20231010000085

Årsredovisning

för

Virtusa AB

556510-7918

Räkenskapsåret

2022-04-01 - 2023-03-31

20231010000095

virtusa

Undertecknad styrelseledamot i Virtusa AB intygar att resultaträkningen och balansräkningen i årsredovisningen har fastställts på årsstämman 29 september 2023. Årstämman beslutade att godkänna styrelsens förslag till hur vinsten ska disponeras.

Jag intygar också att innehållet i årsredovisningen och revisionsberättelsen stämmer överens med originalet.

Stockholm 29 september 2023

.....

Ort och datum

.....

Underskrift

Johan Brummer

.....

Namnförtydligande

Styrelsen för Virtusa AB avger följande årsredovisning för räkenskapsåret 2022-04-01 - 2023-03-31.

Förvaltningsberättelse

Verksamheten
Virtusa AB erbjuder expertkunskap och lösningar för den finansiella sektorn såsom corporate treasury inom banker, statliga myndigheter samt finansiella institut. Affärsområdena är uppdelade i tre större delar, men går samtidigt in i varandra för att skapa mervärde för kunden. Det är business support, financial systems consulting och financial services consulting.

Business support är en sourcingtjänst där kunder erhåller paketerad spjutspetskompetens inom corporate treasury, capital markets och asset management. Business Support teamet förvaltar affärskritiska system och processer för flera av Sveriges största bolag och banker med support dygnet runt och SOX-certifiering (Sarbanes-Oxley Act).

Inom financial system consulting och financial services consulting erbjuder Virtusa erfarna konsulter för spetsade lösningar inom bland annat stöd för finansiella applikationer, ledning av finansiella system, systemoptimering, BPM (business process management), samt rådgivning, utveckling och upphandling av programvara.

Företaget har sitt säte i Stockholm.

Väsentliga händelser under och efter räkenskapsåret

Verksamhetsåret 2023 var ett lönsamt år jämfört med de senaste åren. Vi kunde fortsätta vår väg mot återhämtning efter pandemin. Medan våra intäkter hade minskat något med 3% jämfört med förra året, lyckades vi hålla kostnaderna under kontroll vilket hjälpte oss att fortsätta vår resa för att förbättra våra rörelsemarginaler. För år 2023 avslutade vi med en vinst före skatt på 9% jämfört med 4% förra året.

Ledningen är nöjd med att strukturförändringarna och optimeringsplanen fortsätter att fungera väl då vi är på väg att fortsätta vår resa för att bli lönsamma. Styrelsen fortsätter att övervaka de geopolitiska förändringar som orsakats av Rysslands invasion av Ukraina. Styrelsen förväntar sig ingen omedelbar effekt på grund av detta.

Uttalandena, inklusive de som hänför sig till våra tillväxtstrategier och vår förväntade eller potentiella framtida verksamhet, är baserade på ledningens nuvarande förväntningar och vissa väsentliga antaganden och innebär följaktligen risker och osäkerhetsfaktorer som kan göra att faktiska resultat, prestationer eller händelser avviker väsentligt från de som uttrycks eller antyds däri.

Det finns inga väsentliga händelser som inträffat efter räkenskapsåret som väsentligt kommer att påverka företagets finansiella ställning den 31 mars 2023.

Ägarförhållanden

Virtusa AB ägs till 100% av Virtusa International B.V., 34295390. Moderbolaget i den största gruppen av dotterbolag och koncernredovisning är Virtusa Corporation, baserat i USA.

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Flerårsöversikt (Tkr)	**2022/23**	**2021/22**	**2020/21**	**2019/20**	**2018/19**
Nettoomsättning	84 101	87 162	74 741	67 942	76 317
Resultat efter finansiella poster	7 598	4 279	-5 024	-21 568	-36 350
Antal anställda	23	33	45	52	77
Avkastning på eget kap. (%)	0,0	0,0	0,0	neg	neg
Soliditet (%)	33,2	17,5	5,1	12,2	27,9
Kassalikviditet (%)	141,8	106,7	84,0	95,4	106,5
Balansomslutning	30 024	23 885	31 331	62 546	49 662

Förändringar i eget kapital

	Aktie-kapital	**Reserv-fond**	**Aktieägar-tillskott**	**Balanserat resultat**	**Årets resultat**	**Totalt**
Belopp vid årets ingång	477 000	80 000	16 340 775	-15 311 030	2 514 089	**4 100 834**
Disposition enligt beslut av årsstämman:						
Balanseras i ny räkning				2 514 089	-2 514 089	**0**
Årets resultat					5 822 875	**5 822 875**
Belopp vid årets utgång	**477 000**	**80 000**	**16 340 775**	**-12 796 941**	**5 822 875**	**9 923 709**

Förslag till vinstdisposition

Styrelsen föreslår att till förfogande stående vinstmedel (kronor):

balanserad vinst	3 543 835
årets vinst	5 822 875
	9 366 710
disponeras så att	
i ny räkning överföres	9 366 710
	9 366 710

Företagets resultat och ställning i övrigt framgår av efterföljande resultat- och balansräkning samt kassaflödesanalys med noter.

Resultaträkning

	Not	2022-04-01 -2023-03-31	2021-04-01 -2022-03-31
Nettoomsättning		84 101 259	87 161 806
Övriga rörelseintäkter		120 201	40 955
		84 221 460	**87 202 761**
Rörelsens kostnader			
Övriga externa kostnader	2, 3	-50 634 945	-49 224 141
Personalkostnader	4	-25 789 878	-31 706 075
Avskrivningar av immateriella anläggningstillgångar		0	-1 754 167
Avskrivningar av materiella anläggningstillgångar		-198 870	-239 663
		-76 623 693	**-82 924 046**
Rörelseresultat	5	**7 597 767**	**4 278 715**
Resultat efter finansiella poster		**7 597 767**	**4 278 715**
Överavskrivningar		31 912	-97 728
Resultat före skatt		**7 629 679**	**4 180 987**
Skatt på årets resultat	6	-1 806 804	-1 666 898
Årets resultat		**5 822 875**	**2 514 089**

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Balansräkning

	Not	2023-03-31	2022-03-31
TILLGÅNGAR			
Anläggningstillgångar			
Immateriella anläggningstillgångar			
Kundkontrakt	7	0	0
Goodwill	8	0	0
		0	**0**
Materiella anläggningstillgångar			
Inventarier, verktyg och installationer	9	242 428	373 830
Övriga materiella anläggningstillgångar		61 840	56 800
		304 268	**430 630**
Finansiella anläggningstillgångar			
Andelar i koncernföretag	10, 11	59 714	59 714
Andra långfristiga värdepappersinnehav	12	0	0
Uppskjuten skattefordran	13	42 183	1 848 987
Andra långfristiga fordringar		1 199 341	550 000
		1 301 238	**2 458 701**
Summa anläggningstillgångar		**1 605 506**	**2 889 331**
Omsättningstillgångar			
Kortfristiga fordringar			
Kundfordringar		8 191 512	9 101 844
Fordringar hos koncernföretag		1 298 228	0
Aktuella skattefordringar		2 747 916	2 621 399
Övriga fordringar		0	41 341
Förutbetalda kostnader och upplupna intäkter	14	8 338 890	8 052 401
		20 576 546	**19 816 985**
Kassa och bank		7 842 076	1 179 142
Summa omsättningstillgångar		**28 418 622**	**20 996 127**
SUMMA TILLGÅNGAR		**30 024 128**	**23 885 458**

Balansräkning

	Not	2023-03-31	2022-03-31
EGET KAPITAL OCH SKULDER			
Eget kapital	15		
Bundet eget kapital			
Aktiekapital	16	477 000	477 000
Reservfond		80 000	80 000
		557 000	**557 000**
Fritt eget kapital			
Balanserad vinst eller förlust		3 543 835	1 029 745
Årets resultat	15	5 822 875	2 514 089
		9 366 710	**3 543 834**
Summa eget kapital		**9 923 710**	**4 100 834**
Obeskattade reserver	17	65 813	97 725
Kortfristiga skulder			
Leverantörsskulder		1 162 670	561 393
Skulder till koncernföretag		2 601 004	2 085 732
Övriga skulder		1 587 176	1 909 217
Upplupna kostnader och förutbetalda intäkter	18	14 683 755	15 130 557
Summa kortfristiga skulder		**20 034 605**	**19 686 899**
SUMMA EGET KAPITAL OCH SKULDER		**30 024 128**	**23 885 458**

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Kassaflödesanalys

	Not	2022-04-01 -2023-03-31	2021-04-01 -2022-03-31
Den löpande verksamheten			
Resultat efter finansiella poster		7 597 767	4 278 716
Justeringar för poster som inte ingår i kassaflödet		83 320	1 952 874
Betald skatt/(återvunnen)		-126 517	1 005 679
Kassaflöde från den löpande verksamheten före förändring av rörelsekapital		**7 554 570**	**7 237 269**
Kassaflöde från förändring av rörelsekapitalet			
Förändring av kundfordringar		910 332	2 769 235
Förändring av kortfristiga fordringar		668 538	-3 157 599
Förändring av leverantörsskulder		601 277	318 991
Förändring av kortfristiga skulder		-2 465 484	-11 946 639
Kassaflöde från den löpande verksamheten		**7 269 233**	**-4 778 743**
Investeringsverksamheten			
Investeringar i materiella anläggningstillgångar		-217 168	0
Försäljning av materiella anläggningstillgångar		144 662	0
Investeringar i finansiella anläggningstillgångar		-649 341	246 395
Kassaflöde från investeringsverksamheten		**-721 847**	**246 395**
Årets kassaflöde		**6 547 386**	**-4 532 348**
Likvida medel vid årets början			
Likvida medel vid årets början		1 179 142	5 670 535
Kursdifferens i likvida medel			
Kursdifferens i likvida medel		115 549	40 955
Likvida medel vid årets slut		**7 842 077**	**1 179 142**

Noter

Not 1 Redovisnings- och värderingsprinciper

Allmänna upplysningar

Årsredovisningen är upprättad i enlighet med årsredovisningslagen och BFNAR 2012:1 Årsredovisning och koncernredovisning (K3).

Fordringar och skulder i utländsk valuta har värderats till balansdagens kurs. Kursvinster och kursförluster på rörelsefordringar och rörelseskulder redovisas i rörelseresultatet medan kursvinster och kursförluster på finansiella fordringar och skulder redovisas som finansiella poster.

För säkring av tillgång eller skuld mot valutakursrisk används valutaterminer.

Redovisningsprinciperna är oförändrade jämfört med föregående år.

Intäktsredovisning

Inkomster från uppdrag på löpande räkning och till fast pris redovisas som intäkt i takt med att arbetet utförs och material levereras eller förbrukas innebärande att vinsten från uppdragen avräknas successivt.

Om det inte är sannolikt att betalning kommer att erhållas för belopp som redan har redovisats som intäkt redovisas det belopp som sannolikt inte kommer att erhållas som en kostnad.

I balansräkningen jämförs redovisade intäkter med de belopp som fakturerats beställaren under samma period. Om de fakturerade beloppen överstiger den redovisade intäkten utgör mellanskillnaden en skuld, vilken redovisas som fakturerad men ej upparbetad intäkt. Om intäkten överstiger de fakturerade beloppen utgör mellanskillnaden en fordran vilken redovisas som upparbetad men ej fakturerad intäkt.

Anläggningstillgångar

Immateriella och materiella anläggningstillgångar redovisas till anskaffningsvärde minskat med ackumulerade avskrivningar enligt plan och eventuella nedskrivningar.

Avskrivning sker linjärt över den förväntade nyttjandeperioden med hänsyn till väsentligt restvärde.

Vi förväntar oss att ha fortsatt samarbete från de förvärvade kunderna över tio år från inköpsdatum. Därför skrivs goodwill- och kundavtalet av på tio år.

Följande avskrivningsprocent tillämpas:

Inventarier	7 år
Datorer	3 år
Goodwill	10 år
Kundkontrakt	10 år

Leasingavtal

Företaget redovisar samtliga leasingavtal, såväl finansiella som operationella, som operationella leasingavtal. Operationella leasingavtal redovisas som en kostnad linjärt över leasingperioden.

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Inkomstskatter
Total skatt utgörs av aktuell skatt och uppskjuten skatt. Skatter redovisas i resultaträkningen, utom då underliggande transaktion redovisas direkt mot eget kapital varvid tillhörande skatteeffekter redovisas i eget kapital.

Ersättningar till anställda
Aktierelaterade ersättningar avser ersättningar till anställda i enlighet med ett personaloptionsprogram som startades 2014. Personalkostnader redovisas för värdet på erhållna tjänster, periodiserat över programmets intjänandeperioder, beräknat som det verkliga värdet på de tilldelade egetkapitalinstrumenten. Det verkliga värdet fastställs vid tilldelningstidpunkten, det vill säga då Virtusa och de anställda ingått överenskommelse om villkoren och bestämmelserna för programmet.

Koncernförhållanden
Virtusa AB som utgör moderföretag för en koncern med dotterföretag enligt not 13, upprättar ej koncernredovisning i enlighet med ÅRL 7:2, då företaget och dess samtliga dotterföretag omfattas av en koncernredovisning som upprättas av Virtusa Coporation.

Nyckeltalsdefinitioner
Nettoomsättning
Rörelsens huvudintäkter, fakturerade kostnader, sidointäkter samt intäktskorrigeringar.

Resultat efter finansiella poster
Resultat efter finansiella intäkter och kostnader men före bokslutsdispositioner och skatter.

Antal anställda
Medelantal anställda under räkenskapsåret.

Avkastning på eget kap. (%)
Resultat efter finansiella poster i procent av justerat eget kapital (eget kapital och obeskattade reserver med avdrag för uppskjuten skatt).

Soliditet (%)
Justerat eget kapital (eget kapital och obeskattade reserver med avdrag för uppskjuten skatt) i procent av balansomslutning.

Kassalikviditet (%)
Omsättningstillgångar exklusive lager och pågående arbeten i procent av kortfristiga skulder.

Balansomslutning
Företagets samlade tillgångar.

Not 2 Leasingavtal

Årets leasingkostnader avseende leasingavtal, uppgår till 2 954 255 kronor (2 594 407 kronor).

Framtida leasingavgifter, för icke uppsägningsbara leasingavtal, förfaller till betalning enligt följande:

	2022-04-01 -2023-03-31	**2021-04-01 -2022-03-31**
Inom ett år	2 558 760	1 576 207
Senare än ett år men inom fem år	5 152 510	967 520
	7 711 270	**2 543 727**

Not 3 Arvode till revisorer

Med revisionsuppdrag avses granskning av årsredovisningen och bokföringen samt styrelsens förvaltning, övriga arbetsuppgifter som det ankommer på bolagets revisor att utföra samt rådgivning eller annat biträde som föranleds av iakttagelser vid sådan granskning eller genomförandet av sådana övriga arbetsuppgifter.

	2022-04-01 -2023-03-31	**2021-04-01 -2022-03-31**
Grant Thornton Sweden AB		
Revisionsuppdrag	174 284	176 808
	174 284	**176 808**

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Not 4 Anställda och personalkostnader

	2022-04-01 -2023-03-31	2021-04-01 -2022-03-31
Medelantalet anställda		
Kvinnor	5	8
Män	18	25
	23	**33**
Löner och andra ersättningar		
Styrelse och verkställande direktör	0	1 909 210
Övriga anställda	17 541 332	18 929 675
	17 541 332	**20 838 885**
Sociala kostnader		
Pensionskostnader för styrelse och verkställande direktör	0	218 834
Pensionskostnader för övriga anställda	1 867 034	1 880 272
Övriga sociala avgifter enligt lag och avtal	5 954 375	8 059 505
Övriga personalrelaterade kostnader	427 137	708 579
	8 248 546	**10 867 190**
Totala löner, ersättningar, sociala kostnader och pensionskostnader	**25 789 878**	**31 706 075**
Könsfördelning bland ledande befattningshavare		
Andel män i styrelsen	100 %	100 %
Andel män bland övriga ledande befattningshavare	100 %	100 %

Not 5 Inköp och försäljning mellan koncernföretag

	2022-04-01 -2023-03-31	2021-04-01 -2022-03-31
Andel av årets totala inköp som skett från andra företag i koncernen	6,79 %	8,41 %
Andel av årets totala försäljningar som skett till andra företag i koncernen	16,09 %	18,93 %

Not 6 Aktuell och uppskjuten skatt

	2022-04-01 -2023-03-31	2021-04-01 -2022-03-31
Skatt på årets resultat		
Uppskjuten skatt	1 806 804	1 226 632
Justering föregående år skatt	-219 305	440 266
Totalt redovisad skatt	**1 587 499**	**1 666 898**

Avstämning av effektiv skatt

		2022-04-01 -2023-03-31		2021-04-01 -2022-03-31
	Procent	**Belopp**	**Procent**	**Belopp**
Redovisat resultat före skatt		7 629 679		4 180 988
Skatt enligt gällande skattesats	20,60	-1 571 714	20,60	-861 284
Ej avdragsgilla kostnader	0,21	-15 785	8,72	-364 441
Ej skattepliktiga intäkter	-0,03	2 126	0,00	0
Justering avseende skatter för föregående år	0,00	300	0,02	-907
Redovisad effektiv skatt	**20,78**	**-1 585 073**	**29,34**	**-1 226 632**

Not 7 Kundkontrakt

	2023-03-31	2022-03-31
Ingående anskaffningsvärden	3 720 000	3 720 000
Utgående ackumulerade anskaffningsvärden	**3 720 000**	**3 720 000**
Ingående avskrivningar	-3 720 000	-3 720 000
Utgående ackumulerade avskrivningar	**-3 720 000**	**-3 720 000**
Utgående redovisat värde	**0**	**0**

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Not 8 Goodwill

	2023-03-31	2022-03-31
Ingående anskaffningsvärden	4 210 000	4 210 000
Utgående ackumulerade anskaffningsvärden	**4 210 000**	**4 210 000**
Ingående avskrivningar	-4 210 000	-2 455 830
Nedskrivning	0	-1 711 476
Årets avskrivningar	0	-42 694
Utgående ackumulerade avskrivningar	**-4 210 000**	**-4 210 000**
Utgående redovisat värde	**0**	**0**

Not 9 Inventarier, verktyg och installationer

	2023-03-31	2022-03-31
Ingående anskaffningsvärden	1 301 866	2 714 837
Inköp	67 467	0
Försäljningar/utrangeringar	0	-1 412 971
Utgående ackumulerade anskaffningsvärden	**1 369 333**	**1 301 866**
Ingående avskrivningar	-928 036	-2 101 345
Försäljningar/utrangeringar	0	1 412 971
Årets avskrivningar	-198 869	-239 662
Utgående ackumulerade avskrivningar	**-1 126 905**	**-928 036**
Utgående redovisat värde	**242 428**	**373 830**

Not 10 Andelar i koncernföretag

	2023-03-31	2022-03-31
Ingående anskaffningsvärden	729 674	729 674
Utgående ackumulerade anskaffningsvärden	**729 674**	**729 674**
Ingående nedskrivningar	-669 960	-669 960
Utgående ackumulerade nedskrivningar	**-669 960**	**-669 960**
Utgående redovisat värde	**59 714**	**59 714**

Not 11 Specifikation andelar i koncernföretag

Namn	Kapital-andel	Rösträtts-andel	Antal andelar	Bokfört värde
Trade Tech Consulting Scandinavia ApS	100%	100%	80	59 714
				59 714

	Org.nr	Säte
Trade Tech Consulting Scandinavia ApS	34717982	Köpenhamn

Not 12 Upplysningar om finansiella instrument

	2023-03-31	2022-03-31
Avser hyresgaranti		
Ingående anskaffningsvärde	0	446 395
Förändring under året	0	-446 395
Utgående redovisat värde	**0**	**0**

Not 13 Uppskjuten skattefordran

	2023-03-31	2022-03-31
Belopp vid årets ingång	1 848 987	3 075 619
Förändring skattefordran	-1 806 804	-1 226 632
Belopp vid årets utgång	**42 183**	**1 848 987**

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Not 14 Förutbetalda kostnader och upplupna intäkter

	2023-03-31	2022-03-31
Upplupna intäkter	2 511 317	2 981 403
Förutbet hyror	705 946	667 163
Förutbet försäkrprem	35 845	191 156
Övriga poster	5 085 782	4 212 679
	8 338 890	**8 052 401**

Not 15 Disposition av vinst eller förlust

	2023-03-31
Förslag till vinstdisposition	
Styrelsen föreslår att till förfogande stående vinstmedel:	
balanserad vinst	3 543 835
årets vinst	5 822 875
	9 366 710
disponeras så att	
i ny räkning överföres	9 366 710
	9 366 710

Not 16 Antal aktier och kvotvärde

Namn	Antal aktier	Kvot-värde
Antal A-Aktier	23 850	20
	23 850	

Not 17 Obeskattade reserver

	2023-03-31	2022-03-31
Ackumulerade överavskrivningar	65 813	97 725
	65 813	**97 725**

Not 18 Upplupna kostnader och förutbetalda intäkter

	2023-03-31	2022-03-31
Upplupen semesterlöneskuld	3 209 693	3 512 554
Förutbetalda intäkter	6 948 366	6 565 512
Övriga upplupna kostnader	4 525 696	5 052 490
	14 683 755	**15 130 556**

Not 19 Ställda säkerheter

	2023-03-31	2022-03-31
Företagsinteckningar	5 250 000	5 250 000
	5 250 000	**5 250 000**

Stockholm

Eranga Mahesh Sanjeewa Ranpati Pathirage
Ordförande

Johan Brummer
Styrelseledamot

Vår revisionsberättelse har lämnats

Grant Thornton Sweden AB

Christian Elmgren
Auktoriserad revisor

20231010000093

Not 18 Upplupna kostnader och förutbetalda intäkter

	2023-03-31	2022-03-31
Upplupen semesterlöneskuld	3 209 693	3 512 554
Förutbetalda intäkter	6 948 366	6 565 512
Övriga upplupna kostnader	4 525 696	5 052 490
	14 683 755	**15 130 556**

Not 19 Ställda säkerheter

	2023-03-31	2022-03-31
Företagsinteckningar	5 250 000	5 250 000
	5 250 000	**5 250 000**

Stockholm

Eranga Mahesh Sanjeewa Ranpati Pathirage
Ordförande

Johan Brummer
Styrelseledamot

Vår revisionsberättelse har lämnats 2023-09-29

Grant Thornton Sweden AB

Christian Elmgren
Auktoriserad revisor

Revisionsberättelse

Till bolagsstämman i Virtusa AB

Org.nr. 556510 - 7918

Rapport om årsredovisningen

Uttalanden

Vi har utfört en revision av årsredovisningen för Virtusa AB för räkenskapsåret 2022-04-01 - 2023-03-31.

Enligt vår uppfattning har årsredovisningen upprättats i enlighet med årsredovisningslagen och ger en i alla väsentliga avseenden rättvisande bild av Virtusa ABs finansiella ställning per den 31 mars 2023 och av dess finansiella resultat och kassaflöde för året enligt årsredovisningslagen. Förvaltningsberättelsen är förenlig med årsredovisningens övriga delar.

Vi tillstyrker därför att bolagsstämman fastställer resultaträkningen och balansräkningen.

Grund för uttalanden

Vi har utfört revisionen enligt International Standards on Auditing (ISA) och god revisionssed i Sverige. Vårt ansvar enligt dessa standarder beskrivs närmare i avsnittet *Revisorns ansvar*. Vi är oberoende i förhållande till Virtusa AB enligt god revisorssed i Sverige och har i övrigt fullgjort vårt yrkesetiska ansvar enligt dessa krav.

Vi anser att de revisionsbevis vi har inhämtat är tillräckliga och ändamålsenliga som grund för våra uttalanden.

Styrelsens ansvar

Det är styrelsen som har ansvaret för att årsredovisningen upprättas och att den ger en rättvisande bild enligt årsredovisningslagen. Styrelsen ansvarar även för den interna kontroll som den bedömer är nödvändig för att upprätta en årsredovisning som inte innehåller några väsentliga felaktigheter, vare sig dessa beror på oegentligheter eller misstag.

Vid upprättandet av årsredovisningen ansvarar styrelsen för bedömningen av bolagets förmåga att fortsätta verksamheten. Den upplyser, när så är tillämpligt, om förhållanden som kan påverka förmågan att fortsätta verksamheten och att använda antagandet om fortsatt drift. Antagandet om fortsatt drift tillämpas dock inte om styrelsen avser att likvidera bolaget, upphöra med verksamheten eller inte har något realistiskt alternativ till att göra något av detta.

Revisorns ansvar

Våra mål är att uppnå en rimlig grad av säkerhet om huruvida årsredovisningen som helhet inte innehåller några väsentliga felaktigheter, vare sig dessa beror på oegentligheter eller misstag, och att lämna en revisionsberättelse som innehåller våra uttalanden. Rimlig säkerhet är en hög grad av säkerhet, men är ingen garanti för att en revision som utförs enligt ISA och god revisionssed i Sverige alltid kommer att upptäcka en väsentlig felaktighet om en sådan finns. Felaktigheter kan uppstå på grund av oegentligheter eller misstag och anses vara väsentliga om de enskilt eller tillsammans rimligen kan förväntas påverka de ekonomiska beslut som användare fattar med grund i årsredovisningen.

Som del av en revision enligt ISA använder vi professionellt omdöme och har en professionellt skeptisk inställning under hela revisionen. Dessutom:

- identifierar och bedömer vi riskerna för väsentliga felaktigheter i årsredovisningen, vare sig dessa beror på oegentligheter eller misstag, utformar och utför granskningsåtgärder bland annat utifrån dessa risker och inhämtar revisionsbevis som är tillräckliga och ändamålsenliga för att utgöra en grund för våra uttalanden. Risken för att inte upptäcka en väsentlig felaktighet till följd av oegentligheter är högre än för en väsentlig felaktighet som beror på misstag, eftersom oegentligheter kan innefatta agerande i maskopi, förfalskning, avsiktliga utelämnanden, felaktig information eller åsidosättande av intern kontroll.
- skaffar vi oss en förståelse av den del av bolagets interna kontroll som har betydelse för vår revision för att utforma granskningsåtgärder som är lämpliga med hänsyn till omständigheterna, men inte för att uttala oss om effektiviteten i den interna kontrollen.
- utvärderar vi lämpligheten i de redovisningsprinciper som används och rimligheten i styrelsens uppskattningar i redovisningen och tillhörande upplysningar.
- drar vi en slutsats om lämpligheten i att styrelsen använder antagandet om fortsatt drift vid upprättandet av årsredovisningen. Vi drar också en slutsats, med grund i de inhämtade revisionsbevisen, om huruvida det finns någon väsentlig osäkerhetsfaktor som avser sådana händelser eller förhållanden som kan leda till betydande tvivel om bolagets förmåga att fortsätta verksamheten. Om vi drar slutsatsen att det finns en väsentlig osäkerhetsfaktor, måste vi i revisionsberättelsen fästa uppmärksamheten på upplysningarna i årsredovisningen om den väsentliga osäkerhetsfaktorn eller, om sådana upplysningar är otillräckliga, modifiera uttalandet om årsredovisningen. Våra slutsatser baseras på de revisionsbevis som inhämtas fram till datumet för revisionsberättelsen. Dock kan framtida händelser eller förhållanden göra att ett bolag inte längre kan fortsätta verksamheten.
- utvärderar vi den övergripande presentationen, strukturen och innehållet i årsredovisningen, däribland upplysningarna, och om årsredovisningen återger de underliggande transaktionerna och händelserna på ett sätt som ger en rättvisande bild.

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Vi måste informera styrelsen om bland annat revisionens planerade omfattning och inriktning samt tidpunkten för den. Vi måste också informera om betydelsefulla iakttagelser under revisionen, däribland de eventuella betydande brister i den interna kontrollen som vi identifierat.

Rapport om andra krav enligt lagar och andra författningar

Uttalanden

Utöver vår revision av årsredovisningen har vi även utfört en revision av styrelsens förvaltning för Virtusa AB för räkenskapsåret 2022-04-01 - 2023-03-31 samt av förslaget till dispositioner beträffande bolagets vinst eller förlust.

Vi tillstyrker att bolagsstämman disponerar vinsten enligt förslaget i förvaltningsberättelsen och beviljar styrelsens ledamöter ansvarsfrihet för räkenskapsåret.

Grund för uttalanden

Vi har utfört revisionen enligt god revisionssed i Sverige. Vårt ansvar enligt denna beskrivs närmare i avsnittet *Revisorns ansvar*. Vi är oberoende i förhållande till Virtusa AB enligt god revisorssed i Sverige och har i övrigt fullgjort vårt yrkesetiska ansvar enligt dessa krav.

Vi anser att de revisionsbevis vi har inhämtat är tillräckliga och ändamålsenliga som grund för våra uttalanden.

Styrelsens ansvar

Det är styrelsen som har ansvaret för förslaget till dispositioner beträffande bolagets vinst eller förlust. Vid förslag till utdelning innefattar detta bland annat en bedömning av om utdelningen är försvarlig med hänsyn till de krav som bolagets verksamhetsart, omfattning och risker ställer på storleken av bolagets egna kapital, konsolideringsbehov, likviditet och ställning i övrigt.

Styrelsen ansvarar för bolagets organisation och förvaltningen av bolagets angelägenheter. Detta innefattar bland annat att fortlöpande bedöma bolagets ekonomiska situation och att tillse att bolagets organisation är utformad så att bokföringen, medelsförvaltningen och bolagets ekonomiska angelägenheter i övrigt kontrolleras på ett betryggande sätt.

Revisorns ansvar

Vårt mål beträffande revisionen av förvaltningen, och därmed vårt uttalande om ansvarsfrihet, är att inhämta revisionsbevis för att med en rimlig grad av säkerhet kunna bedöma om någon styrelseledamot i något väsentligt avseende:

- företagit någon åtgärd eller gjort sig skyldig till någon försummelse som kan föranleda ersättningsskyldighet mot bolaget, eller
- på något annat sätt handlat i strid med aktiebolagslagen, årsredovisningslagen eller bolagsordningen.

Vårt mål beträffande revisionen av förslaget till dispositioner av bolagets vinst eller förlust, och därmed vårt uttalande om detta, är att med rimlig grad av säkerhet bedöma om förslaget är förenligt med aktiebolagslagen.

Rimlig säkerhet är en hög grad av säkerhet, men ingen garanti för att en revision som utförs enligt god revisionssed i Sverige alltid kommer att upptäcka åtgärder eller försummelser som kan föranleda ersättningsskyldighet mot bolaget, eller att ett förslag till dispositioner av bolagets vinst eller förlust inte är förenligt med aktiebolagslagen.

Som en del av en revision enligt god revisionssed i Sverige använder vi professionellt omdöme och har en professionellt skeptisk inställning under hela revisionen. Granskningen av förvaltningen och förslaget till dispositioner av bolagets vinst eller förlust grundar sig främst på revisionen av räkenskaperna. Vilka tillkommande granskningsåtgärder som utförs baseras på vår professionella bedömning med utgångspunkt i risk och väsentlighet. Det innebär att vi fokuserar granskningen på sådana åtgärder, områden och förhållanden som är väsentliga för verksamheten och där avsteg och överträdelser skulle ha särskild betydelse för bolagets situation. Vi går igenom och prövar fattade beslut, beslutsunderlag, vidtagna åtgärder och andra förhållanden som är relevanta för vårt uttalande om ansvarsfrihet.

Som underlag för vårt uttalande om styrelsens förslag till dispositioner beträffande bolagets vinst eller förlust har vi granskat om förslaget är förenligt med aktiebolagslagen.

Stockholm den 29 september 2023

Grant Thornton Sweden AB

Christian Elmgren
Auktoriserad revisor

Classification: Virtusa Confidential Information. This document is subject to section 16 (Confidentiality
of contract for the provision of IT services dated January 1, 2023 between LBG and Virtusa

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VIRTUSA SUPERHOLDCO, INC.

Annual Report

Fiscal Year Ended March 31, 2023

VIRTUSA SUPERHOLDCO, INC.
ANNUAL REPORT
Fiscal Year Ended March 31, 2023
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PRESENTATION OF THIS ANNUAL REPORT

On February 11, 2021, Virtusa Corporation merged with Austin Bidco Inc., an indirect subsidiary of Virtusa SuperHoldCo, Inc. (formerly Austin SuperHoldCo, Inc.), with Virtusa Corporation continuing as the surviving entity as a wholly owned indirect subsidiary of Virtusa SuperHoldCo, Inc. (the "Sponsor Acquisition"). Unless the context requires otherwise, references in this report to "we", "the Company", "us", "Virtusa" and "our" (i) for periods through February 10, 2021, refer to Virtusa Corporation and its consolidated subsidiaries and (ii) for periods from February 11, 2021 onwards refer to Virtusa SuperHoldCo, Inc. and its consolidated subsidiaries. See "Management's Discussion and Analysis of Financial Condition and Results of Operations" for more information.

In this report, Virtusa Corporation and its subsidiaries and Virtusa SuperHoldCo, Inc. and its subsidiaries are referred to as "Predecessor" and "Successor" prior to and subsequent to, respectively, the consummation of the Sponsor Acquisition. References to "Successor" or "Successor Company" relate to the financial position and results of operations of the Company on or after the Sponsor Acquisition. References to "Predecessor" or "Predecessor Company" refer to the financial position and results of operations of the Company before the Sponsor Acquisition. References to (i) the "2021 Predecessor Period" refer to the period from April 1, 2020 to February 10, 2021 and (ii) the "2021 Successor Period" refer to the period from February 11, 2021 to March 31, 2021. Due to the change in the basis of accounting resulting from the Sponsor Acquisition, the consolidated financial statements for the Predecessor and Successor periods included elsewhere in this report are not necessarily comparable.

This report is a confidential document that we are providing to the holders of the 7.125% Senior Notes due 2028 issued by the Company ("Senior Notes") on December 17, 2020 and February 15, 2022, prospective investors who are "qualified institutional buyers" (as defined in Rule 144A of the Securities Act of 1933, as amended (the "Securities Act")), and to lender parties pursuant to the credit facility ("Credit Facility") dated February 11, 2021, as amended on February 15, 2022. You may not make copies of any part of this report or give any part of this report or any copy of it to any other person or disclose any information in this report to any other person. We have not authorized anyone to provide you with information different from that contained in this report.

FORWARD-LOOKING INFORMATION

Certain statements in this report, including the sections entitled "Business Overview," "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations," contain certain forward-looking statements and information relating to us that are based on the beliefs of our management as well as assumptions made by, and information currently available to, us. These statements include, but are not limited to, statements about our strategies, plans, objectives, expectations, intentions, expenditures and assumptions and other statements contained in this report that are not historical facts. When used in this document, words such as "may," "will," "should," "could," "intend," "potential," "continue," "anticipate," "believe," "estimate," "expect," "plan," "target," "predict," "project," "seek" and similar expressions as they relate to us are intended to identify forward-looking statements. These statements reflect our current views with respect to future events, are not guarantees of future performance and involve risks and uncertainties that are difficult to predict. Further, certain forward-looking statements are based upon assumptions as to future events that may not prove to be accurate.

Examples of forward-looking statements include, among others, statements we make regarding our financial position; business plans and objectives; general economic and industry trends; business prospects; future product development and acquisition strategies; growth and expansion opportunities; operating results; and working capital and liquidity. We may not achieve the plans, intentions or expectations disclosed in our forward-looking statements, and you should not place significant reliance on our forward-looking statements. Actual results or events could differ materially from the plans, intentions and expectations disclosed in the forward-looking statements we make.

The forward-looking statements in this report are only predictions. We have based these forward-looking statements largely on our current expectations and projections about future events and financial trends that we believe may affect our business, financial condition and results of operations. Moreover, neither we nor any other person assumes responsibility for the accuracy and completeness of the forward-looking statements, including such statements taken from third-party industry and market reports. In addition to those discussed herein under the caption "Risk Factors," important factors that could affect our future results and could cause those results or other outcomes to differ materially from those indicated in our forward-looking statements include the following:

- our significant dependence on a small number of clients;
- our substantial concentration of clients in a limited number of industries;
- our ability to attract and retain highly skilled IT professionals;
- risks related to the international nature of our business;
- the potential for wage pressures and increases in government mandated benefits;
- risks related to a period of sustained inflation;
- adverse economic conditions due to the COVID-19 pandemic;
- risks related to adding new service offerings;
- currency exchange rate fluctuations;
- the highly competitive nature of the IT services market;
- the potential for negative public perception regarding offshore IT service providers;
- risks related to claims or litigations if our services do not meet expectations or violate contractual terms;
- risks related to immigration;
- the potential for third-party claims of intellectual property infringement, misappropriation or violation;
- the impact of cyber attacks or the improper disclosure or control of personal information;
- our substantial indebtedness; and
- other risks and uncertainties, including those listed in the section titled "Risk Factors."

These forward-looking statements involve known and unknown risks, inherent uncertainties and other factors, which may cause our actual results, performance, time frames or achievements to be materially different from any future results, performance, time frames or achievements expressed or implied by the forward-looking statements. Any statements contained herein that are not statements of historical facts may be deemed to be forward-looking statements. Actual results and the timing of certain events may differ materially from those contained in these forward-looking statements.

Many of these factors are macroeconomic in nature and are, therefore, beyond our control. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, our actual results, performance or achievements may vary materially from those described in this report as anticipated, believed, estimated, expected, intended, planned or projected. We discuss many of these risks in greater detail under the heading "Risk Factors." The forward-looking statements included in this report are made only as of the date hereof. Unless required by U.S. federal securities laws, we neither intend nor assume any obligation to update these forward-looking statements for any reason after the date of this report to conform these statements to actual results or to changes in our expectations.

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Part I

Business Overview

Virtusa is a leading digital transformation partner primarily serving Forbes Global 2000 enterprises. We combine a highly consultative approach with full-stack digital engineering capabilities, deep industry domain knowledge, and cutting-edge technology expertise to create holistic solutions that rapidly drive businesses forward. Our active clients include 280 of the leading businesses across banking, financial services, and insurance ("BFSI"); communications and technology ("C&T"); media and information ("M&I"); and healthcare and life sciences ("HC&LS"). We drive digital transformations for these clients by helping them deliver new revenue streams, compelling end-user experiences, and modern cloud-based infrastructures. Our approach to digital transformation revolves around our industry-specialized digital offering squads ("Squads") and globally distributed agile delivery teams. Squads comprise thought-leading strategists and architects who envision and design new digital offerings, work with delivery teams to scale and commercialize reusable solutions and frameworks, and collaborate with clients to implement modern, sustainable digital solutions. Headquartered in Massachusetts, we are home to over 31,000 professionals, or "Virtusans," across 49 offices in 25 countries, and we have built a strong culture that is rooted in our core values, our dedication to pressing societal issues, and our technology-enabled, data-driven approach to employee development.

Technological innovation, changing consumer expectations, supply chain automation, and the emergence of disruptive start-ups have required enterprises to re-evaluate their business models and undergo comprehensive digital transformations. Rapid advances in key technologies — such as mobility, big data analytics, social media, blockchain, Internet of Things ("IoT"), and cloud computing — have created opportunities for new challengers to capture share in the markets we serve. To keep pace with technological changes, enterprises have increasingly relied on third parties for digital transformation expertise.

Our deep heritage as a leading product engineering firm drives our approach to digital transformation. We believe clients choose us for our digital engineering expertise, deep industry domain knowledge, globally-scaled agile delivery capabilities and consultative approach. We help clients reimagine their businesses and build capabilities needed for their digital evolution through four integrated core offerings:

- **Consulting & Design:** Our consulting offerings help clients analyze business and/or technology problems to identify and design platform-based solutions. We also assist our enterprise clients in planning and executing their IT initiatives and transformation plans. We provide end-to-end design services, which help our clients to understand emerging consumer demand in their markets of operation and develop products and services that enhance customer experience. We integrate these solutions closely with digital engineering services to ensure a holistic approach that allows for continuous improvement.

- **Digital Engineering:** We help enterprises accelerate business growth by capitalizing on market adjacencies. We enable our clients to develop new, complementary market segments, create digital storefronts, and deliver engaging digital consumer experiences. These solutions harness innovative technology advances in mobility, social media, cloud computing and big data analytics. Digital services include distributed agile, application platform engineering, enterprise application, service transformation, agile transformation and digital assurance.

- **Cloud:** We help organizations realize the benefits of digital transformation and cloud transformation by bringing together digital infrastructure, analytics and intelligence and customer experience by engineering the digital enterprise of tomorrow on the cloud. Our cloud offerings span application and infrastructure migration, application modernization, cloud-native development and managed services, automating workloads to accompany digital engineering initiatives.

- **Optimization & Automation:** We offer engineering tools that drive software development lifecycle ("SDLC") optimization and automation to improve quality, enable speed and increase productivity. These solutions are designed to generate significant IT efficiencies within enterprise organizations, including cost savings, greater ability to manage and deploy high quality, robust applications, accelerated time to market and lower business risk.

We believe our Squads, combined with our innovation centers, enable us to deliver holistic, cutting-edge digital transformations for our clients. Squads comprise thought-leading strategists and architects who envision and design new digital offerings, work with delivery teams to scale and commercialize reusable solutions and frameworks, and collaborate with clients to implement modern, sustainable technology solutions. Squads leverage decades of industry knowledge, technology experience, methodologies, frameworks, tools, and intellectual property ("IP") to anticipate potential market needs, work with our agile delivery teams to build next-generation solutions to meet those needs, and work with our marketing and sales teams to commercialize and sell those solutions. Through our innovation centers, often in collaboration with leading technology partners, we create ready-to-deploy frameworks and solutions, such as the Open Innovation Platform, vPaaC, InsightLive, SmartALM, Triple-R and vLife, which help clients harness the power of artificial intelligence ("AI"), machine learning ("ML"), robotic process automation ("RPA") and IoT to solve specific business problems.

