirok a little more in detail later. Along with this, we are also scaling our provider go-to-market team to accelerate growth in the provider segment.

With this, let me get into the specifics of our Q2 and H1 performance. Consolidated revenue for Q2 came in at INR 20,321 million, or \$212.6 million, representing a year-on-year growth of 22.5% in INR terms and 12.2% in constant currency. Excluding the CareSeed acquisition, organic revenue growth remains strong at 22.2% in INR terms and 11.9% in constant currency.

Operating profitability remains strong with Q2 adjusted EBITDA at INR 5,353 million, or \$56 million, representing a year-on-year growth of 23%, with a margin of 26.3%, the highest in six quarters. Net profitability also remained healthy. Adjusted PAT for Q2 was INR 3,254 million, or \$34 million, up 8.1% year-on-year, with a margin of 16%.

Turning to the half year performance. H1 FY '27 was INR 39,956 million, or \$420.4 million, representing on a year-on-year growth of 25% in INR terms and 13.7% in constant currency. H1 adjusted EBITDA was INR 10,069 million, or \$105.9 million, growing 25.2% year-on-year with a margin of 25.2%, while adjusted PAT was INR 5,951 million, or \$62.6 million, growing 18.9% year-on-year with a margin of 14.9%.

Moving to new deal wins, deal ACV increased 18.2% year-on-year to \$40.2 million, with wins across 31 existing clients and one new client. I am also happy to announce that the board has approved an interim dividend of INR 0.15 or 15 paise per share to be paid in Q3. Before I move on, I'd like to highlight some of the external recognition we received this quarter. Industry analysts are increasingly recognizing our healthcare depth and our ability to deliver transformation at scale. Sagility received the 2026 Everest Group Elevate Honor for Voice of the Customer in the Healthcare and Life Sciences Service Specialist category.

The Elevate Honors are grounded in Everest Group's independent research and recognize top performing service providers based on direct client feedback. In addition to this, Avasant named us as leader in the healthcare payer business process transformation. Our SmarTec Nurse Assist Solution won a Stratus Awards for Cloud Computing. On the people front, Sagility ranked 57th in the 100 Best Large Workplaces in Asia 2026 by Great Place to Work, and we were also recognized amongst the Top 10 India's Best Places for Women in 2026. Sagility also earned its Great Place to Work certification for a second year in a row. We also won a Bronze Stevie Award for AI adoption with headcount growth in the U.S.

On sustainability, we are proud to have won the Golden Peacock Award for ESG, which recognises our commitment to responsible business practices. Together, these awards recognise our healthcare expertise, our progress on AI, and the culture of doing right for all stakeholders that our teams have built.

Moving on to the next slide. In Q2 FY '27, payers accounted for 89.9% of revenue and providers for 10.1%. Employee strength stood at 51,486 at the end of Q2. Quarterly voluntary attrition improved to 25.7% from 28.6% in Q1 FY '27 and was also lower than in Q2 FY '26.

Moving to the next slide. The annual KPIs. At the end of Q2, we had 105 active client groups, and for the first time, each of our top 10 client groups are now more than \$20 million in revenue on a trailing 12-month basis. Now let me spend a few minutes on Chirok.

Moving to the next slide. We closed the Chirok acquisition yesterday. Chirok is a specialised provider of clinical documentation improvement solutions, along with medical coding, risk adjustment, and HEDIS and quality services. As you can see, the trailing 12-month revenue up to September 2026 was \$13 million, with an adjusted EBITDA margin of 35.8%. and a net revenue retention rate of over 115%. They have 750-plus employees, most of them in India and a few of them in the U.S. And the consideration was \$20 million that was paid up front, with an ability to earn an additional \$12.35 million, payable subject to achievement of certain revenue targets over CY '27 and CY '28.

As you know, Sagility has strong capabilities in the front end and the back end of the revenue cycle operations, and Chirok complements that with its mid-revenue cycle expertise. They have prestigious clients that include large health systems, Physician groups and value-based care organisations. Like I said, they have a 700-plus strong team of specialised coding staff in India, along with a small team in the U.S.

Moving to the next slide. This shows the complementary nature of our capabilities. Like I said, while Sagility is strong in the front end, which is the patient access, and the back end, which is around denials and AR follow-up, Chirok is strong in the middle office, which is around clinical documentation and coding. With the acquisition of Chirok, our end-to-end capability in RCM is vastly enhanced. The complementarity of the services means that we have an opportunity to cross-sell each organisation services to the other's clients. The risk adjustment and HCC capture for risk-bearing providers and VBC companies pairs well with Sagility's care management offerings. The small footprint on the payer side and quality doing chart review can be extended to HEDIS abstraction and care gap closures. So we are very confident that Chirok will help us grow our provider business going forward.