Our delivery model leverages a global base of highly skilled, diverse talent. Through our technology-enabled, data-driven and personalized approach to talent management, we have reimagined how we attract, develop, and retain our next generation of talent. Our key talent initiatives include our Campus Center Of Excellence ("COE") program for identifying and training high-potential digital talent well before college graduation, our Engineering IQ ("EIQ") competency framework, our Thrive Academy for providing continuous hands-on exposure training, and our Women in Tech program. All Virtusans are aligned to competency groups, in which EIQ provides an objective model for assessing each Virtusan's digital competencies and creating a tailored learning and development program aimed at maximizing their potential. Our worldwide footprint means we are able to hire high quality talent across the Americas, Europe, the Middle East and Asia, with large global delivery centers in India and Sri Lanka, supported by nearshore centers in Canada and Poland. We maintain a strong onshore and on-site presence, as reflected by our onshore delivery mix of 24.7% for the fiscal year ended March 31, 2023, to better understand clients' business challenges and digital needs, and we hire high quality offshore talent from across the globe to more efficiently accelerate delivery.

We are a trusted partner to many of the leading enterprises in the world, including 25 of the 60 largest companies by revenue in North America - companies with substantial and growing IT and digital transformation budgets. Revenue from our repeat clients represented 98% and 97% in each of the fiscal years ended March 31, 2023 and 2022 and the average tenure of our top 10 client relationships is over 13 years, demonstrating the strategic and recurring nature of our work and loyalty of our client base. We have a highly attractive land-and-expand model whereby we seek to establish deep relationships across multiple buyers within the enterprise by helping drive their digital strategy planning. As a result, our average revenue per active client increased from $6.1 million to $6.6 million from the fiscal year ended March 31, 2022 to March 31, 2023. We define active clients as the sum of active accounts at the opening of the period plus new clients less inactive clients, with new clients defined as those generating at least $30 thousand in revenue in the most recent quarter with at least $500 thousand in revenue forecasted in the next four quarters and inactive clients being those with no revenue over the past five quarters, including the current quarter and the previous four quarters. From the fiscal year ended March 31, 2022 to March 31, 2023, the number of clients generating over $5.0 million in revenue increased from 52 to 57 and the number of clients generating over $10.0 million in revenue increased from 27 to 35.

Our culture, which emphasizes entrepreneurial leadership and engineering innovation, sets us apart and enables us to attract, recruit, and retain highly skilled industry talent. This culture is underpinned by our four core values ("PIRL"):

- ***Passion:*** Inspire our global teams to deliver extraordinary results.

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- ***Innovation***: Apply intellectual curiosity to reimagine better business outcomes for our clients.
- ***Respect***: Protect our environment, honor our diversity, and treat everyone with dignity.
- ***Leadership***: Take personal responsibility and always ascribe success to the team.

We deeply believe that businesses have a responsibility to be a force for good, and as such, we have evolved our core business processes to put environmental, social, and governance ("ESG") at the forefront. We recently set up an ESG Committee to oversee our corporate ESG strategy, and we continue to support the 10 U.N. Global Compact Principles and the U.N. Sustainable Development Goals. We have various initiatives in place aimed at reducing our environmental footprint and fostering diversity and inclusion. The success of our ESG efforts has earned us several awards. We were recognized as one of Newsweek's most responsible Software and Telecom companies in 2022. In addition, we received an "A-" Climate Change score from the CDP in 2021 and 2022 and a silver medal rating from EcoVadis in 2021 and 2022.

Our transformation strategy has enabled us to create a robust profile of sustainable and profitable growth. Our revenue growth rate was 15.7% in the fiscal year ended March 31, 2023 as compared to 22.7% in the fiscal year ended March 31, 2022. Our gross margin increased from 32.2% to 32.5%, our net income margins increased from 3.4% to 3.9%, and Adjusted EBITDA margin increased significantly from 16.9% to 17.8% in the same time period. See "Management's Discussion and Analysis of Financial Condition and Results of Operations — Key Business Metrics and Non-GAAP Financial Measures" for information regarding our use of Adjusted EBITDA margin, a non-GAAP financial measure, and a reconciliation of Adjusted EBITDA margin to net income (loss), the most directly comparable financial measure calculated and presented in accordance with GAAP. We have also scaled our existing clients and won many new ones. Our average revenue per active client increased from $6.1 million in the fiscal year ended March 31, 2022 to $6.6 million for the fiscal year ended March 31, 2023. Clients generating over $5 million in revenue increased from 52 to 57 and those generating over $10 million in revenue increased from 27 to 35 in the same time period, and the percentage of total revenue from clients generating over $5 million in revenue increased from 84.1% to 86.7% and the percentage of total revenue from clients generating over $10 million in revenue increased from 73.6% to 78.8%, respectively. For more information, see the section captioned "Management's Discussion and Analysis of Financial Condition and Results of Operations" as well as the consolidated financial statements and related notes thereto included elsewhere in this report.

We believe we are well-positioned to execute our near- and long-term strategy of driving stockholder value by consistently growing revenues, improving operating margins, innovating our approach to solving critical client challenges and developing exceptional delivery talent.

Industry and Market Opportunity

Technology has become increasingly critical to differentiation across all industries. Enterprises are expected more than ever to provide their customers seamless digital experiences, cloud-enablement, and integration, curated, intuitive multi-channel experiences, universal integration with adjacent software offerings, data-driven analytics, and reliable AI. Each new generation of technology builds upon prior ones, and as the pace of innovation continues to accelerate and digitally native competitors capture market share, enterprises must constantly refresh their technology estates and remain nimble.

The challenges introduced by the COVID-19 pandemic demonstrate the necessity of accelerating digital transformation. Despite these trends, companies are nevertheless faced with significant challenges as they seek guidance in digital transformation. Companies have had to rapidly adopt robust digital offerings to engage with their customers virtually. Continued advancements in areas like AI, ML, RPA, IoT and the cloud are pushing the boundaries of how technology can disrupt traditional business models and deliver significant value.

Different industries are in different stages of their cloud and digital transformation journeys. Opportunities for digital transformation service providers exist in verticals that are undergoing significant technology shifts and have an ongoing need for deep engineering and domain expertise. We believe the increasing enterprise demand for next-generation technology will likely create even more reliance on digital transformation providers in the coming years. The following key trends are expected to drive growth in our industries:

- ***Banking, Financial Services, and Insurance.*** Disruptions from emerging financial technology players are driving significant changes in the digital customer experience — robo-advisors, mobile payments and loyalty programs are rapidly being adopted. Commercial banks are seeking to monetize digitized services through as-a-service models and financial technology players are collaborating with banking incumbents in an effort to develop all-encompassing "super-apps" for every financial need. Insurers are increasingly adopting no-code/low-code open platforms to compress application development cycles, improve efficiency and speed to market, and provide innovative offerings with usage-based pricing models.

- ***Communications and Technology.*** Rapid phantomization, cloudification, and IoT enablement are ubiquitous shifts that have been accelerated by COVID-19. 5G network adoption, along with distributed computing and artificial intelligence, are spurring organizations to offer next-generation applications.

- ***Media and Information.*** Wide penetration of smart devices, omnipresent connectivity, and the advent of media over-the-top players are significantly impacting the media industry. Mobile consumption of digital media continues to be the strongest driver of the internet advertising market across the globe. Gaming as-a-service, or cloud gaming, is a revolution that could redefine the gaming industry with the potential to eliminate the need for high-end and expensive hardware and to enable remote access to gaming content. The education sector is investing in virtual reality and artificial intelligence for content creation, new learning experiences, and intelligent tutoring systems.

- ***Healthcare and Life Sciences.*** Consumerism is on the rise in healthcare, driving providers to improve patient experience and outcomes through digitization. Operators are looking to automate clinical decision-making tools to improve efficiency, workflows, and patient outcomes. Consumers' desire for a more connected and personalized healthcare experience is evidenced by the advent of the wearable devices industry and a greater focus on pharmacogenomics. According to a 2020 survey conducted by Deloitte, 88% of healthcare executives predict wearable devices will be integrated with care delivery enabling more tailored and personalized virtual health experiences for consumers. Digital health and virtual care services will continue to be on the rise as hospitals leverage AI to monitor patients in real-time with quick risk identification and early clinical intervention. With consumers becoming more involved in their healthcare decisions, healthcare organizations have increasingly turned more consumer-centric and prioritized investments in customer engagement tools to enhance the patient experience. We are likely to continue seeing increased innovation in virtual care delivery models with more patients opting for the convenience and accessibility of at-home care and digital therapeutics.

Our Strengths

We believe we are well-positioned to capture an increasing share of the digital transformation market for the following reasons:

- **Founded with a product engineering mindset, driving digital transformation at scale.** Engineering excellence is in our DNA as we accelerate digital outcomes at scale with a holistic and agile approach. Our industry-specialized Squads leverage decades of industry knowledge, experience, methodologies, frameworks, tools and IP to anticipate potential market needs, work with our agile delivery teams to build next-generation solutions to meet those needs and cut time-to-market meaningfully, and work with our marketing and sales

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teams to commercialize and sell those solutions to clients. Our experienced enterprise architects provide consulting services to our clients to identify their problems and create a customized roadmap to enable our clients to become digital-first. To execute on that roadmap, we provide experienced, onshore engineering talent with domain expertise to our clients via our high-touch, client-centric model, enabling us to be an integral partner in our clients' digital transformation journeys. Our innovation centers focus on disruptive technologies such as AI, ML and IoT, and offer an ecosystem for clients to participate and innovate new solutions to address their business challenges. Additionally, we deliver solutions using cutting-edge technologies such as open API platforms, microservices frameworks and blockchain to enable organizations to collaborate with financial technology companies, health technology companies and other startup ecosystem players to co-innovate seamlessly. Our differentiation as a leading engineering firm is reflected in the recognition, we have received from various industry research firms, including being named a Star Performer in Artificial Intelligence Services PEAK Matrix® Assessment 2022 by Everest Group and a Leader in ER&D and Digital Engineering Services 2021 as part of Zinnov Zones Ratings.

- **Deep domain expertise in large and high-growth verticals.** We have more than 20 years of experience in large consumer-facing industries such as BFSI, C&T, HC&LS and M&I. Our Squads leverage our deep domain expertise, enabling us to offer significant breadth and depth of digital offerings to our clients to address the industry-specific challenges they face. Within each vertical, we have a comprehensive understanding of the entire value chain, as we hire industry experts to help our clients through their digital transformation journey.

  In BFSI, our open banking solution is a cloud-based financial services innovation platform that supports API banking, data science, and blockchain solutions. We have been recognized by key industry research firms for our digital engineering capabilities, including mobile, data, cloud, UX, microservices and AI, and robotics. We were recognized as a Major Contender in Platform IT Services in BFS PEAK Matrix Assessment 2022 by Everest Group.

  In C&T, we provide robust solutions in digital customer and marketing transformation, data analytics and cloud, and industry solutions and assets. Our 5G offerings bridge the domain and connectivity divide with our cross-functional team of experts. We collaborate with high-tech organizations to accelerate innovation, optimize costs and rapidly commercialize new technologies. We also empower independent software vendors to accelerate product innovation including product implementation and rollouts accelerating product launch time.

  In HC&LS, we help healthcare organizations, such as payers, providers, healthtech and government health, to provide care and meaningful impact on patients' lives and to meet competitive, regulatory, financial, and customer service requirements through our innovative digital healthcare IT solutions. We have an established pharmaceutical research and development ("R&D") lab to accelerate life sciences clients' journey from drug discovery to development through advanced data management and insights capabilities powered by AI/ML and big data. We were recognized as a Leader in Zinnov Zones 2020 RPA Services Ratings in the Healthcare Segment.

- **Long-tenured strategic relationships with blue-chip clients.** We serve 25 of the 60 largest companies in North America (based on revenue) as of March 31, 2023. Key clients include Fortune 500 companies and more than 159 active clients are Forbes Global 2000 companies. These clients are across many of our verticals including four of the top 10 banking and financial services companies, three of the top 10 communication companies, four of the top 10 technology companies, five of the top 10 insurance companies, three of the top 10 life sciences companies and six of the top 10 healthcare companies in North America as of March 31, 2023. We build long-term client relationships based on our global delivery model, strong partner ecosystem and continuous focus on client satisfaction, as demonstrated by an average tenure of more than 13 years across our top 10 clients by revenue for the fiscal year ended March 31, 2023. The size and scale of our client

base is reflected in our average revenue per active client of $6.6 million for the fiscal year ended March 31, 2023. Not only did we gain wallet share with top clients, but we also continued to accelerate revenue ramp-up in new accounts in the last fiscal year. Clients generating over $5 million increased from 52 clients in the fiscal year ended March 31, 2022 to 57 clients in the fiscal year ended March 31, 2023.

- **Scalable and agile global delivery footprint.** We have more than 31,000 professionals across 49 offices in 25 countries, enabling us to deliver digital transformation solutions across the globe. Our client-centric global delivery model leverages a highly efficient onshore to offshore service delivery mix along with proprietary tools and processes to manage and accelerate delivery, foster innovation and promote continuous improvement of outcomes. We also bring our Squads and deep domain experts as well as highly skilled senior talent to our client engagements. Our onshore and near-shore delivery mix accounted for 24.7% of total delivery in fiscal year ended March 31, 2023. At the same time, we also performed the majority of our work at our offshore global delivery centers, which allows us to provide value-added services rapidly and cost-effectively. We have a robust campus hiring and engagement strategy which allows us to hire some of the top talent early in their careers. We believe our COE hiring model and campus engagement have helped make us an employer of choice and a much sought after brand at engineering campuses for digital skills across India. We work with COEs across more than 85 colleges for campus hiring. We provide early exposure to digital engineering and focus on developing, upskilling and cross-skilling our team members. We also provide well-defined career paths, leadership and development programs, and various networking opportunities to drive talent retention.

- **Tech-enabled talent management and a strong culture of leadership and innovation.** Empowered with cutting edge tools and learning opportunities, our teams have the deep industry and technical expertise required to create holistic solutions that drive business forward, faster. Through EIQ, our competency framework, we have a transparent and comprehensive method of benchmarking skill levels for every technical employee based on internal and external feedback. We believe that our people are our biggest asset and that the majority of the leadership should grow from within. Retaining top talent is our priority and we have robust processes and procedures to drive retention. We use our proprietary Predictive Analytics Framework, a data driven predictive dashboard powered by AI, to proactively retain and engage talent. We aim to be a world-class home for top technology talent around the globe. We provide leadership and development programs and sponsor higher education at premier universities to upskill our employees. We employ a talent strategy by building the appropriate support structures and personalized journeys for Virtusans. We also provide long-term career visibility with well-defined career paths from campus to chief officer positions. Our HR policies can be adjusted based on individual cohorts, providing the most appropriate policies to drive talent retention. As a result of our above average ratings for candidate experience in recruiting and hiring, we have earned multiple awards from the Top Employers Institute and the Talent Board. We have also received the Great Place to Work certification and CandE award. Our culture, which is underpinned by our four "PIRL" values (Passion, Innovation, Respect and Leadership), further sets us apart and helps us to attract, recruit and retain some of the top industry talent.

- **Experienced leadership driving values and vision, strategy, and execution.** Our management team has an average tenure of more than 20 years in the industry and has led growth across our business, expansion into new verticals, new client wins, expansion of services with existing clients, and the successful integration of acquisitions. The team has built a strong foundation of trust coupled with innovation and ideation. We take pressing societal issues seriously. Virtusans believe in contributing to and working with society and being responsible citizens through our corporate social responsibility initiatives, including but not limited to Diversity, Equity and Inclusion ("DEI") Empowerment programs such as the SHE Shuttles Bus Services in Hyderabad for working female IT professionals, education programs such as Lab on Wheels, and community programs such as Rangalal Kunta Lake Restoration.

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Our Growth Strategies

We intend to drive our future growth by pursuing the following key strategies:

- **Expand relationships and grow revenue with existing clients.** We intend to focus on expanding existing client relationships and converting new engagements to long-term relationships to expand revenue streams from existing clients. Our account managers and delivery team work closely with our clients to develop a detailed understanding of their business objectives and technology environments and use this knowledge to identify and target additional consulting engagements and digital engineering opportunities. As we continue to increase our digital offerings and bring them to market, we expect to continue to grow alongside our clients who are accelerating their digital transformation journeys. Our clients include Fortune 500 companies, and more than 159 active clients are Forbes Global 2000 companies. We have high revenue visibility, with 98% of revenue in the fiscal year ended March 31, 2023 coming from clients to whom we had been providing services for at least one year. Our growth alongside our clients is demonstrated by our average revenue per active client which increased from $6.1 million to $6.6 million from the fiscal year ended March 31, 2022 to the fiscal year ended March 31, 2023. From the fiscal year ended March 31, 2022 to the fiscal year ended March 31, 2023, the number of clients generating over $5.0 million in revenue increased from 52 to 57, and the number of clients generating over $10.0 million increased from 27 to 35.

- **Win and establish new client relationships.** Our sales and marketing team intend to continue leveraging our digital offerings and domain capabilities to establish new client relationships, win new engagements with these clients, and further expand our client base. Our number of active clients increased from 263 as of March 31, 2022 to 280 as of March 31, 2023. We plan to continue to focus our client acquisition efforts on enterprises with substantial technology spend. We believe there are significant untapped opportunities to replicate our success and expand our digital offerings to win new clients across the verticals we have deep domain expertise in, such as BFSI, C&T and HC&LS as well as emerging verticals.

- **Further strengthening our partner ecosystem.** We plan to continue to foster a strong partner ecosystem and relationships of the highest tier with most of our strategic partners, which enhances our position to win key digital and cloud mandates and enables us to be an integral partner in our clients' digital transformation journeys. We have Global Elite status with PEGA, Gold status with Adobe and Summit status with Salesforce. We are an AWS Partner Network ("APN") Premier Differentiated Partner and have signed a Strategic Collaboration Agreement ("SCA") with AWS. We are also a Google MSP Premier Partner and a Microsoft Gold Cloud Partner. We intend to continue to grow by expanding our partnerships with the hyper-scalers.

- **Deepen strength across different geographies.** We intend to further strengthen our presence across different geographies through international expansion both organically and via opportunistic acquisitions. Our international expansion strategy is primarily based on an organic, vertical-based approach, complemented by strategic partnerships. From a geographic perspective, today we are primarily focused on expanding in North America and select European and Asian countries with the opportunity to expand globally. Our geographic mix has been diversifying with the revenue from Europe increasing from the fiscal year ended March 31, 2022 by 9.0%, or $27.3 million, to $330.2 million in the fiscal year ended March 31, 2023.

- **Selectively pursue strategic acquisitions.** We expect to continue to pursue opportunistic strategic acquisitions to expand our technology capabilities in areas like cloud, data analytics, and data science, and to expand vertical and geographic presence. We have a successful track record of integrating companies. For example, our 2018 acquisition of eTouch Systems Corp and eTouch Systems (India) Pvt. Ltd (together, "eTouch") has enhanced our digital engineering capabilities, domain expertise and client acquisition in different verticals.

Sponsor Acquisition

Virtusa Corporation was acquired by BPEA (rebranded to BPEA EQT) and certain co-investors, including the Canada Pension Plan Investment Board and GIC Special Investments Pte Ltd., an affiliate of Atago Investment Pte Ltd, in February 2021.

Corporate History and Information

Virtusa SuperHoldCo, Inc. was originally incorporated in Delaware in September 2020 in connection with the Sponsor Acquisition as Austin SuperHoldCo, Inc. We subsequently changed our name to Virtusa SuperHoldCo, Inc. in September 2022. Our principal executive offices are located at 132 Turnpike Road, Suite 300, Southborough, Massachusetts 01772 and our telephone number is (508) 389-7300. Our website is www.virtusa.com. Information contained on our website or that can be accessed through our website is not a part of, and is not incorporated by reference in, this report.

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RISK FACTORS

Investing in our common stock involves a high degree of risk. You should carefully consider all the information in this report, including the risks and uncertainties described below, the section titled "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and related notes included elsewhere in this report, before making an investment decision. If any of the events or developments described below were to occur, our business prospects, operating results, and financial condition could suffer materially The risks and uncertainties described below are not the only ones we face. Additional risks and uncertainties not presently known to us or that we currently believe to be immaterial may also adversely affect our business. Please also see "Forward-Looking Information."

Risks Related to our Business

Our revenue is highly dependent on a small number of clients, and the loss of, or material reduction in, revenue from any one of our major clients could significantly harm our results of operations and financial condition.

We have historically earned and believe that over the next few fiscal years we will continue to earn, a significant portion of our revenue from a limited number of clients. For the fiscal year ended March 31, 2023, 2022 and 2021, our top five clients accounted for approximately 40%, 39% and 41%, respectively, of our total revenue. For the fiscal year ended March 31, 2023, 2022 and 2021, Citigroup Technology, Inc. ("Citi") accounted for 16.4%, 17.2% and 18.5%, respectively, of our total revenue. The loss of, or material reduction in, revenue from any one of our major clients for any reason could materially reduce our total revenue, harm our reputation in the industry and/or reduce our ability to accurately predict our revenue, net income and cash flow. The loss of, or material reduction in, revenue from any one of our major clients could also adversely affect our gross profit as we seek to redeploy resources previously dedicated to that client. Generally, our clients retain us on a non-exclusive, engagement-by-engagement basis rather than under exclusive long-term contracts and may typically terminate or reduce our engagements without termination-related penalties. Accordingly, we cannot assure you that revenue from our major clients will not be significantly reduced in the future, including from factors unrelated to our performance or work product such as consolidation by or among our clients, or the acquisition of a client, decrease to a client's spending budget, or cost savings initiatives of our clients which may result in immediate lower external spend by our clients. Further, the loss of, or material reduction in, revenue from any one of our major clients has required us, and could in the future require us, to increase involuntary attrition. This could have a material adverse effect on our attrition rate and make it more difficult for us to attract and retain IT professionals in the future.

We may not be able to maintain our client relationships with our major clients on existing or on continued favorable terms and our clients may not renew their agreements with us, in which case our business, financial condition and results of operations would be adversely affected. Our client concentration may also subject us to perceived or actual leverage that our clients may have, given their relative size and importance to us. If our clients seek to negotiate their agreements on terms less favorable to us and we accept such unfavorable terms, such unfavorable terms may have a material adverse effect on our business, financial condition and results of operations. Accordingly, unless and until we diversify and expand our client base, our future success will significantly depend upon the timing and volume of business from our largest clients and the financial and operational success of these clients. If we were to lose one of our major clients or have a major client cancel substantial projects or otherwise significantly reduce its volume of business with us, our revenue and profitability would be materially reduced and our business and operating results would be seriously harmed.

We depend on clients concentrated in specific industries, such as BFSI; we are therefore subject to enhanced risks relating to developments affecting these clients and industries, such as the COVID-19 pandemic, that may cause them to reduce or postpone their IT spending.

In our fiscal year ended March 31, 2023, we derived substantially all of our revenue from clients in four industries: BFSI, C&T, M&I and HC&LS. During our fiscal year ended March 31, 2023, we earned approximately 59% of our revenue from clients in the BFSI industries. If any decline in the growth of the BFSI industries or large

clients in such industries, particularly in the BFS or insurance industry, occurs, or if there is a significant consolidation in these industries or a decrease in growth or consolidation in other industry verticals on which we focus, such events could materially reduce the demand for our services and negatively affect our revenue and profitability. If economic conditions weaken or slow due to the COVID-19 pandemic or otherwise, particularly in the industries in which we focus, our clients may significantly reduce or postpone their IT spending. Reductions in IT budgets, increased consolidation, or increased competition in these industries could result in an erosion of our client base and a reduction in our target market. Any reductions in the IT spending of companies in any one of these industries may reduce the demand for our services and negatively affect our revenue and profitability.

If we cannot attract and retain highly skilled IT professionals, our ability to obtain, manage and staff new projects and expand existing projects may result in loss of revenue and an inability to expand our business.

Our business is labor intensive and our ability to execute and expand existing projects and obtain new clients depends largely on our ability to hire, train and retain highly skilled IT professionals, particularly project managers, IT engineers and other senior technical personnel. The improvement in demand for global IT services has further increased the need for employees with specialized skills or significant experience in IT services, particularly at senior levels and those with special skills. Further, there is intense worldwide competition for IT professionals with the skills necessary to perform the services we offer. If we cannot hire and retain such additional qualified personnel, our ability to acquire, manage and staff new projects and to expand, manage and staff existing projects, may be materially impaired. We may then lose revenue and our ability to expand our business may be harmed. For example, our voluntary attrition rate for the fiscal year ended March 31, 2023 was 20.8%. We, and the industry in which we operate, generally experience high employee attrition and we cannot assure you that we will be able to hire or retain the number and quality of technical personnel necessary to satisfy our current and future client needs. We also may not be able to hire and retain enough skilled and experienced IT professionals to replace those who leave. Additionally, if we have to replace personnel who have left our company, we will incur increased costs not only in hiring replacements but also in training such replacements until they can become productive and billable to our clients. In addition, we may not be able to redeploy and retrain our IT professionals in anticipation of continuing changes in technology, evolving standards and changing client preferences. Our inability to attract and retain IT professionals, or delays or an inability to staff needed resources on client engagements, may cause client dissatisfaction, project and staffing delays in new and existing engagements, project cancellations, project losses, higher project costs and loss of revenue, resulting in decreases in profits and a material adverse effect on our business, results of operations, financial condition and cash flows.

The international nature of our business exposes us to many complex risks, which may be beyond our control.

We have operations in the United States, the United Kingdom, the Netherlands, India, Sri Lanka, Germany, Singapore, Austria, Hungary, Malaysia, Switzerland, Sweden, United Arab Emirates, Japan, Qatar, Mexico, Australia and Canada and we serve clients across North America, Europe and Asia. For the fiscal years ended March 31, 2023, 2022 and 2021, revenue generated outside of North America accounted for 27.5%, 28% and 26% of total revenue, respectively. Our corporate structure also spans multiple jurisdictions, with Virtusa SuperHoldCo, Inc. and Virtusa Corporation incorporated in Delaware and its operating subsidiaries organized in India, Sri Lanka, the United Kingdom, Hungary, Germany, Singapore, Austria, Malaysia, Sweden, Switzerland, Mexico, the Netherlands, Australia, the United Arab Emirates, Qatar, Japan and Canada. As a result, our international revenue and operations are exposed to risks typically associated with conducting business internationally, many of which are beyond our control. These risks include:

- the impact from the COVID-19 pandemic on our clients and their demand for IT services, our ability to provide uninterrupted IT services to our clients, and the global economy generally;
- changes in or interpretation of employment laws and regulations, including regulations requiring the withholding and contribution towards government sponsored employee benefit plans, including the provident fund and gratuity fund in India and Sri Lanka, with the amount of such contributions being

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determined by complex calculations which are subject to change and interpretation by the local governmental authorities; any changes or new interpretations to these regulations requiring us to increase our financial contributions to these plans (prospectively or retrospectively) could have a material adverse effect on our results of operations, financial condition and cash flows, including, for instance, the Code on Social Security, 2020, which was passed by Indian Parliament in September 2020 to rationalize labor laws and which broadens the definition of an employee and wages and liberalizes the definition of "continuous period" for the purpose of determining employee benefits, amongst others, could result in higher employer benefit and post retirement costs, including higher contributions by the Company towards the Provident Fund and Gratuity in India;

- economic, civil and political instability or uncertainty may increase in the countries in which we operate including, for instance, Sri Lanka, which is currently experiencing and may continue to experience civil and political unrest;
- negative currency fluctuations between the U.S. dollar and the currencies in which we conduct transactions, including most significantly, the U.K. pound sterling, the euro, the Indian rupee, the Singapore dollar, the Canadian dollar and the Australian dollar (in which our foreign revenues are principally denominated) and the Indian and Sri Lankan rupees (in which our foreign costs are primarily denominated);
- adverse income tax consequences resulting from foreign income tax examination, such as challenges to our transfer pricing arrangements and challenges to our ability to claim tax holiday benefits in the countries in which we operate;
- changes in tax laws or in their interpretation, enforcement or changes in economic policies;
- difficulties in staffing, managing and supporting operations in multiple countries;
- potential fluctuation or decline in foreign economies;
- unexpected changes in regulatory requirements, including immigration restrictions, potential tariffs and other trade barriers;
- legal uncertainty owing to the overlap of different legal regimes and problems in asserting contractual or other rights across international borders, including compliance with local laws of which we may be unaware;
- government currency control and restrictions on repatriation of earnings;
- the burden and expense of complying with the laws and regulations of various jurisdictions, including anti-bribery and anti-corruption laws and regulations;
- domestic and international economic or political changes, hostilities, terrorist attacks and other acts of violence or war; and
- government trade policies, including those which may impose restrictions, including prohibitions on the exportation, re-exportation, sale, shipment or other transfer of technology.

Negative developments in any of these areas in one or more countries could result in a reduction in revenue or demand for our services, the cancellation or delay of client contracts, business interruption, threats to our intellectual property, difficulty in collecting receivables and a higher cost of doing business, including higher taxes, any of which could negatively affect our business, financial condition or results of operations.

We continue to monitor the evolving situation in Russia and Ukraine, including the health and safety of our employees and contractors in nearby regions although we have no employees, infrastructure or operations in Ukraine or Russia. To date, we have not experienced any disruptions to our business; however, we cannot predict the long-

term effects of any disruptions caused by geo-political issues as circumstances or conflicts may change rapidly or escalate quickly. Should our suppliers or customers experience disruption, our business could be materially impacted.

Wage pressures and increases in government mandated benefits in India and Sri Lanka may reduce our profit margins.

Wage costs in India and Sri Lanka have historically been significantly lower than wage costs in the United States and Europe for comparably-skilled professionals. However, wages in India and Sri Lanka are increasing, which will result in increased costs for IT professionals, particularly project managers and other mid-level professionals. We may need to increase the levels of our team member compensation more rapidly than in the past to remain competitive without the ability to make corresponding increases to our billing rates. Compensation increases may reduce our profit margins, make us less competitive in pricing potential projects against those companies with lower cost resources and otherwise harm our business, operating results and financial condition.

In addition, we contribute to benefit funds covering our employees in India and Sri Lanka as mandated by the Indian and Sri Lankan governments. Benefits are based on the team members' years of service and compensation. If the governments of India and/or Sri Lanka were to legislate increases to the benefits required under these plans or mandate additional benefits, our profitability and cash flows would be reduced.

We may face a period of sustained inflation across all the major markets in which we operate that could result in higher operating costs.

Inflation has risen worldwide and the United States has recently experienced historically high levels of inflation. If the inflation rate continues to increase, it can also push up the costs of labor and our employee compensation expenses. There is no assurance that our revenues will increase at the same rate to maintain the same level of profitability, and any attempts to offset these cost increases with price increases may result in a reduction in sales, increase customer dissatisfaction or otherwise harm our reputation. Further, inflation and government efforts to combat inflation, such as raising benchmark interest rates, could increase market volatility and have an adverse effect on the financial market and general economic conditions. Inflationary pressure could also decrease our customers' willingness or ability to utilize our services or delay their payment for services we have already provided, all of which could have a material adverse effect on our business, financial condition or results of operations.

Adverse global economic conditions due to the COVID-19 pandemic have had, and are likely to continue to have, a material and adverse impact on our business and result in reduced revenues and profitability.

The ongoing global COVID-19 pandemic has caused and continues to cause significant loss of life and has resulted in curtailment of economic activities across the world as local administrations and governments seek to limit spread of the disease, including through lockdown policies, restriction on business activities and business shutdowns. Among other things, many of our and our clients' offices have been closed and employees have been working from home, and many customer-facing businesses have closed or are operating at a significantly lower capacity to observe various social distancing requirements and government-mandated COVID-19 protocols. This may adversely impact the demand for our offerings, our service delivery and our business in certain sectors, countries and service offerings.

Further, macroeconomic conditions caused by COVID-19 may result in financial difficulties for our clients, including limited access to the credit markets, insolvency or bankruptcy. Such conditions could cause clients to delay payment, request modifications of their payment terms, or default on their payment obligations to us, all of which could increase our receivables (including contract assets and unbilled receivables) and negatively impact our liquidity and cash generated from operations. Our operations have been affected and may continue to be affected by a range of external factors related to the COVID-19 pandemic that are not within our control, including the closure of many of our and our clients' facilities. The COVID-19 pandemic, particularly in India and other countries where we have near-shore or offshore delivery operations for clients and offices of clients where our employees normally work, may impact our ability to deliver services to clients. As many of our employees continue to work from home, we may be exposed to additional cyber attacks, including ransomware or other extortion-based attacks. If the COVID-19 pandemic continues

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to have a substantial impact on our employees', partners' or customers' attendance or productivity or employee morale, our results of operations and overall financial performance may be harmed, and the recoverable value of our assets may be significantly reduced, which may result in impairment loss. Moreover, it may be difficult to attract or retrain talent as social and economic conditions lead to an increased focus on factors such as benefits, mobility and flexibility which differ from what we offer. Addressing the significant challenges presented by the COVID-19 pandemic, including various business continuity measures and the need to enable work-from-home arrangements for many of our employees, has demanded significant management time and attention and strained other corporate resources.

The COVID-19 pandemic continues to evolve as countries are facing new outbreaks. The ultimate extent to which the pandemic impacts our business, liquidity, results of operations and financial condition will depend on future developments, which are highly uncertain and cannot be predicted at this time, including the effectiveness of vaccines, future mutations of the COVID-19 virus and any resulting impact on the effectiveness of vaccines, the duration and extent of the COVID-19 pandemic and waves of infection, travel restrictions and social distancing, the duration and extent of business closures and business disruptions and the effectiveness of actions taken to contain, treat and prevent the disease. To the extent the COVID-19 pandemic adversely affects our business, operations, financial condition and operating results, it may also have the effect of heightening many of the other risks described in this "Risk Factors" section, such as those relating to our high level of indebtedness, our need to generate sufficient cash flows to service our indebtedness, and our ability to comply with the covenants contained in the agreements that govern our indebtedness.

We may face difficulties in providing end-to-end business solutions or delivering complex and large projects for our clients that could cause clients to discontinue their work with us, which in turn could harm our business, results of operations and financial condition and cause our reputation and brand to suffer.

We have been expanding the nature and scope of our engagements and have added new service offerings across the industries we serve. The success of these service offerings depends, in part, upon continued demand for such services by our existing and prospective clients and our ability to meet this demand in a cost-competitive and effective manner. To obtain engagements for such end-to-end solutions, we also are more likely to compete with large, well-established international consulting firms, resulting in increased competition and pricing pressure. Accordingly, we cannot be certain that our new service offerings will effectively meet client needs or that we will be able to attract existing and prospective clients to these service offerings.

The increased breadth of our service offerings has resulted and may continue to result in larger and more complex projects with our clients. This requires us to establish closer relationships with our clients and achieve a thorough understanding of their operations. Our ability to establish such relationships depends on a number of factors, including the proficiency of our professionals and our management personnel. Our failure to understand our client requirements or our failure to deliver services that meet the requirements specified by our clients could damage our reputation and brand and result in termination of client contracts, client disputes and contractual claims against us, and we could be liable to our clients for significant penalties or damages, as well as legal and litigation costs if claims are not resolved amicably, each of which could have a material adverse effect on our business, results of operations and financial condition.

Larger projects often involve multiple engagements or stages, and there is a risk that a client may choose not to retain us for additional stages or may cancel or delay additional planned engagements. These terminations, cancellations or delays may result from factors that have little or nothing to do with the quality of our services, such as the business or financial condition of our clients or the economy generally. Such cancellations or delays make it difficult to plan for project resource requirements and inaccuracies in such resource planning and allocation may have a negative impact on our business, results of operations and financial condition.

Currency exchange rate fluctuations may materially and negatively affect our revenue, gross margin, operating margin, Adjusted EBITDA and cash flows.

The exchange rates among the Indian and Sri Lankan rupees and the U.S. dollar and the U.K. pound sterling, as well as the exchange rates between the U.S. dollar and the U.K. pound sterling, have changed substantially in prior periods and may continue to fluctuate substantially in the future. We expect that a majority of our revenue will continue to be generated in the U.S. dollar, U.K. pound sterling, Indian rupee, the Australian dollar, the Canadian dollar and the Singapore dollar for the foreseeable future. Any appreciation of the U.S. dollar against the U.K. pound sterling, the euro, the Indian rupee, the Singapore dollar, the Canadian dollar and/or the Australian dollar will likely have a negative impact on our revenue, operating income and Adjusted EBITDA.

Our operating results may be adversely affected by our use of derivative financial instruments.

Our financial results may be adversely affected by currency exchange rate fluctuations, and any efforts by us to engage in currency hedging activities may not be effective.

Although we have adopted a six-quarter cash flow hedging program to minimize the effect of any Indian rupee fluctuation on our financial condition, these hedges may not be effective or may cause us to forego certain potential benefits, especially given the volatility of the currency. If we are unable to accurately forecast our Indian rupee-denominated costs, we may lose our ability to qualify for hedge accounting. We cannot guarantee our ability to accurately forecast such expenses. Furthermore, we are exposed to foreign currency volatility related to other currencies including the Canadian dollar, the euro, the Singapore dollar, the Sri Lankan rupee, and the Australian dollar, which are either not hedged or not hedged in full. Any significant change as compared to the U.S. dollar could have a negative impact on our revenue, operating profit, and Adjusted EBITDA. Finally, as we continue to leverage our global delivery model, more of our expenses will be incurred in currencies other than those in which we bill for the related services. An increase in the value of these currencies, such as the Indian rupee or Sri Lankan rupee, against the U.S. dollar or U.K. pound sterling could increase costs for delivery of services at off-shore sites by increasing labor and other costs that are denominated in the respective local currency. In addition, we use interest rate swap agreements to hedge market risks relating to possible adverse changes in interest rates with the intent of reducing volatility in our cash flows due to fluctuations in interest rates. However, any swaps we enter into may not fully mitigate our interest rate risk, may prove disadvantageous or may create additional risks.

If our risk management, business continuity and disaster recovery plans are not effective and our global delivery capabilities are impacted, our business and results of operations may be materially adversely affected and we may suffer harm to our reputation.

Our business model is dependent on our global delivery capabilities, which include coordination between our delivery centers in India and Sri Lanka, our other global and regional delivery centers, the offices of our clients and our associates worldwide. System failures, outages, cyber-attacks and operational disruptions to our business or our clients may be caused by factors outside of our control, such as hostilities, political unrest, armed conflict or terrorist attacks, natural disasters (including events that may be caused or exacerbated by climate change), and public health emergencies and pandemics, such as the COVID-19 pandemic, affecting the geographies where our people, equipment and clients are located.

Our Indian and Sri Lankan facilities are also located in regions that are susceptible to tsunamis and flooding. Flooding and other natural disasters related to climate change may increase the risk of disruption of information systems and telephone services for sustained periods, particularly in coastal regions like Chennai, India or Colombo, Sri Lanka where we have large delivery centers. For instance, over the last five years, our operations and centers in Chennai, India and Colombo, Sri Lanka have been repeatedly affected by heavy rains and severe flooding even when we trigger our business continuity plans to try to mitigate the impact to our clients, employees and our business. Our risk management, business continuity and disaster recovery plans may not be effective at predicting or mitigating the effects of such disruptions, particularly in the case of catastrophic events or longer term, increasingly severe developments that occur as a result of climate change. Any such disruption may result in lost revenues, a loss of clients

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and reputational damage, which would have an adverse effect on our business, results of operations and financial condition. Further, our insurance coverage may not be sufficient to cover all such expenses. We also may be unable to secure such insurance coverage or to secure such insurance coverage at premiums acceptable to us in the future. Prolonged disruption of our services as a result of pandemics or natural disasters may alsocause our clients to terminate their contracts with us and may result in project delays, project cancellations and/or loss of substantial revenue to us. Prolonged disruptions may also harm our team members or cause them to relocate, which could have a material adverse effect on our business.

Regional conflicts or terrorist attacks and other acts of violence or war in the United States, the United Kingdom, India, Sri Lanka, or other regions could adversely affect financial markets, resulting in loss of client confidence and our ability to serve our clients which, in turn, could adversely affect our business, results of operations and financial condition. Similar to the impact caused by public health emergencies, pandemics or natural disasters, civil or political unrest and military hostilities or other acts of violence or war, including those involving India, Sri Lanka, the United States, the United Kingdom or other countries, may also adversely affect U.S., U.K. and worldwide financial markets. Terrorist threats, attacks and international conflicts could make travel more difficult and cause potential clients to delay, postpone or cancel decisions to use our services. Similar to the impact caused by pandemics or natural disasters, such attacks may also have an adverse impact on our ability to operate effectively and interrupt lines of communication and restrict our offshore resources from traveling onsite to client locations, effectively curtailing our ability to deliver our services to our clients. These obstacles may result in loss of revenue, an increase in our expenses, and a negative effect on our operating results.

Our net income and cash flow may decrease if the governments of the United States, the United Kingdom, the Netherlands, India, Sri Lanka, Germany, Singapore, Sweden or Hungary adjust the amount of our taxable income by challenging our transfer pricing policies or other related tax positions.

Our subsidiaries conduct intercompany transactions among themselves and with the U.S. parent company on an arm's-length basis in accordance with U.S. and local country transfer pricing regulations. The jurisdictions in which we operate could challenge our determination of arm's-length profit and issue tax assessments. Although the United States has income tax treaties with most countries in which we have operations, which should alleviate the risk of double taxation, the costs to appeal any such tax assessment and potential interest and penalties could decrease our earnings and cash flows.

The Indian taxing authorities issued assessment orders for the fiscal years ended March 31, 2004 to March 31, 2019 of our Indian subsidiary, Virtusa (India) Private Limited, now merged with and into our affiliate, Virtusa Consulting Services Private Limited and Virtusa Software Services Private Limited (referred to as "Virtusa India"). The most significant issue in these assessments was the redetermination of the arm's-length profit related to intercompany transactions. For fiscal years ended March 31, 2004 and 2005, we contested assessments for both years and also filed appeals with Indian tax authorities and U.S. competent authorities. While we have settled certain tax obligations for the fiscal years ended March 31, 2004 and 2005, we have appealed certain other tax related matters affecting our fiscal year ended March 31, 2004. We continue to appeal on various matters in other fiscal years' assessments with the Indian tax authorities. Assessments of approximately $27 million related to matters that are more likely than not to be sustained with the taxing authorities and therefore have not been recorded as liabilities in the Company's consolidated financial statements. Though we consider these cases favorable to us, if we do not prevail in our appeals, we may incur an additional legal liability and obligations to pay additional interest, penalties and costs related to such matters.

The U.K. tax authorities have contacted our U.K. subsidiary, Virtusa UK Limited, for the fiscal year ended March 31, 2018 to March 31, 2021, and we previously have settled certain tax obligations with the U.K. tax authorities for the fiscal years ended March 31, 2014, 2015, 2016 and 2017. At issue is primarily the redetermination of the arm's-length profit related to intercompany transactions. Based upon the results of any redetermination for any years

subsequent to March 31, 2017, we may incur an additional legal liability and obligations to pay additional interest and costs related to such matters and such amount may be material.

Our net income and cash flow may decrease if the governments of India or Sri Lanka levy new taxes or reduce or withdraw tax benefits and other incentives provided to us.

Virtusa India is an export-oriented company under the Indian Income-tax Act of 1961 and is entitled to claim tax exemption for each Software Technology Park ("STP"), which it operates. Virtusa India historically has operated STPs in Hyderabad and in Chennai. The income tax benefits of the STP in Hyderabad and Chennai expired on March 31, 2010 and 2011, respectively. Historically, however, substantially all of the earnings of both STPs qualified as tax-exempt export profits. Although we believe we have complied with and were eligible for the STP holidays, the government of India may deem us ineligible for the STP holiday or make adjustments to the profit level in previous tax years, subject to the applicable statute of limitations, which could result in additional legal liability, including obligations to pay additional taxes, penalties, interest and other costs arising out of such matter. For instance, the Indian taxing authorities issued an assessment order for the fiscal year ended March 31, 2007 against Virtusa India related to the denial of all STP benefits for our Chennai STP on the basis that the STP was formed by the splitting up or the reconstruction of our Hyderabad STP. This matter is currently pending before the High Court of Hyderabad.

We have filed appeals with the appropriate Indian tax authorities to appeal other years. We may incur additional legal liability and obligations to pay additional interest, penalties and costs related to such matter. We have appealed such assessments but we can make no assurance that our appeals will be successful.

We have significant Indian operations in areas designated as a Special Economic Zone ("SEZ") under the SEZ Act of 2005. In particular, we have built a facility on a 6.3-acre parcel of land in Hyderabad, India within an area designated as SEZ. In addition, we have leased space and operate in SEZ designated locations in Bangalore, Pune and Chennai, India. In 2019, the government of India introduced a new tax regime for certain Indian companies by enacting the Taxation Laws (Amendment) Act, 2019. The new tax regime is optional and provides for a lower tax rate for Indian companies, subject to agreeing to certain conditions, which, among other things, include not taking advantage of benefits from any tax holidays associated with SEZs and certain other tax incentives. Once a company has opted into the new tax regime, it may not in the future opt out. We adopted the new ordinance for the fiscal year beginning April 1, 2019. The new rates require the surrendering of any tax holidays and other attributes of which the Company historically was taking advantage of and favorably impacting our tax rate. Our election to opt into the new tax regime may materially increase our effective income tax rate. Similarly, if alternative minimum taxes are imposed by certain jurisdictions on otherwise exempt income, this may result in increases to our tax expense in future years. Additionally, the government of India may make adjustments to the transfer pricing profit levels resulting in an overall increase in our effective tax rate.

In addition, our Sri Lankan subsidiary, Virtusa Private Ltd., was approved as an export computer software developer by the Sri Lanka Board of Investment in 1998. The current corporate tax rate in Sri Lanka for IT and IT-enabled services is 0%. However, this rate may increase in the future, which may have a material impact on our financial statements and cash flows.

Certain of our deductions in India may be disallowed, which may have a material impact on our financial statements and cash flow.

Virtusa India has claimed certain tax deductions and benefits of foreign tax credits under the Indian Income-tax Act of 1961 and has complied with tax deduction at source as required thereunder. While we believe such deductions and benefits are proper, certain of these benefits have been or could be denied by the Indian tax authority on assessment and it is possible that the tax authority or courts if appealed could disallow such deductions, which may have a material impact on our financial statements and cash flow.

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Economic presence may be asserted in jurisdictions in which we are not registered, which may have a material impact on our financial statements and cash flow.

We endeavor to properly report measures of income tax and sales tax liability in all jurisdictions in which we are required by applicable law. However, it is possible that a jurisdiction could claim an economic presence in a jurisdiction in which we are not registered. This would require reporting of income or other taxes not previously reported, which may have a material impact on our financial statements and cash flow.

We actively evaluate acquisition opportunities, and future acquisitions may be difficult to integrate, and could divert the attention of key management personnel, materially disrupt our business and materially adversely affect our financial results, including impairment of goodwill and other intangible assets, if we are unable to realize the expected revenue and synergy growth or efficiencies from these acquisitions.

For our recent acquisitions, as well as any future acquisitions, we may incur substantial risks, including:

- diversion of financial resources from existing operations, including the need for funding sources and cash to pay purchase price or future contingent earn-out obligations;
- distraction for our management team;
- inability to generate sufficient revenue or revenue synergies growth to offset transaction costs or to maintain previous forecasts regarding revenue growth and margins;
- underperformance of the acquired company as compared to our forecasts, resulting in lower utilization, lower gross margins and operating margins, higher operating costs and lower profits from our previous forecasts;
- difficulties in integrating operations, technologies, accounting and personnel;
- difficulties in supporting and transitioning clients of our acquired companies or strategic partners;
- potential loss of key team members;
- assumption of responsibilities and obligations of the acquired business pursuant to the terms and conditions of services agreements that are not consistent with the terms and conditions that we typically accept and require; and
- unknown liabilities or liabilities for which indemnification may or may not apply and difficulties of recovering any indemnifiable losses.

Our global nature of operations could also make it difficult for us to efficiently integrate acquired businesses or technologies into our ongoing operations and assimilate employees of those businesses into our culture and operations. Accordingly, we might fail to realize the expected benefits or strategic objectives of any acquisition we undertake. Acquisitions also frequently result in the recording of goodwill and other intangible assets that are subject to potential impairments in the future that could harm our financial results. If we fail to successfully integrate acquired companies or any company or assets that we acquire fails to maintain their value, or if any existing or future acquired companies or assets materially fail to perform in a manner consistent with our valuations or forecasts, we may suffer an impairment of our assets, resulting in an immediate charge to our consolidated statement of income. Any such failure to integrate an acquired company, or any impairment of intangible assets or goodwill of any such acquired company or assets could have a material adverse impact on our consolidated balance sheet and consolidated statements of income.

Interruptions or delays in service from our third-party providers could impair our global delivery model, which could result in client dissatisfaction and a reduction of our revenue.

We depend upon third parties to provide a high-speed network of active voice and data communications 24 hours per day and various satellite and optical links between our global delivery centers and our clients. Consequently, the occurrence of a natural disaster, cyber-attack, or pandemic such as COVID-19 or other unanticipated problems with the equipment or at the facilities of these third-party providers could result in unanticipated interruptions in the delivery of our services. For example, we may not be able to always maintain active voice and data communications between our global delivery centers and our clients' sites due to disruptions in these networks, system failures or virus attacks. Any significant loss in our ability to communicate or any impediments to any IT professional's ability to provide services to our clients could result in a disruption to our business, which could hinder our performance or our ability to complete client projects in a timely manner. This, in turn, could lead to substantial liability to our clients, client dissatisfaction, loss of revenue and a material adverse effect on our business, our operating results and financial condition. We cannot assure you that our business interruption insurance will adequately compensate our clients or us for losses that may occur. Even if covered by insurance, any significant interruptions or delays in communication channels or failure or breach of security of our systems could damage our reputation and cause us to lose revenue.

Risks Related to our Industry and Competition

The IT services market is highly competitive and our competitors may have advantages that may allow them to compete more effectively to secure client contracts and attract skilled IT professionals.

The IT services market in which we operate includes a large number of participants and is highly competitive. Our primary competitors include next-generation digital IT service providers, global consulting and systems integration firms and offshore IT outsourcing firms. We also occasionally compete with in-house IT departments, smaller vertically focused IT service providers and local IT service providers based in the geographic areas where we compete. We expect additional competition from offshore IT outsourcing firms in emerging locations such as Eastern Europe and Latin America, as well as offshore IT service providers with facilities in less expensive geographies within India.

The IT services industry in which we compete is experiencing rapid changes in its competitive landscape. Some of the large consulting firms and offshore IT service providers with which we compete have significant resources and financial capabilities combined with a greater number of IT professionals. Many of our competitors are significantly larger and some have gained access to public and private capital or have merged or consolidated with better capitalized partners. These events have created and may in the future create larger and better capitalized competitors. Our competitors may have superior abilities to compete for market share and compete against us for business with our existing and prospective clients. Our competitors may also have larger engagements with our existing or prospective clients which, due to our size and scale, may provide our competitors with significant advantages in any competitive bidding process. Our competitors may also be better able to use significant economic incentives, such as lower billing rates or non-billable resources, to secure contracts with our existing and prospective clients or gain a competitive advantage by being able to staff engagements that we are unable to staff, due to our shortage of resources, our lack of special skill sets or immigration delays. Our competitors may also be better able to compete for and retain skilled professionals by offering them more attractive compensation or other incentives. These factors may allow our competitors to have advantages over us to meet client demands in an engagement requiring large numbers and varied types of resources with specific experience or skillsets that we may not have readily available in the short-term or the long-term. We cannot assure you that we can maintain or enhance our competitive position against current and future competitors. Our failure to compete effectively could have a material adverse effect on our business, financial condition or results of operations.

Negative public perception in the markets in which we sell services regarding offshore IT service providers and proposed anti-outsourcing legislation may adversely affect demand for our services.

We have based our growth strategy on certain assumptions regarding our industry, services and future demand in the market for such services. However, the trend to outsource IT services may not continue and could reverse. Offshore outsourcing is a politically sensitive topic in the United States and the United Kingdom. For example,

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recently many organizations and public figures in the United States and the United Kingdom have publicly expressed concern about a perceived association between offshore outsourcing providers and the loss of jobs in their home countries. In addition, there has been recent publicity about the negative experience of certain companies that use offshore outsourcing, particularly in India. Current or prospective clients may elect to perform such services themselves or may be discouraged from transferring these services from onshore to offshore providers to avoid negative perceptions that may be associated with using an offshore provider. Any slowdown or reversal of existing industry trends towards offshore outsourcing would seriously harm our ability to compete effectively with competitors that operate out of facilities located in the United States or the United Kingdom. Legislation in the United States or in certain European countries may be enacted that is intended to discourage or restrict outsourcing. Any changes to existing laws or the enactment of new legislation restricting offshore outsourcing in the United States or the United Kingdom may adversely affect our ability to do business in the United States or in the United Kingdom, particularly if these changes are widespread, and could have a material adverse effect on our business, results of operations, financial condition and cash flows.

Risks Related to Litigation and Regulation

We may face damage to our professional reputation and be subject to claims or litigation, resulting in high or unexpected costs, if our services do not meet our clients' expectations or violate contractual terms.

Many of our projects involve technology applications or systems that are critical to the operations of our clients' businesses and handle very large volumes of transactions. If we fail to perform our services correctly, we may be unable to deliver applications or systems to our clients with the promised functionality or within the promised time frame, or to satisfy the required service levels for support and maintenance. If a client is not satisfied with our services or products, including those of subcontractors we employ, we may not be able to invoice for our services, or if we do invoice, we may not be able to collect the fees due on such engagements and our business may suffer. Moreover, if we fail to meet our contractual obligations, our clients may terminate their contracts and we could face legal liabilities, and increased costs, including warranty or breach of contract claims against us. If we were not to prevail in the litigation, we may be required to refund all fees paid, reverse previously recognized revenues or pay damages suffered by the client which may exceed the value of the contract, despite limitation of liability provisions in the contract. If any adverse litigation or arbitration award were granted against us, we may not have reserved sufficiently (or at all, depending on the probability of outcome) for these losses and, as such, these losses could result in reversal of revenues or increased and unexpected financial losses which could have a material and negative impact on our statement of operations and cash position in the financial quarter and fiscal year in which the award was granted. Any failure in a client's project could also result in a claim for substantial damages, our inability to recognize all or some of the revenue for the client project, potential reversals of revenue previously recognized, non-payment of outstanding invoices, increased expenses due to increase in reserves for doubtful accounts, loss of future business with such client, increased costs due to non-billable time of our resources dedicated to address any performance or client satisfaction issues, or litigation costs and expenses, regardless of our responsibility for such failure.

Restrictions on immigration may affect our ability to compete for and provide services to clients in the United States, Europe (particularly in the United Kingdom, where our presence is substantial), or other countries, which could result in lost revenue, lower gross margins, delays in or losses of client engagements and otherwise adversely affect our ability to meet our growth, revenue and profit projections.

The vast majority of our team members are Indian and Sri Lankan nationals. The ability of our IT professionals to work in the United States, the United Kingdom and other countries depends on our ability to obtain the necessary visas and entry permits, including the H-1(B) visa in the United States. The U.S. government conducts a random lottery to determine which H-1(B) applications will be adjudicated that year. Increasing demand for H-1(B) visas, or changes in how the annual limit is administered, could limit our ability to access those visas. In recent years, the United States has increased the level of scrutiny in granting H-1(B), L-1 and other business visas. The H-1(B) visa classification enables U.S. employers to hire qualified foreign workers in positions that require an education at least equal to a four-year bachelor's degree in the United States in specialty occupations such as IT systems engineering

and systems analysis. The H-1(B) visa usually permits an individual to work and live in the United States for a period of up to six years. Under certain circumstances, H-1(B) visa extensions beyond the six-year period may be available. H-1(B) visa holders are required to be paid the higher of the actual wage or the prevailing wage for their position at the site of their employment.

In addition, there are strict labor regulations associated with the H-1(B) visa classification, including disclosure, attestations and document retention. Employers who are H-1(B) dependent (i.e. those with fifteen percent (15%) or more of their workforce on H-1(B) visas) are potentially subject to additional disclosures, attestations and subject to specific affirmative recruitment requirements if the employees they sponsor for H-1(B) visa do not qualify as "exempt" employees. An exempt employee is one who is either (a) paid an annual salary of at least $60,000 or (b) one who holds a masters or higher degree in a specialty occupation or field of study related to their employment. Virtusa is an "H-1(B) Dependent Employer." To avoid being subject to additional attestations, disclosures, and affirmative recruitment requirements, we do not sponsor employees for H-1(B) visas who make less than $60,000 per year. As an "H-1(B) Dependent Employer" our petitions are subject to greater scrutiny at the time of adjudication. All users of the H-1(B) program are subject to periodic site visits from the United States Citizenship and Immigration Services, or USCIS, to verify their compliance with immigration and Labor Regulations. In addition, the Wage and Hour Division of the United States Department of Labor may also conduct H-1(B) audits to verify compliance with labor regulations. A finding by the United States Department of Labor of willful or substantial failure by us to comply with existing regulations on the H-1(B) classification may result in back-pay liability, substantial fines, and/or a ban on future use of the H-1(B) program and other immigration benefits. We are users of the H-1(B) visa classification with respect to some of our key offshore workers who have relocated onsite to perform services for our clients. As a result of our H-1(B) Dependent Employer status, we are likely subjected to more site visits and a higher level of scrutiny by USCIS and the U.S. Department of Labor than Non-Dependent Employers, each of which can negatively impact or delay our ability to staff onsite projects with offshore resources.

From time to time, we are also subject to audit from immigration authorities across our global centers to ensure we are in compliance with applicable immigration law. We can give no assurance that our U.K. subsidiaries or any of our other global subsidiaries will not be subject to future audits or that such future audits will not result in future sponsorship license suspensions or that our ability to sponsor visas will not be restricted. If our ability to sponsor visas is suspended or terminated in any country in which we do business, our key project personnel may not be able to obtain necessary visas or work permits which could delay or prevent our fulfillment of certain client projects, which could hamper our growth and cause our revenue to decline. Any delays in staffing or inability to obtain proper resources for a project can result in project postponement, delays or cancellation, which could result in lost revenue and decreased profitability and have a material adverse effect on our business, revenue and profitability.

We also regularly transfer employees from our global subsidiaries, primarily those from India and Sri Lanka to the United States to work on projects and at client sites using the L-1 visa classification. The L-1 visa allows companies abroad to transfer certain managers, executives and employees with specialized company knowledge to related United States companies such as a parent, subsidiary, affiliate, joint venture, or branch office. We have an approved "Blanket L Program," under which the corporate relationships of our transferring and receiving entities have been pre-approved by the USCIS, thus enabling individual L-1 visa applications to be presented directly to a visa-issuing United States consular post abroad rather than undergoing the individual petition pre-approval process through USCIS in the United States. In recent years, both the United States consular posts that review initial L-1 applications and USCIS, which adjudicates individual petitions for initial grants and extensions of L-1 status, have become increasingly restrictive with respect to their interpretation of the regulations governing this category and all applications are subject to increased scrutiny. As a result, the rate of refusals of both individual and blanket L-1 petitions and of extensions has materially increased. In addition, even where L-1 visas are ultimately granted and issued, security measures undertaken by United States consular posts around the world have substantially delayed visa issuances as they are allowed the right to further scrutinize the visa and request additional supporting documentation. Any inability to bring, or delays in bringing, qualified technical personnel into the United States to

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staff on-site customer locations would have a material adverse effect on our client engagements, our business, results of operations and financial condition. Since 2010, U.S. immigration law has imposed enhanced filing fees on employers who are significantly dependent upon H-1(B) and L-1 visa holders. An employer whose overall count of full-time employee equivalents consists of 50% or more of individuals holding H-1(B) or L-1 visas are subject to an enhanced filing fee. That enhanced fee is $4,000 and $4,500 for each new H-1B or L-1 petition filed, respectively. While we closely monitor the visa makeup of our workforce in an attempt to minimize our exposure to such enhanced fees and when subject to them make efforts to recoup these costs either directly from our clients or indirectly through our billing rates, these enhanced fees, when applicable, have had a negative impact on our gross profit and overall cost of operations and may continue to do so. Further growth and increased demand for our services could make it increasingly difficult for us to avoid the payment of these fees, thus impacting our gross margins and overall profitability.

We also process immigrant visas for lawful permanent residence (green cards) in the United States for employees to fill positions for which there is an insufficient number of able, willing, and qualified United States workers available to fill the positions. Compliance with existing United States immigration and labor laws, or changes in those laws making it more difficult to hire foreign nationals or limiting our ability to successfully obtain permanent residence for our foreign employees in the United States, could require us to incur additional unexpected labor costs and expenses or could restrain our ability to retain the skilled professionals we need for our operations in the United States. Any of these restrictions or limitations on our hiring practices could have a material adverse effect on our business, results of operations and financial condition.

To the extent we experience delays due to immigration restrictions or inability to have visas granted to offshore personnel whether due to the COVID-19 pandemic (as a result of global travel restrictions or suspended or reduced consular services at certain posts or otherwise), increased levels of scrutiny or otherwise, we may encounter client dissatisfaction, project and staffing delays in new and existing engagements, project cancellations, project losses, higher project costs and loss of revenue, resulting in decreases in profits and a material adverse effect on our business, results of operations, financial condition and cash flows.

Changes in U.S. immigration law may increase our cost of revenue and may substantially restrict or eliminate our ability to obtain visas to use offshore resources onsite, which could have a material adverse impact on our business, revenue and profitability.

The issue of companies outsourcing services to organizations operating in other countries is a topic of political discussion in many countries, including the United States, which is our largest market. The U.S. Congress regularly considers proposals that could make extensive changes to U.S. immigration laws regarding the admission of high-skilled temporary and permanent workers. Any such proposal, if enacted, or policy change, if implemented, may increase our cost of doing business in the United States and may discourage customers from seeking our services. Our international expansion strategy and our business, results of operations and financial condition may be materially adversely affected if changes in immigration and work permit laws and regulations or the administration or enforcement of such laws or regulations impair our ability to staff projects with professionals who are not citizens of the country where the work is to be performed.

The potential risks and impact to our business if changes are made to immigration laws relating to use of H-1(B) and L-1 visas are approved could include:

- Reduced ability to bring in foreign workers on an L-1 or H-1(B)visa;
- Increased scrutiny and requests for proof of eligibility on the use of L-1 and H-1(B) visas;
- Higher costs, including wages and benefits, for H-1(B) and L-1 visa holders;
- Elimination of our ability to pay the living expenses of an L-1 visa holder on a tax-free basis; and

- Increased oversight by the Department of Labor over issuance, use and administration of L-1 visas, as the Department of Labor currently only oversees H-1(B) visas.

Even if we are able to apply for, or obtain, such visas, we could incur substantial delays and costs in processing any such requests and our costs of operations could materially rise, thus materially and negatively impacting our gross margins and our statement of income. Any inability to obtain, or extended delays in obtaining, these visas, or any delays or inability to hire resources for existing or future client projects could materially delay or prevent our commencement or fulfillment of client projects, which could hamper our growth and cause our revenue to decline.

In the European Union, countries have implemented regulations pursuant to EU Directive 2014/36/EU to harmonize immigration rules for intracompany transferees in most EU member states and to facilitate the transfer of managers, specialists and graduate trainees both into and within the region. The changes have had significant impacts on mobility programs and have led to new notification and documentation requirements for companies sending professionals to EU countries.

In addition, the United Kingdom's exit from the European Union on January 31, 2020 ("Brexit") has and could continue to lead to legal uncertainty and potentially divergent national laws and regulations between the United Kingdom and the European Union. Many of the regulations that now apply in the United Kingdom, including immigration laws and employment laws, could be amended in the future. Changes to U.K. immigration policy as a result of Brexit could adversely affect our business.

Recent changes or any additional adverse revisions to immigration laws and regulations in the jurisdictions in which we operate may cause us delays, staffing shortages, additional costs or an inability to bid for or fulfill projects for clients, any of which could have a material adverse effect on our business, results of operations and financial condition.

Any such delays or inability to staff needed resources on client engagements may cause client dissatisfaction, project and staffing delays in new and existing engagements, project cancellations, higher project costs and loss of revenue, resulting in decreases in profits and a material adverse effect on our business, results of operations, financial condition and cash flows.

We could be subject to strict restrictions on the movement of cash and the exchange of foreign currencies which could limit our access to cash in non-U.S. locations to fund our U.S. operations or otherwise make investments where needed.

In some countries, we could be subject to strict restrictions on the movement of cash and the exchange of foreign currencies, which would limit our ability to use this cash across our global operations. This risk could increase as we continue our geographic expansion in emerging markets, which are more likely to impose these restrictions than more established markets. We therefore may not have ready access to cash in geographies where we need to make investments. For instance, at March 31, 2023, we had approximately $221.4 million of cash, cash equivalents, short term investments and long-term investments of which we held approximately $183.5 million of cash, cash equivalents, short term investments and long-term investments in non-U.S. locations, particularly in India, Sri Lanka, Canada and the United Kingdom. Cash in these non-U.S. locations may not otherwise be available for servicing debt obligations, paying dividends, potential investment or use for operations in the United States or other geographies where needed, as we have stated that this cash is indefinitely reinvested in these non-U.S. locations. Moreover, even if we were to repatriate this cash back to the United States for use in U.S. investments, this cash could be subject to withholding taxes. Due to various methods by which cash could be repatriated to the United States in the future, the amount of taxes attributable to the cash is dependent on circumstances existing if and when remittance occurs and thus, it is not practicable to determine the amount of applicable taxes that would result from such repatriation. In addition, some countries could have tight restrictions on the movement and exchange of foreign currencies which could further limit our ability to use such funds for repayment of debt, payment of dividends, global operations or capital or other strategic

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investments. For example, Sri Lanka is experiencing a period of economic instability, which has led to a deterioration in foreign exchange rates, which may make it more difficult to pay our obligations. Our inability to access our cash where and when needed could impede our ability to service our debt obligations, pay dividends, make investments and support our operations.

Our global operations expose us to numerous and sometimes conflicting legal and regulatory requirements, and violation of these regulations could harm our business.

We are subject to numerous, and sometimes conflicting, legal regimes on matters as diverse as anti-corruption, import/export controls, content requirements, trade restrictions, tariffs, taxation, sanctions, immigration, internal and disclosure control obligations, securities regulation, anti-competition, data privacy and security, employment and labor relations. Some of these legal regimes are in emerging markets where legal systems may be less developed or familiar to us. Compliance with diverse legal requirements is costly, time-consuming and requires significant resources. Violations of one or more of these regulations in the conduct of our business could result in significant fines, criminal sanctions against us or our officers, prohibitions on doing business and damage to our reputation. Violations of these regulations in connection with the performance of our obligations to our clients also could result in liability for significant monetary damages, fines and/or criminal prosecution, unfavorable publicity and other reputational damage, restrictions on our ability to process information and allegations by our clients that we have not performed our contractual obligations. Due to the varying degrees of development of the legal systems of the countries in which we operate, local laws may not be well developed or provide sufficiently clear guidance and may be insufficient to protect our rights.

In particular, in many parts of the world, including countries in which we operate and/or seek to expand, it is possible that our employees, subcontractors or agents acting on our behalf in the local business community might not conform to international business standards and could violate anti-corruption laws or regulations, including the UK Bribery Act 2010 ("UKBA") and the U.S. Foreign Corrupt Practices Act ("FCPA"). The FCPA prohibits providing, offering, promising, or authorizing, directly or indirectly, anything of value to non-U.S. government officials, political parties, or candidates for political office for the purposes of obtaining or retaining business or securing any improper business advantage. The provisions of the UKBA extend beyond bribery of government officials and are broader than the FCPA in a number of other respects, including jurisdiction, non-exemption of facilitation payments and penalties. In particular, the UKBA (unlike the FCPA) also applies to the active payment of bribes to private persons (i.e. non-government officials) as well as the passive receipt of bribes. U.S. public companies are required to make and keep books and records that accurately and fairly reflect the transactions of the company and to devise and maintain an adequate system of internal accounting controls. Although we have policies and procedures in place that are designed to promote legal and regulatory compliance, our employees, subcontractors and agents acting on our behalf could take actions that violate these policies or procedures or applicable anti-corruption laws, regulations or standards. Violations of these laws or regulations by us, our employees or any of these third parties while acting on our behalf could subject us to criminal or civil enforcement actions (whether or not we participated or knew about the actions leading to the violations), including fines or penalties, disgorgement of profits and suspension or disqualification from work, any of which could materially adversely affect our business, including our results of operations and our reputation. Investigations into potential violations of applicable anti-corruption laws or non-compliance with our policies and procedures may result in significant diversion of management's attention and resources and significant defense costs and other professional fees.

In addition, our business must be conducted in compliance with applicable economic and trade sanctions laws and regulations, such as those administered and enforced by the U.S. Department of Treasury's Office of Foreign Assets Control, the U.S. Department of State, the U.S. Department of Commerce, the United Nations Security Council and other relevant sanctions authorities. Our global operations expose us to the risk of violating, or being accused of violating, economic and trade sanctions laws and regulations. Our failure to comply with these laws and regulations may expose us to reputational harm as well as significant penalties, including criminal fines, imprisonment, civil fines, disgorgement of profits, injunctions and debarment from government contracts, as well as other remedial measures.

Investigations of alleged violations can be expensive and disruptive. Despite our compliance efforts and activities, we cannot assure compliance by our employees or representatives for which we may be held responsible, and any such violation could materially adversely affect our reputation, business, financial condition and results of operations.

Moreover, our business at times provides services to fulfill government contracts (typically as a subcontractor). In providing those services, we are required to comply with applicable government contract requirements such as the United States Federal Acquisition Regulation. Our failure to comply with these laws and regulations may expose us to reputational harm, criminal prosecution, suspension and debarment, breach of contract actions, and civil false claims allegations (which can include civil penalties and treble damages) as well as other remedial measures. Investigations of alleged violations can be expensive and disruptive.

We may be audited by software vendors from whom we license or use their software to train our resources or serve our clients, which may result in claims for infringement, violations of license provisions, or other damages.

From time to time, we are subject to audit by our vendors from whom we license and use software to confirm compliance with usage and deployment requirements. If, as a result of these audits or otherwise, vendors believe that we have committed usage or deployment violations, we may be required to purchase additional license rights for existing software we are using and/or new software from these vendors, and we may be subject to claims of infringement or wrongful usage which may result in legal liability to us, including damages, legal fees and expenses. In addition to legal liability and related expense of any litigation, which may include damages and the obligations to purchase software from such software vendor, we may be prevented from using the vendor's software in the future which may have a material and negative impact on our ability to service our customers, provide training to our IT professionals and generally perform our services.

We may face liability if we breach our obligations related to the protection, security, or nondisclosure of confidential client information or disclosure of sensitive data or failure to comply with data privacy and security laws and regulations.

In the course of providing services to our clients, we may have access to confidential client information, including personal information. We are bound by certain agreements to use and disclose this information in a manner consistent with the privacy and security standards under regulations applicable to our clients and are also directly subject to numerous U.S. and foreign regulations designed to protect this information. These regulations include various U.S. federal and state laws governing the protection of health or other individually identifiable information, including the Health Insurance Portability and Accountability Act, as amended ("HIPAA"), the Gramm-Leach-Bliley Act ("GLBA"), and the California Consumer Privacy Act, as amended by the California Privacy Rights Act (together, the "CCPA"), as well as international laws such as the European Union General Data Protection Regulation 2016/679 and applicable national supplementing laws (collectively, the "EU GDPR") and the United Kingdom General Data Protection Regulation and Data Protection Act 2018 (collectively, the "UK GDPR") (the EU GDPR and UK GDPR together referred to as the "GDPR"). If any person, including a team member of ours, misappropriates client confidential information, or if client confidential information is inappropriately disclosed due to a security breach of our computer systems, system failures or otherwise, or if a security breach occurs on a project on which we are engaged, we may have substantial liabilities to our clients or our clients' customers and may incur substantial liability and penalties in connection with any violation of applicable privacy laws and/or criminal prosecution. In addition, in the event of any breach or alleged breach of our confidentiality agreements with our clients, these clients may terminate their engagements with us or sue us for breach of contract, resulting in the associated loss of revenue and increased costs and damaged reputation. We may also be subject to civil or criminal liability if we are deemed to have violated applicable regulations. We cannot assure you that we will adequately address the risks created by the regulations to which we may be contractually obligated to abide.

In addition, as a global service provider with customers in a broad range of industries, we often have access to or are required to manage, utilize, collect and store sensitive data subject to various regulatory regimes, including

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but not limited to federal, state and international laws governing the protection of personal financial and health data, including HIPAA, GLBA, the CCPA and the GDPR. HIPAA imposes privacy, security and breach notification obligations on certain covered entities, as well as their business associates that perform certain services that involve creating, receiving, maintaining or transmitting "protected health information" for or on behalf of such covered entities, while the GLBA regulates, among other things, the use of certain information about individuals ("non-public personal information") in the context of the provision of financial services. The CCPA and the GDPR impose comprehensive data privacy compliance obligations in relation to our and/or our clients' collection, processing, sharing, disclosure, transfer and other use of data relating to individuals. If unauthorized access to or disclosure of such data in our possession or control occurs or we otherwise fail to comply with applicable laws and regulations in this regard, we could be exposed to civil or criminal enforcement actions and penalties in connection with any violation of applicable data privacy and security laws, as well as lawsuits brought by our customers, our customers' customers, their clients or others for breaching contractual confidentiality and security provisions or data privacy and security laws. Laws and expectations relating to data privacy and security continue to evolve in ways that may limit our access, use and disclosure of sensitive data, and may require increased expenditures by us or may dictate that we not offer certain types of services.

Further, many of our agreements with our clients do not include any limitation on our liability to them with respect to breaches of our obligation to keep the information we receive from them confidential. Although we have general liability insurance coverage, including coverage for errors or omissions, there can be no assurance that coverage will continue to be available on reasonable terms or will be sufficient in amount to cover one or more large claims, or that the insurer will not disclaim coverage as to any future claim. The successful assertion of one or more large claims against us that exceed available insurance coverage or changes in our insurance policies, including premium increases or the imposition of large deductible or co-insurance requirements, could have a material adverse effect on our business, results of operations and financial condition.

Some of our client contracts contain restrictions or penalty provisions that, if triggered, could result in lower future revenue and decrease our profitability.

We have entered in the past, and may in the future enter, into contracts that contain restrictions or penalty provisions that, if triggered, may adversely affect our operating results. For instance, some of our client contracts provide that, during the term of the contract and for a certain period thereafter ranging from six to twelve months, we may not use the same personnel to provide similar services to any of the client's competitors. This restriction may hamper our ability to compete for and provide services to clients in the same industry. In addition, some contracts contain provisions that would require us to pay penalties or liquidated damages to our clients if we do not meet pre-agreed service level requirements. If any of the foregoing were to occur, our future revenue and profitability under these contracts could be materially harmed.

Our contractual limitations on liability with our clients and third parties may not be enforceable.

Under a majority of our agreements with our clients, our liability for breach of certain of our obligations is generally limited to actual damages suffered by the client and is typically capped at the greater of an agreed amount or the fees paid or payable to us for a period of time under the relevant agreement. These limitations and caps on liability may be unenforceable or otherwise may not protect us from liability for damages. In addition, certain liabilities, such as claims of third parties for which we may be required to indemnify our clients or liability for breaches of confidentiality, are generally not limited under those agreements. Our agreements are governed by laws of multiple jurisdictions, therefore the interpretation of such provisions, and the availability of defenses to us, may vary, which may contribute to the uncertainty as to the scope of our potential liability. In addition, many of our agreements with our clients do not include any limitation on our liability to them with respect to breaches of our obligation to keep the information we receive from them confidential.

Risks Related to Information Technology and Intellectual Property

We may be subject to intellectual property infringement, misappropriation or violation claims, which may subject us to legal liability, harm our reputation, prevent us from offering some services to our clients or distract management.

We and our clients face the risk of claims by others that our services or the deliverables that we develop and create for our clients infringe, misappropriate or otherwise violate the intellectual property rights of third parties. As the number of patents, copyrights and other intellectual property rights in our industry increase, we believe that companies in our industry will face more frequent infringement claims. These claims may harm our reputation, distract management, increase costs and prevent us from offering some services to our clients. Any claims of intellectual property infringement, even those without merit, could be expensive and time consuming to defend, and there can be no assurance that we will be successful in defending against these allegations or in reaching a business resolution that is satisfactory to us.

Historically, for work product we create for and the services and solutions we provide to our clients, we have generally agreed to indemnify our clients for all expenses and liabilities resulting from claims of infringement of intellectual property rights of third parties based on the deliverables and services that we have performed and provided to our clients. In some instances, the amount of these indemnities may be greater than the revenue we receive from the client. In addition, as a result of intellectual property disputes, including litigation, we may be required to stop incorporating or using products that use or incorporate any intellectual property that is alleged to be infringed. We may be required to obtain a license or pay a royalty to make, sell or use the relevant technology from the owner of any intellectual property that is alleged to be infringed. Such licenses or royalties may not be available on commercially reasonable terms, or at all. We may also be required to redesign our services or change our methodologies so as not to use any such intellectual property, which may not be technically or commercially feasible and may cause us to expend significant resources. Subject to certain limitations, under our indemnification obligations to our clients, we may also have to provide refunds to our clients to the extent that we must require them to cease using any deliverable that is alleged to infringe if we are unable to provide a work-around or acquire a license to permit use of any such deliverable that we had provided to them as part of a service engagement. If we are obligated to provide any such indemnification or make any such refunds, or dedicate time to provide alternatives or acquire a license to any intellectual property that is alleged to infringe, our business and financial condition could be materially adversely affected.

Our intellectual property rights may be difficult to enforce, which could enable others to copy or use aspects of our services without compensating us and any such unauthorized use of our intellectual property could negatively affect our business.

Our success depends, in part, upon our ability to protect our proprietary methodologies, trade secrets and other intellectual property. We rely upon a combination of trade secrets, confidentiality policies, non-disclosure agreements, other contractual arrangements and copyright, patent, and trademark laws to protect our intellectual property rights. Even where we obtain intellectual property protection, our intellectual property rights may not prevent or deter third-party infringement, and we may not be effective in enforcing our intellectual property against such third parties. Further, the laws of India and Sri Lanka, areas in which we have a substantial presence, do not protect intellectual property rights to the same extent as those of the United States and we may be unsuccessful in protecting our intellectual property rights. Unauthorized use of our intellectual property rights may result in loss of clients and increased competition. Efforts to enforce our intellectual property rights can be extremely expensive, time consuming and unpredictable.

We have registered or applied to register our trademarks in the United States and foreign jurisdictions. However, occasionally, third parties may have already registered similar or identical marks for products or features for businesses similar to ours. As we rely in part on brand names and trademark protection to enforce our intellectual property rights, efforts by third parties to limit use of our brand names or trademarks and registration of brand names and trademarks in various countries may restrict our ability to promote and maintain a cohesive brand throughout our key markets. There can also be no assurance that pending or future U.S. or foreign trademark applications will be

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approved in a timely manner or at all, or that such registrations will effectively protect our brand names and trademarks. If we are unable to protect our brand names and trademarks, our business and financial condition could be adversely affected.

We utilize third party open-source software components in some of the deliverables we develop and create for our clients, and failure to comply with the terms of the underlying open-source software licenses could subject us or our clients to possible litigation.

We use open-source software in some of the solutions we deliver to our clients, and we expect to continue to use open-source software in the future. The use and distribution of open-source software is accompanied by the risk that open-source licensors generally do not provide warranties, indemnification or other contractual provisions regarding the quality of the code or intellectual property infringement claims protections. To the extent that our deliverables depend upon the successful operation of open-source software, any undetected errors or defects in this open-source software could prevent the deployment or impair the functionality of such technologies and injure our reputation. Additionally, we or our clients could be subject to third party claims asserting ownership of, or demanding release of, the open-source software or derivative works that we developed using such software, or otherwise seeking to enforce the terms of the applicable open-source license. Such claims could result in litigation and/or substantial costs to defend andresolve.

We may not be able to obtain, develop or implement new systems, infrastructure, procedures and internal controls that are required to support our operations, maintain cost controls, market our services and manage our relationships with our clients.

To manage our operations and growth effectively, we must continue to maintain and may need to enhance our IT infrastructure, financial and accounting systems and internal controls and manage expanded operations in several locations. Further, we will need to manage our relationships with various clients, vendors and other third parties. We may not be able to develop and implement on a timely basis, if at all, the systems, infrastructure, procedures and controls required to support our operations, including infrastructure management, and controls regarding usage and deployment of hardware and software, for performance of our services. Any failure by us to comply with these controls or our contractual obligations could result in legal liability to us, which would have a negative impact on our consolidated statements of income and consolidated balance sheets. Our future operating results will also depend on our ability to develop and maintain a successful sales organization and processes that can ensure our ability to effectively monitor, manage and forecast our sales activities and resource needs. If we are unable to manage our operations effectively, our operating results could fluctuate from quarter to quarter and our financial condition could be materially adversely affected. If we do not continue to maintain and/or develop and implement the right processes and tools to manage our enterprise, our ability to compete successfully and achieve our business objectives could be impaired.

Cyber-attacks, as well as improper disclosure or control of personal information, could result in liability and harm our reputation, which could adversely affect our business and results of operations.

Our business is heavily dependent on the security of our IT networks and those of our clients. Internal or external attacks on any of those could disrupt the normal operations of our engagements and impede our ability to provide critical services to our clients, thereby subjecting us to liability under our contracts. Additionally, our business involves the use, storage and transmission of information about our employees, our clients and customers of our clients. While we take measures to protect the security of, and unauthorized access to, our systems, as well as the privacy of personal and proprietary information, it is possible that our security controls over our systems, as well as other security practices we follow or those systems of our clients into which we operate and rely upon, may not prevent the improper access to or disclosure of personal information or proprietary information. Such disclosure could harm our reputation and subject us to liability under our contracts and laws that protect personal information, resulting in increased costs or loss of revenue.

Cyber security incidents, data or asset losses, or breaches of our security measures could result in:

- unauthorized access to our sites, networks and systems;
- unauthorized access to and misappropriation of personal information, including customers' and employees' personal information, or other confidential or proprietary information of ours or our third parties;
- viruses, worms, spyware, or other malware being served from our sites, networks or systems;
- interruption, disruption or malfunction of operations;
- costs relating to breach remediation, deployment or training of additional personnel and protection technologies, responses to governmental investigations, and media inquiries and coverage;
- engagement of third-party experts and consultants; and
- litigation, regulatory action and other potential liabilities.

In addition, ransomware attacks, including those from organized criminal threat actors, nation-states, and nation-state supported actors, are becoming increasingly prevalent and severe, and can lead to significant interruptions in our operations, loss of data and income, reputational loss, diversion of funds, and may result in fines, litigation and unwanted media attention. Extortion payments may alleviate the negative impact of a ransomware attack, but we may be unwilling or unable to make such payments due to, for example, applicable laws or regulations prohibiting payments. If any of these breaches of security or other incidents occur, our reputation and brand could be damaged.

While we maintain cyber insurance that may help provide coverage for these types of incidents, we cannot ensure that our existing insurance coverage will continue to be available on acceptable terms or at all, or will be adequate to cover costs and liabilities related to these incidents, or that the insurer will not deny coverage as to any future claim.

Risks Related to Our Indebtedness

We have incurred substantial indebtedness and we may not generate sufficient cash flow from operations to meet our debt service requirements, continue our operations and pursue our growth strategy and we may be unable to raise capital when needed or on acceptable terms.