Moving to the next slide. A little bit on marketing and our thought leadership. This slide highlights how we are using marketing and thought leadership to accelerate our go-to-market solution motion. We are increasing go-to-market velocity. Our AI-led tools and workflows are helping teams bring together healthcare insights, Sagility capabilities, and relevant proof points faster, improving the speed and quality of solutioning. We are focusing our thought leadership on issues that matter most to our clients. Our perspectives cover priority areas such as CMS-0057-F compliance, payment accuracy, claims, and the application of intelligence across healthcare operations. This is helping us engage clients around their immediate business priorities.

We are also making our capabilities more visible and easier to understand. Through CoreIQ, Sagility Synchrony, and SmarTec solutions we are showing the market how Sagility brings together deep healthcare expertise and practical AI to address real operational challenges.

With that, I'll hand it over to MR to walk us through the financials, and then I will come back for closing comments. Over to you, MR.

Srinivas Rathnam Mattapalli: Thank you, Ramesh. Good evening, everyone, and thank you for joining us. Let me begin with the financial highlights for Q2 and H1 FY '27. Q2 revenues were INR 20,321 million, or \$212.6 million. This represents a year-on-year growth of 22.5% in INR terms and 12.2% in constant currency. Excluding our CareSeed acquisition, organic revenue growth was 22.2% in INR terms and 11.9% in constant currency. Our profitability also remained healthy. Adjusted EBITDA grew 23% year-on-year to INR 5,353 million, with a margin of 26.3%. Adjusted PAT increased 8.1% to INR 3,254 million, with a margin of 16%.

Turning to the first half, H1 FY '27 revenue was INR 39,956 million, representing a year-on-year growth of 25% in INR terms and 13.7% in constant currency. Adjusted EBITDA was INR 10,069 million, with a margin of 25.2%, while adjusted PAT was INR 5,951 million. Cash generation also remained robust. In Q2, we generated operating cash flow of INR 3,182 million and a free cash flow of INR 2,760 million. For H1, the same numbers, operating cash flow was INR 6,343 million and free cash flow was at INR 5,176 million. This resulted in OCF to reported EBITDA conversion of 64.9%. Collections also improved with our DSO declining from 80 days in Q1 to about 78 days in Q2. Overall, the first half delivered strong growth, healthy margins, and a robust cash generation.

Moving to the next slide. Let me talk about the sequential revenue movement in the context of our normal seasonality. The first half is typically the lower half of our annual revenue cycle, with AEP and open enrolment revenues concentrated in Q3 and Q4. Q2 revenues have increased to \$212.6 million from \$207.8 million in Q1, reflecting continued growth in our steady-state business.

As we move into our second half, AEP and open enrolment volumes will begin to contribute revenue. We are working closely with clients to capture available volumes and grow their steady-state business. Our focus remains on operational readiness and consistent execution across key programs to help drive growth across the broader portfolio.

Turning to our margins, we delivered our highest adjusted EBITDA margins in six quarters, improving from 24% in quarter one to 26.3% in quarter two. This improvement reflects stronger operating leverage, disciplined cost management, delivery efficiencies, and favourable foreign exchange movements. This was despite the continued impact of statutory wage revisions and our annual compensation increases.

Overall, our steady-state business continues to grow at a healthy rate, supported by the resilience of our operating model. As we execute through the second half, we will remain focused on balancing growth investment with sustainable profitability.

Moving to the next slide. Stepping back a little from the quarterly performance, this slide highlights the progress we have made over the past few years. Revenue increased from INR 47,536 million in FY '24 to INR 79,910 million on a trailing 12-month basis through September 2026. Over the same period, adjusted EBITDA grew from INR 11,436 million to INR 20,229 million, while adjusted PAT more than doubled from INR 5,896 million to INR 12,250 million.

Currently, our profitability has grown faster than revenue, reflecting improved operating leverage, disciplined execution, and lower finance and G&A costs. This performance demonstrates our ability to scale business while sustaining healthy margins, strengthening our cash generation, and creating greater capacity to invest in our future growth.

On this slide, turning to the other indicators, adjusted EPS increased to INR 2.62 on a trailing 12-month basis through September 2026, supported by continued growth in adjusted PAT. Our adjusted ROCE remains strong at 55.4%, reflecting disciplined capital allocation and the strength of our asset-light business model.

For H1 FY '27, operating cash flow conversion was 64.9%, while free cash flow conversion was 52.9%. This was achieved while continuing to fund growth and acquisition-related commitments. The most significant development in this slide is our continued strengthening of our balance sheet. We moved from a net debt of INR 1,962 million at the end of FY '26 to a net cash position of INR 1,127 million by September 2026. This provides greater flexibility to invest in growth, technology, and selective strategic opportunities.

This slide is a little busy, and it sets out the detailed consolidated profit and loss for Q2 and H1 FY '27. I have already covered the key movements of numbers of this slide, so I will just pause a couple of seconds to allow you to review these numbers. The only item I would want to highlight at this point is the impact of statutory minimum wage revisions. Quarter two reflects the full quarter impact of about INR 148 million compared to about INR 70 million in quarter one.