As of March 31, 2023, we and our subsidiaries had approximately $1,601.3 million aggregate principal amount of debt outstanding under our existing credit facility, consisting of a $588.0 million from the initial term loan (the "Original Term Loan B") and a $663.3 million from the second term loan (the "Incremental Term Loan" and, together with the $350 million in Senior Notes. Additionally, we have $162.5 million of unutilized borrowing capacity (less outstanding letters of credit, if any) under the Revolving Credit Facility. Our substantial level of indebtedness increases the risk that we may be unable to generate cash sufficient to pay amounts due in respect of our indebtedness, pay dividends and to fund our general corporate and capital requirements. Our substantial level of indebtedness increases the risk that we may be unable to generate cash sufficient to pay amounts due in respect of our indebtedness, pay dividends and to fund our general corporate and capital requirements. The substantial indebtedness of us and our subsidiaries could have important consequences to our investors, including:

- a substantial portion of our cash flow from operations must be dedicated to the payment of principal and interest on our debt, thereby reducing the funds available to us for other purposes;
- our ability to satisfy our obligations with respect to the Senior Secured Credit Facilities and the Senior Notes may be adversely affected;
- our ability to make loans and investments or engage in acquisitions without issuing additional equity or obtaining additional debt financing may be impaired in the future;

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- our ability to obtain additional financing for working capital, capital expenditures, acquisitions, debt service requirements or general corporate purposes may be impaired in the future;
- our ability to pay dividends may be restricted;
- our flexibility may be limited in planning for, or reacting to, changes or challenges relating to the business we conduct;
- we may be more vulnerable to general adverse economic and industry conditions;
- we may be at a competitive disadvantage compared to our competitors who have less debt or comparable debt at more favorable interest rates and who, as a result, may be better positioned to withstand economic downturns or to finance capital expenditures or acquisitions;
- our costs of borrowing may increase; and
- we may be unable to refinance our debt on terms as favorable as our existing debt or at all.

The occurrence of any one of these events could have an adverse effect on our business, financial condition, results of operations and ability to satisfy our obligations under our indebtedness. We may not be able to access capital on acceptable terms, raise additional capital in the future, or make effective capital allocation decisions, which could result in our inability to achieve operational objectives. Any disruption in access to capital could require us to take measures to conserve cash until alternative credit arrangements or other funding for business needs can be arranged. Such measures could include deferring capital expenditures, acquisitions or other discretionary uses of cash, or revising capital allocation decisions.

The agreements and instruments governing our debt contain restrictions and limitations that could significantly impact our management's flexibility and our financial and operational flexibility to operate our business.

Restrictive covenants in our Senior Secured Credit Facilities place limits on our ability to conduct our business. Covenants in our Senior Secured Credit Facilities include those that restrict our ability to:

- incur additional indebtedness and guarantee indebtedness;
- pay dividends on our capital stock or redeem, repurchase or retire our capital stock or our other indebtedness;
- make investments, loans and acquisitions (including joint ventures);
- create restrictions on (i) the payment of dividends or other amounts to us from our restricted subsidiaries that are not guarantors and (ii) the ability of Virtusa Corporation, its parent and the subsidiary guarantors to incur liens on property for the benefit of the lenders under our Senior Secured Credit Facilities;
- engage in certain transactions with our affiliates;
- sell, transfer or otherwise dispose of assets, including capital stock of our subsidiaries;
- enter into sale and leaseback transactions;
- materially alter the business we conduct;
- engage in mergers or consolidations;
- create or incur liens;
- prepay, redeem or repurchase any subordinated debt;
- designate our subsidiaries as unrestricted subsidiaries; and

- change the passive holding company status of certain parent companies of Virtusa Corporation.

In addition, with respect to the Revolving Credit Facility, the documentation governing our Senior Secured Credit Facilities requires us to maintain, as of the last day of each four fiscal quarter period, a maximum consolidated first lien net leverage ratio only if, as of the last day of any fiscal quarter, revolving loans under the Revolving Credit Facility (excluding undrawn letters of credit up to $15.0 million and other letters of credit that have been cash-collateralized or otherwise backstopped) are outstanding in an aggregate amount greater than 35% of the total commitments under the Revolving Credit Facility at such time. The financial maintenance covenant is subject to customary equity cure rights and may be amended or waived with the consent of the lenders holding a majority of the commitments under the Revolving Credit Facility. Our Senior Secured Credit Facilities also contain certain customary affirmative covenants, negative covenants and events of default, including upon a change of control.

The indenture governing the Senior Notes (the "Senior Notes Indenture") contains covenants that, among other things and subject to certain exceptions, restrict our ability and the ability of our restricted subsidiaries to:

- incur additional indebtedness and guarantee indebtedness and issue certain disqualified stock or preferred stock;
- pay dividends on capital stock or redeem, repurchase or retire our capital stock;
- make investments, loans and acquisitions (including joint ventures);
- create restrictions on the payment of dividends or other amounts to the issuers from their respective restricted subsidiaries that are not guarantors;
- engage in certain transactions with our affiliates;
- sell, transfer or otherwise dispose of assets, including capital stock of our subsidiaries;
- engage in mergers, consolidations or sell all or substantially all of our assets;
- create or incur liens;
- prepay, redeem or repurchase any subordinated debt; and
- designate the issuers' subsidiaries as unrestricted subsidiaries.

The Senior Notes Indenture also contains certain customary affirmative covenants and events of default.

These restrictions may prevent us from taking actions that we believe would be in the best interest of our business and may make it difficult for us to execute our business strategy successfully or effectively compete with companies that are not similarly restricted. We may also incur future debt obligations that might subject us to additional restrictive covenants that could affect our financial and operational flexibility.

Our ability to comply with the covenants and restrictions contained in the Senior Secured Credit Facilities and the Senior Notes Indenture may be affected by economic, financial and industry conditions beyond our control. The breach of any of these covenants or restrictions could result in a default under the Senior Secured Credit Facilities and the Senior Notes Indenture that would permit the applicable lenders or noteholders, as the case may be, to declare all amounts outstanding thereunder to be due and payable, together with accrued and unpaid interest. In addition, such a default or acceleration may result in the acceleration of any other debt to which a cross-acceleration or cross-default provision applies. If we are unable to repay debt, lenders having secured obligations under our Senior Secured Credit Facilities could proceed against the collateral securing the debt. In any such case, we may be unable to borrow under our Revolving Credit Facility and may not be able to repay the amounts due under our Senior Secured Credit Facilities or the Senior Notes Indenture. This could have serious consequences to our financial condition and results of operations and could cause us to become bankrupt or insolvent.

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We rely on cash generated from our operating activities as our primary source of liquidity. To support our operations, execute our growth strategy as planned and pay dividends, if declared, we will need to continue generating significant amounts of cash from operations, including funds required to pay our employees, related benefits and other operating expenses, finance future acquisitions and invest in the growth of our business. If our business does not generate sufficient cash flow from operations to fund these activities, and if sufficient funds are not available under our Revolving Credit Facility, we may need to seek additional capital, including by incurring additional debt or equity capital. Additional capital may not be available to us on acceptable terms or at all. In addition, incurring indebtedness requires that a portion of cash flow from operating activities be dedicated to interest and principal payments. Debt service requirements could reduce our ability to use our cash flow to fund operations and capital expenditures, to capitalize on future business opportunities, including additional acquisitions, or to pay dividends. Any of these risks could materially adversely affect our business, results of operations or financial condition.

Despite our indebtedness level, we and our subsidiaries may be able to incur substantially more debt, including secured debt. This could further exacerbate the risks associated with our substantial indebtedness.

We and our subsidiaries may be able to incur substantial additional indebtedness in the future. Although the terms of our Senior Secured Credit Facilities and the Senior Notes Indenture contain restrictions on the incurrence of additional indebtedness, such restrictions are subject to a number of significant exceptions and qualifications and *any* additional indebtedness incurred in compliance with such restrictions could be substantial. These restrictions also will not prevent us from incurring obligations that do not constitute indebtedness. If we and our subsidiaries incur significant additional indebtedness or other obligations, the related risks that we face could increase, and we may not be able to meet all our debt obligations.

Our variable rate indebtedness subjects us to interest rate risk, which could cause our debt service obligations to increase significantly.

Borrowings under our Senior Secured Credit Facilities are at variable rates of interest and expose us to interest rate risk. If interest rates increase, our debt service obligations on the variable rate indebtedness will increase even though the amount borrowed remained the same, and our net income and cash flows, including cash available for servicing our indebtedness, will correspondingly decrease. Our current and any future interest rate swaps may not fully mitigate our interest rate risk or, as with any hedging arrangement, may create additional risks.

In addition, the interest rate applicable to the Original Term Loan B is based upon a fluctuating rate of interest determined by reference to the London Interbank Offered Rate ("LIBOR"). On November 30, 2020, the ICE Benchmark Administration ("IBA"), the administrator of LIBOR announced plans to consult on ceasing publication of USD LIBOR on December 31, 2021 for only the one week and two-month USD LIBOR tenors, and on June 30, 2023 for all other USD LIBOR tenors.

In connection with the discontinuation of LIBOR, the Alternative Reference Rates Committee, which was convened by the Board of Governors of the Federal Reserve System and the Federal Reserve Bank of New York, has recommended a benchmark replacement waterfall known as the Secured Overnight Financing Rate ("SOFR"), which is calculated using short-term repurchase agreements backed by Treasury securities. In anticipation of LIBOR's phase-out, the Original Term Loan B provides for an alternative base rate, as well as a transition mechanism for selecting a benchmark replacement rate for LIBOR, with such benchmark replacement rate to be mutually agreed with the administrative agent. The replacement of LIBOR with SOFR or another alternative rate or benchmark may adversely affect interest rates and result in higher borrowing costs. This could adversely affect our results of operations, cash flow and liquidity.

General Risk Factors

Our quarterly financial position, revenue, operating results and profitability are challenging to predict and may vary from quarter to quarter.

Our quarterly revenue, operating results and profitability have varied in the past and are likely to vary significantly from quarter to quarter in the future. The factors that are likely to cause these variations include:

- deterioration and decline in general economic, industry and/or market conditions stemming from unanticipated force majeure, global disaster or pandemic events, such as COVID-19;
- unanticipated contract or project terminations, or reductions in scope or size of IT engagements;
- the continuing financial stability and growth prospects of our clients;
- our ability under GAAP to recognize the revenue associated with the services performed in the applicable fiscal period due to many factors, including having enforceable rights and obligations with our clients for such periods or our ability to produce the deliverables or meet the project milestones in accordance with agreed upon specifications or timelines in the applicable fiscal period and achieve revenue recognition under GAAP;
- the number, timing, scope and contractual terms of IT projects in which we are engaged;
- delays in project commencement or staffing delays due to immigration issues or our inability to assign appropriately skilled or experienced personnel;
- our ability to obtain visas or applicable work permits for offshore personnel to commence projects at a client site for new or existing engagements;
- the accuracy of estimates of resources, effort, time and fees required to complete fixed-price projects and costs, effort and time incurred in the performance of each project;
- changes in pricing in response to client demand and competitive pressures;
- our inability to manage the optimum mix of onsite and offshore staffing or required use of subcontractors;
- the mix of leadership and senior technical resources to junior engineering resources staffed on each project;
- unexpected changes in the utilization rate of our IT professionals;
- inability to collect our receivables from, or bill our unbilled services to, our clients due to our performance or client financial difficulties or client satisfaction with our performance, resulting in deferral of revenue recognition under GAAP, delays in collection and/or negative impact on our cash flows;
- the ratio of fixed-price contracts to time-and-materials contracts;
- employee wage levels and increases in compensation costs, including timing of promotions and annual pay increases, particularly in India and Sri Lanka;
- acquisitions, including transaction-related costs and write-downs from future impairments of identified intangible assets and goodwill, and other one-time, non-recurring projects;
- regulatory developments in the United States, the United Kingdom, India, Sri Lanka or other countries in which we operate or have clients;
- litigation involving our company, our general industry or both;
- tax rate unpredictability; and
- foreign currency volatility.

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As a result, our revenue and our operating results for a particular period are challenging to predict and may decline in comparison to corresponding prior periods regardless of the strength of our business. Our future revenue is also challenging to predict because we derive a substantial portion of our revenue from fees for services generated from short-term contracts that may be terminated or delayed by our clients without penalty. In addition, a high percentage of our operating expenses, particularly related to salary expense, rent, depreciation expense and amortization of purchased intangible assets, are relatively fixed in advance of any particular quarter and are based, in part, on our expectations as to future revenue. If we are unable to predict the timing or amounts of future revenue accurately, we may be unable to adjust spending in a timely manner to compensate for any unexpected revenue shortfall and fail to meet our forecasts. Unexpected revenue shortfalls may also decrease our gross margins and could cause significant changes in our operating results from quarter to quarter. As a result, and in addition to the factors listed above, any of the following factors could have a significant and adverse impact on our operating results, could result in a shortfall of revenue and could result in losses to us:

- a client's decision not to pursue a new project or proceed to succeeding stages of a current project;
- the completion during a quarter of several major client projects, resulting in our having to pay underutilized team members in subsequent periods;
- adverse business decisions of our clients regarding the use of our services;
- our inability to transition team members quickly from completed projects to new engagements;
- our inability to manage costs, including personnel, infrastructure, facility and support services costs; and
- exchange rate fluctuations.

Due to the foregoing factors, it is possible that in some future periods our revenue and operating results may not meet the expectations of investors.

Certain data and information in this report were obtained from third-party sources that are subject to certain uncertainties and limitations. If the estimates and assumptions we use to determine the size of our target market are inaccurate, our future growth rate may be impacted and our business could be harmed.

This report contains certain data and information, including regarding our industry and market share, that have been derived from third-party publications and reports that we have not independently verified. Data and information contained in such third-party publications and reports is collected using methodologies that vary based on the source and are subject to certain uncertainties and limitations. As a result, the market opportunity estimates and growth forecasts contained in this report are subject to uncertainty and are based on data and assumptions that may prove to be incomplete or inaccurate. If the estimates and assumptions we use to determine the size of our target market are inaccurate, our future growth rate may be impacted and our business could be harmed. Even if the market in which we compete meets our size estimates and forecasted growth, our business could fail to grow at similar rates, if at all.

Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis of our financial condition and results of our operations should be read together with our consolidated financial statements and related notes to consolidated financial statements included elsewhere in this Annual Report. The following discussion contains forward-looking statements. Actual results may differ significantly from those projected in the forward-looking statements. Factors that might cause future results to differ materially from those projected in the forward-looking statements include, but are not limited to, those discussed in "Risk Factors" and elsewhere in this Annual Report.

For a discussion of our results of operations for the fiscal year ended March 31, 2022, including a year-to-year comparison between fiscal year ended March 31, 2022 and March 31, 2021 refer to Part I, "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our Annual Report for the fiscal year ended March 31, 2022.

Overview

Virtusa is a leading digital transformation partner primarily serving Forbes Global 2000 enterprises. We combine a highly consultative approach with full-stack digital engineering capabilities, deep industry domain knowledge, and cutting-edge technology expertise to create holistic solutions that rapidly drive businesses forward. Our active clients include 280 of the leading businesses across banking, financial services, and insurance ("BFSI"); communications and technology ("C&T"); media and information ("M&I"); and healthcare and life sciences ("HC&LS"). We drive digital transformations for these clients by helping them deliver new revenue streams, compelling end-user experiences, and modern cloud-based infrastructures. Our approach to digital transformation revolves around our industry-specialized digital offering squads ("Squads") and globally distributed agile delivery teams. Squads comprise thought-leading strategists and architects who envision and design new digital offerings, work with delivery teams to scale and commercialize reusable solutions and frameworks, and collaborate with clients to implement modern, sustainable digital solutions. We are home to 31,610 professionals, or "Virtusans," across 49 offices in 25 countries, and we have built a strong culture that is rooted in our core values, our dedication to pressing societal issues, and our technology-enabled, data-driven approach to employee development.

Over the course of our history, we have earned the privilege to drive digital transformation for enterprises. After BPEA EQT's acquisition of Virtusa in February 2021, we commenced a comprehensive transformation to create a more resilient company with a renewed focus on digital services delivered with greater efficiency and agility, enhanced growth, increased revenue visibility, and the potential for greater earnings power. Key elements of our transformation include hiring an exceptional senior leadership team, focusing on faster-growth, premium digital offerings, reorganizing and simplifying the business, optimizing our go-to-market approach, and driving talent engagement as well as retention among other initiatives.

Our Business Model

We generate revenue by providing digital transformation services to clients located primarily in North America and Europe. Our heritage as a leading product engineering firm drives our approach to digital transformation and helps us develop long-term relationships with enterprise clients. Our billing rates reflect the strategic value our clients place on our services, personnel requirements across capabilities (Consulting & Design, Digital Engineering, Cloud and Optimization & Automation), market competition, geographic location in which we perform our services and industry vertical. We provide digital transformation services on either a time and materials or a fixed price basis. For the fiscal year ended March 31, 2023, the percentages of revenue from time and materials and fixed price contracts were 52% and 48%, respectively, and for the fiscal year ended March 31, 2022, the percentages of revenue from time and materials and fixed price contracts were 52% and 48%, respectively. Deploying a technical go-to-market approach often in collaboration with key partners, we deliver enterprise customers long-term digital engineering solutions that

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are integral to executing a digital transformation roadmap. Our approach enables us to achieve both a higher fixed price contract mix and higher revenue per client versus peers.

Revenue from services provided on a time and materials basis is derived from the number of billable hours in a period multiplied by contractual billing rates. Revenue from services provided on a fixed price basis is either recognized over time as customers receive and consume the benefits of services, in the case of fixed-price applications management, maintenance or support engagements, or otherwise is typically recognized as efforts are expended generally on an input method. We find that our clients generally purchase on the basis of total value, rather than on minimum cost. However, in our fixed price contracts, we manage client engagements with operational excellence, optimizing delivery efficiency to drive profitability and managing shifting business requirements, thereby driving strong operating leverage.

Our services are performed at offshore facilities, nearshore facilities, or at on-site client locations. Effort, in terms of the percentage of hours billed to clients by on-site resources, was 24.7% and 24% of total hours billed in the fiscal years ended March 31, 2023 and March 31, 2022, respectively, while the revenues from resources located on-site and offshore accounted for 57% and 43%, respectively, for the fiscal year ended March 31, 2023 and 58% and 42%, respectively, for the fiscal year ended March 31, 2022. We strive to manage our client engagements to a targeted 25% to 75% on-site to offshore service delivery mix.

For the fiscal year ended March 31, 2023 and the fiscal year ended March 31, 2022:

- For the fiscal year ended March 31, 2023, we generated $1,851.7 million in revenue, an increase of 15.7% from the $1,601.0 million in revenue we generated for the fiscal year ended March 31, 2022
- Our net income was $72.3 million for our fiscal year ended March 31, 2023 compared to a net income of $55.2 million for our fiscal year ended March 31, 2022.

Key Factors Affecting Our Performance

We believe that our future performance will depend on many factors, including the following:

Retaining and Expanding Our Existing Client Relationships

We focus on developing long-term strategic relationships with enterprises that have high potential technology spend, in attractive industry verticals in which digital transformation is increasingly critical to competitive differentiation. For the fiscal year ended March 31, 2023, BFSI, C&T, HC&LS and M&I and other industry groups accounted for 59%, 20%, 15% and 6% of our revenue, respectively, and for the fiscal year ended March 31, 2022, we generated 56%, 21%, 15%, and 8% of our revenue from clients in BFSI, C&T, HC&LS and M&I and other industry groups, respectively. We have a history of retaining and expanding our relationships with clients. We see high repeat business as demonstrated by our long-tenured client relationships. Our top 10 clients by revenue for the fiscal year ended March 31, 2023 have been clients for an average of more than 13 years. During the fiscal year ended March 31, 2023, 2022 and 2021, 98%, 97% and 97% of our revenue, respectively, was derived from clients who had been using our services for more than one year, yielding a revenue retention rate for the fiscal year ended March 31, 2023 of 112% as compared to March 31, 2022. We calculate revenue retention rate as the current period revenue from clients for who we have delivered work and derived more than $25 thousand in revenue during the prior period over the prior period revenue from those same clients. Importantly, we believe our share of wallet is a small percentage of our top clients' overall technology spend and we have grown our share with these clients. In the fiscal year ended March 31, 2023, 2022 and 2021, 57, 52 and 41 clients, respectively, generated more than $5.0 million in revenues, and 35, 27 and 23 clients, respectively, generated more than $10.0 million in revenues. For those same periods, clients generating over $5.0 million in revenues accounted for 86.7%, 84.1% and 78.7%, respectively, of total revenue, and clients generating over $10.0 million in revenues accounted for 78.8%, 73.6% and 68.3%, respectively, of total revenue. The strategic value of our work is reflected by our high average revenue per active client of $6.6 million, $6.1 million, and $5.0 million for

fiscal year ended March 31, 2023, 2022 and 2021. Our ability to increase our revenue from existing client relationships depends on a number of factors, including the level of our clients' satisfaction with our services, changes in clients' strategic priorities, changes in key client personnel, pricing, competition, and overall economic conditions.

Adding New Client Relationships

Our growth is also dependent upon our ability to develop new client relationships and we believe there are significant untapped opportunities to win new clients across our industry verticals, as digital transformation remains in the early stages of the investment cycle. We have implemented an offering-led go-to-market model, whereby our Squads assess the market and identify and commercialize solutions to proactively address our clients' rapidly changing digital needs. We believe this approach will increase our speed to market and allow us to more effectively acquire new enterprise clients. In addition, we have fostered a strong partner ecosystem with some of the leading technology platforms which allow us to share sales leads, develop joint account plans and engage in joint marketing activities. We had 280 active clients as of March 31, 2023 as compared to 263 as of March 31, 2022. As we have added new client relationships, our client concentration has reduced over time. We define active clients as the sum of active accounts at the opening of the period plus new clients less inactive clients, with new clients defined as those generating at least $30 thousand in revenue in the most recent quarter with at least $500 thousand in revenue forecasted in the next four quarters and inactive clients being those with no revenue over the past five quarters, including the current quarter and the previous four quarters. Revenue from our top 10 clients accounted for 55% of our revenue for our fiscal year ended March 31, 2023 as compared to 54% of our revenue for our fiscal year ended March 31, 2022 and 55% of our revenue for our fiscal year ended March 31, 2021. Our ability to establish new client relationships with enterprises and technology disruptors depends on continuing to foster relationships with key strategic decision makers in the executive suite, delivering differentiated design and innovation insights, leveraging our flexible global delivery platform and expanding existing and new potential partner channels.

Expanding our Technical Capabilities and Service Offerings

We are a strategic digital partner gaining deeper mindshare with the IT and business executives with which we work. In 2022, we began rolling out Squads across our service offerings and revamped our innovation centers. Squads leverage decades of industry knowledge, experience, methodologies, frameworks, tools, and IP to anticipate market needs, work with our agile delivery teams to build next-generation solutions to meet those needs, and work with our sales and marketing teams to commercialize and sell those solutions. Through our innovation centers, we work with clients and leading technology partners to co-create ready-to-deploy frameworks and solutions such as the Open Innovation Platform, vPaaC, InsightLive, SmartALM, Triple-R and vLife, which harness the power of the AI, ML, RPA and IoT to solve our clients' most pressing business needs. Our ability to continue delivering holistic, cutting edge digital transformations for our clients depends on continuing to invest in our Squads and innovation centers to expand our technical and engineering capabilities and domain expertise. This requires us to continue hiring, training, and retaining high quality talent, deepening our capabilities within our existing industry verticals and researching and developing new, innovative technology solutions.

Optimizing Our Global Delivery Platform

Our earnings growth depends on our ability to continue expanding and optimizing our delivery network. We deploy an integrated delivery model that is rooted in our deep product and platform engineering heritage and utilizes a blend of onshore and offshore talent. We intend to continue adding nearshore delivery centers — to capture market share for digital work that requires close client collaboration — and to scale and diversify our offshore delivery footprint to increase efficiency and minimize delivery risk. We have grown our network of delivery centers, including large global delivery centers in India and Sri Lanka supported by nearshore centers in Halifax, Canada and Warsaw, Poland including our innovation centers. We strive to maintain 25% of our delivery resources onshore, to maintain close proximity to our clients, allowing us to better understand their business challenges and digital needs. Overall, as of March 31, 2023, 10% of our employee base is in North America and 90% is in Europe, the Middle East, Australia and Asia. Importantly, we have centralized our delivery model, including our service lines, competency centers, and

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workforce management practices, which we believe will unlock further efficiencies going forward. We are focused on continuing to tap into global talent, expanding our nearshore delivery footprint and diversifying our global talent pool.

Attracting, Training and Retaining Highly Skilled Talent

We have carefully cultivated Virtusa as a sought-after home for high quality technology talent. We take a technology-enabled, data-driven and personalized approach to attracting, training, and retaining talent. For example, to establish a pipeline of talent, in India and Sri Lanka, we have partnered with colleges to establish "Centers of Excellence" ("COEs") whereby we develop an IT curriculum, support and train the colleges' faculties and award sponsorships. Ensuring that Virtusans are constantly sharpening their skills and are maximizing their career potential is a top priority for us. Our Engineering IQ ("EIQ") framework provides an objective, gamification-based model that assesses each Virtusan's digital capabilities and develops custom learning plans based on their career goals. Our retention philosophy is based on maximizing employee engagement through multiple platforms that include conducting mobile enabled, AI powered surveys (InMyOpinion and MyThoughts). Our predictive analytics framework leverages machine learning to predict potential voluntary attrition and provides data to help managers identify and proactively address any issues hindering employee engagement. During the fiscal years ended March 31, 2023, 2022, and 2021, our voluntary attrition rate was 20.8%, 23.1%, and 13.8%, respectively. The surge in demand for technology talent following the COVID-19 pandemic has led to higher than ordinary attrition across industries globally and we expect our attrition rate to remain elevated in the near term. Over time, however, we expect our attrition rate to normalize as the supply of skilled workers in the geographies and markets in which we operate adjusts to meet demand and our career development and employee engagement programs continue to mature. Our ability to effectively recruit, develop and retain talent depends on multiple factors, including the experience we are able to provide to our professionals, the strength of our brand in local recruiting markets, our compensation and rewards practices, our deep relationships with universities and partners from which we recruit talent, the appeal of our platform to potential Virtusans, our focus on our award-winning culture and the success of our in-house training programs.

Business Update Regarding COVID-19

During our 2021 Predecessor Period, 2021 Successor Period and fiscal year 2022, the global pandemic related to COVID-19 caused business disruption and presented challenges worldwide. The majority of the COVID-19 impact on our business was seen in the first quarter of fiscal year 2021, following a slowdown in new business pipeline, elongated client decision making cycles and project delays as certain clients were addressing the initial challenges of the pandemic. As a result, our revenue declined by 5.6% in the first quarter of the fiscal year ended March 31, 2021 (Predecessor) as compared to the first quarter of fiscal year ended March 31, 2020 and decreased by 0.6% for the fiscal year ended March 31, 2021 as compared to the fiscal year ended March 31, 2020. We began to experience a return to normalized activity levels in the third quarter of the fiscal year ended March 31, 2021 (Predecessor). Our total revenue grew 3.3% in the third quarter of the fiscal year ended March 31, 2021 (Predecessor) as compared to the third quarter of the fiscal year ended March 31, 2020 and 22.7% in the fiscal year ended March 31, 2022 as compared to the fiscal year ended March 31, 2021 driven by increased demand for digital services from both new and existing clients. We experienced increased momentum by enhancing the breadth and depth of our digital offerings as clients accelerated digital transformation, as well as further sector and geographic diversification into verticals such as HC&LS and geographies such as Europe. For more information on risks relating to COVID-19, see "Risk Factors — Risks Related to our Business — Adverse global economic conditions due to the COVID-19 pandemic have had, and are likely to continue to have, a material and adverse impact on our business and result in reduced revenues and profitability."

For the fiscal year ending March 31, 2024, we expect the following factors, among others, to affect our business and our operating results:

- Demand from our clients, particularly for solutions and outsourcing services;
- Demand from our clients for solutions and services that drive cost efficiencies, intelligent automation, and offshoring development;
- Our ability to leverage our deep domain expertise to provide digital transformational solutions across our industry groups;
- Discretionary spending by our clients potentially being negatively affected by COVID-19 and macroeconomic factors;
- Uncertainty regarding regulatory changes, including potential regulatory changes with respect to immigration and taxes;
- Increases in wages and other costs, including as a result of attrition; and
- Foreign currency volatility.

Successor and Predecessor Combined Period Compared to the Fiscal Year Ended March 31, 2022

We believe reviewing our operating results for the fiscal year ended March 31, 2021 by combining the results of the 2021 Predecessor Period and 2021 Successor Period is more useful in discussing our overall operating performance when compared to the 2022 Successor Period.

The combined results for the fiscal year ended March 31, 2021, which we refer to herein as the results for the "fiscal year ended March 31, 2021" represent the sum of the reported amounts for the 2021 Predecessor Period and the 2021 Successor Period. These combined results are not considered to be prepared in accordance with GAAP and have not been prepared as pro forma results per applicable regulations.

Debt and Recent Developments

On December 23, 2022, the Company entered into Amendment No. 3 to the credit agreement entered into on February 11, 2021 with Bank of America, N.A., and other lenders (the "Credit Agreement"). Amendment No. 3 to the Credit Agreement was entered into to increase the revolving commitments available under the Credit Agreement from $125.0 million to $162.5 million and replace the LIBOR reference rate with the SOFR reference rate and margins applicable to term loans and revolving loans outstanding under the Credit Agreement from time to time. No other terms or conditions of the Credit Agreement were changed as a result of the Amendment.

At March 31, 2023, the total outstanding amounts under the Term Loan and Senior Notes were $1,251.3 million and $350.0 million, respectively. As of March 31, 2023, the weighted average interest rate on the Term Loan and Senior Notes was 8.14%.

The Credit Facility is secured by substantially all of the Company's assets, including all intellectual property and all securities in domestic subsidiaries (other than certain domestic subsidiaries where the material assets of such subsidiaries are equity in foreign subsidiaries), subject to customary exceptions and exclusions from the collateral. All obligations under the Credit Facility are unconditionally guaranteed by Virtusa HoldCo, Inc., as well as substantially all of the Company's material direct and indirect domestic subsidiaries, with certain exceptions. These guarantees are secured by substantially all

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of the present and future property and assets of the guarantors, with certain exclusions. At March 31, 2023, the Company is in full compliance with all covenants set forth in its Credit Facility.

Human Capital

At March 31, 2023, we had 31,610 employees, or team members. Our human capital development framework is aligned to our ability to hire, retain and grow which allows us to invest in the development of our team members in a focused manner, while keeping our team members culturally anchored to our core values. We are able to accomplish this by focusing our people management strategy on six key components: recruiting, performance management, training and development, employee engagement and communication, as well as compensation and retention. The principal purposes of our cash incentive plans are to attract, retain and reward personnel through the issuing of cash-based compensation awards, in order to increase the value and success of our company by motivating such individuals to perform to the best of their abilities and achieve our objectives. We measure our team members performance by certain key performance areas, their self-development, their teamwork and their impact on our overall organization.

Financial Overview

For the fiscal year ended March 31, 2023, we had revenue of $1,851.7 million, and income from operations of $218.4 million. In our fiscal year ended March 31, 2023, our revenue increased by $250.7 million, or 15.7%, to $1,851.7 million, as compared to $1,601.0 million in our fiscal year ended March 31, 2022. Our net income increased from $55.2 million in our fiscal year ended March 31, 2022 to $72.3 million in our fiscal year ended March 31, 2023.

The key drivers of the increase in revenue in our fiscal year ended March 31, 2023, as compared to our fiscal year ended March 31, 2022, were as follows:

- Broad-based revenue growth primarily from our BFSI industry group
- Strong revenue growth across clients, primarily driven by our top ten clients
- General improvement in business conditions and client demand, as clients focus on digital transformation and automation
- Broad based revenue growth across all geographies, partially offset by the depreciation in U.K. pound sterling against U.S. dollars

The key drivers of increase in net income in our fiscal year ended March 31, 2023, as compared to our fiscal year ended March 31, 2022, were as follows:

- Broad-based revenue growth primarily from our BFSI industry group
- Increase in realized pricing and an increased leverage of operating expenses across a growing revenue base
- Decrease in cash compensation expense related to acceleration and payment of outstanding unvested equity awards in connection with the Sponsor Acquisition

partially offset by:

- Increase in compensation to our global employees
- Increase in our subcontractor costs
- Increase in interest expense related to an increase in our outstanding debt under our Credit Facility

- Increase in income tax expense during the fiscal year ended March 31, 2023

For the fiscal years ended March 31, 2023, 2022 and 2021, we generated 56%, 58% and 56%, respectively, of revenue from application outsourcing and 44%, 42% and 44%, respectively, of revenue from consulting services. We perform our services under both time-and-materials and fixed-price contracts. Revenue from fixed-price contracts was 48%, 48% and 46%, respectively, of total revenue for the fiscal years ended March 31, 2023, 2022 and 2021. The revenue earned from fixed-price contracts reflect our clients' preferences. For fiscal years ended March 31, 2023, 2022 and 2021, revenue from our digital and non-digital business was 70% and 30%, 69% and 31%, 63% and 37%, respectively.

As an IT services company, our revenue growth has been, and will continue to be, highly dependent on our ability to attract, develop, motivate and retain skilled IT professionals. For the fiscal year ended March 31, 2023, we finished the fiscal year with a total headcount of 31,610 as compared with a total headcount of 31,143 for the fiscal year ended March 31, 2022, which is net of voluntary and involuntary attrition. There is intense competition for IT professionals with the skills necessary to provide the type of services we offer. We closely monitor our overall attrition rates and patterns to ensure our people management strategy aligns with our growth objectives. For the fiscal year ended March 31, 2023 and 2022, our attrition rates were 30.5% and 28.1%, respectively, and the voluntary attrition rates were 20.8% and 23.1%, respectively. The majority of our attrition occurs in India and Sri Lanka and is weighted towards the more junior members of our staff. Competition for skilled IT professionals in the current labor market is intense, and we experienced higher voluntary attrition during fiscal year ended March 31, 2023. The COVID-19 pandemic has created a socioeconomic change industry-wide, reflecting unprecedented attrition. In response to higher attrition and as part of our retention strategies, we have experienced increases in compensation and benefit costs, which may continue in the future. However, we try to absorb such cost increases through price increases or cost management strategies such as managing discretionary costs, the mix of professional staff, utilization levels and achieving other operating efficiencies. If our attrition rate increases or is sustained at higher levels, our growth may slow and our cost of attracting and retaining IT professionals could increase.

We monitor a number of operating metrics to assess our earnings, including:

- *Days sales outstanding ("DSO")* is a measure of the number of days our accounts receivable are outstanding based upon the last 90 days of revenue activity, which indicates the timeliness of our cash collection from clients and our overall credit terms to our clients. Our DSO was 67 days for the fiscal years ended on March 31, 2023 and 2022.

- *Realized billing rates* are the rates we charge our clients for our services, which reflect the value our clients place on our services, market competition and the geographic location in which we perform our services. Our realized billing rates have improved subject to foreign currency exchange fluctuation for our fiscal year ended March 31, 2023 as compared to our fiscal year ended March 31, 2022. Any increase in realized billing rates is a result of our ability to successfully preserve or increase our billing rates with existing and/or new clients.

- *Average cost per IT professional* is the sum of team member salaries, including variable compensation, and fringe benefits, divided by the average number of IT professionals during the period. We experienced an increase in our average cost per IT professional in our fiscal year ended March 31, 2023 as compared to our fiscal year ended March 31, 2022, primarily on account of reinstated base and variable compensation as well as annual increases in line with our retention strategies.

- *Attrition rate* is the ratio of terminated team members during the latest twelve months to the total number of team members at the end of such period, which measures team member turnover. Increased attrition rates result in increased hiring, training and on-boarding costs and productivity losses, which may adversely affect our revenue, gross margin and operating profit margin. For the last twelve months of fiscal year ended March 31, 2023, our attrition rate was 30.5%, which reflects voluntary attrition of 20.8% and involuntary attrition of 9.7%. Our attrition rate for the fiscal year ended March 31, 2022 was 28.1%, which reflects voluntary attrition

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of 23.1% and involuntary attrition of 5.0%. The COVID-19 pandemic has created a socioeconomic change industry-wide, reflecting unprecedented attrition.

- *Operating expense efficiency* is a measure of operating expenses as a percentage of revenue. If we continue to successfully grow our revenue, we anticipate that operating expenses will decrease as a percentage of revenue as such expenses are absorbed across a larger revenue base. In the near term, however, any operating expense efficiency may decline if our revenue declines.

- *Effective tax rate* is our worldwide tax expense as a percentage of our consolidated net income before tax, which measures the impact of income taxes worldwide on our operations and net income. We monitor and assess our effective tax rate to evaluate whether our tax structure is competitive as compared to our industry. Our effective tax rate was 32.1% and 36.9% for the fiscal years ended March 31, 2023 and 2022, respectively. The decrease in effective tax rate is primarily due to increase in foreign tax credits net of valuation allowance and reduction of certain permanent items mainly comprising of GILTI and BEAT which is partially offset by increase in operations including mix of income by jurisdiction, and reserve for uncertain tax positions.

- *Onsite-to-offshore mix* is the measurement of hours billed by resources located offshore to hours billed by our team members onsite over a defined period. We strive to manage both fixed-price contracts and time-and-materials engagements to a targeted 25% to 75% onsite- to-offshore service delivery team mix, although such delivery mix may be impacted by several factors including our new and existing client delivery requirements as well as the impact of any acquisitions.

Components of our Results of Operations

Revenue

We generate revenue by providing IT services to our clients located primarily in North America and Europe. We have historically earned, and we believe that over the next few fiscal years we will continue to earn, a significant portion of our revenue from a limited number of clients. For the fiscal year ended March 31, 2023, collectively, our five largest and 10 largest clients accounted for 40% and 55%, respectively, of our revenue, and for the fiscal year ended March 31, 2022, collectively, our five largest and 10 largest clients accounted for 39% and 54% respectively, of our revenue. Our largest client, Citi, accounted for 16.4% of our revenue for the fiscal year ended March 31, 2023 and 17.2% of our revenue for the fiscal year ended March 31, 2022. The loss of any one of our major clients could reduce our revenue and operating profit and harm our reputation in the industry. During the fiscal year ended March 31, 2023, 72.5% of our revenue was generated in North America, 17.8% in Europe and 9.7% in rest of the world as compared to 72% of our revenue generated in North America, 19% in Europe and 9% in rest of the world during the fiscal year ended March 31, 2022. We provide IT services on either a time-and-materials or a fixed-price basis, which includes both retainer-billing basis and fixed-price progress towards completion. For the fiscal year ended March 31, 2023 and the fiscal year ended March 31, 2022, the percentages of revenue from time-and-materials contracts were unchanged at 52%, and from fixed-price contracts were unchanged at 48%.

Our North America revenue in the fiscal year ended March 31, 2023 increased by 17.0%, or $195.7 million, to $1,343.2 million, or 72.5% of total revenue, from $1,147.6 million, or 72% of total revenue in the fiscal year ended March 31, 2022. The increase in North America revenue for the fiscal year ended March 31, 2023 was primarily due to an increase in revenue from clients in all industry groups, particularly BFSI and HC&LS. Our European revenue in the fiscal year ended March 31, 2023 increased by 9.0%, or $27.3 million, to $330.2 million, or 17.8% of total revenue, from $302.9 million, or 19% of total revenue in the fiscal year ended March 31, 2022. The increase in European revenue for the fiscal year ended March 31, 2023 was primarily due to an increase in revenue from our banking and HC&LS clients.

Revenue from services provided on a time-and-materials basis is derived from the number of billable hours in a period multiplied by the contractual rates at which we bill our clients. Revenue from services provided on a fixed price basis, which includes both retainer-billing basis and fixed-price progress towards completion, is either recognized over time as customers receive and consume the benefits of services, in the case of fixed-price applications management, maintenance or support engagements, or otherwise is typically recognized as efforts are expended generally on an input method. Revenue also includes reimbursements of travel and out-of-pocket expenses with equivalent amounts of expense recorded in costs of revenue. Most of our client contracts, including those that are on a fixed-price basis, can be terminated by our clients with or without cause on 30 to 90 days' prior written notice. All fees for services provided by us through the date of cancellation are generally due and payable under the contract terms.

Our unit pricing is driven by business need, delivery timeframes, complexity of the engagement, operating differences (such as onshore/offshore ratio), competitive environment and engagement size or volume. As a pricing strategy to encourage clients to increase the volume of services that we provide to them, we, on occasion may offer volume discounts or longer payment terms. We manage our business carefully to protect our account margins and our overall profit margins. We find that our clients generally purchase on the basis of total value, rather than on minimum cost, considering all of the factors listed above.

While we are subject to the effects of overall market pricing pressure, we believe that there is a fairly broad range of pricing offered by different competitors for each service we provide. We believe that no one competitor, or set of competitors, sets pricing in our industry. We find that our unit pricing, as a result of our global delivery model, is generally competitive with other firms who operate with a predominately offshore operating model.

The proportion of work performed at our offshore facilities and at onsite client locations varies from period-to-period. Effort, in terms of the percentage of hours billed to clients by onsite resources, was 25%, 24%, and 27% of total hours billed in the fiscal years ended March 31, 2023, 2022 and 2021, respectively, while the revenue from resources located onsite and offshore accounted for 57% and 43% in the fiscal year ended March 31, 2023, 58% and 42%, respectively, during the fiscal year ended March 31, 2022. We charge higher rates and incur higher compensation costs and other expenses for work performed at client locations in the United States, the United Kingdom and Europe as compared to work performed at our global delivery centers in Asia, particularly our largest centers in India and Sri Lanka. Services performed at client locations or at our offices in the United States or the United Kingdom generate higher revenue per-capita at lower gross margins than similar services performed at our global delivery centers in Asia, particularly our largest centers in India and Sri Lanka. We strive to manage both fixed-price contracts and time-and-materials engagements to a targeted 25% to 75% onsite- to-offshore delivery mix, although our delivery mix may be impacted by several factors including our new and existing client delivery requirements as well as the impact of any acquisitions.

Costs of Revenue and Gross Profit

Costs of revenue consist principally of payroll and related fringe benefits, reimbursable and non-reimbursable costs, immigration-related expenses, fees for subcontractors working on client engagements and share-based compensation expense for IT professionals including account management personnel. Wage costs in India and Sri Lanka have historically been significantly lower than wage costs in the United States, Europe and rest of the world for comparably-skilled IT professionals. However, wages in India and Sri Lanka are increasing in their respective local currencies, which will result in increased costs for IT professionals, particularly project managers and other mid-level professionals. We may need to increase our team member compensation more rapidly than in the past to remain competitive without the ability to make corresponding increases to our billing rates. Compensation increases may reduce our profit margins, make us less competitive in pricing potential projects against those companies with lower cost resources and otherwise harm our business, operating results and financial condition. We deploy a campus hiring philosophy and encourage internal promotions to minimize the effects of wage inflation pressure and recruiting costs.