Moving to the next slide. This slide provides a bridge from our reported EBITDA and reported PAT to our adjusted EBITDA and adjusted PAT for Q2 and H1 FY 2027. For quarter two, reported EBITDA of INR 5,252 million reconciles to adjusted EBITDA of INR 5,353 million after adjusting for acquisition-related earnouts, share-based payment awards, other income, and foreign exchange movements. Similarly, reported PAT of INR 2,842 million reconciles to our adjusted PAT of INR 3,254 million, adjusting for acquisition-related items, share-based payment awards, and amortisation of intangible assets.

For H1, the bridge also includes exceptional past service costs included in Q1. There is no corresponding exceptional adjustment in Q2. These adjustments are consistent with our historical presentation and provide a comparable view of the underlying performance.

Moving to next slide. This represents our forward-looking position and summarises the expected movements relating to debt payment, share-based payment awards, acquisition awards, earn-outs, and amortisation of intangible assets. We continue to remain on track to repay our outstanding debt fully during FY27 which will further strengthen the balance sheet and reduce our finance costs. The key movement in this slide reflects the CareSeed acquisition, scheduled debt repayments, and foreign exchange movements.

Turning to our balance sheet. Again, the strength and flexibility of our financial position is a key takeaway from this slide. Our net cash position at the end of September 2026 gives us the capacity to fund our strategic priorities while retaining our flexibility for selective opportunities. We will continue to take a disciplined approach to capital allocation, balancing investment in technology, AI, and domain-led growth with appropriate returns to shareholders.

Finally, let me close with our cash flow performance in the next slide. Cash flow performance for H1 FY '27, we generated operating cash flow of INR 6,343 million during our first half. After fixed asset additions of INR 1,168 million, free cash flow was INR 5,176 million. Cash flow for acquisitions was INR 1,338 million. Net cash used for financing activities was INR 3,123 million, primarily reflecting the repayment of promoter borrowings and lease liabilities, as well as the dividend payment.

Overall, our cash generation remains healthy and provides the flexibility to continue investing in growth.

With that, I conclude my remarks. Thank you for your time. I'll now hand over the call back to Ramesh for his closing comments. Ramesh, over to you.

Ramesh Gopalan:

Thanks, MR. As we enter the second half of FY '27, our immediate focus is AEP and open enrolment. This is a critical season for our payer clients. Across our key programs, our teams have been preparing for the expected increase in activity with a clear focus on capacity, operational readiness, and consistent delivery. We expect OE and AEP revenue to be slightly lower than last year. But in spite of this, we are continuing with our guidance of low double-digit organic revenue growth in constant currency for FY '27.

Building on the strong Q2 execution, including our highest adjusted EBITDA margin in six quarters, despite minimum wage increases in

Karnataka and Telangana, we are raising our FY '27 adjusted EBITDA margin guidance from our earlier 24% to 25% to a new 25% to 26%.

With that, I am happy to take questions, and for now, I'll hand it back to Siddharth.

Question-and-Answer Session

Siddharth Rangnekar:

Thank you. Participants who wish to ask a question, kindly click the raise hand icon at the bottom centre of your screen. We will wait for the questions to assemble. I'll repeat. Participants who wish to ask the question, kindly click the Raise Hand icon at the bottom centre of your screen. We shall wait for the queue to assemble.

The first question comes from the line of Chirag Kachhadiya from Motilal Oswal. Chirag, your line has been unmuted.

Chirag Kachhadiya:

Yeah. So congrats on a good set of performance in terms of profitability. Just couple of questions. The margin guidance which you increased. I mean what levers have contributed during the quarter irrespective of the wage hike impact or wage bill impact, we were able to post a good set of margins. And also, what gives you confidence that this margin trajectory will continue?

And second, the acquisition which you announced on provider side, how large it can be from next two to three years perspective? Yeah.

Ramesh Gopalan:

Yeah, I'll take the question on acquisition, and I'll ask MR to talk about the margin guidance in more detail. Like I said, I mean we've mentioned in the previous calls that growing the provider space is an increased focus for us. We've done a couple of things. We have reorganised our go-to-market in the provider space. We are giving it additional focus by creating a separate go-to-market team in the providers. And the acquisition of Chirok is also in line with that strategy.

So like I said, Chirok fits the gap that we had in the mid-revenue cycle. And so with this, it kind of gives us an end-to-end capability in the revenue cycle and pretty strong at all components of that revenue cycle. So we are hoping to grow providers at a much faster clip than we've grown in the past. But Chirok, like I said, the trailing 12 months is about \$13 million. And Chirok is also growing at a healthy clip. So combined with our capabilities and our ability to cross-sell each other's services, I'm expecting the provider to pick up its growth momentum.