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Additionally, any material appreciation in the Indian rupee or Sri Lankan rupee against the U.S. dollar or U.K. poundsterling could have a material adverse impact on our cost of services.

Our revenue and gross profit are also affected by our ability to efficiently manage and utilize our IT professionals and fluctuations in foreign currency exchange rates. We manage employee utilization by continually monitoring project requirements and timetables to efficiently staff our projects and meet our clients' needs. The number of IT professionals assigned to a project will vary according to the size, complexity, duration and demands of the project. An unanticipated termination or reduction of a significant project could cause us to experience a higher than expected number of unassigned IT professionals, thereby lowering our utilization rate.

Although we have adopted a cash flow hedging program to minimize the effect of the Indian rupee movement on our financial condition, particularly our costs of revenue, these hedges may not be effective or may cause us to forego benefits, especially given the volatility of these currencies. In addition, to the extent that these hedges do not qualify for hedge accounting, any gains or losses associated with those hedges would be recorded in other comprehensive income until the occurrence of the underlying transaction and at that time the gains or losses would be recognized in the consolidated statement of income in other income (expense).

Operating expenses

Operating expenses consist primarily of payroll and related fringe benefits, commissions, selling and marketing as well as promotion, communications, management, finance, administrative, occupancy, share-based compensation and depreciation and amortization expenses. In the fiscal years ended March 31, 2023 and March 31, 2022, we invested in all aspects of our business, including sales, marketing, IT infrastructure, facilities, human resources programs and financial operations. Additionally, any material appreciation in the Indian rupee or Sri Lankan rupee against the U.S. dollar or U.K. pound sterling could have a material adverse impact on our cost of operating expenses.

Other Income (Expense)

Other income (expense) includes interest income, interest expense, gains or losses associated with ineffective hedges, investment gains and losses, foreign currency transaction gains and losses and disposal of fixed assets. We generate interest income by investing in time deposits, money market instruments, short-term investments and long-term investments. We incur interest expense primarily from our long-term debt and amortization of our debt issuance cost. The functional currencies of our subsidiaries are their local currencies, except for our Hungarian subsidiary which operates in the euro and certain Dutch entities which operate in the U.S. dollar. Foreign currency gains and losses are generated primarily by fluctuations of the Indian rupee, Sri Lankan rupee, euro, U.K. pound sterling and the Singapore dollar against the U.S. dollar on intercompany transactions. This includes fluctuations on an Indian rupee-denominated intercompany note in a U.S. dollar functional currency entity in the Netherlands that was put in place as part of the structuring of the Polaris acquisition. At March 31, 2023, the value of the intercompany note was approximately $77.9 million (Indian rupee 6,400 million). We place our cash in liquid investments at highly-rated financial institutions, as well as in money market funds, fixed income securities, U. S. dollar denominated corporate bonds, agency bonds and government bonds based on our investment policy approved by our audit committee and Board of Directors. We believe that our credit policies reflect normal industry terms and business risk.

Income Tax Expense

Our income is subject to income tax in those countries in which we perform services and have operations, including the United States, Canada, the United Kingdom, the Netherlands, India, Sri Lanka, Germany, Singapore, Austria, Hungary, Malaysia, Australia, Qatar, Japan, Denmark, Poland, Spain, New Zealand, Ireland, Switzerland and Sweden. In the fiscal year ended March 31, 2023, our effective tax rate was impacted by an increase in foreign tax

credits net of valuation allowance and reduction of certain permanent items mainly comprising of GILTI and BEAT which is partially offset by an increase in operations including a mix of income by jurisdiction, and reserve for uncertain tax positions.

Our effective tax expense rate was 32.1% and 36.9% for the fiscal year ended March 31, 2023 and March 31, 2022, respectively. Our effective tax rate in future periods will be affected by the limitation on deductibility of interest, the geographic distribution of our earnings, increased U.S. taxable income on foreign profits taxed in the United States and the availability of foreign tax credits to offset U.S. tax expense. See Note 14 to the audited consolidated financial statements contained elsewhere in this report for further information.

Results of operations

The following table presents an overview of our results of operations for the fiscal years ended March 31, 2023 and March 31, 2022:

	Fiscal Year Ended March 31, 2023	Fiscal Year Ended March 31, 2022	$ Change	% Change
	(Dollars in thousands)			
Revenue	$ 1,851,676	1,601,012	$ 250,664	15.7 %
Costs of revenue	1,249,685	1,086,012	163,673	15.1 %
Gross profit	601,991	515,000	86,991	16.9 %
Operating expenses	383,546	367,270	16,276	4.4 %
Income from operations	218,445	147,730	70,715	47.9 %
Other income (expense)	(111,892)	(60,258)	51,634	85.7 %
Income before income tax expense	106,553	87,472	19,081	21.8 %
Income tax expense	34,230	32,295	1,935	6.0 %
Net income	$ 72,323	55,177	$ 17,146	31.1 %

Revenue

Revenue increased by $250.7 million, or 15.7%, to $1,851.7 million in the fiscal year ended March 31, 2023 from $1,601.0 million during the fiscal year ended March 31, 2022. The increase in revenue was primarily driven by broad-based revenue growth from all industry groups, particularly BFSI, reflecting strong revenue growth across clients, primarily driven by our top ten clients and partially offset by depreciation in U.K. pound sterling against U.S. dollars. The revenue growth also benefited from a general improvement in business conditions and client demand as compared to a year ago, as clients focus on digital transformation and automation.

Revenue from North American clients in the fiscal year ended March 31, 2023 increased by $195.7 million, or 17.0%, as compared to the fiscal year ended March 31, 2022, particularly due to increase in revenue from clients in our BFSI industry groups. Revenue from European clients in the fiscal year ended March 31, 2023 increased by $27.3 million, or 9.0%, as compared to the fiscal year ended March 31, 2022, primarily due to an increase in revenue from banking and HC&LS clients. We had 280 active clients at March 31, 2023, as compared to 263 active clients at March 31, 2022.

Cost of Revenue

Costs of revenue increased to $1,249.7 million in the fiscal year ended March 31, 2023, from $1,086.0 million in the fiscal year ended March 31, 2022, an increase of $163.7 million or 15.1%. The increase in cost of revenue was primarily due to an increase in compensation and benefits costs primarily driven by annual salary increase and an increase in the

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number of IT professionals of $131.3 million, higher subcontractor costs of $23.4 million, an increase in travel costs of $4.4 million and an increase in other miscellaneous expenses of $3.9 million. At March 31, 2023, we had 29,057 IT professionals as compared to 28,788 at March 31, 2022. As a percentage of revenue, cost of revenue decreased from 67.8% for the fiscal year ended March 31, 2022 to 67.5% for fiscal year ended March 31, 2023.

Gross Profit

Our gross profit increased by $87.0 million, or 16.9%, to $602.0 million in the fiscal year ended March 31, 2023, from $515.0 million in the fiscal year ended March 31, 2022, primarily due to higher revenue and an increase in realized pricing offset by an increase in compensation costs and subcontractor costs. As a percentage of revenue, gross margin increased from 32.2% for the fiscal year ended March 31, 2022 to 32.5% for the fiscal year ended March 31, 2023, primarily due to an increase in realized pricing and lower subcontractor cost as a percentage of revenue partially offset by lower utilization and an increase in onsite efforts.

Operating Expenses

Operating expenses increased to $383.5 million in the fiscal year ended March 31, 2023, from $367.3 million in the fiscal year ended March 31, 2022, an increase of $16.2 million, or 4.4%. The increase in operating expenses was primarily due to an increase in travel expenses of $4.9 million, an increase in program and promotion expenses of $4.1 million, an increase in amortization of intangibles of $1.2 million, an increase in compensation expenses of $0.9 million, an increase in management fees incurred in connection with the management services agreement with BPEA EQT for $2.7 million and an increase in other operating expense of $3.1 million. As a percentage of revenue, our operating expenses decreased from 22.9% in the fiscal year ended March 31, 2022 to 20.7% in the fiscal year ended March 31, 2023.

Income from Operations

Income from operations increased by $70.7 million or 47.9%, to $218.4 million in the fiscal year ended March 31, 2023 from $147.7 million in the fiscal year ended March 31, 2022. As a percentage of revenue, income from operations increased from 9.2% in the fiscal year ended March 31, 2022 to 11.8% in the fiscal year ended March 31, 2023. The increase in income from operations is primarily due to an increase in gross profit and an increased leverage of operating expenses across a growing revenue base.

Other (Income) Expense

Other expense increased by $51.6 million, from $60.3 million in the fiscal year ended March 31, 2022 to $111.9 million in the fiscal year ended March 31, 2023. The increase in other expense is primarily due to an increase in interest expense of $48.7 million related to our credit facilities, and a decrease in net foreign currency transaction gains primarily due to less depreciation of the Sri Lankan rupee against the U.S. dollar in the fiscal year ended March 31, 2023 as compared to fiscal year ended March 31, 2022.

Income Tax Expense

Income tax expense increased by $1.9 million, from $32.3 million in the fiscal year ended March 31, 2022 to $34.2 million in the fiscal year ended March 31, 2023. Our effective tax rate decreased from 36.9% for the fiscal year ended March 31, 2022 to 32.1% for the fiscal year ended March 31, 2023. The increase in income tax expense and decrease in effective tax rate for the fiscal year ended March 31, 2023, was primarily due to an increase in utilization of foreign tax credits net of valuation allowance and reduction of certain permanent items mainly comprising of GILTI and BEAT which

is partially offset by an increase in operations including a mix of income by jurisdiction and reserve for uncertain tax positions.

Net Income

Net income increased by 31.1%, from a net income of $55.2 million in the fiscal year ended March 31, 2022 to a net income of $72.3 million in the fiscal year ended March 31, 2023. The increase in net income in the fiscal year ended March 31, 2023 was primarily due to broad-based revenue growth primarily from our BFSI industry group, increase in realized pricing, an increased leverage of operating expenses across a growing revenue base, and decrease in cash compensation expense related to the acceleration and payment of outstanding unvested equity awards in connection with the Sponsor Acquisition, partially offset by an increase in compensation to our global employees, an increase in our subcontractor costs and an increase in interest expense related to an increase in our outstanding debt under our Credit Facility and an increase in income tax expense during the fiscal year ended March 31, 2023.

The following table presents an overview of our results of operations for the fiscal years ended March 31, 2022 and March 31, 2021, which reflects the combined financial results of the predecessor period from April 1, 2020 through February 10, 2021 and the successor period from February 11, 2021 through March 31, 2021, on a non-GAAP basis:

	Successor		Predecessor	Combined		
	Fiscal Year Ended March 31,	Period from February 11, through March 31,	Period from April 1, 2020 through February 10,	Fiscal Year Ended March 31,	$ Change	% Change
	2022	2021	2021	2021		
	(Dollars in thousands)					
Revenue	$ 1,601,012	$ 189,125	$ 1,115,825	1,304,950	$ 296,062	22.7 %
Costs of revenue	1,086,012	126,703	800,272	926,975	159,037	17.2 %
Gross profit	515,000	62,422	315,553	377,975	137,025	36.3 %
Operating expenses	367,270	157,280	272,917	430,197	(62,927)	(14.6) %
Income (loss) from operations	147,730	(94,858)	42,636	(52,222)	199,952	382.9 %
Other income (expense)	(60,258)	(11,700)	(24,074)	(35,774)	24,484	68.4 %
Income (loss) before income tax expense (benefit)	87,472	(106,558)	18,562	(87,996)	175,468	199.4 %
Income tax expense (benefit)	32,295	(17,751)	26,890	9,139	23,156	253.4 %
Net income (loss)	55,177	(88,807)	(8,328)	(97,135)	152,312	156.8 %

Revenue

Revenue increased by 22.7%, or $296.1 million, from $1,305.0 million during the fiscal year ended March 31, 2021 to $1,601.0 million in the fiscal year ended March 31, 2022. The increase in revenue was primarily driven by broad-based revenue growth from all our industry groups, particularly BFSI and healthcare, reflecting growth in our top 10 and non-top 10 clients. The revenue growth also benefited from a general improvement in business conditions and client demand as compared to a year ago, which was adversely impacted by the COVID-19 pandemic, due to business interruptions and project delays, as well as elongated client decision making cycles.

Revenue from North American clients in the fiscal year ended March 31, 2022 increased by $186.7 million, or 19.4%, as compared to the fiscal year ended March 31, 2021, particularly due to an increase in revenue from clients in our

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BFSI and healthcare industry groups. Revenue from European clients in the fiscal year ended March 31, 2022 increased by $77.3 million, or 34.3%, as compared to the fiscal year ended March 31, 2021, primarily due to an increase in revenue from one of our largest telecommunication clients and certain new and existing banking clients. We had 263 active clients at March 31, 2022and March 31, 2021.

Cost of Revenue

Costs of revenue increased from $927.0 million in the fiscal year ended March 31, 2021 to $1,086.0 million in the fiscal year ended March 31, 2022, an increase of $159.0 million. or 17.2%. The increase in cost of revenue was primarily due to an increase in the number of IT professionals and related compensation, including reinstated base and variable compensation as well as annual increases and benefit costs of $125.1 million, an increase in subcontractor costs of $30.3 million, and an increase in travel costs of $4.0 million. At March 31, 2022, we had 28,788 IT professionals as compared to 22,657 at March 31, 2021. As a percentage of revenue, cost of revenue decreased from 71.0% for the fiscal year ended March 31, 2021 to 67.8% for fiscal year ended March 31, 2022.

Gross Profit

Our gross profit increased by $137.0 million, or 36.3%, from $378.0 million for the fiscal year ended March 31, 2021 to $515.0 million in the fiscal year ended March 31, 2022, primarily due to higher revenue, increased realized pricing, and lower onsite effort, partially offset by an increase in compensation expense. As a percentage of revenue, gross margin increased from 29.0% for the fiscal year ended March 31, 2021 to 32.2% for the fiscal year ended March 31, 2022. In addition, we reduced the use of subcontractors as a percentage of revenue, which contributed to our margin expansion.

Operating Expenses

Operating expenses decreased from $430.2 million in the fiscal year ended March 31, 2021 to $367.3 million in the fiscal year ended March 31, 2022, a decrease of $62.9 million, or 14.6%. The decrease in operating expenses was primarily due to a decrease in legal, banking and advisory professional service fees incurred in connection with Sponsor Acquisition of $91.4 million and decrease in cash compensation related to acceleration and payment of outstanding unvested equity awards in connection with the Sponsor Acquisition for $60.2 million partially offset by an increase in amortization of intangibles of $55.9 million, an increase in compensation expenses of $15.1 million, including reinstated base and variable compensation as well as annual increases, an increase in management fees incurred in connection with the management services agreement with BPEA during the fiscal year ended March 31, 2022 for $10.5 million and increase in other operating expenses of $5.8 million. As a percentage of revenue, our operating expenses decreased from 33.0% in the fiscal year ended March 31, 2021 to 22.9% in the fiscal year ended March 31, 2022.

Income from Operations

Income from operations increased by $199.9 million, or 382.9%, from a loss of $52.2 million in the fiscal year ended March 31, 2021 to an income of $147.7 million in the fiscal year ended March 31, 2022. As a percentage of revenue, income from operations increased from a loss 4.0% in the fiscal year ended March 31, 2021 to an income of 9.2% in the fiscal year ended March 31, 2022. The increase in income from operations is primarily due to an increase in revenue, an increase in gross profit, reflective of lower onsite effort, and a decrease in legal, banking and advisory professional service fees incurred in connection with the Sponsor Acquisition.

Other (Income) Expense

Other expense increased by $24.5 million, from $35.8 million in the fiscal year ended March 31, 2021 to $60.3 million in the fiscal year ended March 31, 2022. The increase in other expense is primarily due to an increase in interest expense of $38.8 million related to our credit facilities, reflecting the loss on debt extinguishment of $4.7 million and $2.5

million in third-party financing fees related to the First Amendment to the credit agreement. This is partially offset by increase in net foreign currency transaction gains.

Income Tax Expense

Income tax expense increased by $23.2 million, from $9.1 million in the fiscal year ended March 31, 2021 to $32.3 million in the fiscal year ended March 31, 2022. Our effective tax rate increased from (10.4) % for the fiscal year ended March 31, 2021 to 36.9% for the fiscal year ended March 31, 2022. The increase in income tax expense and the increase in the effective tax rate for the fiscal year ended March 31, 2022 were primarily due to an increase in income from operations.

Net Income

Net income increased by 156.8%, from a net loss of $97.1 million in the fiscal year ended March 31, 2021 to a net income of $55.2 million in the fiscal year ended March 31, 2022. The increase in net income in the fiscal year ended March 31, 2022 was primarily due to an increase in revenue and an increase in income from operations, partially offset by an increase in interest expense and an increase in income tax expense.

Non-GAAP Measures

We include certain non-GAAP financial measures as defined by Regulation G by the Securities and Exchange Commission. These non-GAAP financial measures are not based on any comprehensive set of accounting rules or principles and should not be considered a substitute for, or superior to, financial measures calculated in accordance with GAAP, and may be different from non-GAAP measures used by other companies. In addition, these non-GAAP measures should be read in conjunction with our financial statements prepared in accordance with GAAP.

We consider the total measure of cash, cash equivalents, short-term and long-term investments to be an important indicator of our overall liquidity. All of our investments are classified as time deposits, available-for-sale debt securities and equity securities, including our long-term investments which meet the credit rating and diversification requirements of our investment policy as approved by our audit committee and board of directors.

The following table provides the reconciliation from cash and cash equivalents to total cash and cash equivalents, short-term investments and long-term investments:

	At March 31, 2023	At March 31, 2022
	(Dollars in thousands)	
Cash and cash equivalents	$ 184,273	$ 114,002
Short-term investments	37,134	4,233
Long-term investments	25	63
Total cash and cash equivalents, short-term and long-term investments	$ 221,432	$ 118,298

We believe the following financial measures will provide additional insights to measure the operational performance of our business.

We present consolidated statements of income measures that exclude, when applicable, stock-based compensation expense, acquisition-related charges, restructuring charges, foreign currency transaction gains and losses, impairment of investments, impairment of long-lived assets, non-recurring third party financing cost, gain on redemption of equity method investment, non-recurring fees for potential proxy deliberation, the initial impact of our election to treat certain subsidiaries

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as disregarded entities for U.S. tax purposes, and other non-recurring tax items to provide further insights into the comparison of our operating results among periods.

The following table presents a reconciliation of each non-GAAP financial measure to the most comparable GAAP For the fiscal year ended March 31, 2023 and March 31, 2022 (2022 Successor Period) and the fiscal year ended March 31, 2021, which reflects the combined period of the 2021 Predecessor Period and 2021 Successor Period:

	Fiscal Year Ended March 31,		
	2023	2022	2021
	(Dollars in thousands)		
GAAP net income	$ 72,323	$ 55,177	$ (97,135)
Income taxes	34,230	32,295	9,139
Interest expense, net	115,550	67,638	28,372
Amortization of intangible assets	80,354	79,182	23,305
Depreciation expense	13,252	15,427	15,958
EBITDA (1)	315,709	249,719	(20,361)
Stock-based compensation expense	—	—	14,059
Cash bonus in lieu of stock payout (2)	—	10,971	60,206
Acquisition-related charges and restructuring charges (3)	3,433	3,628	96,735
Management fees (4)	13,183	10,475	928
Other amortization expense (5)	926	2,401	—
Impairment of operating lease right-of-use asset	—	—	2,223
Non-recurring professional fees (6)	—	—	8,195
Foreign currency transaction (gains) losses (7)	(2,732)	(6,892)	(3,977)
Others, net	(926)	(488)	11,379
Adjusted EBITDA (8)	$ 329,593	$ 269,814	$ 169,387
EBITDA margin	17.0 %	15.6 %	(1.5) %
Effect of above adjustments to income from operations	0.8 %	1.3 %	14.5 %
Adjusted EBITDA margin	17.8 %	16.9 %	13.0 %

(1) EBITDA is defined as net income adjusted for interest expense, net, income taxes and depreciation and amortization.

(2) Cash compensation related to acceleration and payment of outstanding unvested equity awards in connection with the Sponsor Acquisition

(3) Acquisition-related charges include, when applicable, external deal costs, transaction-related professional fees, acquisition-related retention bonuses, changes in the fair value of contingent consideration liabilities, accreted interest related to deferred acquisition payments, charges for impairment of acquired intangible assets and other acquisition-related costs including integration expenses consisting of outside professional and consulting services and direct and incremental travel costs. Restructuring charges, when applicable, include termination benefits, as

well as certain professional fees related to restructuring. The following table provides the details of the acquisition-related charges and restructuring charges:

	Fiscal Year Ended March 31,		
	2023	2022	2021
	(Dollars in thousands)		
Acquisition-related and restructuring charges	$ 3,433	$ 3,890	$ 96,016
Changes in fair value of contingent consideration	—	(262)	719
Total acquisition-related charges and restructuring charges	$ 3,433	$ 3,628	$ 96,735

(4) Management fees incurred in connection with the management services agreement with BPEA EQT.

(5) Amortization expense, and when applicable, impairment related to capitalized implementation costs incurred in a cloud computer hosting arrangement that is a service contract.

(6) Includes non-recurring fees for advisory, legal, consulting and proxy solicitation services in connection with a contested proxy solicitation with respect to our annual stockholder meeting and the election of directors.

(7) Foreign currency transaction gains and losses are inclusive of gains and losses on related foreign exchange forward contracts not designated as hedging instruments for accounting purposes.

(8) Adjusted EBITDA as set forth in this table may not equal Consolidated EBITDA as calculated under the credit agreement governing the Credit Facility or the Senior Notes Indenture.

Liquidity and Capital Resources

Our primary sources of liquidity include cash flows from operations and our availability under our Senior Secured Credit Facilities. We believe that our sources of funding will be sufficient to satisfy our currently anticipated cash requirements including capital expenditures, working capital requirements, strategic investments and other liquidity requirements through at least the next 12 months. To the extent that existing cash from operations is insufficient to fund our working capital needs and other cash obligations, we may borrow from our Revolving Credit Facility or raise additional funds through debt or equity financing. We cannot give any assurance that additional financing, if required, will be available on favorable terms or at all.

On February 11, 2021, in connection with the Sponsor Acquisition, Virtusa Corporation and Virtusa HoldCo, Inc. entered into the Credit Agreement for the Senior Secured Credit Facilities consisting of a $600.0 million Original Term Loan B and a $125.0 million Revolving Credit Facility with Bank of America, N.A., as administrative agent, collateral agent, an issuing bank and swing line lender, and the other lenders party thereto. The Original Term Loan B has a maturity of seven years from the closing date of the Sponsor Acquisition, with a 1.0% per annum amortization schedule based on the original principal amount of the Original Term Loan B. Interest under the Original Term Loan B accrues at a rate per annum of LIBOR with a floor of 0.75%, plus 4.25%, subject to a step-down based on our ratio of debt to EBITDA or an alternative base rate plus an applicable margin. In addition, at any time prior to August 11, 2021, we had the right to refinance or reprice the Original Term Loan B, provided that we paid a premium of 1.00% of the aggregate principal amount of the Original Term Loan B outstanding immediately prior to such refinancing or repricing to the existing lenders. The Revolving Credit Facility has a maturity of five years from the closing date of the Sponsor Acquisition. Interest under the Revolving Credit Facility originally accrued at a rate per annum of LIBOR, with a 0.0% floor, plus 4.25%, subject to a step-down based on our ratio of debt to EBITDA or an alternative base rate plus an applicable margin. The Senior Secured Credit Facilities are secured by substantially all of our assets, including all intellectual property and all securities in domestic subsidiaries (other than certain domestic subsidiaries where the material assets of such subsidiaries are equity in foreign subsidiaries), subject to customary exceptions and

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exclusions from the collateral. All obligations under the Senior Secured Credit Facilities are unconditionally guaranteed by Virtusa HoldCo, Inc.'s parent company as well as substantially all of our material direct and indirect domestic subsidiaries, with certain exceptions. These guarantees are secured by substantially all of the present and future property and assets of the guarantors, with certain exclusions.

On September 28, 2021, we entered into Amendment No. 1 to the Credit Agreement with Bank of America N.A., and other lenders. The amendment reduces the interest rate under the Original Term Loan B from LIBOR with a floor of 0.75% plus 4.25%, subject to a step-down based on the Company's ratio of debt to EBITDA to a LIBOR with a floor of 0.75% plus a flat rate of 3.75%, and reduces the interest rate under the Revolving Credit Facility from LIBOR with a 0.0% floor plus 4.25%, subject to a step-down based on our ratio of debt to EBITDA to LIBOR with a 0.0% floor plus a flat rate of 3.75%. No other terms of the Credit Facility were modified. In accordance with the guidance of ASC Subtopic 470-50, Debt Modifications and Extinguishments, we recorded $4.7 million as a loss on debt extinguishment and incurred $2.9 million as third-party financing fees, of which $0.5 million was capitalized as part of the debt issuance costs. The loss on debt extinguishment was comprised of a write-off of unamortized debt issuance costs related to the lenders that had significant changes in cash flows. We presented these costs in interest expense in the consolidated statement of income during the fiscal year ended March 31, 2022.

Additionally, in connection with theSponsor Acquisition, on December 17, 2020, we issued to qualified institutional buyers $300.0 million in senior unsecured notes, which mature on December 15, 2028 ("Senior Notes"). Interest under the Senior Notes accrues at a rate per annum of 7.125%, payable semi-annually on June 15 and December 15 of each year, beginning on June 15, 2021. We have the option to redeem all or a portion of the Senior Notes at any time on or after December 15, 2023 at the redemption prices set forth under the terms and conditions of the Senior Notes. In addition, at any time prior to December 15, 2023, we may redeem all or a portion of the Senior Notes at a price equal to 100.0% of the principal amount of such Senior Notes plus accrued and unpaid interest and a make-whole premium under the terms and conditions of the Senior Notes. We may also, at any time prior to December 15, 2023, redeem up to 40.0% of the aggregate principal amount of the notes with an amount equal to the net proceeds of certain equity offerings at the redemption price set forth under the terms and conditions of the Senior Notes plus accrued and unpaid interest to the redemption date.

On February 15, 2022, we entered into the Second Amendment to the Credit Agreement (the "Second Amendment") to borrow an additional $670 million of the Incremental Term Loan and permit an increase in our dividend or distribution capacity by $50 million. Interest under the Second Amendment accrues at a rate per annum of SOFR with a floor rate of 0.75% plus a flat rate of 3.75%. Additionally, on December 23, 2022, we entered into the Third Amendment to the Credit Agreement to provide an increase in the Revolving Credit Facility commitments of $37.5 million and to convert the existing Revolving Credit Facility commitments and loans from LIBOR to SOFR.

On February 15, 2022, we issued $50.0 million aggregate principal amount of additional Senior Notes maturing on December 15, 2028. Interest under the initial Senior Notes and the additional Senior Notes accrues at a rate of 7.125% per annum, payable semi-annually on June 15 and December 15 of each year.

During the fourth quarter of fiscal year ended March 31, 2022, the proceeds of the Second Amendment and the additional Senior Notes, together with operating cash, were used to fund a return on capital to our stockholders and to pay fees and expenses in connection with the offering of the additional Senior Notes and the Second Amendment, and we incurred approximately $24.5 million as fees and expenses in connection with these transactions.

In October 2022, we purchased 3-year interest rate swaps with an effective date of October 31, 2022. The interest rates are at a blended weighted average of 4.33% and we will receive 1-month SOFR on the same notional amounts. The interest rate swaps were entered into to mitigate the interest rate risk associated with the Credit Agreement executed in February 2021 and subsequent additional borrowings. The interest rate swaps are designed to maintain coverage of approximately 50% of our debt at fixed rates while approximately 50% of our debt will remain floating rate debt. At March 31, 2023, the total notional amounts of the interest rate swap was $500.0 million with remaining maturity of approximately 3 years. As of March 31, 2023, unrealized losses associated with the interest rate swap of $5.5 million will

be amortized to interest expense over the remaining interest rate swap period. The unrealized losses associated with the interest rate swap agreement was $5.5 million at March 31, 2023, which represents the estimated amount that we would pay to the counterparties in the event of an early termination.

On December 23, 2022, we entered into Amendment No. 3 to the Credit Agreement with Bank of America, N.A. to increase the revolving commitments available under the Credit Agreement from $125.0 million to $162.5 million and replace the LIBOR reference rate with the SOFR reference rate and margins applicable to term loans and revolving loans outstanding under the Credit Agreement from time to time. No other terms or conditions of the Credit Agreement were changed as a result of this amendment.

At March 31, 2023, the total outstanding amounts under the Term Loan and Senior Notes was $1,251.3 million and $350.0 million, respectively, and no outstanding balance under the Revolving Credit Facility.. As of March 31, 2023, the weighted average interest rate on the Term Loan and Senior Notes was 8.14%.

At March 31, 2023, we were in full compliance with all covenants set forth in our Credit Facility. Based upon our current plans, we expect our operating cash flows, together with our cash and short-term investment balances, to be sufficient to meet our operating requirements and service our debt for the foreseeable future. However, given the dynamic nature of the COVID-19 pandemic, there can be no assurances that its future impact will not have a material adverse effect on our ongoing business, results of operations, liquidity needs, debt covenant compliance or overall financial performance.

During the fiscal year ended March 31, 2023, we loaned approximately $2.6 million to Austin Mezz Borrower L.P., a related party, and paid $2.8 million of contingent consideration related to a prior asset acquisition.

At March 31, 2023, we had approximately $221.4 million of cash, cash equivalents, short term investments and long term investments, which is a non-GAAP measure, of which we hold approximately $183.5 million of cash, cash equivalents, short term investments and long-term investments in non-U.S. locations, particularly in India, the United Kingdom, Netherlands, Sri Lanka and Canada. We intend to use accumulated and future earnings of foreign subsidiaries to expand operations outside the United States and, accordingly, undistributed income is considered indefinitely reinvested. If our intent were to change and we elected to repatriate this cash back to the United States, or this cash was deemed no longer permanently invested, this cash could be subject to additional taxes and the change in such intent could have an adverse effect on our cash balances as well as our overall statement of income. Due to various methods by which cash could be repatriated to the United States in the future, the amount of taxes attributable to the cash is dependent on circumstances existing if and when remittance occurs. In addition, some countries could have restrictions on the movement and exchange of foreign currencies which could further limit our ability to use such funds for global operations or capital or other strategic investments. Due to the various methods by which such earnings could be repatriated in the future, it is not practicable to determine the amount of applicable taxes that would result from such repatriation.

We do not believe the deemed repatriation tax on accumulated foreign earnings will have a significant impact on our cash flows in any individual fiscal year.

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Cash Flows

The following table summarizes our cash flows for the periods presented:

	Successor	Successor	Predecessor	Combined
	Fiscal Year Ended March 31, 2023	Fiscal Year Ended March 31, 2022	Period from February 11, through March 31, 2021	Period from April 1, 2020 through February 10, 2021	Fiscal Year Ended March 31, 2021
	(Dollars in thousands)				
Net cash provided by (used in) operating activities	$ 143,590	$ 60,337	$ (103,467)	$ 192,515	$ 89,048
Net cash (used in) provided by investing activities	(53,904)	(17,593)	(1,751,846)	3,516	(1,748,330)
Net cash (used in) provided by financing activities	(15,748)	(60,296)	1,990,965	(130,192)	1,860,773

Net Cash Provided by (used in) Operating Activities

Net cash provided by operating activities increased in the fiscal year ended March 31, 2023 compared to net cash provided in operating activities in the fiscal year ended March 31, 2022, primarily due to an increase in net income partially offset by an increase in net working capital.

Net cash provided by operating activities decreased in the fiscal year ended March 31, 2022 compared to the fiscal year ended March 31, 2021, primarily due to changes in working capital, partially offset by an increase in operating results, decrease in cash compensation related to the acceleration and payment of outstanding unvested equity awards in connection with the Sponsor Acquisition, legal, banking and advisory professional service fees incurred in connection with the Sponsor Acquisition, and professional fees and settlement related payments incurred in connection with the proxy solicitation contest initiated by New Mountain Vantage Advisers LLC during the combined fiscal year ended March 31, 2022.

Net Cash (used in) Provided by Investing Activities

Net cash used in investing activities increased in the fiscal year ended March 31, 2023 compared to the fiscal year ended March 31, 2022. The increase in net cash used in investing activities is primarily due to an increase in purchase of property and equipment, a net increase in purchases of investments and the issuance of a promissory note of $2.6 million to a related party.

Net cash used in investing activities decreased in the fiscal year ended March 31, 2022 compared to the fiscal year ended March 31, 2021. The decrease in net cash used in investing activities is primarily due to the purchase price consideration related to the Sponsor Acquisition, proceeds from the sale of land acquired in a prior acquisition, partially offset by an increase in purchase of short-term investments and an increase in the purchase of property and equipment.

Net Cash (used in) Provided by Financing Activities

Net cash used in financing activities decreased in the fiscal year ended March 31, 2023 compared to net cash used in financing activities in the fiscal year ended March 31, 2022. The decrease in net cash used in financing activities in the fiscal year ended March 31, 2023 was primarily due the return on capital paid to BPEA EQT, payment of debt issuance costs and payment of contingent consideration related to a prior asset acquisition during the fiscal year ended March 31, 2022, partially offset by an increase the payment of the Term Loan and the decrease in net proceeds from the Revolving Credit Facility.

Net cash provided by (used in) financing activities decreased from cash provided by financing activities in the fiscal year ended March 31, 2021 to cash used in financing activities in the fiscal year ended March 31, 2022. Net cash used in financing activities in the fiscal year ended March 31, 2022 was primarily due to the return on capital paid to BPEA EQT and payment of debt issuance costs, partially offset by an increase in proceeds from borrowings under the Senior Secured Credit Facilities and the issuance of the additional Senior Notes.

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Contractual Obligations

The following table sets forth our future contractual obligations and commercial commitments at March 31, 2023.

	Payments Due by Period				
	Total	Less Than 1 Year	1 - 3 Years	3 - 5 Years	5+ Years
	(Dollars in thousands)				
Term Loan and Senior Notes obligation (1)	$ 1,601,300	12,700	25,400	1,213,200	350,000
Interest on Term Loan and Senior Notes (2)	633,668	139,225	254,772	219,388	20,283
Operating lease obligations (3)	47,070	10,168	17,339	12,393	7,170
Defined benefit plans (4)	47,645	3,749	6,963	9,757	27,176
Capital and other purchase commitments (5)	20,557	6,911	11,840	1,806	—
Total	$ 2,350,240	172,753	316,314	1,456,544	404,629

(1) Our obligations towards repayments of our Term Loan and Senior Notes; see Note 11 to the consolidated financial statements for further information.

(2) Interest on existing Term Loan, new Term Loan and Senior Notes at 8.38%, 8.47% and 7.125%, respectively, as of March 31, 2023.

(3) Our obligations under our operating leases consist of future payments primarily related to our real estate leases.

(4) We accrue and contribute to benefit funds covering our employees in India and Sri Lanka. The amounts in the table represent the expected benefits to be paid out over the next ten years. We are not able to quantify expected benefit payments beyond ten years with any certainty. We make periodic contributions to the plans such that the unfunded amounts are immaterial.

(5) Relates to other purchase commitments, net of advances.

At March 31, 2023, we had $31.4 million of unrecognized tax benefits. This represents the tax benefits associated with tax positions on our domestic and international tax returns that have not been recognized on our financial statements due to uncertainty regarding their resolution. Resolution of the related tax positions with the relevant tax authorities may take years to complete, since such timing is not entirely within our control. It is reasonably possible that within the next 12 months certain positions will be resolved, which could result in a decrease in unrecognized tax benefits. These decreases may be offset by increases to unrecognized tax benefits if new positions are identified. The resolution or settlement of positions with the relevant taxing authorities is at various stages and therefore it is not practical to estimate the eventual cash flows by period that may be required to settle these matters.

Commitments and Contingencies

See Note 18 to our consolidated financial statements for additional information.

Application of Critical Accounting Estimates and Risks

Our consolidated financial statements have been prepared in accordance with U.S. GAAP. Preparation of these financial statements requires us to make estimates and assumptions that affect the reported amount of revenue and expenses, assets and liabilities and the disclosure of contingent assets and liabilities. We consider an accounting estimate to be critical to the preparation of our consolidated financial statements when both of the following are present:

- the estimate is complex in nature or requires a high degree of judgment; and
- the use of different estimates and assumptions could have a material impact on the consolidated financial statements.

We have discussed the development and selection of our critical accounting estimates and related disclosures with the audit committee of our Board of Directors. Those estimates critical to the preparation of our consolidated financial statements are listed below. Our significant accounting policies are described in Note 2 to our audited consolidated financial statements contained elsewhere in this report.

Revenue Recognition

We account for a contract when it has approval and commitment from both parties, the rights of the parties are identified, payment terms are identified, the contract has commercial substance and collectability of consideration is probable.

Revenues related to non-retainer fixed-price contracts for complex design, development and customization services wherein the Company's performance creates or enhances an asset that the customer controls and for consulting or other IT services wherein the Company's performance does not create an asset with an alternative use to the Company, but the Company has an enforceable right to payment for performance completed to date are recognized over time as the service is performed. For these contracts, we measure the progress and recognize revenue using effort-based input methods, as we perform, based on actual efforts incurred to date compared to the estimated of total efforts to be incurred for the contract. The use of the effort-based input method requires significant judgment relative to estimating total efforts, including assumptions relative to the length of time to complete the project and the nature and complexity of the work to be performed. Estimates of total efforts are continuously monitored during the term of the contract and are subject to revision as the contract progresses.

Business Combinations

We account for our business combinations under the acquisition method of accounting. We allocate the cost of an acquired entity to the assets acquired and liabilities assumed, including any contingent consideration based on their estimated fair values at the date of acquisition. The excess of the purchase price for acquisitions over the fair value of the net assets acquired, including other intangible assets, is recorded as goodwill.

Other intangible assets acquired in a business combination are recognized at fair value using generally accepted valuation methods appropriate for the type of intangible asset and reported separately from goodwill.

The allocation of the purchase price utilizes estimates and assumptions in determining the fair value of identifiable assets acquired and liabilities assumed, especially with respect to intangible assets, including the timing and amount of forecasted revenues and cash flows, anticipated growth rates, royalty rates, and discount rates reflecting the risk inherent in future cash flows.

Income Taxes

Determining the consolidated provision for income tax expense, tax reserves, deferred tax assets and liabilities and related valuation allowance, if any, involves judgment. We calculate and provide for income taxes in each of the jurisdictions in which we operate. Our overall effective tax rate fluctuates due to a variety of factors, including arm's-length prices for our intercompany transactions, non-deductible expenses, changes in the geographic mix, as well as newly enacted tax legislation in each of the jurisdictions in which we operate.

At each financial statement date, we evaluate whether a valuation allowance is needed to reduce our deferred tax assets to the amount that is more likely than not to be realized. This evaluation considers the weight of all available

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evidence, including both future taxable income and ongoing prudent and feasible tax planning strategies. In the event that we determine that we will not be able to realize a recognized deferred tax asset in the future, an adjustment to the valuation allowance would be made, resulting in a decrease in income in the period such determination was made. Likewise, should we determine that we will be able to realize all or part of an unrecognized deferred tax asset in the future, an adjustment to the valuation allowance would be made, resulting in an increase to income.

Off-Balance Sheet Arrangements

We do not have any investments in special purpose entities or undisclosed borrowings or debt.

We have entered into foreign currency derivative contracts with the objective of limiting our exposure to changes in the Indian rupee, the U.K. pound sterling, the euro, the Canadian dollar and the Australian dollar. See also Note 21 of our audited consolidated financial statements contained elsewhere in this report.

We maintain a foreign currency cash flow hedging program designed to further mitigate the risks of volatility in the Indian rupee against the U.S. dollar and U.K. pound sterling. From time to time, we may also purchase multiple foreign currency forward contracts designed to hedge fluctuation in foreign currencies, such as the U.K. pound sterling, euro, the Canadian dollar, and the Australian dollar against the U.S. dollar to minimize the impact of foreign currency fluctuations on foreign currency denominated revenue and expenses. Other than these foreign currency derivative contracts, we have not entered into off-balance sheet transactions, arrangements or other relationships with unconsolidated entities or other persons that are likely to affect liquidity or the availability of or requirements for capital resources.

Recent Accounting Pronouncements

See Note 2 to our consolidated financial statements for additional information.

Quarterly Results of Operations (unaudited)

	Three Months Ended (Dollars in thousands)							
	March 31, 2023	December 31, 2022	September 30, 2022	June 30, 2022	March 31, 2022	December 31, 2021	September 30, 2021	June 30, 2021
Revenue	$ 461,709	472,699	471,257	446,011	$ 428,016	414,529	395,277	363,190
Costs of revenue	308,253	320,311	321,734	299,387	286,762	284,684	267,802	246,764
Gross profit	153,456	152,388	149,523	146,624	141,254	129,845	127,475	116,426
Operating expenses	98,674	95,483	95,559	93,830	95,810	90,898	88,236	92,326
Income (loss) from operations	54,782	56,905	53,964	52,794	45,444	38,947	39,239	24,100
Other income (expense)	(35,163)	(30,112)	(27,059)	(19,558)	(10,394)	(13,007)	(22,069)	(14,788)
Income (loss) before income tax expense	19,619	26,793	26,905	33,236	35,050	25,940	17,170	9,312
Income tax expense (benefit)	3,320	9,684	9,778	11,448	14,643	3,958	9,015	4,679
Net income (loss)	$ 16,299	17,109	17,127	21,788	$ 20,407	21,982	8,155	4,633

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List of Subsidiaries of Virtusa SuperHold Co Inc.

Name of Subsidiary	Jurisdiction of Incorporation/Formation
Virtusa HoldCo Inc.	Delaware
Virtusa Corporation	Delaware
Virtusa (Private) Limited	Sri Lanka
Virtusa Austria GmbH	Austria
Virtusa C.V.	Netherlands
Virtusa Canada Inc.	Canada
Virtusa Consulting Services Private Limited	India
Virtusa Financing C.V.	Netherlands
Virtusa Germany GmbH	Germany
Virtusa Hungary Kfth.	Hungary
Virtusa International, B.V.	Netherlands
Virtusa Malaysia Sdn. BHD	Malaysia
Virtusa Netherlands Cooperatief U.A.	Netherlands
Virtusa Securities Corporation	Massachusetts
Virtusa Singapore Private Limited	Singapore
Virtusa Consulting & Services SA	Switzerland
Virtusa UK Limited	United Kingdom
Virtusa US LLC	Delaware
Apparatus, Inc.	Indiana
Virtusa AB	Sweden
Virtusa ApS	Denmark
Virtusa QFC IT Consulting LLC	Qatar
Virtusa Middle East FZ-LLC	Dubai
Virtusa Consulting & Services Inc.	Canada
Virtusa Consulting & Services Inc. Nova Scotia	Canada
Virtusa Consulting Services Private Limited	United States Branch
Virtusa Consulting & Services Pty Limited	New Zealand Branch
Virtusa Singapore Pvt Ltd,	Hong Kong Branch
Virtusa Consulting & Services Ireland Limited	Ireland
Virtusa Consulting & Services Limited	United Kingdom
Virtusa Consulting & Services Pte. Limited	Singapore
Virtusa Consulting & Services Pty Limited	Australia
Virtusa Consulting & Services Japan K.K.	Japan
eTouch Systems Corp.	California
Virtusa Systems (India) Private Limited	India
Virtusa Mexico S DE RL DE CV	Mexico
Virtusa Sp.z.o.o	Poland
Virtusa Consulting and Services Sociedad Limitada (SL)	Spain
Virtusa France SAS	France
TechChefs Software Private Limited	India

Part II. Financial Statements and Supplementary Data

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VIRTUSA SUPERHOLDCO, INC. AND SUBSIDIARIES

AND

VIRTUSA CORPORATION AND SUBSIDIARIES

Consolidated Financial Statements

As of March 31, 2023 and March 31, 2022

and

for the fiscal years ended March 31, 2023 and 2022 (Successor) and for the period of February 11, 2021 to March 31, 2021 (Successor) and April 1, 2020 to February 10, 2021 (Predecessor)
(With Independent Auditors' Report Thereon)

KPMG LLP
Two Financial Center
60 South Street
Boston, MA 02111

Report of Independent Registered Public Accounting Firm

To the Stockholders and Board of Directors
Virtusa SuperHoldCo, Inc.:

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of Virtusa SuperHoldCo, Inc. and subsidiaries (the Company) as of March 31, 2023 and 2022 (Successor), the related consolidated statements of income (loss), comprehensive income (loss), stockholders' equity, and cash flows for the fiscal years ended March 31, 2023 and March 31, 2022 and from February 11, 2021 through March 31, 2021 (Successor periods), and Virtusa Corporation and subsidiaries (Predecessor) from April 1, 2020 through February 10, 2021 (Predecessor period), and the related notes (collectively, the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of March 31, 2023 and 2022, and the results of its operations and its cash flows for the Successor periods and Predecessor period, in conformity with U.S. generally accepted accounting principles.

New Basis of Accounting

As discussed in Note 1 and Note 4 to the consolidated financial statements, effective February 11, 2021, the Predecessor was acquired in a business combination accounted for using the acquisition method (the Acquisition). As a result of the Acquisition, the consolidated financial information for the periods after the acquisition is presented on a different cost basis than that for the period before the acquisition and, therefore, is not comparable.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB and in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit

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committee and that: (1) relates to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of a critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Revenue recognized for certain fixed-price contracts

As discussed in Note 2 to the consolidated financial statements, the Company recognizes revenue for certain fixed-price contracts over time using an effort-based input method. This method is based on the ratio of: (i) actual efforts incurred to-date, and (ii) the Company's estimate of total efforts to be incurred for the contract. Total efforts to be incurred includes the actual efforts incurred to-date and the Company's estimate of remaining efforts to be incurred to complete the contract.

We identified the assessment of the Company's estimate of remaining efforts to be incurred for certain fixed-price contracts recognized based on an effort-based input method to be a critical audit matter. The evaluation of the assumptions within the remaining efforts to be incurred to complete the contracts, including the length of time to complete the project, involved especially subjective auditor judgment. Specifically, changes to certain assumptions in the Company's estimate of remaining efforts may have a significant impact on the estimated revenue recorded during the period.

The following are the primary procedures we performed to address this critical audit matter. We evaluated the design and tested the operating effectiveness of certain internal controls related to the Company's process to develop estimates of remaining efforts to be incurred to complete contracts. For certain completed contracts, we compared the Company's historical estimates of efforts to be incurred to actual efforts incurred to assess the Company's ability to estimate. For a selection of contracts open at period-end, we inspected the related contracts to obtain an understanding of the contractual requirements and evaluated the Company's assumptions underlying the estimate of remaining efforts to be incurred through:

- assessment of efforts incurred to-date and the relative progress toward satisfying the performance obligation(s) of the contract
- inquiry of Company operational personnel to evaluate factors they considered in estimating efforts to be incurred to complete the contract
- inspection of correspondence, if any, between the Company and the customer, related to performance to-date and expected remaining efforts to be incurred to complete the contract
- assessment of revisions made in the subsequent period, if any, to the estimate of remaining efforts to be incurred to complete the contract.

KPMG LLP

We have served as the Company's auditor since 2004.

Boston, Massachusetts
May 18, 2023

Virtusa SuperHoldCo, Inc. and Subsidiaries

Consolidated Balance Sheets

(Amounts in thousands, except share and per share amounts)

	March 31, 2023	March 31, 2022
Assets		
Current assets:		
Cash and cash equivalents	$ 184,273	$ 114,002
Short-term investments	37,134	4,233
Accounts receivable, net of allowance of $1,350 and $1,358 at March 31, 2023 and March 31, 2022, respectively	179,600	160,288
Unbilled accounts receivable	166,238	156,031
Prepaid expenses	59,394	49,508
Restricted cash	1,355	1,028
Other current assets	32,805	33,573
Total current assets	660,799	518,663
Property and equipment, net	117,067	121,747
Operating lease right-of-use assets	49,009	50,231
Long-term investments	25	63
Deferred income taxes	343	724
Goodwill	775,558	775,558
Intangible assets, net	890,282	989,382
Other long-term assets	20,818	21,356
Total assets	$ 2,513,901	$ 2,477,724
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$ 48,862	$ 45,879
Accrued employee compensation and benefits	131,432	110,444
Deferred revenue	29,295	17,193
Accrued expenses and other	106,451	106,280
Current portion of long-term debt	5,526	5,431
Operating lease liabilities	6,943	8,657
Income taxes payable	3,401	4,467
Total current liabilities	331,910	298,351
Deferred income taxes	190,867	229,884
Operating lease liabilities, non-current	28,277	24,241
Long-term debt, less current portion	1,542,702	1,549,128
Long-term liabilities	47,709	29,912
Total liabilities	2,141,465	2,131,516
Commitments and contingencies		
Stockholders' equity:		
Common stock, $0.01 par value; 1,000 shares Authorized; 395 shares issued and outstanding at March 31, 2023 and at March 31, 2022	—	—
Additional paid-in capital	394,250	394,250
Retained earnings (accumulated deficit)	38,693	(33,630)
Accumulated other comprehensive loss	(60,507)	(14,412)
Total stockholders' equity	372,436	346,208
Total liabilities and stockholders' equity	$ 2,513,901	$ 2,477,724

See accompanying notes to consolidated financial statement

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Virtusa SuperHoldCo, Inc. and Subsidiaries

Consolidated Statements of Income (Loss)

(Amounts in thousands)

	Successor			Predecessor
	Fiscal Year Ended March 31, 2023	Fiscal Year Ended March 31, 2022	Period from February 11, through March 31, 2021	Period from April 1, 2020 through February 10, 2021
Revenue	$ 1,851,676	$ 1,601,012	$ 189,125	$ 1,115,825
Costs of revenue	1,249,685	1,086,012	126,703	800,272
Gross profit	601,991	515,000	62,422	315,553
Operating expenses:				
Selling, general and administrative expenses	383,546	367,270	157,280	272,917
Income (loss) from operations	218,445	147,730	(94,858)	42,636
Other income (expense):				
Interest income	1,026	263	20	728
Interest expense	(116,576)	(67,901)	(11,323)	(17,797)
Foreign currency transaction (losses) gains, net	2,732	6,892	(477)	4,454
Other, net	926	488	80	(11,459)
Total other expense	(111,892)	(60,258)	(11,700)	(24,074)
Income (loss) before income tax expense	106,553	87,472	(106,558)	18,562
Income tax expense (benefit)	34,230	32,295	(17,751)	26,890
Net income (loss) available (attributable) to Successor and Predecessor stockholders	$ 72,323	$ 55,177	$ (88,807)	$ (8,328)
Less: Series A Convertible Preferred Stock dividend and accretion	—	—	—	4,173
Net income (loss) available (attributable) to Successor and Predecessor common stockholders	$ 72,323	$ 55,177	$ (88,807)	$ (12,501)
Basic and diluted earnings (loss) per share available (attributable) to Successor and Predecessor common stockholders	$ 182,975	$ 56,799	$ (88,807)	$ (0.41)

See accompanying notes to consolidated financial statements

Virtusa SuperHoldCo, Inc. and Subsidiaries

Consolidated Statements of Comprehensive Income (Loss)

(Amounts in thousands)

	Successor			Predecessor
	Fiscal Year Ended March 31, 2023	Fiscal Year Ended March 31, 2022	Period from February 11, through March 31, 2021	Period from April 1, 2020 through February 10, 2021
Net income (loss)	$ 72,323	$ 55,177	$ (88,807)	$ (8,328)
Other comprehensive income (loss):				
Foreign currency translation adjustment	(31,509)	(16,363)	216	10,652
Pension plan adjustment, net of tax effect of $0, $0, $0, $0	(4,757)	(1,214)	2	1,570
Unrealized gain (loss) on effective cash flow hedges, net of tax effect of $(3,022), $741, $14, $3,450	(9,829)	2,915	32	12,118
Other comprehensive income (loss)	(46,095)	(14,662)	250	24,340
Comprehensive income (loss)	$ 26,228	$ 40,515	$ (88,557)	$ 16,012

See accompanying notes to consolidated financial statements

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Virtusa SuperHoldCo, Inc. and Subsidiaries
Consolidated Statements of Stockholders' Equity
(Amounts in thousands, except share amounts)

Predecessor	Common Stock Shares	Common Stock Amount	Treasury Stock Shares	Treasury Stock Amount	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
Balance at March 31, 2020	33,518,389	$ 335	(3,385,564)	$(58,332)	$ 246,862	$ 293,831	$ (85,255)	$ 397,441
Proceeds from the exercise of stock options	54,661	—	—	—	975	—	—	975
Restricted stock units vested	153,500	2	—	—	(2)	—	—	—
Restricted stock units withheld for tax	—	—	—	—	(2,192)	—	—	(2,192)
Share-based compensation	—	—	—	—	14,059	—	—	14,059
Series A Convertible Preferred Stock dividends and accretion	—	—	—	—	—	(4,173)	—	(4,173)
Other comprehensive income (loss)	—	—	—	—	—	—	24,340	24,340
Net income	—	—	—	—	—	(8,328)	—	(8,328)
Balance at February 10, 2021	33,726,550	$ 337	(3,385,564)	$(58,332)	$ 259,702	$ 281,330	$ (60,915)	$ 422,122

Successor	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
Balance at February 11, 2021	—	$ —	$ —	$ —	$ —	$ —
Equity contribution	1,000		1,140,522	—	—	1,140,522
Other comprehensive loss	—	—	—	—	250	250
Net income	—		—	(88,807)	—	(88,807)
Balance at March 31, 2021	1,000	$ —	$ 1,140,522	$ (88,807)	$ 250	$ 1,051,965

Successor	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
Balance at April 1, 2021	1,000	$ —	$ 1,140,522	$ (88,807)	$ 250	$ 1,051,965
Equity share redemption	(605)	—	(746,272)	—	—	(746,272)
Other comprehensive loss	—	—	—		(14,662)	(14,662)
Net income	—	—	—	55,177	—	55,177
Balance at March 31, 2022	395	$ —	$ 394,250	$ (33,630)	$ (14,412)	$ 346,208

Successor	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
Balance at April 1, 2022	395	$ —	$ 394,250	$ (33,630)	$ (14,412)	$ 346,208
Other comprehensive loss	—	—	—		(46,095)	(46,095)
Net income	—	—	—	72,323		72,323
Balance at March 31, 2023	395	$ —	$ 394,250	$ 38,693	$ (60,507)	$ 372,436

See accompanying notes to consolidated financial statements

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Virtusa SuperHoldCo, Inc. and Subsidiaries
Consolidated Statements of Cash Flows
(Amounts in thousands)

	Successor			Predecessor
	Fiscal Year Ended March 31, 2023	Fiscal Year Ended March 31, 2022	Period from February 11, through March 31, 2021	Period from April 1, 2020 through February 10, 2021
Cash flows from operating activities:				
Net income (loss)	$ 72,323	$ 55,177	(88,807)	$ (8,328)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:				
Depreciation and amortization	93,606	94,607	9,495	29,768
Share-based compensation expense	—	—	—	14,059
Gain on redemption of equity method investment	—	—	—	(1,179)
Provision (recovery) for doubtful accounts	73	345	854	37
(Gain) loss on disposal of property and equipment	(195)	254	(20)	543
Impairment of operating lease right-of-use asset	—	—	810	1,413
Foreign currency transaction (gains) losses, net	(29)	(6,892)	477	(4,454)
Amortization of debt issuance cost	6,637	5,162	895	4,585
Loss on debt extinguishment	—	4,740	—	—
Deferred income taxes, net	(27,627)	(9,178)	(16,313)	4,672
Net changes in operating assets and liabilities, excluding the offset of acquisition				
Accounts receivable and unbilled receivable	(42,127)	(67,048)	(21,305)	58,373
Prepaid expenses and other current assets	(19,113)	(6,432)	1,874	10,319
Other long-term assets	8,242	1,658	1,540	2,675
Accounts payable	5,101	(36,070)	16,364	23,637
Accrued employee compensation and benefits	21,355	(4,259)	(6,465)	27,930
Accrued expenses and other current liabilities	8,396	27,110	5,236	14,165
Operating lease liabilities	2,245	205	893	(970)
Income taxes payable	(3,314)	(1,085)	(4,784)	12,750
Other long-term liabilities	18,017	2,043	(4,211)	2,520
Net cash provided by (used in) operating activities	143,590	60,337	(103,467)	192,515
Cash flows from investing activities:				
Proceeds from sale of property and equipment	283	281	35	11,904
Purchase of short-term investments	(146,881)	(3,529)	(32)	(42)
Proceeds from sale or maturity of short-term investments	113,372	—	—	9,001
Payment from note issued to related party	(2,552)	—	—	—
Payment for asset acquisitions	—	—	—	(27)
Business acquisitions, net of cash acquired	—	—	(1,751,130)	—
Payment of deferred consideration related to business acquisitions	—	—	—	(10,313)
Purchase of property and equipment	(18,126)	(14,345)	(719)	(7,007)
Net cash (used in) provided by investing activities	(53,904)	(17,593)	(1,751,846)	3,516
Cash flows from financing activities:				
Proceeds from exercise of stock options	—	—	—	976
Proceeds from debt	—	720,000	900,000	—
Payment of debt issuance costs	(205)	(24,942)	(40,323)	(813)
Equity contribution	—	—	1,140,522	—
Equity share redemption	—	(746,272)	—	—
Proceeds from revolving credit facility	—	86,000	—	—
Payment of debt	(12,700)	(6,000)	—	(13,008)
Payment of contingent consideration related to acquisitions	(2,190)	(3,082)	(9,234)	(5,971)
Payments of withholding taxes related to net share settlements of restricted stock	—	—	—	(2,192)
Payment of revolving credit facility	—	(86,000)	—	(105,000)
Payment of deferred financing costs	(653)			
Payment of dividend on Series A Convertible Preferred Stock	—	—	—	(4,184)
Net cash (used in) provided by financing activities	(15,748)	(60,296)	1,990,965	(130,192)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(3,354)	(1,514)	(1,534)	13,150
Net (decrease) increase in cash and cash equivalents and restricted cash	70,584	(19,066)	134,118	78,989
Cash, cash equivalents and restricted cash, beginning of period	115,052	134,118	—	291,601
Cash, cash equivalents and restricted cash, end of period	$ 185,636	$ 115,052	134,118	$ 370,590

	Successor			Predecessor
	Fiscal Year Ended March 31, 2023	Fiscal Year Ended March 31, 2022	Period from February 11, through March 31, 2021	Period from April 1, 2020 through February 10, 2021
Supplemental disclosure of cash flow information:				
Cash paid for interest	$ 109,599	$ 54,417	$ 4,684	$ 25,196
Cash receipts from interest	$ 962	$ 276	$ 21	$ 837
Cash paid for income tax	$ 54,770	$ 43,981	$ 9,199	$ 7,967

The following table provides a reconciliation of cash, cash equivalents and restricted cash reported within the consolidated balance sheets:

	Fiscal Year Ended March 31, 2023	Fiscal Year Ended March 31, 2022
Balance sheet classification		
Cash and cash equivalents	$ 184,273	$ 114,002
Restricted cash in current assets	1,355	1,028
Restricted cash in other long-term assets	8	22
Total restricted cash	$ 1,363	$ 1,050
Total cash, cash equivalents and restricted cash	$ 185,636	$ 115,052

See accompanying notes to consolidated financial statements

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(1) Nature of the Business

Virtusa SuperHoldCo, Inc. (formerly Austin SuperHoldCo, Inc.) ("SuperHoldCo"), is the parent company of Virtusa Corporation, a global provider of digital engineering and IT outsourcing services that accelerate business outcomes for our clients.

On September 9, 2020, Virtusa Corporation entered into an Agreement and Plan of Merger (the "Merger Agreement") by and among Virtusa HoldCo, Inc. (formerly Austin HoldCo Inc.) ("HoldCo"), a corporation organized under the laws of Delaware and a wholly-owned indirect subsidiary of SuperHoldCo which is wholly-owned by funds affiliated with Baring Private Equity Asia, an investment firm principally managed and headquartered in Hong Kong and Singapore ("BPEA"); and Austin Bidco Inc. ("Sub"), a corporation organized under the laws of Delaware and a wholly-owned subsidiary of HoldCo, formed in connection with the acquisition of Virtusa Corporation by HoldCo for $51.35 in cash for each share of common stock of Virtusa Corporation ("BPEA Transaction"). On February 11, 2021 ("Closing Date"), pursuant to the terms and conditions of the Merger Agreement, the BPEA Transaction was closed and Virtusa Corporation completed the merger with Sub. Pursuant to the Merger Agreement, in connection with the closing of BPEA Transaction, Sub was merged with and into Virtusa Corporation with Virtusa Corporation being the surviving entity as a wholly-owned subsidiary of HoldCo. SuperHoldCo has no independent assets or operations other than its indirect equity ownership of Virtusa Corporation. Unless the context requires otherwise, references in this report to "we", "the Company", "us", "Virtusa" and "our" (i) for periods through February 10, 2021, refer to Virtusa Corporation and its consolidated subsidiaries and (ii) for periods from February 11, 2021 onwards refer to Virtusa SuperHoldCo, Inc. and its consolidated subsidiaries.

The Company supports Global 2000 clients across key industries including banking, financial services, insurance, healthcare and life sciences, communications, technology, and media and entertainment. The Company helps improve business performance through accelerating revenue growth, delivering compelling consumer experiences, improving operational efficiencies, and lowering overall IT costs.

The Company provides services across the entire spectrum of the IT services lifecycle, from consulting to technology and user experience ("UX") design, development of IT applications, systems integration, digital engineering, testing and business assurance, and maintenance and support services, including cloud, infrastructure and managed services. The Company helps its clients solve critical business problems by leveraging a combination of our distinctive consulting approach, end-to-end digital engineering capabilities, unique platforming methodology, and deep domain and technology expertise.

Headquartered in Massachusetts, the Company has offices throughout the Americas, Europe, the Middle East and Asia, with large global delivery centers in the United States, India and Sri Lanka. The Company also services our clients onsite at their offices or virtually, which offers flexibility for both clients and employees.

(2) Summary of Significant Accounting Policies

(a) Principles of Consolidation

Virtusa SuperHoldCo,, is a holding company formed by funds affiliated with BPEA for the purpose of purchasing Virtusa Corporation and its subsidiaries. From the date of the BPEA Transaction through March 31, 2023, Virtusa Corporation and its subsidiaries are the only operating subsidiaries under Virtusa SuperHoldCo, Inc. In these consolidated financial statements, any references to "we", "the Company", "us" and "our" refer to Virtusa Corporation and its subsidiaries for any period before February 11, 2021 and Virtusa SuperHoldCo, Inc. and its subsidiaries for any period on or after February 11, 2021.

The financial statements include the period from April 1, 2020 to February 10, 2021 ("2021 Predecessor Period"). The period from February 11, 2021 to March 31, 2021 ("2021 Successor Period"), the fiscal year ended March 31, 2022 ("2022 Successor Period") and the fiscal year ended March 31, 2023 ("2023 Successor Period") includes Virtusa SuperHoldCo, Inc. and

HoldCo transactions from the inception date (September 3, 2020) to March 31, 2021, from April 1, 2021 to March 31, 2022 and from April 1, 2022 to March 31, 2023.

The accompanying financial statements have been prepared on a consolidated basis and reflect the financial statements of Virtusa SuperHoldCo, Inc. and all of its subsidiaries that are directly or indirectly more than 50% owned or controlled. When the Company does not have a controlling interest in an entity, but exerts a significant influence on the entity, the Company applies the equity method of accounting. For those majority-owned subsidiaries that are not 100% owned by the Company, the interests of the minority owners are accounted for as noncontrolling interests.

(b) Use of Estimates

The preparation of financial statements in accordance with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities as of the date of the financial statements, and the reported amounts of revenue and expenses during the reported period. Management re-evaluates these estimates on an ongoing basis. Estimates are used in determining, among other items, the recognition of revenue and profits based on the percentage of completion method of accounting for fixed-price contracts, reserves for uncertain tax positions, realizability of deferred tax assets, business combinations and the recoverability of intangible and tangible assets. Management bases its estimates on historical experience and on various other factors and assumptions that are believed to be reasonable under the circumstances. The actual amounts may vary from the estimates used in the preparation of the accompanying consolidated financial statements.

(c) Foreign Currency Translation

The functional currencies of the Company's non-U.S. subsidiaries are the local currency of the country in which the subsidiary operates except for Hungary, which uses the euro and certain Netherlands entities, which use the U.S. dollar. Operating and capital expenditures of the Company's subsidiaries located in India, Sri Lanka, certain Netherlands entities, Australia, Canada, Singapore, Malaysia, the Philippines, Germany, Austria, Sweden and the United Kingdom, are denominated in their local currency which is the currency most compatible with their expected economic results. India and Sri Lanka local expenditures form the underlying basis for intercompany transactions which are subsequently conducted in both U.S. dollars and U.K. pounds sterling. U.K. client sales contracts are primarily conducted in U.K. pounds sterling.

All transactions and account balances are recorded in the functional currency. The Company translates the value of these non-U.S. subsidiaries' local currency denominated assets and liabilities into U.S. dollars at the rates in effect at the balance sheet date. Resulting translation adjustments are recorded in stockholders' equity as a component of accumulated other comprehensive income (loss). The local currency denominated statement of income amounts are translated into U.S. dollars using the average exchange rates in effect during the period. Realized foreign currency transaction gains and losses are included in the consolidated statements of income. The Company's non-U.S. subsidiaries do not operate in "highly inflationary" countries.

(d) Derivative Instruments and Hedging Activities

The Company enters into forward foreign exchange contracts to mitigate the risk of changes in foreign exchange rates on intercompany transactions and forecasted transactions denominated in foreign currencies. The Company also enters into interest rate swaps to mitigate interest rate risk on the Company's variable rate debt. The Company designates derivative contracts as cash flow hedges if they satisfy the criteria for hedge accounting. Changes in fair values of derivatives designated as cash flow hedges are deferred and recorded as a component of accumulated other comprehensive income, net of taxes, until the hedged transactions occur and are then recognized in the consolidated statements of income (loss), the effective components are recognized in the same line item as the underlying and any ineffective components are recognized as other income (expense). Changes in fair value of derivatives not designated as hedging instruments are recognized immediately in the consolidated statements of income (loss).

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With respect to derivatives designated as cash flow hedges, the Company formally documents all relationships between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedge transactions. The Company also formally assesses both at the inception of the hedge and on an ongoing basis, whether each derivative will be highly effective in offsetting changes in fair values or cash flows of the hedged item. If the Company determines that a derivative or a portion thereof is not highly effective as a hedge, or if a derivative ceases to qualify for hedge accounting, the Company prospectively discontinues hedge accounting with respect to that derivative.

(e) Cash and Cash Equivalents and Restricted Cash

The Company considers all highly liquid investments with an initial maturity of three months or less from the date of purchase to be cash equivalents. At March 31, 2023, cash equivalents consisted of money market instruments and certificates of deposit. The Company had short-term and long-term restricted cash totaling $1,363 and $1,050 at March 31, 2023 and 2022, respectively. Restricted cash includes the restricted deposits with banks to secure the import of computer and other equipment and bank guarantees associated with the purchase of property and equipment of the Company's facilities in India as well as bank guarantees associated with ongoing value added tax assessments.

(f) Investment Securities

The Company classifies its investment securities as available-for-sale securities and equity securities. Available-for-sale securities are classified as short-term investments and long-term investments on the consolidated balance sheet based on their maturity dates and are carried at fair market value. Any unrealized gains and losses on available-for-sale securities are reported in accumulated other comprehensive income (loss), net of tax, as a separate component of stockholders' equity unless the decline in value is deemed to be other-than-temporary, in which case, investments are written down to fair value and the loss is charged to the consolidated statements of income. The Company classifies its equity securities as short-term investments and any unrealized gains and losses on equity securities are charged to the consolidated statements of income. The Company determines the cost of the securities sold based on the specific identification method.

The Company conducts a periodic review and evaluation of its investment securities to determine if the decline in fair value of any security is deemed to be other-than-temporary. Other-than-temporary impairment losses are recognized on securities when: (i) the holder has an intention to sell the security; (ii) it is more likely than not that the security will be required to be sold prior to recovery; or (iii) the holder does not expect to recover the entire amortized cost basis of the security. Other-than-temporary losses are reflected in earnings as a charge against gain on sale of investments to the extent the impairment is related to credit losses. The amount of the impairment related to other factors is recognized in other comprehensive income. The Company has no intention to sell any securities in an unrealized loss position at March 31, 2023 nor is it more likely than not that the Company would be required to sell such securities prior to the recovery of the unrealized losses.

(g) Business Combinations

The Company accounts for its business combinations under the acquisition method of accounting. The Company records the assets acquired and liabilities assumed, including any contingent consideration, based on their estimated fair values at the date of acquisition. The excess of the purchase price for acquisitions over the fair value of the net assets acquired, including other intangible assets, is recorded as goodwill.

The Company performs an annual impairment review in the fourth quarter and more frequently if events or changes in circumstances indicate that goodwill might be impaired. These events or circumstances could include a significant change in the business climate, legal factors, operating performance indicators, competition, or sale or disposition of a significant portion of a reporting unit. The Company has one reporting unit for purposes of the goodwill impairment review. ASC Topic 350, Intangibles — Goodwill and Other permits an assessment of qualitative factors to determine whether it is more likely than not that the fair value is less than the carrying amount of the Company before applying the quantitative goodwill impairment test.

If it is more likely than not that the fair value is less than the carrying amount of the Company, the quantitative goodwill impairment test will be conducted to detect and measure any impairment. In the quantitative goodwill impairment test, the amount of any goodwill impairment is measured by comparing the fair value of the reporting unit's goodwill to the carrying value of goodwill, with the resulting impairment charge reflected in operations.

The annual goodwill impairment test requires judgment specific to the assignment of goodwill to reporting units and determination of the fair value of each reporting unit. The estimates used to calculate the fair value of a reporting unit change from year to year based on operating results and market conditions. Changes in these estimates and assumptions could materially affect the determination of fair value and goodwill impairment for each reporting unit. The Company completed the annual impairment test required during the fourth quarter of the fiscal year ended March 31, 2023 and determined that there was no impairment.

Other intangible assets acquired in a business combination are recognized at fair value using generally accepted valuation methods appropriate for the type of intangible asset and reported separately from goodwill. Intangible assets other than certain trademarks with indefinite lives are amortized over the estimated useful lives and are tested for impairment when events or circumstances occur that indicate that it is more likely than not that an impairment has occurred. The Company tests other intangible assets with finite lives for impairment by comparing the carrying amount to the sum of the net undiscounted cash flows expected to be generated by the asset group whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. If the carrying amount of the asset exceeds its net undiscounted cash flows, then an impairment loss is recognized for the amount by which the carrying amount exceeds its fair value.

(h) Fair Value of Financial Instruments

The Company uses a framework for measuring fair value under U.S. generally accepted accounting principles and enhanced disclosures about fair value measurements. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs. The Company's financial assets and liabilities reflected in the consolidated financial statements at carrying value include marketable securities and other financial instruments which approximate fair value. Fair value for marketable securities is determined using a market approach based on quoted market prices at period end in active markets. The fair value hierarchy is based on three levels of inputs, of which the first two are considered observable and the last unobservable, that may be used to measure fair value which are the following:

- Level 1—Quoted prices in active markets for identical assets or liabilities.
- Level 2—Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3—Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

At March 31, 2023 and 2022, the carrying amounts of certain of the Company's financial instruments, including cash and cash equivalents, accounts receivable, unbilled accounts receivable, restricted cash, accounts payable, accrued employee compensation and benefits and other accrued expenses, approximate their fair values due to the short-term nature of the items. See Note 7 and Note 12 to the consolidated financial statements for further information of the fair value of the Company's other financial instruments.

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(i) Concentration of Credit Risk and Significant Customers

Financial instruments which potentially expose the Company to concentrations of credit risk are primarily comprised of cash and cash equivalents, investments, derivatives, accounts receivable and unbilled accounts receivable. The Company places its cash, investments and derivatives in highly-rated financial institutions. The Company adheres to a formal investment policy with the primary objective of preservation of principal, which contains credit rating minimums and diversification requirements. Management believes its credit policies reflect normal industry terms and business risk. The Company does not anticipate non-performance by the counterparties and, accordingly, does not require collateral.

At March 31, 2023 and 2022, one client accounted for more than 10% of gross accounts receivable. Revenue from significant clients as a percentage of the Company's consolidated revenue was as follows:

	Successor			Predecessor
	Fiscal Year Ended March 31, 2023	Fiscal Year Ended March 31, 2022	Period from February 11, through March 31, 2021	Period from April 1, 2020 through February 10, 2021
Customer A	16.4%	17.2%	17.7%	18.6%

(j) Property and Equipment

Property and equipment are recorded at cost and depreciated over their estimated useful lives using the straight-line method. Leasehold improvements are amortized over the shorter of their lease term or the estimated useful life of the related asset. Upon retirement or sale, the cost of assets disposed of and the related accumulated depreciation are removed from the accounts and any resulting gain or loss is credited or charged to income. Repair and maintenance costs are expensed as incurred.

(k) Long-Lived Assets

The Company reviews the carrying value of its long-lived assets or asset groups with finite useful lives to be held and tested or reviewed for impairment, whenever events or changes in circumstances indicate that the carrying value of these assets may not be recoverable. Recoverability of these assets is measured by a comparison of the carrying value of an asset to the future net undiscounted cash flows directly associated with the asset. If assets are considered to be impaired, the impairment recognized is the amount by which the carrying value exceeds the fair value of the asset group. The Company uses a discounted cash flow approach or other methods, if appropriate, to assess fair value.

Long-lived assets to be disposed of by sale are reported at the lower of carrying value or fair value less cost to sell and depreciation is ceased. Long-lived assets to be disposed of other than by sale are considered to be held and used until disposal.

(l) Software Development Costs

The Company capitalizes costs to develop software for internal use incurred during the application development stage, which include costs to design the software configuration and interfaces, coding, installation and testing. Costs incurred during the preliminary project stage, along with post-implementation stages of internal use computer software, are expensed as incurred. Capitalized development costs are typically amortized over the estimated life of the software, typically three to ten years, using the straight-line method, beginning with the date that an asset is ready for its intended use. At March 31, 2023 and 2022, there were no unamortized capitalized software development costs. For the fiscal year ended March 31, 2023, 2022, the 2021 Successor Period and the 2021

Predecessor Period, respectively, amortization of capitalized software development costs amounted to approximately $0, $184, $46 and $561, respectively.

The Company also capitalizes implementation costs incurred in a cloud computer hosting arrangement that is a service contract in the same manner as internally developed software. The Company amortizes the capitalized implementation costs of a hosting arrangement that is a service contract over the term of the hosting arrangement. At March 31, 2023 and 2022, unamortized implementation cost capitalized in a hosting arrangement, including work in progress, was approximately $4,619 and $4,838, respectively. These costs were recorded in other long-term assets. For the fiscal year ended March 31, 2023, 2022, the 2021 Successor Period and the 2021 Predecessor Period, amortization of capitalized hosting arrangement costs amounted to approximately $971, $2,480, $72 and $464, respectively, were recorded in operating expenses.

(m) Income Taxes

Income taxes are accounted for using the asset and liability method whereby deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates in effect for the year in which those temporary differences are expected to be recovered or settled. Changes to enacted tax rates would result in either increases or decreases in the provision for income taxes in the period of changes. The Company evaluates the realizability of deferred tax assets and recognizes a valuation allowance when it is more likely than not that all, or a portion of, deferred tax assets will not be realized.

The calculation of the Company's tax liabilities involves uncertainties in the application of complex tax regulations in multiple jurisdictions. The Company records liabilities for estimated tax obligations in the United States and other tax jurisdictions in which it has operations (see Note 14 to the consolidated financial statements). The Company recognizes the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based upon the technical merits of the position. The tax benefit recognized in the financial statements from such a position is measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. Also, interest and penalties expense are recognized on the full amount of deferred benefits for uncertain tax positions. The Company's policy is to include interest and penalties related to unrecognized tax benefits in income tax expense.

(n) Revenue Recognition

The Company accounts for a contract when it has approval and commitment from both parties, the rights of the parties are identified, payment terms are identified, the contract has commercial substance and collectability of consideration is probable.

Revenues are recognized when control of the promised services is transferred to its customers in an amount that reflects the consideration the Company expects to be entitled to in exchange for those services.

Revenues related to fixed price contracts for complex design, development and customization services wherein the Company's performance creates or enhances an asset that the customer controls or for the fixed- price contracts related to consulting or other IT services wherein the Company's performance does not create an asset with an alternative use to the Company, but the Company has an enforceable right to payment for performance completed to date are recognized over time. For these contracts, the Company measures the progress and recognizes revenue using effort-based input methods, as the Company performs, based on actual efforts incurred to date compared to the estimate of total efforts to be incurred for the contract. Total efforts to be incurred includes the actual efforts incurred to-date and the Company's estimate of remaining efforts to be incurred to complete the contract. The use of the effort-based input method requires significant judgment relative to estimating total efforts, including assumptions relative to the length of time to complete the project and the nature and complexity of the work to be performed. Estimates of total efforts are continuously monitored during the term of the contract and are subject to revision as the contract progresses. When

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revisions in estimated contract revenue and efforts are determined, such adjustments are recorded in the period in which they are first identified. An input method is used to recognize revenue as the value of services provided to the customer is best represented by the hours expended to deliver those services.

The Company generally recognizes revenue for time and material contracts over time as the customer simultaneously receives and consumes the benefits as the Company performs services. The Company either applies the as-invoiced practical expedient to recognize revenues for services rendered on time and material basis, or a method that is otherwise consistent with the way in which value is delivered to the customer.

The Company generally recognizes revenue from fixed-price applications management, maintenance, or support engagements over time as customers receive and consume the benefits of such services and has applied the as-invoiced practical expedient to recognize revenue for services the Company renders to customers based on the amount the Company has a right to invoice, which is representative of the value being delivered. If our invoicing is not consistent with value delivered, revenues are recognized on a straight-line basis unless revenues are earned and obligations are fulfilled in a different pattern.

A majority of the Company's master services agreements with its clients are for twelve months or longer and some are perpetual in duration, with the underlying statements of work under which each engagement is performed being for periods of twelve months or less. These agreements typically permit the client to terminate on ten to sixty days' of prior written notice. These Company master services agreements also generally provide for an enforceable right to payment for performance completed to date. Most of the Company's master services agreements also allow clients to terminate, delay, reduce or eliminate spending on the services provided on written notice to the Company or though mutually executed change requests or amendments.

Contracts are often modified to account for changes in contract specification and requirements. The Company considers a contract modification when the modification either creates new or changes the existing enforceable rights and obligations. The accounting for modifications involves assessing whether the services added to an existing contract are distinct and whether the pricing is at the standalone selling price. Services added that are not distinct are accounted for on a cumulative catch-up basis, while those that are distinct are accounted for prospectively, either as a separate contract if the additional services are priced at the standalone selling price, or as a termination of the existing contract and creation of a new contract if not priced at the standalone selling price.

Certain customers may receive discounts, incentive payments or service level credits. A portion of the revenues relating to such arrangements are accounted for as variable consideration when the amount of revenue to be recognized can be estimated to the extent that it is probable that a significant reversal of any revenue will not occur. The Company estimates these amounts based on the expected amount to be provided to customers and adjusts revenues recognized. The Company's estimates the amount of variable consideration and determination of whether to include estimated amounts in the transaction price may involve judgment and are based largely on an assessment of the Company's anticipated performance and all information that is reasonably available to us.

From time to time, the Company may enter into contracts with customers that include multiple performance obligations. For such arrangements, the Company allocates revenue to each performance obligation based on its relative standalone selling price. The Company generally determines standalone selling prices based on an expected cost plus a margin approach.

The Company's warranties generally provide a customer with assurance that the related deliverable will function as the parties intended because it complies with agreed-upon specifications and is therefore not considered as an additional performance obligation in the contract.

When the Company receives consideration from a customer prior to transferring services to the customer under the terms of a contract, the Company records deferred revenue, which represents a contract liability. The Company recognizes deferred revenue as revenue after the Company has transferred control of the services to the

customer and all revenue recognition criteria are met. Unbilled accounts receivable represent revenue earned on contracts to be billed, in subsequent periods, as per the terms of the related contracts.

The Company's payment terms vary by the type and location of its customers. The term between invoicing and when payment is due is not significant. As a practical expedient, the Company does not assess the existence of a significant financing component when the difference between payment and transfer of deliverables is one year or less.

Revenue includes reimbursements of travel and out-of-pocket expenses, with equivalent amounts of expense recorded in costs of revenue, of $17,761, $23,731, $367 and $1,621 for the fiscal year ended March 31, 2023, 2022, the 2021 Successor Period and the 2021 Predecessor Period, respectively.

Any tax assessed by a governmental authority that is incurred as a result of a revenue transaction (e.g. sales tax) is excluded from the Company's assessment of transaction prices.

Costs to Obtain and Fulfill

The Company's costs to obtain contracts are generally expensed as incurred, as the liability is not solely a result of obtaining the contract. The costs to obtain contracts are triggered by multiple conditions such as being contingent on future performance, including continued employment and revenue recognized associated with the contract.

The Company's recurring operating costs for contracts with customers are recognized as expense as incurred. Certain eligible costs incurred in the initial phases of the Company's application maintenance, business process outsourcing and infrastructure services contracts (i.e., set-up or transition costs) are capitalized when such costs (1) relate directly to the contract, (2) generate or enhance resources of the Company that will be used in satisfying the performance obligation in the future, and (3) are expected to be recovered. These costs are expensed ratably over the estimated life of the customer relationship, including expected renewals. In determining the estimated life of the customer relationship, the Company evaluates the contract term, the expected life of the enhanced assets as well as the rate of technological and industry change. Capitalized amounts are monitored regularly for impairment. Impairment losses are recorded when projected remaining undiscounted operating cash flows are not sufficient to recover the carrying amount of the capitalized costs to fulfill. As of March 31, 2023 and 2022, the costs to fulfill contracts capitalized were $2,933 and $3,513, respectively.

(o) Costs of Revenue and Operating Expenses

Costs of revenue consist principally of salaries, employee benefits and share-based compensation expense, reimbursable and non-reimbursable travel costs, subcontractor fees, and immigration related expenses for IT professionals. Selling and marketing expenses are charged to operating expenses as incurred. Selling and marketing expenses are those expenses associated with promoting and selling the Company's services and include such items as sales and marketing personnel salaries, stock compensation expense and related fringe benefits, commissions, travel, and the cost of advertising and other promotional activities. Advertising and promotional expenses incurred were approximately $133, $712, $120 and $710 for the fiscal year ended March 31, 2023, 2022, the 2021 Successor Period and the 2021 Predecessor Period, respectively.

General and administrative expenses include other operating items such as officers' and administrative personnel salaries, share-based compensation expense and related fringe benefits, legal and audit expenses, public company related expenses, insurance, facility costs, provision for doubtful accounts, depreciation and amortization, including amortization of purchased intangibles and operating lease expenses.

(p) Other Income (Expense)

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Other income (expense) includes interest income, interest expense, investment gains and losses, foreign currency transaction gains and losses and disposal of fixed assets. We generate interest income by investing in time deposits, money market instruments, short term investments and long-term investments. We incur interest expense primarily from our long-term debt and amortization of our debt issuance cost. Foreign currency gains and losses are generated primarily by fluctuations of the Indian rupee, Sri Lankan rupee, euro, U.K. pound sterling and the Singapore dollar, against the U.S. dollar on intercompany transactions. This includes fluctuations on an Indian rupee denominated intercompany note in a U.S. dollar functional currency entity in the Netherlands that was put in place as part of the structuring of the Polaris Consulting and software Limited acquisition. At March 31, 2023, the approximate value of the intercompany note was $77,893 (Indian rupee 6,400,000).

(q) Share-Based Compensation

Share-based compensation cost is determined by estimating the fair value at the grant date of the Company's common stock and expensing the total compensation cost on a straight-line basis over the requisite employee service period or for grants issued with performance conditions, on a graded-vesting basis over the requisite employee service period.