- Srinivas Rathnam Mattapalli:** Thanks, Ramesh. On the margin numbers, yes, it's been a combination of very good operating efficiencies that's kicked in during this quarter. Plus, a little bit of FX tailwind that we have got from quarter one to quarter two, and we also added a favourable geo mix that happened. So I think considering what we have been able to achieve in quarter two, we do feel that the full-year we'll be able to continue to leverage those efficiencies, and we expect the FX also to be remain at broadly the same levels. And that gives us a confidence to be able to raise our guidance to the 25% to 26%.
- Chirag Kachhadiya:** Thank you.
- Siddharth Rangnekar:** Thank you. We move to the next question from the line of Rishi Jhunjhunwala from IIFL. Rishi, your line has been unmuted.
- Rishi Jhunjhunwala:** Yes. Thanks for the opportunity. Just going back to that question around the acquisition of Chirok, and just trying to understand a little bit more on the longer-term side. Historically, we have been predominantly on the payer side, and provider has been around that 10% odd. That is a space which has very different dynamics or industry dynamics in terms of being highly fragmented. You could still make decent margins, but competition also is higher. And there are a lot of assets which are otherwise available. So just wanted to understand the current acquisition is mostly to augment whatever we have. Or do you think there could be a thought process to increase the provider segment meaningfully over a period of time?
- Ramesh Gopalan:** Sorry, I didn't get the last part, Rishi. Can you repeat the last sentence?
- Rishi Jhunjhunwala:** Yes. I just wanted to understand whether the Chirok acquisition is only to augment whatever we have today, or can we potentially think of increasing the provider segment substantially for us over a medium-to-long-term as a proportion?
- Ramesh Gopalan:** Like I said, it's exactly to accelerate the growth in the provider segment. So like I've always maintained, provider market is also large. What you said is absolutely right. It's a lot more fragmented. But having said that, there are enough physician groups which are large in size, and there are a number of health systems which can be a good size in terms of revenue for us. The capability that Chirok brings in, and not just the capabilities and even the current set of clients, like I said, includes certain large health systems, includes some very large physician groups, and very uniquely some value-based care organisations. And all of these have tremendous potential for us to cross-sell some of our services, not just on the provider

side, but also on the services that we've specialised on the payer side, like care management and quality and so on.

Overall, I've been telling all of you that, yes, historically our focus on the provider segment has been lower than the payer, because we've been heavily indexed on the payer side. But we wanted to change that and give equal focus on the provider. So along with the Chirok acquisition, like I said, we've also made some changes in the go-to-market structure, created a very focused provider go-to-market engine. And so with the combination of these two, the idea is to accelerate the growth in the provider segment, so that it's a much larger percentage of our revenues going forward. It will take some time because we are still, like you said, at 10% of our total revenues, but we want to accelerate that journey.

Rishi Jhunhunwala: Got it. The other thing is, I think you mentioned that the enrolment season this year, the overall impact on growth may be potentially slightly lower.

Ramesh Gopalan: Yeah.

Rishi Jhunhunwala: I think you had mentioned somewhere around six percentage point last year?

Ramesh Gopalan: Yeah.

Rishi Jhunhunwala: If I'm not wrong.

Ramesh Gopalan: Yeah.

Rishi Jhunhunwala: Any sense of how much lower could that be?

Ramesh Gopalan: Look, the open enrolment, the AEP season has just started, right. So these numbers could change a little bit. But basis current visibility, we think, like you said, it was 6% of our total revenues last year. We think it may be lower by 100 basis points or so. But all of this could change over the next several weeks. Because, I mean, we are staffing to capacity. We may have some flex capacity available, so if there are volumes to pick up, we'll pick up those volumes. But this could change. But, as we see today, we think it could be about 100 basis points or so lower than last year.

Rishi Jhunhunwala: Understood. So not material that ways. And lastly, on the margin now that you have upgraded the margin guidance for the year, but slightly from a two to three-year perspective. Do you think this is where we should structurally be, or do you believe some of it could potentially be utilised to either gain more volumes or business, or offset any kind of AI-related productivity benefits that typically companies have to pass through? So

just wanted to understand whether this is more for this year or structurally.

Ramesh Gopalan:

No. I mean, historically, our response has been that, look, we've always done between 24% and 26%, and we are happy to be in that range while trying to accelerate our top-line growth. So broadly, that is still the sentiment, right? So the improvement in operational efficiency coupled with FX tailwinds has increased our margin performance in Q2.

On the AI front, like I said, a lot of the productivity gains that we gain from AI will basically be passed on to our clients. However, we will still retain some portion of those benefits, obviously, to fund our investments, and to compensate for the operating cost of some of those. But that's also likely to improve our margin a little bit. So there is a potential to increase margin, but a large part of the AI-based benefits are things that will flow back to the client.

So to answer your question more specifically, I think it will still continue to be in the 24% to 26% range, but over a period of time, it could marginally increase if we manage to retain the benefits of AI.

Rishi Jhunjunwala:

Understood. Thank you. All the best.

Siddharth Rangnekar:

Thank you. We take the next question from the line of Dipesh Mehta from Emkay Global. Your line has been unmuted, Dipesh.

Dipesh Mehta:

Yeah. Thank you for the opportunity. A couple of questions. First off, on the provider side, I am listening to the organic business. It seems to be slightly weaker even on YoY basis. Can you help us understand, because earlier we were hopeful about growth returning in that business after four, five quarters of relatively absolute numbers remaining flattish. Just trying to understand, what is working there?

Second, on the Chirok acquisition. If I look at the revenue trajectory over last three years, remained relatively weaker. But TTM revenue showing significant acceleration in growth compared to last calendar number reported. So can you help us understand what led to growth and the sustainability of that growth momentum? And how one should understand medium term growth profile of that business?

And related question on there, we indicated adjusted EBITDA margin of 35.8%. What kind of adjustment we made in that number when we say adjusted EBITDA? Thank you.

- Ramesh Gopalan:** Okay. You asked a whole bunch of questions. So I'll leave the adjusted EBITDA question to MR. But I'll try and answer some of your other questions. Hopefully, I got them all.
- Yeah, on the Chirok acquisition, you are right. There was a dip in revenue, I think between '23 and '24 because volumes from one of their clients went down. But subsequently, growth has been back on track. And if you see the difference between CY '25 and the TTM numbers that we've presented, you can see that the growth has been pretty good. We expect Chirok to continue to grow at a healthy clip. I mean, I'll possibly give more guidance, hopefully, towards the end of FY '27. We just closed the deal yesterday.
- But overall, from the other question, yes, our provider business has also been in the 10% to 11%. And while we have grown clients and we've grown revenue, we've also had some revenue tapering off from some discrete projects from one of our provider clients. That's offset some part of the growth that we had in the provider business. And that's why you see that the rate of growth in the provider has been lower than that of the payer. And that's what we are trying to reverse going forward with the acquisition of Chirok and the combined capability that Sagility and Chirok now have.
- I'll ask MR to answer the adjusted EBITDA question. So the adjustments, historically, we've given you the list of adjustments we make, but it's there in one of the slides. MR, can you just...
- Srinivas Rathnam Mattapalli:** Yeah, it's there on Slide 17, the reconciliation between adjusted EBITDA and reported EBITDA.
- Dipesh Mehta:** So it is like this only, there is no other adjustment in their adjusted EBITDA margin?
- Srinivas Rathnam Mattapalli:** No, there is no change that we have done this particular quarter. It continues to remain the same.
- Dipesh Mehta:** No, I am asking for the acquired entity adjusted EBITDA margin. The way we define adjusted EBITDA, they also follow the same way, 35.8%?
- Srinivas Rathnam Mattapalli:** Yeah, yeah. We have equated what we report to what they do broadly. There might be minor differences, but broadly, yes. The 35.8% is broadly in line with what we have.
- Dipesh Mehta:** And whether it would be largely linked with kind of revenue they make or last three year's margin remained within that range, upwards of 30%?
- Ramesh Gopalan:** The margin has broadly remained the same.

Dipesh Mehta: Thank you.

Siddharth Rangnekar: Thank you. We move to the next question from the line of Rohit Thorat from Axis Capital. Your line has been unmuted, Rohit.

Rohit Thorat: Yeah. Thank you for the opportunity. So you mentioned that your endeavour is to grow provider segment much faster than payer going forward. But inherently, see there is a conflict of interest between payers and providers. Like if one entity is benefiting, the other one loses. So do you believe there is any friction from clients for giving business to outsourcer which is operating in both segments? Or are they more comfortable giving RCM business to purely RCM payers only? So could you give some colour on that, or that really doesn't matter, like clients usually don't have any issues due to this?

Ramesh Gopalan: Yeah. So, Rohit, the first hypothesis that if one wins other has to lose, is not true. So the work that we do is we help clients run their operations more efficiently. So that's what we do for payers, that's what we do for providers. Each party can run their operations more efficiently without it having to have a negative effect on the other.

In terms of, I mean, we've had our provider business for almost 15 years along with the payer business, and there is no inherent conflict, because it's not that we bypass the traditional ways of how payers and providers work with each other. On the other hand, the fact that we work for both providers and payers have, in fact, helped us bridge some of the issues between providers and payers in terms of the friction around claims denials, and delays in payments, and so on. So we've brought them together, and we've devised new ways of working by which both parties could gain efficiency. So there is absolutely no reason why we can't grow both of the businesses together. And like I said, we've run both those businesses for at least 15 years together.

Rohit Thorat: Okay. Second question is regarding Chirok acquisition. If I look at revenue per headcount for Chirok, and if I compare it to the provider-focused player which is listed in India, the revenue per headcount is significantly lower compared to another listed peer in provider space. So what could explain such a significant difference in that metric?

Ramesh Gopalan: I mean I can't answer the question very specifically at this point in time. I mean we can come back to you once we understand more details. However, from our diligence, the pricing for their services, when we did our commercial diligence, our understanding is the pricing is at market. So it's not that they are much lower priced for their services compared to

competition. But beyond that, if you say that the revenue per headcount is lower, that's something that I need to look into and come back later.