Phantom awards are cash-settled awards that are contingent upon meeting certain equity returns and a liquidation event. As a result of the cash-settlement feature of these awards, the Company considers these awards to be liability awards, which are measured at fair value using the Black-Scholes model at each reporting date. To the extent that the performance conditions are deemed probable, the awards will be recognized as a liability and expensed over their vesting period.

(r) Allowance for Credit Losses

The allowance for credit losses on accounts receivable is determined using the loss-rate approach and is measured on a collective (pool) basis when similar risk characteristics exist. Where financial instruments do not share risk characteristics, they are evaluated on an individual basis. The Company calculates expected credit losses for accounts receivable based on historical credit loss rates for each aging category as adjusted for the current market conditions and forecasts about future economic conditions.

(s) Leases

The Company's leased assets primarily consist of operating leases for office space, equipment and vehicles. At the inception of a contract, the Company determines whether a contract contains a lease, and if a lease is identified, whether it is an operating or finance lease. In determining whether a contract contains a lease, the Company considers whether (1) it has the right to obtain substantially all of the economic benefits from the use of the asset throughout the term of the contract, (2) it has the right to direct how and for what purpose the asset is used throughout the term of the contract and (3) it has the right to operate the asset throughout the term of the contract without the lessor having the right to change the terms of the contract. The Company leases vehicles in certain locations primarily as an employee benefit and these leases are classified as either operating or finance leases. The Company does not have finance leases that are material to the Company's consolidated financial statements. Some of the Company's lease agreements contain both lease and non-lease components. The Company separates lease components from non-lease components for all the Company's lease assets. The consideration in the lease contract is allocated to the lease and non-lease components based on the estimated standalone prices. The Company's lease agreements, mainly for office space, may include options to extend or terminate the lease before the expiration date. The Company includes such options when determining the lease term when it is reasonably certain that the Company will exercise that option.

A portion of the leases for office space contain certain charges for additional rent expenses that are variable. Due to this variability, the cash flows associated with these charges are not included in the minimum lease payments used in determining the right-of-use ("ROU") lease assets and associated lease liabilities.

The Company's ROU lease assets represent the Company's right to use an underlying asset for the lease term and may include any advance lease payments made and any initial direct costs and exclude lease incentives. The Company's lease liabilities represent the Company's obligation to make lease payments arising from the contractual terms of the lease. ROU lease assets and lease liabilities are recognized at the commencement of the lease and are calculated using the present value of lease payments over the lease term. The Company's operating lease agreements do not provide enough information to arrive at an implicit interest rate. Therefore, the Company uses its estimated incremental borrowing rate based on information available at the commencement date of the lease to calculate the present value of the lease payments. The Company determines the incremental borrowing rate on a lease-by-lease basis by developing an estimated borrowing rate of the Company for a fully collateralized obligation with a term similar to the lease term and adjusts the rate to reflect the incremental risk associated with the currency in which the lease is denominated.

(t) Recent Accounting Pronouncements

Recently Adopted Accounting Pronouncements

Unless otherwise discussed below, the adoption of new accounting standards did not have an impact on the consolidated financial statements.

In March 2020, FASB issued ASU 2020-04 ASC Topic 848: Reference Rate Reform: Facilitation of the Effects of Reference Rate Reform on Financial Reporting ("ASU 2020-04"), which provides optional expedients and exceptions for applying U.S. GAAP to contracts, hedging relationships and other transactions affected by the discontinuation of the London Interbank Offered Rate ("LIBOR") or by another reference rate expected to be discontinued. The amendments were effective for all entities as of March 12, 2020, through December 31, 2022. The Company adopted Topic 848 on October 1, 2022, as a result of Amendment No.3 of our Credit Agreement to replace the LIBOR reference rate with the SOFR reference rate for existing lenders. The adoption of Topic 848 did not have and is not expected to have a material impact on the Company's consolidated financial statements and related disclosures.

New Accounting Pronouncements

The Company believes the impact of recently issued standards that are not yet effective will not have a material impact on its consolidated financial statements.

(3) Earnings (loss) per Share

Successor

Basic earnings (loss) per share ("EPS") available (attributable) to Successor common stockholders for the fiscal year ended March 31, 2023, 2022 and the 2021 Successor Period is computed by dividing net income (loss) by the weighted average number of shares of common stock outstanding for the period. The Company adjusts the denominator used in the basic EPS computation, subject to anti-dilution requirements, by giving effect to all potential dilutive common stock equivalents outstanding for the period. The following table sets forth the computation of basic and diluted EPS for the periods set forth below:

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	Fiscal Year Ended March 31, 2023	Fiscal Year Ended March 31, 2022	Period from February 11, through March 31, 2021
Numerators:			
Net income (loss) available (attributable) to common stockholders	$ 72,323	$ 55,177	$ (88,807)
Denominators:			
Basic weighted average common shares outstanding	395	971	1,000
Basic earnings (loss) per share available (attributable) to common stockholders (1)	$ 182,975	$ 56,799	$ (88,807)

The components of diluted earnings (loss) per share are as follows:

	Fiscal Year Ended March 31, 2023	Fiscal Year Ended March 31, 2022	Period from February 11, through March 31, 2021
Numerators:			
Net income (loss) available (attributable) to common stockholders	$ 72,323	$ 55,177	$ (88,807)
Denominators:			
Basic weighted average common shares outstanding	395	971	1,000
Dilutive effect of potential common stock equivalents	—	—	—
Weighted average shares – diluted	395	971	1,000
Diluted earnings (loss) per share available (attributable) to common stockholders (1)	$ 182,975	$ 56,799	$ (88,807)

(1) The Company calculated the earnings (loss) per share using whole numbers and not in thousands

There were no equity awards or other potentially dilutive instruments outstanding during the Successor Periods.

Predecessor

Basic earnings (loss) per share available (attributable) to Predecessor common stockholders for the 2021 Predecessor Period is computed by dividing net income, less any dividends and accretion of issuance cost on the Series A Convertible Preferred Stock by the weighted average number of shares of common stock outstanding for the period. In computing diluted EPS, the Company adjusts the numerator used in the basic EPS computation, subject to anti-dilution requirements, to add back the dividends (declared or cumulative undeclared) applicable to the Series A Convertible Preferred Stock. Such add-back would also include any adjustments to equity in the period to accrete the Series A Convertible Preferred Stock to its redemption price. The Company adjusts the denominator used in the basic EPS computation, subject to anti-dilution requirements, to include the dilution from potential shares resulting from the issuance of restricted stock units, unvested restricted stock and stock options along with the conversion of the

Series A Convertible Preferred Stock to common stock. The following table sets forth the computation of basic and diluted EPS for the periods set forth below:

The components of basic earnings per share are as follows:

	Period from April 1, 2020 through February 10, 2021
Numerators:	
Net income (loss) available (attributable) to Virtusa stockholders	$ (8,328)
Less: Series A Convertible Preferred Stock dividends and accretion	(4,173)
Net income (loss) available (attributable) to Virtusa common stockholders	$ (12,501)
Denominators:	
Basic weighted average common shares outstanding	30,272,905
Basic earnings (loss) per share available (attributable) to Virtusa common stockholders	$ (0.41)

The components of diluted earnings per share are as follows:

	Period from April 1, through February 10, 2021
Numerators:	
Net income (loss) available (attributable) to Virtusa common stockholders	$ (12,501)
Less: Series A Convertible Preferred Stock dividends and accretion	—
Net income (loss) available (attributable) to Virtusa common stockholders and assumed conversion	$ (12,501)
Denominators:	
Basic weighted average common shares outstanding	30,272,905
Dilutive effect of Series A Convertible Preferred Stock, if converted	—
Dilutive effect of employee stock options and unvested restricted stock awards and restricted stock units	—
Weighted average shares – diluted	30,272,905
Diluted earnings (loss) per share available (attributable) to Virtusa common stockholders	$ (0.41)

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During the 2021 Predecessor Period, unvested restricted stock awards and unvested restricted stock units issuable for, and options to purchase, 1,067,273 shares of common stock in the aggregate for such Predecessor Period, were excluded from the calculations of diluted earnings per share as their effect would have been anti-dilutive. For the 2021 Predecessor Period, all of the 3,000,000 shares of Series A Convertible Preferred Stock were excluded from diluted earnings per share as their effect would have been anti-dilutive using the if-converted method.

(4) Business Combinations

As described in Note 1, on February 11, 2021 the BPEA Transaction was closed resulting in the Company's acquisition of Virtusa Corporation. From the date of the BPEA Transaction through March 31, 2023, Virtusa Corporation and its subsidiaries are the only operating subsidiaries under Virtusa SuperHoldCo, Inc.

Under the purchase method of accounting, the total purchase price is allocated to the assets acquired and liabilities assumed based on their estimated fair values. The Company may continue to adjust the preliminary estimated fair values regarding all assets acquired and liabilities assumed during the one-year measurement period. During the fiscal year ended March 31, 2022, the Company recorded $80,444 as an increase of goodwill related to updating the fair value assessment of customer relationships and trademarks, leasehold land, uncertain tax positions and other long-term liabilities. The Company has completed the purchase price allocation during the one-year measurement period.

A summary of the fair values of assets and liabilities based on information available as of March 31, 2022 is as follows:

		Amount	Useful Life
Consideration Transferred:			
Cash paid to stockholders	$	1,713,663	
Repayment of historical indebtedness		381,961	
Fair value of stock awards consideration		26,096	
Total consideration transferred		2,121,720	
Less: net of cash acquired*		(370,590)	
Business acquisition, net of cash acquired	$	1,751,130	
Assets and liabilities:			
Cash and cash equivalents	$	367,812	
Short-term investments		778	
Accounts receivables and unbilled receivables		242,592	
Prepaid and other current assets		77,825	
Property and equipment, net		125,760	
Operating lease right-of-use assets		62,884	
Deferred income taxes		13,383	
Other long-term assets		27,492	
Trademarks		170,000	Indefinite
Intangible assets		910,000	15 years
Goodwill		775,558	
Total assets acquired	$	2,774,084	
Accounts payable	$	(63,058)	
Accrued employee compensation and benefits		(115,883)	
Accrued expenses and other		(100,077)	
Operating lease liabilities		(11,443)	
Income taxes payable		(17,989)	
Deferred income taxes		(269,334)	
Operating lease liabilities, non-current		(32,474)	
Long-term liabilities		(42,106)	
Total liabilities assumed	$	(652,364)	
Total purchase price	$	2,121,720	

*includes restricted cash of $2,778, of which $2,676 is included in prepaid and other current assets and $102 is included in other long-term assets.

During the 2021 Successor period, the Company incurred approximately $15,108 as transaction costs in connection with the BPEA Transaction and these costs are recorded in selling, general and administrative expenses.

As per the terms of the Merger Agreement, effective February 11, 2021, all of the Company's outstanding equity awards were cancelled and replaced with a conditional right ("Cash Replacement Award") to receive an amount equal to the product of the number of equity awards outstanding multiplied by $51.35, less any exercise price per share, if any, on the Closing Date.

The cash consideration for the Cash Replacement Award was split into two components of which 70% was paid to the employees upon the closing and the remaining 30% would be paid at the earlier of (a) the applicable vesting date of the equity award, (b) the date that is 12 months following the Closing Date or (c) if applicable, the date that is 60 days after the date the holder's employment is terminated by the Company without "cause" (as defined in the Merger Agreement) or by the holder for "good reason" (as defined in the Merger Agreement). During the fiscal year

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ended March 31, 2022, the Company recorded $10,971 cash compensation related to these Cash Replacement Awards. As of March 31, 2022, the Company has no liability outstanding related to the Cash Replacement Award.

(5) Goodwill and Intangible Assets

Goodwill:

The following are details of the changes in goodwill balance:

	Fiscal Year Ended March 31, 2023	Fiscal Year Ended March 31, 2022
Beginning balance	$ 775,558	$ 695,114
Goodwill arising from acquisitions	—	—
Purchase price adjustment	—	80,444
Foreign currency translation adjustments	—	—
Ending balance	$ 775,558	$ 775,558

As of March 31, 2023, the acquisition costs and goodwill balance deductible for the business acquisitions for tax purposes related to the Predecessor acquisitions are $87,496. As of March 31, 2023, the goodwill balance not deductible for tax purposes is $775,558 and related to the BPEA Transaction.

Intangible Assets:

The following are details of the Company's intangible asset carrying amounts acquired and amortization at:

	March 31, 2023			
	Weighted Average Useful Life at Acquisition	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Intangible assets:				
Customer relationships	15.0	$ 884,080	163,798	720,282
Trademark	Indefinite	170,000	—	170,000
		$1,054,080	163,798	890,282

	March 31, 2022			
	Weighted Average Useful Life at Acquisition	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Intangible assets:				
Customer relationships	15.0	$ 905,300	85,918	819,382
Trademark	Indefinite	170,000	—	170,000
		$1,075,300	85,918	989,382

The Company's amortization expense related to intangible assets acquired was $80,354, $79,182, $7,123 and $16,181 for the fiscal year ended March 31, 2023, 2022, the 2021 Successor Period and the 2021 Predecessor Period, respectively. The components included in the gross carrying amounts of amortization expense as of March 31, 2023,

2022 and 2021 Successor Period reflect the BPEA Transaction. The intangible assets are being amortized based on expected economic pattern of consumption over their estimated useful lives.

The estimated amortization expense related to the purchased intangible assets listed in the table above at March 31, 2023 is as follows for the following fiscal years:

Fiscal year	Amount
2024	$ 83,813
2025	86,768
2026	88,071
2027	79,595
2028	70,130
Thereafter	311,905
Total	$ 720,282

(6) Investment Securities

At March 31, 2023 and 2022, all of the Company's investment securities were classified as available-for- sale debt securities, time deposits and equity securities. These were carried on its balance sheet at their fair market value. A fair market value hierarchy based on three levels of inputs was used to measure each security (See Note 6 to our consolidated financial statements for a discussion of the fair value of the Company's other financial instruments).

The following is a summary of investment securities at March 31, 2023:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Time Deposits:				
Current	$ 5,234	$ —	$ —	$ 5,234
Equity securities:				
Mutual funds:				
Current	31,597	303	—	31,900
Equity Shares/ Options:				
Non-current	1	24	—	25
Total investment securities	$ 36,832	327	$ —	$ 37,159

The following is a summary of investment securities at March 31, 2022:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Time Deposits:				
Current	$ 3,440	$ —	$ —	$ 3,440
Equity securities:				
Mutual funds:				
Current	630	163	—	793
Equity Shares/ Options:				

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Non-current	1	62	—	63
Total investment securities	$ 4,071	225	$ —	$ 4,296

The Company evaluates investments with unrealized losses to determine if the losses are other than temporary. In making this determination, the Company considered the financial condition, credit ratings and near-term prospects of the issuers, the underlying collateral of the investments, and the magnitude of the losses as compared to the cost and the length of time the investments have been in an unrealized loss position. Additionally, while the Company classifies the securities as available for sale, the Company does not currently intend to sell such investments and it is more likely than not that the Company will not be required to sell such investments prior to the recovery of their carrying value.

At March 31, 2023 and 2022, there were no investment securities owned by the Company for which the fair value was less than the carrying value for a period greater than 12 months.

Available-for-sale debt securities, time deposits and equity securities by contractual maturity were as follows:

	March 31, 2023
Due in one year or less	$ 37,134
Due after 1 year through 5 years	25
Due after 5 years	—
Total	$ 37,159

The Company evaluates available-for-sale debt securities with unrealized losses to determine whether a credit loss exists. The estimate of credit loss is determined by considering available information relevant to the collectability of the security and information about past events, current conditions, and reasonable and supportable forecasts. The allowance for credit loss is recorded as a charge to other income (expense), not to exceed the amount of the unrealized loss. Any excess unrealized loss greater than the credit loss is recognized in accumulated other comprehensive income ("AOCI"). We assess expected credit losses at the end of each reporting period and adjust the allowance through other income (expense). The Company does not hold any available-for-sale debt securities as of March 31, 2023 and 2022.

Proceeds from sales of available-for-sale debt securities and equity securities and the gross gains and losses that have been included in earnings as a result of those sales were as follows:

	Successor			Predecessor
	Fiscal Year Ended March 31, 2023	Fiscal Year Ended March 31, 2022	Period from February 11, through March 31, 2021	Period from April 1, 2020 through February 10, 2021
Proceeds from sales or maturities of available-for-sale debt securities and equity securities	$ 84,778	$ —	$ —	$ 9,001
Gross gains	628	—	—	176
Gross losses	—	—	—	—
Net realized gains on sales of available-for-sale debt securities and equity securities	$ 628	$ —	$ —	$ 176

(7) Fair Value of Financial Instruments

The Company carries certain assets and liabilities at fair value on a recurring basis on its consolidated balance sheets. The following table summarizes the Company's financial assets and liabilities measured at fair value on a recurring basis at March 31, 2023.

	Level 1	Level 2	Level 3	Total
Assets:				
Investments:				
Time deposits—current	$ —	$ 5,234	$ —	$ 5,234
Equity securities—current	—	31,900	—	31,900
Equity securities—non-current	—	25	—	25
Derivative financial instruments:				
Foreign currency derivative contracts—current	—	1,210	—	1,210
Foreign currency derivative contracts—non-current	—	278	—	278
Total assets	$ —	$ 38,647	$ —	$ 38,647
Liabilities:				
Foreign currency derivative contracts—current	—	4,915	—	4,915
Foreign currency derivative contracts—non-current	—	392	—	392
Interest rate swap contracts—non-current	—	5,522	—	5,522
Total liabilities	$ —	$ 10,829	$	$ 10,829

The following table summarizes the Company's financial assets and liabilities measured at fair value on a recurring basis at March 31, 2022.

	Level 1	Level 2	Level 3	Total
Assets:				
Investments:				
Time deposits—current	$ —	$ 3,440	$ —	$ 3,440
Equity securities—current	—	793	—	793
Equity securities—non-current	—	63	—	63
Derivative financial instruments:				
Foreign currency derivative contracts—current	—	3,494	—	3,494
Foreign currency derivative contracts—non-current	—	532	—	532
Total assets	$ —	$ 8,322	$ —	$ 8,322
Liabilities:				
Foreign currency derivative contracts—current	—	336	—	336
Foreign currency derivative contracts—non-current	—	1	—	1
Contingent consideration	—	—	2,902	2,902
Total liabilities	$ —	$ 337	$ 2,902	$ 3,239

The Company estimates the fair value of our contingent consideration associated with our business combinations utilizing one or more significant inputs that are unobservable. The Company calculates the fair value of the contingent consideration based on the probability-weighted expected performance of the acquired business against the target performance metric, discounted to present value when appropriate.

The following table shows a reconciliation of the beginning and ending balances of Level 3 contingent consideration liabilities associated with our business combinations:

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	Successor			Predecessor
	Fiscal Year Ended March 31, 2023	Fiscal Year Ended March 31, 2022	Period from February 11, through March 31, 2021	Period from April 1, 2020 through February 10, 2021
Beginning balance	$ 2,902	$ 7,125	$ 16,348	$ 25,012
Purchase price adjustments	—	—	—	(4,178)
Payments made during the period	(2,775)	(3,841)	(10,459)	(4,051)
Contingent consideration recognized in earnings	—	(263)	1,236	(453)
Foreign currency translation adjustments	(127)	(119)	—	18
Ending balance	$ —	$ 2,902	$ 7,125	$ 16,348

(8) Leases

The following table provides information on the components of the Company's operating leases included in the consolidated balance sheets:

Leases	Location on Consolidated Balance Sheets	March 31, 2023	March 31, 2022
Assets:			
Operating lease assets *	Operating lease right-of-use of assets	$ 49,009	$ 50,231
Liabilities:			
Current			
Operating lease liabilities	Operating lease liabilities	$ 6,943	$ 8,657
Noncurrent			
Operating lease liabilities	Operating lease liabilities, noncurrent	$ 28,277	$ 24,241
	Total	$ 35,220	$ 32,898

* Includes $15,730 related to a leased land located in Hyderabad.

The following table provides the components of lease expense related to our operating leases:

		Successor			Predecessor
		Fiscal Year Ended March 31,	Fiscal Year Ended March 31,	Period from February 11, through March 31,	Period from April 1, 2020 through February 10,
	Location on Consolidated Statements of Income (Loss)	2023	2022	2021	2021
Operating lease cost:					
Operating lease cost	Selling, general and administrative expenses	$ 13,565	$ 14,677	$ 2,052	$ 11,839
Variable lease cost	Selling, general and administrative expenses	$ 26	$ 66	$ 18	$ 74
Short-term lease cost	Selling, general and administrative expenses	$ 438	$ 491	$ 81	$ 505
Less: Sublease income	Selling, general and administrative expenses	$ (83)	$ (413)	$ (57)	$ (541)
Total operating lease cost		$ 13,946	$ 14,821	$ 2,094	$ 11,877

The following table provides supplemental cash flow information related to our operating leases:

	Successor			Predecessor
	Fiscal Year Ended March 31,	Fiscal Year Ended March 31,	Period from February 11, through March 31,	Period from April 1, 2020 through February 10,
	2023	2022	2021	2021
Cash paid for amounts included in the measurement of lease liabilities:				
Operating cash flows used for operating leases	$ 11,432	$ 14,161	$ 2,028	$ 13,394
Right-of-use assets obtained in exchange for lease obligations:				
Operating leases	$ 12,379	$ 4,425	$ 167	$ 3,855

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The Company's leases have remaining lease terms ranging from 1 year to 9 years. The following table provides information on the weighted average remaining lease term and weighted average discount rate related to our operating leases:

	March 31, 2023	March 31, 2022
Weighted average remaining lease term, in years:		
Operating leases	5.19	4.91
Weighted average discount rate:		
Operating leases	11.57 %	7.28 %

There were no lease agreements that contained restrictive covenants or material residual value guarantees as of March 31, 2023.

The following table provides the schedule of maturities of the Company's operating lease liabilities, under ASC Topic 842, as of March 31, 2023:

	Operating leases March 31, 2023
2024	$ 10,168
2025	9,034
2026	8,305
2027	6,934
2028	5,459
2029 and thereafter	7,170
Total lease payments	$ 47,070
Less: Interest	11,850
Total lease liabilities	$ 35,220

As of March 31, 2023, the Company had committed to payments of $525 related to operating leases that had yet to commence and therefore are not included in consolidated balance sheets. These leases will commence on various dates in the calendar year 2023 and have lease term of five years.

(9) Revenues

The table below presents disaggregated revenues from the Company's contracts with customers by geography, industry groups, service offerings and contract-type. The Company believes this disaggregation best depicts how the nature, amount, timing and uncertainty of its revenues and cash flows are affected by industry, market and other economic factors.

	Successor			Predecessor
	Fiscal Year Ended March 31, 2023	Fiscal Year Ended March 31, 2022	Period from February 11, through March 31, 2021	Period from April 1, 2020 through February 10, 2021
Revenue by geography:				
North America	$ 1,343,241	$ 1,147,581	$ 137,266	$ 823,609
Europe	330,237	302,930	33,953	191,631
Rest of World	178,198	150,501	17,906	100,585
Consolidated revenue	$ 1,851,676	$ 1,601,012	$ 189,125	$ 1,115,825

	Successor			Predecessor
	Fiscal Year Ended March 31, 2023	Fiscal Year Ended March 31, 2022	Period from February 11, through March 31, 2021	Period from April 1, 2020 through February 10, 2021
Revenue by customer's industry groups:				
Banking, Financial Services and Insurance	$ 1,087,988	$ 894,341	$ 101,694	$ 610,002
Communications and Technology	368,309	342,024	41,745	261,659
Media & Information and Other	123,719	118,935	14,265	88,167
Healthcare & Life Sciences	271,660	245,712	31,421	155,997
Consolidated revenue	$ 1,851,676	$ 1,601,012	$ 189,125	$ 1,115,825

	Successor			Predecessor
	Fiscal Year Ended March 31, 2023	Fiscal Year Ended March 31, 2022	Period from February 11, through March 31, 2021	Period from April 1, 2020 through February 10, 2021
Revenue by contract type:				
Time-and-materials	$ 959,907	$ 840,412	$ 99,104	$ 605,171
Fixed-price*	891,769	760,600	90,021	510,654
Consolidated revenue	$ 1,851,676	$ 1,601,012	$ 189,125	$ 1,115,825

*Fixed-price revenue includes both fixed price retainer-billing contracts recognized using the as-invoiced practical expedient and fixed-price progress towards completion contracts recognized using effort-based input methods.

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Receivables and Contract Balances

The Company classifies its right to consideration in exchange for deliverables as either a receivable or a contract asset. A receivable is a right to consideration that is unconditional (i.e., only the passage of time is required before payment is due). The Company presents such receivables in accounts receivable or unbilled accounts receivable, in its consolidated statements of financial position at their net estimated realizable value.

Contract assets included in unbilled accounts receivable are recorded when services have been provided but the Company does not have an unconditional right to receive consideration. Contract assets are primarily related to unbilled amounts on fixed-price contracts utilizing the input method of revenue recognition. The timing between services rendered and timing of payment is less than one year. The Company recognizes an impairment loss when the contract carrying amount is greater than the remaining consideration receivable, less directly related costs to be incurred.

The table below shows significant movements in contract assets:

	Successor			Predecessor
	Fiscal Year Ended March 31, 2023	Fiscal Year Ended March 31, 2022	Period from February 11, through March 31, 2021	Period from April 1, 2020 through February 10, 2021
Beginning balance	$ 14,119	$ 9,579	$ 16,086	$ 14,241
Revenues recognized during the period but not yet billed	122,274	93,070	14,786	76,824
Amounts billed	(124,811)	(88,383)	(21,277)	(75,026)
Other	331	(147)	(16)	47
Ending balance	$ 11,913	$ 14,119	$ 9,579	$ 16,086

Contract liabilities comprise amounts billed to customers for revenues not yet earned. Such amounts are anticipated to be recorded as revenues when services are performed in subsequent periods.

The table below shows significant movements in the deferred revenue balances:

	Successor			Predecessor
	Fiscal Year Ended March 31, 2023	Fiscal Year Ended March 31, 2022	Period from February 11, through March 31, 2021	Period from April 1, 2020 through February 10, 2021
Beginning balance	$ 17,193	$ 4,732	$ 9,530	$ 8,054
Amounts billed but not yet recognized as revenues	29,076	16,862	1,786	9,736
Revenues recognized related to the opening balance of deferred revenue	(16,374)	(4,288)	(6,325)	(7,062)
Other	(600)	(113)	(259)	(221)
Ending balance	$ 29,295	$ 17,193	$ 4,732	$ 10,507

Remaining Performance Obligation

ASC Topic 606 - Revenue from Contracts with Customers requires that the Company discloses the aggregate amount of transaction price that is allocated to performance obligations that have not yet been satisfied as of March 31, 2023. This disclosure is not required for:

(1) contracts with an original duration of one year or less, including contracts that can be terminated for convenience without a substantive penalty,
(2) contracts for which the Company recognizes revenues based on the right to invoice for services performed,
(3) variable consideration allocated entirely to a wholly unsatisfied performance obligation or to a wholly unsatisfied promise to transfer a distinct good or service that forms part of a single performance obligation in accordance with ASC 606-10-25-14(b), for which the criteria in ASC 606- 10-32-40 have been met, or
(4) variable consideration in the form of a sales-based or usage-based royalty promised in exchange for a license of intellectual property.

Many of the Company's performance obligations meet one or more of these exemptions. As of March 31, 2023, the aggregate amount of transaction price allocated to remaining performance obligations, other than those meeting the exclusion criteria above, was $0.

Costs to Obtain and Fulfill

The Company's costs to obtain contracts are generally expensed as incurred, as the liability is not solely a result of obtaining the contract. The costs to obtain contracts are triggered by multiple conditions such as being contingent on future performance, including continued employment and revenue recognized associated with the contract.

The Company's recurring operating costs for contracts with customers are recognized as expense as incurred. Certain eligible costs incurred in the initial phases of the Company's application maintenance, business process outsourcing and infrastructure services contracts (i.e. set-up or transition costs) are capitalized when such costs (1) relate directly to the contract, (2) generate or enhance resources of the Company that will be used in satisfying the performance obligation in the future, and (3) are expected to be recovered. These costs are expensed ratably over the estimated life of the customer relationship, including expected renewals. In determining the estimated life of the customer relationship, the Company evaluates the contract term, the expected life of the enhanced assets as well as the rate of technological and industry change. Capitalized amounts are monitored regularly for impairment. Impairment losses are recorded when projected remaining undiscounted operating cash flows are not sufficient to recover the carrying amount of the capitalized costs to fulfill.

The following table presents information related to the capitalized costs to fulfill, such as set-up or transition activities, for the fiscal years ended March 31, 2023:

	Year Ended March 31, 2023	Year Ended March 31, 2022
Beginning balance	$ 3,513	$ —
Costs capitalized	1,217	4,076
Amortization expense	(1,638)	(406)
Foreign currency translation adjustments	(159)	(157)
Ending balance	$ 2,933	$ 3,513

Costs to fulfill are recorded in "Other current assets" and "Other long-term assets" in the consolidated balance sheets.

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Allowance for Credit Losses on Accounts Receivable

The allowance for credit losses on accounts receivable is determined using the loss-rate approach and is measured on a collective (pool) basis when similar risk characteristics exist. Where financial instruments do not share risk characteristics, they are evaluated on an individual basis. The Company calculates expected credit losses for accounts receivable based on historical credit loss rates for each aging category as adjusted for the current market conditions and forecasts about future economic conditions. The allowance is based on relevant available information, from internal and external sources, relating to past events, current conditions, and reasonable and supportable forecasts. The following table presents the activity in the allowance for credit losses on accounts receivable:

	Successor			Predecessor
	Fiscal Year Ended March 31, 2023	Fiscal Year Ended March 31, 2022	Period from February 11, through March 31, 2021	Period from April 1, 2020 through February 10, 2021
Beginning balance	$ 1,358	$ 1,059	$ 221	$ 1,541
Current-period provision/ (reversal) for expected credit losses	137	385	854	37
Write-offs charged against the allowance	(64)	(40)	—	(482)
Foreign currency translation adjustments	(81)	(46)	(16)	47
Closing balance	$ 1,350	$ 1,358	$ 1,059	$ 1,143

(10) Property and Equipment

Property and equipment and their estimated useful lives in years consist of the following:

	Estimated Useful Life (Years)	March 31, 2023	March 31, 2022
Computer and other equipment	3 - 5	$ 46,256	$ 33,123
Furniture and fixtures	7	7,079	6,217
Vehicles	3 - 5	318	328
Software	3 - 10	777	772
Leasehold improvements	Shorter of the lease period or estimated useful life	5,775	5,548
Buildings	15 - 30	39,423	42,560
Land		44,672	48,558
Capital work-in-progress		1,321	1,531
		$ 145,621	$ 138,637
Less—accumulated depreciation and amortization		28,554	16,890
Property and equipment, net		$ 117,067	$ 121,747

Depreciation and amortization expense for the fiscal year ended March 31, 2023, 2022, the 2021 Successor Period and the 2021 Predecessor Period, was $13,252 $15,427, $2,372 and $13,587 respectively. Capital work-in-progress

represents advances paid towards the acquisition of property and equipment, and the cost of property and equipment including internally developed software not placed in service before the balance sheet date.

(11) Accrued Expenses and Other

Accrued expenses and other consists of the following:

	March 31, 2023	March 31, 2022
Accrued other taxes	$ 27,936	$ 16,629
Accrued professional fees	28,578	30,798
Acquisition related liabilities	—	6,102
Hedge liability	5,520	336
Accrued discounts and advance from customers	27,872	40,913
Accrued employee travel and other expense	3,405	1,110
Accrued interest	7,774	7,433
Accrued others	5,366	2,959
Total	$ 106,451	$ 106,280

(12) Debt

On February 11, 2021, in connection with the BPEA Transaction, the Company entered into a credit agreement (the "Credit Agreement"), for senior secured credit facility consisting of $600,000 in first lien term loan ("Term Loan") and a $125,000 revolving credit facility ("Revolver", together with the Term Loan, "Credit Facility") with Bank of America, N.A., and other lenders. The Term Loan has a maturity of 7 years from the Closing Date, with a 1.0% per annum amortization schedule. Interest under the Term Loan accrues at a rate per annum of LIBOR with a floor of 0.75% plus 4.25%, subject to a step-down based on the Company's ratio of debt to EBITDA. In addition, at any time prior to August 11, 2021, the Company had the right to refinance or reprice the Term Loan provided that the Company pays a premium of 1.00% of the aggregate principal amount of the Term Loans outstanding immediately prior to such refinancing or repricing to the existing lenders. The Revolver has a maturity of five years from the Closing Date. Interest under the Revolver accrues at a rate per annum of LIBOR with a 0.0% floor plus 4.25%, subject to a step- down based on the Company's ratio of debt to EBITDA.

On September 28, 2021, the Company entered into an Amendment No. 1 to the Credit Agreement with Bank of America N.A., and other lenders. The amendment reduces the interest rate under the Term loan from LIBOR with a floor of 0.75% plus 4.25%, subject to a step-down based on the Company's ratio of debt to EBITDA to a LIBOR with a floor of 0.75% plus a flat rate of 3.75%, and reduces the interest rate under Revolver from LIBOR with a 0.0% floor plus 4.25%, subject to a step-down based on the Company's ratio of debt to EBITDA to LIBOR with a 0.0% floor plus a flat rate of 3.75%. No other terms of the Credit Facility were modified. In accordance with the guidance of ASC Subtopic 470-50, Debt Modifications and Extinguishments, the Company recorded $4,740 as a loss on debt extinguishment and incurred $2,940 as third-party financing fees, of which $469 was capitalized as part of the debt issuance costs. The loss on debt extinguishment was comprised of a write-off of unamortized debt issuance costs related to the lenders that had significant changes in cash flows. The Company presented these costs in interest expense in its consolidated statement of income during the fiscal year ended March 31, 2022.

Additionally, in connection with the BPEA Transaction, on December 17, 2020, the Company issued to qualified institutional buyers $300,000 in senior unsecured notes, which mature on December 15, 2028 ("Senior Notes"). Interest under the Senior Notes accrues at a rate per annum of 7.125%, payable semi-annually on June 15 and December 15 of each year, beginning on June 15, 2021. The Company has the option to redeem all or a portion of the Senior Notes at any time on or after December 15, 2023 at the redemption prices set forth under the terms and

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conditions of the Senior Notes. In addition, at any time prior to December 15, 2023, the Company may redeem all or a portion of the Senior Notes at a price equal to 100.0% of the principal amount of such Senior Notes plus accrued and unpaid interest and a make-whole premium under the terms and conditions of the Senior Notes. The Company may also, at any time prior to December 15, 2023, redeem up to 40.0% of the aggregate principal amount of the notes with an amount equal to the net proceeds of certain equity offerings at the redemption price set forth under the terms and conditions of the Senior Notes plus accrued and unpaid interest to the redemption date.

On February 15, 2022, the Company entered into an Amendment No. 2 to the Credit Agreement to borrow an additional $670,000 and permit an increase in its dividend or distribution capacity by $50,000. Interest under Amendment No. 2 accrues at a rate per annum of SOFR with a floor rate of 0.75% plus flat rate of 3.75%.

On February 15, 2022, the Company issued additional Senior Notes worth $50,000, and these notes mature on December 15, 2028. Interest under the existing and additional notes accrue at a rate per annum of 7.125%, payable semi-annually on June 15 and December 15 of each year.

During the fourth quarter of fiscal year ended March 31, 2022, the proceeds from Amendment No. 2, additional senior notes and, operating cash were used to fund a return on capital to the Company's stockholders and to pay fees and expenses in connection with the offering and amendment to Senior Secured Credit Facilities. The Company has incurred approximately $24,473 as fees and expenses in this regard. The Company has paid $746,272 as a return of capital to BPEA EQT.

On December 23, 2022, the Company entered into Amendment No. 3 to the Credit Agreement with Bank of America, N.A. to increase the revolving commitments available under the Credit Agreement from $125,000 to $162,500 and replace the LIBOR reference rate with the SOFR reference rate and margins applicable to term loans and revolving loans outstanding under the Credit Agreement from time to time. No other terms or conditions of the Credit Agreement were changed as a result of the Amendment.

At March 31, 2023, the total outstanding amounts under the Term Loan and Senior Notes were $1,251,300 and $350,000, respectively. As of March 31, 2023, the weighted average interest rate on the Term Loan and Senior Notes was 8.14%.

The Credit Facility is secured by substantially all of the Company's assets, including all intellectual property and all securities in domestic subsidiaries (other than certain domestic subsidiaries where the material assets of such subsidiaries are equity in foreign subsidiaries), subject to customary exceptions and exclusions from the collateral. All obligations under the Credit Facility are unconditionally guaranteed by Virtusa HoldCo, Inc., as well as substantially all of the Company's material direct and indirect domestic subsidiaries, with certain exceptions. These guarantees are secured by substantially all of the present and future property and assets of the guarantors, with certain exclusions. At March 31, 2023, the Company is in full compliance with all covenants set forth in its Credit Facility.

Current portion of long-term debt

The following summarizes our short-term debt balance as of:

	March 31, 2023	March 31, 2022
Current– Term Loan	$ 12,700	$ 12,700
Borrowings under Revolver	—	—
Less: deferred financing costs, current	(7,174)	(7,269)
Total	$ 5,526	$ 5,431

Long-term debt, less current portion

The following summarizes our long-term debt balance as of:

	March 31, 2023	March 31, 2022
Term Loan	$ 1,251,300	$ 1,264,000
Senior Notes	350,000	350,000
Less:		
Current – Term Loan	(12,700)	(12,700)
Deferred financing costs, long-term	(45,898)	(52,172)
Total	$ 1,542,702	$ 1,549,128

The following represents the schedule of maturities of long-term debt:

Fiscal Year Ending March 31:	March 31, 2023
2024	$ 12,700
2025	12,700
2026	12,700
2027	12,700
2028	1,200,500
2029	350,000
Total	$ 1,601,300

As of March 31, 2023, the fair value of the Term Loan and Senior Notes were $1,238,787 and $276,500, respectively.

(13) Stock-Based Compensation Plans

Successor

As per the terms of the Merger Agreement, effective February 11, 2021, all of the Company's outstanding equity awards were cancelled and replaced with a conditional right ("Cash Replacement Award") to receive an amount equal to the product of the number of equity awards outstanding multiplied by $51.35, less any exercise price per share, if any, on the Closing Date.

The cash consideration for the Cash Replacement Award was split into two components of which 70% was paid to the employees upon the closing and the remaining 30% would be paid at the earlier of (a) the applicable vesting date of the equity award, (b) the date that is 12 months following the Closing Date or (c) if applicable, the date that is 60 days after the date the holder's employment is terminated by the Company without "cause" (as defined in the Merger Agreement) or by the holder for "good reason" (as defined in the Merger Agreement).

The Company accounted for the Cash Replacement Award in accordance with the guidance in Accounting Standard Codification 805 ("ASC 805"). As per the guidance in ASC 805, the Company attributed the fair value related to these stock awards between consideration transferred and post-combination vesting. As of February 11, 2021, the total fair value related to these unvested stock awards is approximately $97,554. Out of the total fair value of $97,554, the Company attributed approximately $26,096 towards the consideration transferred and $71,458 towards the post-combination vesting. During the Successor period from February 11, 2021 to March 31, 2021 and fiscal year ended March 31, 2022, the Company paid approximately $80,569 and $16,530 towards the settlement of the stock awards and recorded approximately $60,042

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and $10,971 as a compensation expense related to these stock awards. As of March 31, 2022, the Company has no liability in accrued compensation related to the future payouts of the Cash Replacement Award.

2022 Stock-Based Compensation Plan

The Company issues phantom award agreements to certain key employees and directors ("Participants") of the Company. The awards represent notional shares in the equity value of the Company and i) conditionally vest if and to the extent that the Participant achieves certain performance goals and ii) will become fully vested upon the consummation of a liquidity event. The phantom awards are disclosed as future liabilities at their fair value as of the grant date and at each reporting date as each award is cash settled upon a liquidity event. The fair value of each award was estimated on the date of grant using a combination of a discounted cash flow and market approach to value the Company and using a Black-Scholes model to value the award.

Total unrecognized compensation cost related to conditionally vested and unvested share-based awards of the Company's parent as of March 31, 2023 was $26,280 and $59,862, respectively. The timing of recognition of this amount will depend on if and when a liquidity event should occur, as defined by the Company's phantom stock awards. No compensation expense related to stock-based compensation was recorded during the fiscal years ended March 31, 2023 2022 or in the 2021 Successor Period.

Predecessor

The Company's Amended and Restated 2000 Stock Option Plan (the "2000 Plan") was adopted in the fiscal year ended March 31, 2001 (Predecessor). Under the 2000 Plan, shares were reserved for issuance to the Company's employees, directors, and consultants. In May 2007, the Company's board of directors determined that no further grants would be made under the 2000 Plan. As of March 31, 2021 (Successor), there were no shares reserved for issuance under this plan.

The Company's board of directors and its stockholders approved the Company's 2007 Stock Option and Incentive Plan (the "2007 Plan"), in May 2007, and the stockholders of the Company again approved the 2007 Plan in September 2008. The 2007 Plan permits the Company to make grants of incentive stock options, non-qualified stock options, stock appreciation rights, deferred stock awards, restricted stock awards, unrestricted stock awards, and dividend equivalent rights. The Company reserved 830,670 shares of its common stock for the issuance of awards under the 2007 Plan. The 2007 Plan provides that the number of shares reserved and available for issuance under the plan will be automatically increased each April 1, beginning in 2008, by 2.9% of the outstanding number of shares of common stock on the immediately preceding March 31 or such lower number of shares of common stock as determined by the board of directors. This number is subject to adjustment in the event of a stock split, stock dividend or other change in the Company's capitalization. Generally, shares that are forfeited, cancelled or withheld to settle tax liabilities from awards under the 2007 Plan also will be available for future awards. In addition, available shares under the 2000 Plan and the Stock Appreciation Rights Plan, as a result of the forfeiture, expiration, cancellation, termination or net issuances of awards, are automatically made available for issuance under the 2007 Plan. In May 2015, the Company's board of directors determined that no further grants would be made under the 2007 Plan.