Rohit Thorat: Thank you for the opportunity.

Siddharth Rangnekar: Thank you. We next move to the line of Vamshi Krishna of Kotak Institutional. Vamshi, your line has been unmuted.

Vamshi Krishna: Sure. Yeah. Thanks. Thanks, Ramesh, and really strong execution this quarter. So my first question was on your starting comments that there has been some let-up in the medical costs. At least they have stabilised and not increasing for most of the providers. And then it appears that the star ratings are also favourable for some of the large nationwide payers. So does that mean that the extent of productivity or the cost pressures that the suppliers would have had to share with the clients, would that be lower compared to what it was in the last couple of years?

Ramesh Gopalan: Sorry. I understood your question. So is your question, will the cost pressures on my clients be lower? Is that what you are asking?

Vamshi Krishna: No. Since the medical costs of the clients are stabilising, or at least coming off slightly, does it mean that the vendors such as you will have lower cost pressures in engagements?

Ramesh Gopalan: No. This is all relative, right? So like I said, while the medical utilisation rates have eased off a bit, that's also because of some recalibration of membership and so on. The focus continues to remain cost takeout from operations. And so that's something that most of our clients are still focused on, right? So their need to take out cost and take the help of partners like us has not gone down.

In terms of pressures on us because of that, I mean, those pressures will always be there because now with the availability of AI and other transformational opportunities, clients are expecting service providers like us to take out more costs from the work that we do. So I don't think that is going to go away. And like I said, even with that, we still have ways to help clients take out cost while not impacting our margins. And as you can see from our numbers, that's not really impacted our margins.

Vamshi Krishna: Okay, perfect. Thanks for the response. And second is on the Chirok acquisition. So just wanted your thoughts on the mid-cycle RCM space, where it appears that there are some elevated pressures of new competition or even disruption from AI appears to be a little elevated compared to the back end or the other parts of the RCM. So just wanted to get your thoughts on the asset that you have acquired. So what led to

that? Is it some commonality in clients which has led you to acquire this asset?

Ramesh Gopalan:

No. So the answer to the last question, no, there are no common clients. The answer to your first question, yes. I mean, AI is a disruptor in almost any aspect of operations, right? So when you say disruptor, AI can improve efficiencies in almost every single thing that we do for either a payer client or a provider client. And what Chirok does is no exception.

Having said that, even in coding, the areas that are most vulnerable are outpatient coding. Whereas clients still today feel that inpatient coding is something that AI is still not very good at, right? And so while AI will continue to play a role in terms of improving the efficiency of the work that we do and Chirok does, it is unlikely to eliminate it completely, right? So we've had a lot of conversation not only with Chirok, but also some of their clients, and they continue to believe that the services that Chirok provides will continue to be relevant even into the future.

Vamshi Krishna:

Good. And last question, have you included Chirok in your guidance, or is the low double-digit growth guidance entirely on that?

Ramesh Gopalan:

No, that's organic growth. But, yes, Chirok and CareSeed will be on top of that.

Vamshi Krishna:

Got it. Thanks.

Siddharth Rangnekar:

Thank you. We move to the next question from the line of Akshat Agarwal from Jefferies. Akshat, your line has been unmuted.

Akshat Agarwal:

Thank you, gentlemen. Congratulations on a good set of numbers, Ramesh, Srini. I had a couple of questions. Firstly, following up on Rishi's question on open enrolment. So if the contribution is going to be 100 basis points lower, given that your overall revenue base has expanded year-on-year, effectively, you are talking about flattish revenues from open enrolment on a year-on-year basis. Is that understanding correct?

Ramesh Gopalan:

Probably, yes. Flattish revenues. MR, is that right? Or it may be little less than flattish, yeah.

Srinivas Rathnam Mattapalli:

Marginally lower than flattish, I would say, at this point of time. As Ramesh said earlier, obviously, it's still the early start of the season. We might pick up, but at this point, yeah, it is slightly lower.

Akshat Agarwal:

Perfect. The second bit is, last quarter you talked about minimum wages being raised in Telangana and Karnataka, and its impact on your margins. And from what we understand, it's not been fully implemented, right? Or

there has been a stay which has been put. So when do you expect this to be implemented, if at all? And if it's not going to be implemented, can there be potential upsides to our margin guide? That's the first question.

Second one is, there is a consistent decline in your delivery centres. Last year it was 33 in FY '25. March '26, it fell to 31. And this quarter, we are seeing the number to go down to 28. Is there any potential upside to further reduction in delivery centres? And if that's the case, what kind of margin expansion could that lead to for you guys?

Ramesh Gopalan: So...

Srinivas Rathnam Mattapalli: Let me. Can I take that, Ramesh?

Ramesh Gopalan: Yeah, please. Go ahead.

Srinivas Rathnam Mattapalli: So on the minimum wage, obviously the impact has been fully baked in our numbers. At this point, what we have talked about in terms of guidance reflects the impact from end May and 1st June respectively for Karnataka and Telangana. Yeah, I mean, if there is some change in what has been called out, I mean, there could be a potential upside of those numbers. But at this point, we have fully baked in those numbers.

On the other point on facilities, some of those change in the numbers is also reflection of the way we are counting our facilities. For example, if there are multiple facilities in one sort of park or one campus, we are now counting that as one. So if you look at the number of seats, that's definitely continued to increase. The number of sites might technically be down more because multiple sites are counted as one now, because it's in one campus.

Akshat Agarwal: I see now. The reason I was making this point is because there is a sharp reduction in your lease liabilities and right-of-use assets. I thought maybe some of these leased facilities are being let go of, which is driving this. Which shows up in the delivery centre numbers as well.

Srinivas Rathnam Mattapalli: Yeah. There are a couple of sites that we had closed earlier, in places like our Jamaica operations. But again, as I said, it's more from a consolidation perspective and increasing our footprint in the same site. There is also a temporary movement from our short-term leases for a few of the sites as we are in the process of consolidating and maybe moving to newer sites. So that would reflect as short term rent and not be part of the lease assets.

- Akshat Agarwal:** Perfect. That's all from my side. Thank you so much, and congratulations on a good set of numbers again.
- Srinivas Rathnam Mattapalli:** Thank you.
- Siddharth Rangnekar:** Thank you. We move to the next question from the line of Sujay Chavan from Prabhudas Lilladher. Your line has been unmuted, Sujay.
- Sujay Chavan:** Yeah. Thank you for the opportunity. Most of my questions have been answered, so I will just focus on the provider segment. Now we have said that we want to explicitly increase our provider segment. Now this has been hovering for about 10% for quite some years. So is there any goal or any internal target that we have said that we want to expand to? And taking it forward, what are the sort of investments that we would like to make and any impact on the margins, if there are any?
- Ramesh Gopalan:** Sujay, there is no explicit target that I can give you at this point. Like I said, we want to accelerate the growth in our provider segment, and we want it to be a higher percentage of our total revenue. But beyond that, there is no explicit two-year or three-year target that I can give you at this point. In terms of investment in Chirok is the big investment, right? As you know, one of the things in wanting to grow is also to plug any gaps in capability, which is what Chirok will help do for us. So that's a big investment that we've already done. We have also, like I said, basically created a dedicated go-to-market team.
- These investments in sales and marketing is not going to have a major impact on our margins. So all of that is baked into our regular SG&A. So to answer your question, no, it's not going to have a direct impact on the margin. But the aim is to accelerate the growth in the provider space.
- Sujay Chavan:** Yeah. Okay. Thank you. That's it from my side.
- Siddharth Rangnekar:** Thank you. We move to Vibhor Singhal from Nuvama. Vibhor, your line has been unmuted.
- Vibhor Singhal:** Yeah. Hi. Thanks for taking my question, and congrats to the team for a very solid performance. So Ramesh, just a couple of questions from my side. On the ACV number that we have seen that stands quite solid this quarter. So just trying to get a hang of this number. Does this include deals from the payers as well as the provider segment? And if yes, is there any major difference between the kind of deals that we win in payers and provider segment? Are the provider deals, let's say, longer duration or shorter duration? Are they higher margins? Do they have a higher GenAI component? Any colour on that would be really helpful.

And my second question is on the acquisition. As you mentioned, the Chirok Health acquisition that we've done is in the middle cycle of RCM providers that we are looking at. So taking that into account, given that we are not necessarily acquiring revenues, just we are acquiring capabilities. Any other white spaces that come to the mind immediately that you would be probably looking for in terms of acquisition in the near to medium term?

Ramesh Gopalan:

Yeah. I forgot what the first question was. Sorry.

Vibhor Singhal:

The deal wins across payers and providers.

Ramesh Gopalan:

Yeah. Deal wins. So look, the deal wins on the payer side is a combination of large and smaller deals. When you win additional opportunities with existing clients, some of them could be a small tuck-in deal. Like the payment integrity deal that I spoke about, over \$10 million in ACV. That's a very large deal. However, the deals on the provider side tend to be smaller so far. Because we either get the front end of the RCM for a midsize provider or the back end. So they tend to be smaller in size.

Having said that, with the new capability, I think we can go for a slightly larger deal size on the provider side also. But historically, the provider deals has been smaller. Margin, I don't think is very different between a payer and provider business. So roughly, I would say the gross margin level, plus or minus 200 to 300 bps would be the difference, and that's very deal specific. So we could make slightly higher margin on one deal and lower margin on other. But structurally, there is not a big difference in the margins between the two segments. The other question that you asked was, sorry?

Vibhor Singhal:

The white spaces in the portfolio that you might...

Ramesh Gopalan:

Look, at this point, we continue to look at if there are things in the clinical space that we can continue to fill gaps in, right? But broadly, I would say, both payer and provider side, we are reasonably, from a capability point of view, we are at a really good spot, right? So while I'll never say no to another acquisition if it comes with either a specific capability that we don't have or a set of clients that are attractive. At this point, I can't tell you any specific capability that we are still looking to specifically fill.