In May 2015, the Company adopted the 2015 Stock Option and Incentive Plan ("2015 Plan") which was also approved the Company's stockholders on September 1, 2015 (Predecessor). The 2015 Plan replaces the 2007 Plan and permits the granting of incentive stock options, non-qualified stock options, restricted stock awards, restricted stock units, unrestricted stock awards, performance share awards, performance-based awards to covered employees, cash-based awards and dividend equivalent rights. Stock options, restricted stock and restricted stock units generally vest over four years. Performance share awards and performance-based awards generally vest over three years. The Company reserved 3,000,000 shares of its common stock for the issuance of awards under the 2015 Plan as well as the number of shares of stock as is equal to the shares underlying any stock options and awards that are returned to the Company's 2007 Plan after the 2015 Plan's effective date as a result of the expiration, forfeiture, acquisition by the Company prior to vesting, cancellation or termination of such stock options and awards (other than by exercise) as set forth in the 2007 Plan. Additionally, shares that are forfeited or cancelled or otherwise terminated (other than by exercise) or held back by the Company or tendered by the

grantee of any equity award to settle applicable taxes on any equity award under the 2015 Plan shall be added back to the shares of common stock available for future issuance under the 2015 Plan. At February 10, 2021, the number of shares reserved for issuance under the 2015 Plan was 266,396.

The following tables summarize stock option and restricted stock activity under the 2000 Plan, the 2007 Plan and the 2015 Plan, as the case may be, for the 2021 Predecessor Period:

	Stock Option Activity			
	Number of Options to Purchase Common Shares	Weighted Average Exercise Price	Weighted Average Remaining Life (in years)	Aggregate Intrinsic Value
Outstanding at March 31, 2020	113,896	17.87		
Granted	—	—		
Exercised	(54,661)	17.84		
Forfeited or cancelled	—	—		
Outstanding at February 10, 2021	59,235	$ 17.90	—	$ 1,980
Exercisable at February 10, 2021	59,235	$ 17.90	—	$ 1,980

	Restricted Stock Unit Activity	
	Number of Restricted Stock Units	Weighted Average Grant Date Fair Value
Unvested at March 31, 2020	1,350,164	39.30
Awarded	880,896	21.75
Vested	(223,156)	41.04
Forfeited	(146,698)	41.33
Unvested at February 10, 2021	1,861,206	$ 30.62

Under the restricted stock unit plan, the Company granted both service condition awards and performance condition awards. Performance awards are contingent upon meeting various departmental or company-wide performance goals in addition to service conditions. Stock compensation is recognized over the vesting period based on the probability of achievement of the performance condition. The requisite service period is generally between three and four years.

The aggregate intrinsic value of options exercised was $1,484 for the periods from April 1, 2020 to February 10, 2021. There were no options granted during the periods from April 1, 2020 to February 10, 2021. The Company realized $(98) of income tax (expense) benefits from the exercise of stock options and vesting of restricted stock as a windfall (shortfall) for the periods from April 1, 2020 to February 10, 2021. All excess tax benefits and all tax deficiencies are recognized as income tax expense or benefit in the consolidated statement of income for the period from April 1, 2020 to February 10, 2021.The allocation of total share-based compensation expense between costs of revenue and selling, general and administrative expenses is based on employee classification as follows:

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	Predecessor
	Period from April 1, 2020 through February 10, 2021
Costs of revenue	$ 248
Selling, general and administrative expenses	13,811
Total share-based compensation expense	$ 14,059

(14) Income Taxes

The income (loss) before income tax expense (benefit) shown below is based on the geographic location to which such income or loss is attributed for each period presented below:

	Successor			Predecessor
	Fiscal Year Ended March 31, 2023	Fiscal Year Ended March 31, 2022	Period from February 11, through March 31, 2021	Period from April 1, 2020 through February 10, 2021
United States	$ (39,973)	$ (53,950)	$ (145,491)	$ (52,556)
Foreign	146,526	141,422	38,933	71,118
Total	$ 106,553	$ 87,472	$ (106,558)	$ 18,562

Foreign income before income tax expense shown above includes $103,978, $105,362, $38,806 and $56,906 of income generated during fiscal year ended March 31, 2023, 2022, the 2021 Successor Period and the 2021 Predecessor Period, respectively, by foreign entities which are treated as disregarded entities for U.S. tax purposes. These earnings are subject to U.S. taxation as well as local taxation with a corresponding foreign tax credit or deduction. During the fiscal year ended March 31, 2023, the Company identified that income from disregarded foreign entities was presented in its prior period disclosures as being attributable to the U.S. rather than to its foreign geographic locations. Accordingly, such prior period amounts have been reclassified to the foreign geographic location in the presentation above. Management has evaluated the classification errors and has determined, based on quantitative and qualitative factors, that they are not material to the consolidated financial statements.

The provision (benefit) for income taxes for each period consisted of the following:

	Successor			Predecessor
	Fiscal Year Ended March 31, 2023	Fiscal Year Ended March 31, 2022	Period from February 11, through March 31, 2021	Period from April 1, 2020 through February 10, 2021
Current provision (benefit):				
Federal	$ 3,731	$ 2,129	$ (4,607)	$ 2,322
State	4,736	2,134	—	1,458
Foreign	53,099	36,985	3,170	18,438
Total current provision (benefit)	$ 61,566	$ 41,248	$ (1,437)	$ 22,218
Deferred provision (benefit):				
Federal	$ (17,480)	$ (13,261)	$ (13,889)	$ 13,063
State	(2,301)	5,094	(3,724)	1,909

Foreign	(7,555)	(786)	1,299	(10,300)
Total deferred provision (benefit)	$ (27,336)	$ (8,953)	$ (16,314)	$ 4,672
Total provision (benefit) for income taxes	$ 34,230	$ 32,295	$ (17,751)	$ 26,890

The items which gave rise to differences between the income taxes in the statements of income (loss) and the income taxes computed at the U.S. statutory rate 21% for all periods are summarized as follows:

	Successor			Predecessor
	Fiscal Year Ended March 31, 2023	Fiscal Year Ended March 31, 2022	Period from February 11, through March 31, 2021	Period from April 1, 2020 through February 10, 2021
Tax on income before income tax expense (benefit) at U.S. statutory rate	$ 22,376	$ 18,369	$ (22,377)	$ 3,898
U.S. state and local taxes (benefit), net of U.S. federal income tax effects	3,742	3,635	(3,267)	3,061
Benefit from foreign subsidiaries' tax holidays	—	—	(5)	(26)
Effect of non-US operations	(3,500)	10,717	(17,807)	18,129
Tax rate change	(1,666)	(7,686)	—	(1,049)
Nondeductible business costs	1,617	(1,791)	565	(2,604)
Nondeductible transaction costs	—	—	9,731	3,240
Compensation	—	—	678	5,356
Other adjustments	(2,911)	800	(1,252)	(16)
Uncertain Tax Positions	10,044	6,204	—	—
Valuation Allowance	4,528	2,047	15,983	(3,099)
Income tax expense (benefit)	$ 34,230	$ 32,295	$ (17,751)	$ 26,890

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Deferred tax assets (liabilities) at March 31, 2023 and 2022 were as follows:

	March 31, 2023	March 31, 2022
Deferred revenue	$ 7,329	$ 7,482
Allowance for credit losses	331	350
Tax credit carry forwards	81,841	88,680
Accrued expenses and reserves	33,041	21,898
Operating lease liabilities	12,654	11,217
Unrealized losses	3,010	(205)
Net operating loss carryforwards	4,715	7,931
Total gross deferred tax assets	$ 142,921	$ 137,353
Valuation allowance	(38,570)	(35,390)
Total deferred tax assets	$ 104,351	$ 101,963
Depreciable assets	(17,099)	(19,322)
Intangible assets	(251,757)	(284,231)
Operating lease right-of-use assets	(20,185)	(24,323)
Goodwill	(5,834)	(3,247)
Total deferred tax liabilities	$ (294,875)	$ (331,123)
Net deferred tax liabilities	$ (190,524)	$ (229,160)

The ultimate realization of deferred tax assets is dependent upon management's assessment of the Company's ability to generate sufficient taxable income to realize the deferred tax assets during the periods in which the temporary differences become deductible. Management considers the historical level of taxable income, projections for future taxable income, and tax planning strategies in making this assessment. The Company has deferred tax assets in the United States, Sweden and India, that are subject to realizability constraints for which a partial valuation allowance is recoded. The Company assessed the available positive and negative evidence to estimate if sufficient future taxable income will be generated to realize the existing deferred tax assets. The Company recorded an increase (decrease) to the valuation allowance totaling $3,180, $11,585, $17,017 and $(2,856) during fiscal year ended March 31, 2023, 2022, the 2021 Successor Period and the 2021 Predecessor Period, respectively, related to provisions of foreign tax credits and net operating losses in the U.S., Sweden and capital losses in India, for which realization does not meet more likely than not requirements.

The Company has determined for all other deferred assets that it is more likely than not that the results of future operations will generate sufficient taxable income to realize the deferred tax assets. We continue to monitor all positive and negative evidence related to these assets. A valuation allowance is required if, based on available evidence, it is more likely than not that all or some portion of the asset will not be realized due to the inability of the Company to generate sufficient taxable income in a specific jurisdiction. The Company has recorded a valuation allowance against certain foreign tax credits in the U.S. as management has concluded it is more likely than not these will not be able to be utilized due to limitations.

At March 31, 2023, the Company has $81,841 of U.S. foreign tax credits which includes $57,109 of anticipated future impacts to the foreign tax credit position as a result of a number of the Company's foreign subsidiaries being treated as disregarded entities for U.S. income tax purposes. The remaining $24,732 of U.S. foreign tax credits represent actual foreign taxes paid and credited by the Company and are available for use in its U.S. tax filings. These credits begin to expire in March 2025 and a full valuation allowance has been recorded for the portion of foreign tax credits. The Company in foreign jurisdiction also has $6,660 of net operating losses, as of March 31, 2023, which can be carried over indefinite number of years and $15,613 of long-term capital loss carryover, which begins to expire in 2027 and $1,740 of short-term capital loss carryover, which begins to expire in 2024.

The Company has determined that it is more likely than not that the results of future operations will generate sufficient taxable income to realize $47,986 of these deferred tax assets for which a valuation allowance is not provided.

During the fiscal year ended March 31, 2023, 2022, the 2021 Successor Period and the 2021 Predecessor Period, respectively, the Company recorded $3,022, $(741), $(14) and $(3,450), respectively, of net income tax (expense) benefit directly in other comprehensive income (loss) related to the unrealized gain/loss on effective cash flow hedges and the foreign currency loss on certain long-term intercompany balances. During the 2021 Predecessor Period, the Company recognized $98 of net income tax expense related to a windfall in the tax benefits of share-based compensation which was recorded as an income tax benefit in the consolidated statement of income (loss).

During the fiscal year ended March 31, 2020, the Company merged Polaris Consulting and Software Limited ("Polaris") with and into Virtusa Consulting Services Private Limited ("Virtusa India"). The merger of Polaris into Virtusa India is considered an entity liquidation for U.S. income tax purposes. The earnings of this entity will be subject to U.S. taxation as well as local taxation with a corresponding foreign tax credit or deduction, at the election of the Company. The Company's major jurisdictions are United States, India, United Kingdom, Netherlands, and Canada. The Company's aggregate income tax rate in foreign jurisdictions is comparable to its income tax rate in the United States, as a result of the Tax Act, other than in Dubai and Sri Lanka in which the Company has tax holiday benefits and eligible tax exemptions respectively.

The Company's effective tax rate for the fiscal year ended March 31, 2022, the 2021 Successor Period and the 2021 Predecessor Period was significantly impacted by the results of operations and certain transaction costs considered non-deductible for tax purposes and cash compensation on cancellation of unvested stock grants.

The Company elected to treat several foreign entities as disregarded entities. The earnings of these subsidiaries will be subject to U.S. taxation as well as local taxation with a corresponding foreign tax credit or deduction, at the election of the Company. The GILTI provisions and executive compensation limitations enacted in the Tax Act, enacted on December 22, 2017 by the U.S. government continue to impact the results. The Company's reported effective tax rate is also impacted by jurisdictional mix of profits and losses in which the Company operates, foreign statutory tax rates in effect, unusual or infrequent discrete items requiring a provision and certain exemptions or tax holidays applicable to the Company.

At March 31, 2023, the remaining deemed repatriation balance is $9,558, of which $2,389 is included in income tax payable and $7,169 is included in long-term liabilities in the consolidated balance sheet. The Company has elected to pay the deemed repatriation tax on unremitted earnings in eight installments through the fiscal year 2025. In July 2022, the Company paid approximately $1,274 representing the fifth yearly installment out of the eight yearly installments.

The U.S. Tax Act subjects a U.S. stockholder to GILTI earned by certain foreign subsidiaries. The FASB Staff Q&A, Topic 740, No. 5, Accounting for Global Intangible Low-Taxed Income, states that an entity can make an accounting policy election to either recognize deferred taxes for temporary basis differences expected to reverse as GILTI in future years or provide for the tax expense related to GILTI in the year the tax is incurred. The Company has elected to provide for GILTI in the year incurred. The Company's results for the fiscal year ended March 31, 2023, 2022 and the period from February 11, 2021 to March 31, 2021 (Successor) include the expected impact of GILTI.

On September 20, 2019 (Predecessor), the Indian government issued Ordinance 2019 making certain amendments in the Income-tax Act 1961, which substantially reduces tax rates. The effective rate of tax on India-based companies was reduced from 34.9% to 25.17%, effective for fiscal years beginning April 1, 2019 (Predecessor). The Company adopted the new ordinance for the fiscal year beginning April 1, 2019 (Predecessor). The new rates require the surrendering of any tax holidays and other attributes of which the Company historically was taking advantage of and favorably impacting our tax rate.

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In addition, the Company's Sri Lankan subsidiary, Virtusa (Private) Limited, has operated under a 12-year income tax holiday arrangement that expired on March 31, 2019 (Predecessor) and required Virtusa (Private) Limited to retain certain job creation and investment criteria through the expiration of the holiday period. During the fiscal year ended March 31, 2023, 2022, the 2021 Successor Period and the 2021 Predecessor Period, the Company believes it had fulfilled its hiring and investment commitments and is eligible for tax holiday through March 2019. Beginning April 1, 2019 (Predecessor), the Company is taking advantage of certain exemptions offered to IT service providers. The Sri Lanka income tax exemptions reduced the overall tax provision and increased net income and earnings per share in the fiscal year ended March 31, 2023, 2022, the 2021 Successor Period and the 2021 Predecessor Period by $1,605, $3,653, $424 and $1,379, respectively, and by $4,064, $3,762, $424 and $0.05, respectively.

The Company has been under income tax examination in India, the U.K., Singapore and the United States. The Indian tax authorities issued an assessment order with respect to their examination of the various tax returns for the Predecessor fiscal years ended March 31, 2006 to March 31, 2018 of the Company's Indian subsidiary, Virtusa (India) Private Ltd, and Polaris Consulting & Services Limited (Polaris India) now merged with and into Virtusa Consulting Services Private Limited (collectively referred to as "Virtusa India"). At issue were several matters, the most significant of which was the redetermination of the arm's-length profit which should be recorded by Virtusa India on the intercompany transactions with its affiliates. These matters are currently at different level of appeals beginning with the Predecessor fiscal year ended March 31, 2006. In the United Kingdom, the Company is currently under examination for transfer pricing and research benefits for the Predecessor years ended March 31, 2014 to March 31, 2018. In Singapore, the Inland Revenue Authority is confirming the appropriateness of the Company's deductions for the Predecessor year ended March 31, 2017. In the United States, the Internal Revenue Service has concluded an examination of Predecessor fiscal years ended March 31, 2015 and March 31, 2017. During the Predecessor period from April 1, 2020 to February 10, 2021, the Company settled with the Internal Revenue Service employment tax matters for several years. The impact of these settlements with the Internal Revenue Service was not material to the consolidated statements of income and consolidated statements of cash flows.

Undistributed Earnings of Foreign Subsidiaries

A substantial amount of the Company's income before provision for income tax is from operations earned in its Indian and Sri Lankan subsidiaries and has been subject to tax holiday or statutory exemption. The Company intends to use accumulated and future earnings of foreign subsidiaries to expand operations outside the United States and, accordingly, undistributed income is considered indefinitely reinvested. The Company does not provide for U.S. income taxes on foreign currency translation or applicable withholding tax until a distribution is declared. At March 31, 2023, the Company had approximately $183,531 of cash, cash equivalents, short-term and long-term investments that would otherwise be available for potential distribution, if not indefinitely reinvested. If required, such cash and investments could be repatriated to the United States. Due to the various methods by which such earnings could be repatriated in the future, the amount of taxes attributable to the undistributed earnings is not practicably determinable.

Each fiscal year, unrecognized tax benefits may be adjusted upon the closing of the statute of limitations for income tax returns filed in various jurisdictions. The total amount of unrecognized tax benefits that would reduce income tax expense and the effective income tax rate, if recognized, is $31,359 and $22,783 as of March 31, 2023 and 2022, respectively, included in long-term liabilities in the consolidated balance sheets. Although it would be difficult to anticipate the final outcome on timing of resolution of any particular uncertain tax position, the Company anticipates that none of the unrecognized tax benefits will reverse during the twelve-month period ending March 31, 2024 due to settlement or expiration of statute of limitations on open tax years. All of these benefits are expected to have an impact on the effective tax rate as they are realized.

The following summarizes the activity related to the gross unrecognized tax benefits:

	Successor			Predecessor
	Fiscal Year Ended March 31, 2023	Fiscal Year Ended March 31, 2022	Period from February 11, through March 31, 2021	Period from April 1, 2020 through February 10, 2021
Balance at beginning of the period	$ 22,783	$ 7,628	$ 6,674	$ 6,627
Foreign currency translation related to prior year tax positions	(1,109)	(298)	(7)	132
Decreases related to prior year tax positions	—	—	—	—
Decreases related to prior year tax positions due to settlements or lapse in applicable statute of limitations	—	—	—	(840)
Increase related to prior year tax position as part of purchase accounting	—	7,805	947	—
Increases related to prior year tax positions	9,685	7,648	14	755
Balance at end of the period	$ 31,359	$ 22,783	$ 7,628	$ 6,674

The Company continues to classify accrued interest and penalties related to unrecognized tax benefits in income tax expense. During the fiscal year ended March 31, 2023, 2022, the 2021 Successor Period and the 2021 Predecessor Period, the Company expensed accrued interest and penalties of $2,267, $559, $30 and $85, respectively, through income tax expense consistent with its prior positions, to reflect interest and penalties on certain unrecognized tax benefits as part of income tax. The total accrued interest and penalties, including foreign currency translation, relating to certain foreign and domestic tax matters at March 31, 2023, 2022 and 2021 were $1,069, $260 and $1,443, respectively. During the fiscal year ended March 31, 2023, 2022, the 2021 Successor Period and the 2021 Predecessor Period the Company's unrecognized tax benefits increased by $8,576, $15,155, $954 and $47. The increase in the unrecognized tax benefits during the fiscal year ended March 31, 2023 was predominantly due to the creation of a reserve in Virtusa UK Limited towards redetermination of arm's length margin on intercompany transactions, and the accrual of interest on existing unrecognized tax positions offset by foreign currency movements. The net movement in unrecognized tax benefits for the fiscal year ended March 31, 2023, 2022, the 2021 Successor Period and the 2021 Predecessor Period, was as follows: $10,130, $1,093, $14 and $(85), respectively, recorded to income tax expense, $(1,109), $(298), $(7) and $132, respectively, recorded to other comprehensive income (loss) for foreign currency impact. During the fiscal year ended March 31, 2023, the Company recorded $445 to deferred tax liability related to Sponsor Acquisition. The Company has recorded unrecognized tax benefits in long-term liabilities if settlement is not expected in the next year.

(15) Post-retirement Benefits

The Company has noncontributory defined benefit plans (the "Benefit Plans") covering its employees in India, Sri Lanka, United Arab Emirates and Qatar as mandated by the Indian, Sri Lankan, United Arab Emirates and Qatar governments. Benefits are based on the employee's years of service and compensation at the time of termination. The Company uses March 31 as the measurement date for its plans.

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Cost of pension plans

	Successor			Predecessor
	Fiscal Year Ended March 31, 2023	Fiscal Year Ended March 31, 2022	Period from February 11, through March 31, 2021	Period from April 1, 2020 through February 10, 2021
Components of net periodic pension expense				
Expected return on plan assets	$ (879)	$ (889)	$ (139)	$ (720)
Service costs for benefits earned	4,805	2,748	408	2,113
Interest cost on projected benefit obligation	1,215	936	155	802
Amortization of prior service cost	—	—	53	274
Recognized net actuarial loss	10	—	6	29
Net periodic pension expense	$ 5,151	$ 2,795	$ 483	$ 2,498

The Company presents the service cost component in costs of revenue and selling, general and administrative expenses. The other components of net periodic pension cost are presented within other (income) expense in the Consolidated Statements of Income (Loss).

Actuarial assumptions

	March 31, 2023	March 31, 2022
Discount rate	4.70 % - 18.00 %	6.90 % - 11.25 %
Compensation increases (annual)	3.00 % - 15.00 %	7.00 % - 18.00 %
Expected return on assets	7.00 % - 18.00 %	7.00 % - 11.25 %

The discount rate is based upon high quality fixed income investments in India and Sri Lanka. The discount rates at March 31, 2023 were used to measure the year-end benefit obligations and the pension cost for the subsequent year.

To determine the expected long-term rate of return on pension plan assets, the Company considers the current and expected asset allocations, as well as historical and expected returns on various categories of plan assets. The Company amortizes unrecognized actuarial gains or losses over a period no longer than the average future service of employees.

The Company's benefit obligations are described in the following tables. Accumulated and projected benefit obligations ("ABO" and "PBO", respectively) represent the obligations of a pension plan for past service as of the measurement date. ABO is the present value of benefits earned to date with benefits computed based on current compensation levels. PBO is ABO increased to reflect expected future compensation.

Accumulated benefit obligation and projected benefit obligation

	March 31, 2023	March 31, 2022
Accumulated benefit obligation	$ 16,244	$ 10,711

	Successor			Predecessor
	Fiscal Year Ended March 31, 2023	Fiscal Year Ended March 31, 2022	Period from February 11, through March 31, 2021	Period from April 1, 2020 through February 10, 2021
Projected benefit obligation:				
Beginning balance	16,854	$ 15,247	$ 14,847	$ 13,829
Service cost	4,805	2,748	408	2,113
Interest cost	1,215	936	155	803
Actuarial (gain) loss	5,035	1,658	—	(790)
Benefits paid	(4,461)	(3,075)	(164)	(1,055)
Plan combination	—	—	—	—
Exchange rate adjustments	(1,480)	(1,817)	—	(53)
Ending balance	$ 21,968	$ 15,697	$ 15,246	$ 14,847

Fair value of plan assets

	Successor			Predecessor
	Fiscal Year Ended March 31, 2023	Fiscal Year Ended March 31, 2022	Period from February 11, through March 31, 2021	Period from April 1, through February 10, 2021
Fair value of plan assets:				
Beginning balance	12,104	$ 13,073	$ 13,485	$ 11,357
Employer contributions	9,282	2,107	—	1,668
Actual return on plan assets	953	1,263	199	1,031
Actuarial loss	—	—	—	—
Benefits paid	(4,461)	(2,862)	(164)	(1,028)
Exchange rate adjustments	(1,027)	(1,477)	(447)	457
Ending balance	$ 16,851	$ 12,104	$ 13,073	$ 13,485

At March 31, 2023 and 2022 India, Sri Lanka, United Arab Emirates and Qatar together had $5,969 and $3,593, respectively, net projected benefit obligation recorded in the consolidated balance sheets as "accrued employee compensation and benefits".

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Plan asset allocation

	March 31, 2023		
	Target Allocation		Actual Allocation
Government securities	60 % - 70 %		70 %
Corporate debt	30 % - 40 %		27 %
Other	1 % - 10 %		3 %

The Company's plan assets are being managed by insurance companies in India and Sri Lanka.

Plan assets

The following table presents the fair values of the Company's pension plan assets.

	Fair Value Measurements		
Asset Category	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)
At March 31, 2023 (Successor)			
Government Bonds (1)	$ 11,692	$ —	$ 11,692
Corporate Bonds (2)	4,582	—	4,582
Others (3)	577	—	577
	$ 16,851	$ —	$ 16,851
At March 31, 2022 (Successor)			
Government Bonds (1)	$ 8,181	$ —	$ 8,181
Corporate Bonds (2)	3,511	—	3,511
Equity Shares and Others (3)	412	4	408
	$ 12,104	$ 4	$ 12,100

(1) This category comprises government fixed income investments with investments in India and Sri Lanka.

(2) This category represents investment in bonds and debentures from diverse industries.

(3) This category represents equity shares, money market investments and other investments.

The fair values of the government bonds are measured based on market quotes. Corporate bonds and other bonds are valued based on market quotes as of the balance sheet date. Equity share funds are valued at their market prices as of the balance sheet date. Money market funds are valued at their market price.

Pension liability

	March 31, 2023	March 31, 2022
PBO	$ 21,968	$ 15,697
Fair value of plan assets	16,851	12,104
Funded status recognized	$ 5,117	$ 3,593
Amount recorded in accumulated other comprehensive income	$ 5,969	$ 1,212

The Company expects to contribute $2,698 to its gratuity plans during the fiscal year ending March 31, 2024.

The pretax amounts of prior service cost and actuarial gain (loss) recognized from accumulated other comprehensive income consists of:

	Successor			Predecessor
	Fiscal Year Ended March 31, 2023	Fiscal Year Ended March 31, 2022	Period from February 11, through March 31, 2021	Period from April 1, through February 10, 2021
Prior service cost	—	—	$ (6)	$ (29)
Net amortization gain (loss)	(10)	—	(53)	(274)
Total	$ (10)	—	$ (59)	$ (303)

Estimated future benefits payments

Fiscal year ending March 31:	
2024	$ 3,749
2025	3,360
2026	3,602
2027	4,284
2028	5,473
2029 – 2030	$ 27,176

(16) 401(k) Plan

The Company sponsors a defined contribution retirement savings plan, qualified under Section 401(k) of the Internal Revenue Code (the "401(k) Plan"). Eligible employees may defer a portion of their compensation into the Company's 401(k) Plan on a pre-tax and/or Roth basis. The Company's 401(k) Plan currently offers a safe harbor match feature that provides Company matching contributions for certain employee contributions. For the fiscal year ended March 31, 2023, 2022, the 2021 Successor Period and the 2021 Predecessor Period, the Company recorded $4,210, $4,645, $623 and $3,677 for the employer match, respectively. The Company's 401(k) Plan may be amended at the discretion of the Company's board of directors to discontinue the safe harbor match program at any time.

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(17) Accumulated Other Comprehensive Income (Loss)

	Successor			Predecessor
	Fiscal Year Ended March 31, 2023	Fiscal Year Ended March 31, 2022	Period from February 11, through March 31, 2021	Period from April 1, through February 10, 2021
Investment securities				
Beginning balance	$ —	$ —	$ —	$ 12
Other comprehensive income (loss) (OCI) before reclassifications, net of tax of $0 for all periods	—	—	—	—
Reclassifications from OCI to other income, net of tax of $0 for all periods	—	—	—	—
Comprehensive income (loss) on investment securities, net of tax of $0 for all periods	—	—	—	—
Closing balance	$ —	$ —	$ —	$ 12
Currency translation adjustments				
Beginning balance	$ (16,147)	$ 216	$ —	$ (71,207)
OCI before reclassifications	(31,509)	(16,363)	216	10,652
Comprehensive income (loss) on currency translation adjustments	(31,509)	(16,363)	216	10,652
Closing balance	$ (47,656)	$ (16,147)	$ 216	$ (60,555)
Cash flow hedges				
Beginning balance	$ 2,947	$ 32	$	$ (11,818)
OCI before reclassifications net of tax of $(3,571), $1,119, $40 and $59	(10,606)	4,345	(13)	1,527
Reclassifications from OCI to				
—Revenue, net of tax of $1, $0, $0 and $0	24	—	—	—
—Costs of revenue, net of tax of $451, $(293), $(19) and $264	319	(1,094)	31	1,049
—Selling, general and administrative expenses, net of tax of $110, $(85), $(7) and $101	80	(336)	14	395
—Other income (expense), net of tax of $37, $0, $0 and $0	155	—	—	—
—Interest expenses, net of tax of $(50), $0, $0 and $3,026	199	—	—	9,147
Comprehensive income (loss) on cash flow hedges, net of tax of $(3,022), $741, $14, and $3,450	(9,829)	2,915	32	12,118
Closing balance	$ (6,882)	$ 2,947	$ 32	$ 300
Benefit plans				
Beginning balance	$ (1,212)	$ 2	$ —	$ (2,242)
OCI before reclassifications net of tax of $0 for all periods	(4,841)	—	2	1,186
Reclassifications from OCI for prior service credit (cost) to:				
Other income (expense), net of tax of $0 for all periods	—	—	—	35
Reclassifications from net actuarial gain (loss) amortization to:				
Other income (expense), net of tax of $0 for all periods	10	(1,214)	—	327
Other adjustments, net of tax of $0 for all periods	74	—	—	22
Comprehensive income (loss) on benefit plans, net of tax of $0 for all periods	(4,757)	(1,214)	2	1,570
Closing balance	(5,969)	(1,212)	2	$ (672)
Accumulated other comprehensive income (loss)	$ (60,507)	$ (14,412)	$ 250	$ (60,915)

(18) Commitments, Contingencies and Guarantees.

The Company indemnifies its officers and directors for certain events or occurrences under its charter or by-laws and under indemnification agreements while the officer or director is, or was, serving at its request in a defined capacity. The term of the indemnification period is with respect to the period that such person was an officer or director of the Company. The maximum potential amount of future payments the Company could be required to make under these indemnification obligations is unlimited. The costs incurred to defend lawsuits or settle claims related to these indemnification obligations have not been material. As a result, the Company believes that its estimated exposure on these obligations is immaterial. Accordingly, the Company had no liabilities recorded for these obligations as of March 31, 2023.

From time to time the Company is involved in legal proceedings, claims and litigation related to employee claims, contractual disputes and taxes in the ordinary course of business. The Company accrues a liability when a loss is considered probable, and the amount can be reasonably estimated. When a material loss contingency is reasonably possible but not probable, the Company does not record a liability, but instead discloses the nature and the amount of the claim, and an estimate of the loss or range of loss, if such an estimate can be made. Legal fees are expensed as incurred. Although the Company cannot predict the outcome of such matters, the Company has no reason to believe the disposition of any current matter could reasonably be expected to have a material adverse impact on the Company's balance sheets, statements of income and statements of cash flows or the ability to carry on any of its business activities. This assessment is based on our current understanding of relevant facts and circumstances. As such, our view of these matters is subject to inherent uncertainties and may change in the future.

(19) Derivative Financial Instruments

The Company evaluates its foreign exchange policy on an ongoing basis to assess its ability to address foreign exchange exposures on its consolidated balance sheets, statements of income and consolidated statement of cash flows from all foreign currencies, including most significantly the U.K. pound sterling and Indian rupee. The Company enters into hedging programs with highly rated financial institutions in accordance with its foreign exchange policy (as approved by the Company's audit committee and board of directors) which permits hedging of material, known foreign currency exposures. There is no margin required, no cash collateral posted or received by us related to our foreign exchange forward contracts. Currently, the Company maintains three hedging programs, each with varying contract types, duration and purposes. The Company's "Cash Flow Program" is designed to mitigate the impact of volatility in the U.S. dollar and U.K. Pound Sterling equivalents of the Company's Indian rupee denominated expenses over a rolling 18-month period. The Cash Flow Program transactions currently meet the criteria for hedge accounting as cash flow hedges. The Company's "India USD Revenue Cash Flow Program" is designed to mitigate the impact of volatility in the USD against the INR in our Indian Subsidiary with respect to USD denominated revenue over a rolling 18-month period. The India USD Revenue Cash Flow Program transactions currently meet the criteria for hedge accounting as cash flow hedges. The Company's "Economic Hedge Program" involves the purchase of derivative instruments designed to mitigate the impact of foreign exchange on the U.K. pound sterling, the euro, the Canadian dollar and the Australian dollar denominated revenue and costs with respect to the quarter for which such instruments are purchased. The Economic Hedge Program does not meet the criteria for hedge accounting and all gains and losses are recognized in consolidated statement of income under the same line item as the underlying exposure being hedged. In addition, the Company operates an "Interest Rate Hedging Program", which is designated to mitigate the Company's interest rate risk on the Company's variable rate debt. The Company's objective is to limit the variability of cash flows associated with changes in SOFR interest payments due on variable rate debt by using pay-fixed, receive-variable rate interest swaps to offset the future variable rate interest payments. The Company recognizes these transactions in accordance with ASC 815 "Derivatives and Hedging" and has designated the interest rate swaps as cash flow hedges.

The Company is exposed to credit losses in the event of non-performance by the counterparties on its financial instruments. All counterparties currently have investment grade credit ratings. The Company anticipates that these

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counterparties will be able to fully satisfy their obligations under the contracts. The Company has derivative contracts with four counterparties as of March 31, 2023.

The Company's agreements with its counterparties contain provisions pursuant to which the Company could be declared in default of its derivative obligations. As of March 31, 2023, the Company had not posted any collateral related to these agreements. If the Company had breached any of these provisions as of March 31, 2023, it could have been required to settle its obligations under these agreements at amounts which approximate the March 31, 2023 fair values reflected in the table below. During the fiscal year ended March 31, 2023, the Company was not in default of any of its derivative obligations.

Changes in fair value of the designated cash flow hedges for our Cash Flow Program and the India USD Revenue Cash Flow Program and Interest Rate Hedging Program are recorded as a component of accumulated other comprehensive income (loss) ("AOCI"), net of tax until the forecasted hedged transactions occur and are then recognized in the consolidated statements of income in the same line item as the item being hedged. The Company evaluates hedge effectiveness at the time a contract is entered into, as well as on an ongoing basis. If and when hedge relationships are discontinued, and should the forecasted transaction be deemed probable of not occurring by the end of the originally specified period or within an additional two-month period of time thereafter, any related derivative amounts recorded in equity are reclassified to earnings in other income (expense). The Company reclassified $265 into earnings as a result of hedge ineffectiveness for the fiscal year ended March 31, 2023. There were no amounts reclassified into earnings as a result of hedge ineffectiveness for the fiscal year ended March 31, 2022, the 2021 Successor Period and the 2021 Predecessor Period.

Changes in the fair value of the hedges for the Economic Hedge Program, if any, are recognized in the same line item as the underlying exposure being hedged and the ineffective portion of cash flow hedges, if any, is recognized as other income (expense).. The Company values its derivatives based on market observable inputs including both forward and spot prices for currencies. Any significant change in the forward or spot prices for hedged currencies would have a significant impact on the value of the Company's derivatives.

The U.S. dollar notional value of all outstanding, designated foreign currency derivative contracts was $286,045 and $251,424, respectively, at March 31, 2023 and March 31, 2022. Unrealized losses related to these contracts which are expected to be reclassified from AOCI to earnings during the next 12 months are $3,705 at March 31, 2023. At March 31, 2023, the maximum outstanding term of any derivative instrument was 18 months.

During the fiscal year ended March 31, 2023, the Company continued to utilize its economic hedge program that mitigates the impact of foreign exchange on the U.K. pound sterling, the euro, the Canadian dollar and the Australian dollar denominated revenue and costs with respect to the quarter for which such instruments are purchased in currencies other than the functional currency of our foreign subsidiaries. The Company entered into U.K. pound sterling against the U.S. dollar foreign exchange forward contracts that were matured on or before March 31, 2023. The Company has not designated them as hedges for accounting purposes. Unrealized gains and losses, as well as realized gains and losses for settlements, on the total foreign exchange forward contracts are recognized in "Revenues," "Costs of revenue" and "Selling, general and administrative expenses" in the Statements of Income.

The Company historically used interest rate swaps to mitigate the interest rate risk on the variable rate debt associated with the prior credit facilities. In connection with the BPEA Transaction, the Company terminated interest rate swaps and paid approximately $8,813 to the counterparties as a termination settlement during the fiscal year ended March 31, 2021.

In October 2022, the Company purchased 3-year interest rate swaps with an effective date of October 31, 2022. The Company will pay interest at a blended weighted average of 4.33% and will receive 1-month SOFR on the same notional amounts. The interest rates swaps also have a 0.75% floor to match the underlying SOFR debt that has a 0.75% interest rate floor. The interest rate swaps were entered into to mitigate the interest rate risk associated with the Credit Agreement executed in February 2021, as amended. The interest rate swaps are designed to maintain coverage of approximately 50% of our debt at fixed rates while approximately 50% of our debt will remain floating rate debt. At March 31, 2023, the total

notional amounts of the interest rate swap was $500,000 with remaining maturity of approximately 3 years. As of March 31, 2023, unrealized losses associated with the interest rate swap of $5,522 will be amortized to interest expense over the remaining interest rate swap period. The unrealized losses associated with the interest rate swap agreement was $5,522 at March 31, 2023, which represents the estimated amount that the Company would pay to the counterparties in the event of an early termination.

The following tables set forth the fair value of derivative instruments included in the consolidated balance sheets at March 31, 2023 and 2022:

Derivatives designated as hedging instruments

	March 31, 2023	March 31, 2022
Foreign currency exchange contracts:		
Other current assets	$ 1,210	$ 3,494
Other long-term assets	$ 278	$ 532
Accrued expenses and other	$ 4,915	$ 336
Long-term liabilities	$ 392	$ —

	March 31, 2023	March 31, 2022
Interest rate swap contracts:		
Other long-term assets	$ —	$ —
Long-term liabilities	$ 5,522	$ —

The following tables set forth the effect of the Company's foreign currency exchange and interest rate swap contracts on the consolidated financial statements of the Company for the periods presented below:

	Amount of Gain or (Loss) Recognized in AOCI on Derivatives			
	Successor			Predecessor
Derivatives Designated as Cash Flow Hedging Relationships	**Fiscal Year Ended March 31, 2023**	**Fiscal Year Ended March 31, 2022**	**Period from February 11, through March 31, 2021**	**Period from April 1, 2020 through February 10, 2021**
Foreign currency exchange contracts	$ (8,507)	$ 5,460	$ (27)	$ 2,632
Interest rate swaps	$ (5,670)	$ —	$ —	$ (1,046)

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Location of Gain or (Loss) Reclassified from AOCI into Income (loss) (Effective Portion)	Successor			Predecessor
	Fiscal Year Ended March 31, 2023	Fiscal Year Ended March 31, 2022	Period from February 11, through March 31, 2021	Period from April 1, 2020 through February 10, 2021
Revenue	$ (25)	$ —	$ —	$ —
Costs of revenue	(770)	1,387	(12)	(1,313)
Operating expenses	(190)	422	(7)	(496)
Interest Expenses	$ (149)	$ —	$ —	$ (12,173)

Derivatives not Designated as Hedging Instruments	Location of Gain or (Loss) Recognized in Income (loss) on Derivatives	Amount of Gain or (Loss) Recognized in Income on Derivatives			
		Successor			Predecessor
		Fiscal Year Ended March 31, 2023	Fiscal Year Ended March 31, 2022	Period from February 11, through March 31, 2021	Period from April 1, 2020 through February 10, 2021
Foreign currency exchange contracts	Revenue	$ (7,663)	$ 1,967	$ —	$ (1,534)
	Costs of revenue	$ 4,086	$ (1,094)	$ —	$ 1,055
	Selling, general and administrative expenses	$ 582	$ (197)	$ —	$ 93

(20) Business Segment Information

Accounting pronouncements establish standards for the manner in which public companies report information about operating segments in annual and interim financial statements. Operating segments are components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision-maker on deciding on how to allocate resources and in assessing performance. The Company's chief operating decision-maker is considered to be the Company's Chief Executive Officer. The Company's Chief Executive Officer reviews financial information presented on an entity level basis for purposes of making operating decisions and assessing financial performance. Therefore, the Company has determined that it operates in a single operating and reportable segment.

Geographic information:

Total revenue is attributed to geographic areas based on location of the client. Geographic information is summarized as follows:

	Successor			Predecessor
	Fiscal Year Ended March 31, 2023	Fiscal Year Ended March 31, 2022	Period from February 11, through March 31, 2021	Period from April 1, through February 10, 2021
Customer revenue:				
United States of America	1,268,548	$ 1,088,307	$ 110,655	$ 803,037
United Kingdom	304,423	274,381	17,976	127,493
Rest of World	278,705	238,324	60,494	185,295
Consolidated revenue	$ 1,851,676	$ 1,601,012	$ 189,125	$ 1,115,825

	March 31, 2023	March 31, 2022
Long-lived assets, net of accumulated depreciation and amortization:		
United States of America	$ 1,536,946	$ 1,585,027
India	273,733	308,720
Rest of World	21,237	23,712
Consolidated long-lived assets, net	$ 1,831,916	$ 1,917,459

(21) Related Party Transactions

A Management Services Agreement is in effect between Virtusa Corporation and Austin Management Services Limited (the "Consultant"), a related party affiliated with BPEA EQT and certain of our other indirect investors. In consideration for services performed by the Consultant under this agreement, Virtusa Corporation shall pay the Consultant a consultancy fee equal to 4% of the adjusted EBITDA of Virtusa Corporation. In connection with the Management Services Agreement, the Company incurred $13,183, $10,475 and $928 of management fees during the fiscal year ended March 31, 2023, 2022 and the 2021 Successor Period, respectively.

During the fiscal year ended March 31, 2023, Austin Mezz Borrower L.P., a related party, entered into two promissory notes ("Note") with Virtusa Corporation to borrow $852 and $1,700 which bear interest of 2.37% and 4.50%, respectively, and are due and payable on demand.

(22) Subsequent Event

The Company evaluated subsequent events for potential recognition and/or disclosure through May 18, 2023, the date the consolidated financial statements were available to be issued.

On May 1, 2023, the Company paid $109,981 for 10.62 shares as a return of capital to BPEA EQT through a share redemption.