Vibhor Singhal:

Got it. Just as a follow-up bookkeeping question, in the \$40 million at ACV, what part would be the payer and provider if there is a breakup, a broad number, if we could have?

Ramesh Gopalan:

I don't have that number offhand, but we can get back to you.

Vibhor Singhal: Okay. Sure, I will take that offline.

Ramesh Gopalan: Thanks.

Vibhor Singhal: Great. Yep, sure. Thanks for taking my questions, and wish you all the best.

Siddharth Rangnekar: Thank you. We move to the line of Madhuchanda Dey from MC Pro. Your line has been unmuted, Madhuchanda.

Madhuchanda Dey: Hi. Good evening, and congratulations on a very solid quarter. My question is on the Chirok acquisition. So I wanted to understand from you qualitatively, what are the inefficiencies that Sagility plans to address to start with in Chirok? Because the margins of Chirok, as you have mentioned, is already pretty high. It is a very decent margin. So basically, what are the low-hanging fruits that you plan to address, to start with?

Ramesh Gopalan: So the simple answer to your question is this is not an acquisition where we want to try and improve the margins of Chirok. So that isn't the goal of this acquisition. The acquisition was to increase our capabilities in the revenue cycle. So the main focus of this acquisition is the revenue synergies and how we can use this complementary set of skills to grow the overall business. So that's going to be the focus. Along the way, if there are any efficiencies that we can get through shared services and so on, we'll obviously look at those efficiencies. But that's not the prime focus of this acquisition. The focus, like I said, is more on revenue synergies and trying to grow the revenue line.

Madhuchanda Dey: Got it. So in terms of, say, if I may just ask this question. You mentioned that \$13 million was the trailing 12 months revenue. So what kind of potential does it have? What kind of scaling up potential is there for this entity under Sagility?

Ramesh Gopalan: Look, Sagility, like I said, first to an earlier question, I had said we don't have any overlapping clients. So the very first potential is whether we can cross-sell each other's services. We don't do the set of services that Chirok does today, and Chirok doesn't do a lot most of what we do. So, is there a potential to cross-sell each other's services to each other's clients? So that's the first potential.

And two, when you combine the mid-cycle along with the front and the back office, and you have an end-to-end revenue cycle capability, what kind of new opportunities that it presents to us? Can we increase the size of deal wins to the earlier question? If I have an end-to-end capability in RCM, can I leverage that to increase the deal win sizes? So those are the

obvious tracks that we'll be working on. Plus the one thing that I also said is it also comes with some capabilities that are of use in value-based care organisation, which is also then transferable to payer organisation.

While the focus of Chirok was mainly to accelerate our provider journey, some of the capabilities that Chirok has is also something that we can take to some of our payer clients. But that's another track that we will be working on. So all of these has tremendous potential. But like I said, the acquisition closed yesterday. We will come back and give you a better set of guidance as we go along.

Madhuchanda Dey:

Great. Thank you.

Siddharth Rangnekar:

Thank you. We move next to the line of Ruchi Mukhija from ICICI Securities. Your line has been unmuted, Ruchi.

Ruchi Mukhija:

Many congratulations on a very good execution Ramesh and team. My question was on the acquisition and your provider of business. Could you help us identify the client characteristics for your provider business and how, for the combined entity, the client profile would look now, possibly the skew between large hospital systems and clinicians?

Ramesh Gopalan:

So Ruchi, it's not that we don't have this nature of the clients that Chirok has, right? We also, Sagility also has large health systems as clients. Traditionally, we didn't have too many physician groups as clients. Chirok also has physician groups as clients. So that could be one nature of client group that will be new to us. Sagility has large health systems as clients. It has got ancillary providers like lab companies, durable medical equipment companies, radiology companies as clients. Whereas Chirok is more focused, like I said, on large health systems, physician groups, and some value-based care organisations, which is again, something that we don't have in our client base. So there are a couple of client groups that may be new to us, but then health systems is something that Sagility also has in its portfolio.

Ruchi Mukhija:

And going forward, as we build on our provider practice, do you expect our intensity for solutioning and maybe platform buildup for provider to go up?

Ramesh Gopalan:

Yeah. From a capability point of view, like I said, it gives us more of an end-to-end capability. I spoke to you about the Synchrony lifecycle solutions. We are also using AI to improve the efficiency of what we do in the RCM space. We will extend those capabilities to the mid-cycle through Chirok. So both from a service capability as well as from a technology capability,

we think, as a combined group, we will have a lot to offer to provider clients.

Ruchi Mukhija: Got it. Thank you, and all the best.

Ramesh Gopalan: Thank you.

Siddharth Rangnekar: Thank you. That concludes the last of the questions for the day. On behalf of Sagility, we thank you for your time. And you may now log off the event.

Ramesh Gopalan: Thank you, everyone.

Srinivas Rathnam Mattapalli: Thank you, everyone.

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