



**Mastech Digital, Inc.**  
**First Quarter 2022 Earnings Call**  
**April 27, 2022**

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**Operator**

Greetings. Welcome to Mastech Digital Inc., First Quarter 2022 Earnings Call.

At this time, all participants are in a listen-only mode. A question-and-answer session will follow the formal presentation. If anyone should require operator assistance during the conference, please press “\*”, “0” on your telephone keypad.

Please note, this conference is being recorded.

It is now my pleasure to introduce your host, Jennifer Ford Lacey, Manager of Legal Affairs from Mastech Digital Inc. Thank you, Ms. Ford Lacey. You may begin.

**Jennifer Ford Lacey**

Thank you, operator. And welcome to Mastech Digital's First Quarter 2022 Conference Call. If you have not yet received a copy of our earnings announcement, it can be obtained from our website at [www.mastechdigital.com](http://www.mastechdigital.com).

With me on the call today are Vivek Gupta, Mastech Digital's Chief Executive Officer. Jack Cronin, our Chief Financial Officer, and Ganeshan Venkateshwaran our new Chief Executive Officer of the Data and Analytics Services segment.

I would like to remind everyone that statements made during this call that are not historical facts are forward-looking statements.

These forward-looking statements include our financial growth and liquidity projections, as well as statements about our plans, strategies, intentions, and beliefs concerning the business, cash flow, costs, and the markets in which we operate. Without limiting the foregoing, the words believe, anticipates, plans, expects, and similar expressions are intended to identify certain forward-looking statements.

These statements are based on information currently available to us and we assume no obligation to update these statements, as circumstances change. There are risks and uncertainties that could cause actual events to differ, materially, from these forward-looking statements, including those listed in the company's 2021 annual report on Form 10-K, filed with the Securities and Exchange Commission and available on its website at [www.sec.gov](http://www.sec.gov).

Additionally, management has elected to provide certain non-GAAP financial measures to supplement our financial results presented on a GAAP basis. Specifically, we will provide non-GAAP net income and non-GAAP diluted earnings per share data, which we believe will provide greater transparency with respect to the key metrics used by management in operating the business.

Reconciliations of these non-GAAP financial measures to the comparable GAAP measures are included in our earnings announcement, which can be obtained from our website at [www.mastechdigital.com](http://www.mastechdigital.com).

As a reminder, we will not be providing guidance during this call, nor will we provide guidance in any subsequent one-on-one meetings or calls.

I will now turn the call over to Jack for a review of our first quarter 2022 results.

**Jack Cronin**

Thanks, Jen. And good morning, everyone. I'm happy to say that first quarter of 2022 was a continuation of our strong financial performance achieved in 2021, considering that Q1 has, historically, been a challenging quarter for us. Reflective of typical, high project completions at the end of the previous year and high benefit costs, due to the retaking of payroll taxes, at the start of the new year our Q1, 2022, financial results were very satisfying.

Revenues for the first quarter of 2022 totaled \$59.8 million and represented an organic increase of 20% over Q1, 2021 revenues. This revenue performance was a new record for our company, as both business segments showed sequential revenue growth, during the quarter.

Our Data and Analytic Services segment contributed revenues of \$10.2 million, which represented organic growth of 15%, over last year's Q1 revenues. Order bookings totaled \$11.8 million. Backlog increased from last year and our pipeline of opportunities continues to show promise.

In our IT Staffing Services segment, revenues of \$49.6 million represented a record performance and a year-over-year increase of 21%, over Q1 2021 revenues. Activity levels continued to remain elevated during the first quarter, as we increased our billable consultant headcount, by 3%.

Gross profits in the first quarter of 2022 totaled \$15.9 million, or 24% higher than in the corresponding quarter of 2021. Gross profits as a percent of revenue in Q1 2022 was 26.7% compared to 25.7% in the 2021 first quarter.

GAAP net income for Q1 2022 with \$2.3 million, or \$0.19 per diluted share, compared to \$1.2 million, or \$0.10 per diluted share in Q1 2021, a year-over-year improvement of approximately 90%.

Non-GAAP net income for Q1 2022 was \$3.3 million, or \$0.28 per diluted share, compared to \$2.2 million, or \$0.19 per diluted share in Q1 2021, a year-over-year improvement of approximately 48%.

SG&A expense items not included in non-GAAP financial measures, net of tax benefits, or the amortization of acquired intangible assets and stock-based compensation. These non-GAAP items are detailed in our First Quarter 2022 earnings release, which is available on our website.

Addressing more financial position. On March 31, 2022, we had outstanding bank debt, net of cash balances on hand of \$4.8 million, no borrowings under our revolving credit facility and cash availability of \$35.5 million, which excludes \$20 million of additional term loan capacity under our current credit facility's accordion feature.

I'll now turn the call over to Vivek for his comments.

### **Vivek Gupta**

Good morning, everyone, and thank you, Jack, for the detailed financial review of our operating results for the first quarter of 2022.

Let me start by saying that I'm very pleased with our Q1 2022 financial performance. As Jack mentioned, first quarters, historically and seasonally, are tough quarters for both of our business segments from a financial perspective. However, this quarter was different. Both of our business segments were able to execute at a high level, during the quarter, despite several external challenges. IT Staffing Services segment achieved record results in both revenues and gross margins and our Data Analytics Services Segments achieved solid revenues and bottom-line results. I'm particularly proud of our data analytics team who, collectively, kept the ship sailing smoothly without the benefit of having Chief Executive oversight in this business segment, during the quarter.

I have a couple of comments to make around the workforce environment that we are facing and about an exciting new service offering that we recently rolled out to the market in our IT Staffing Services segment.

On a macroeconomic basis, we continue to deal with the great resignation and the challenges it presents to all businesses, around the globe. At Mastech Digital, we have made it a priority to

not only retain our top talent, but also to opportunistically seek out new talent that is currently in the market, today. Like most services companies, we are squarely in the people business. We see the potential of adding and upgrading our talent base as a positive side of the great resignation, and we will continue to treat this challenge as an opportunity at Mastech Digital.

Next, I want to give you an update on our new service offering, offshore staffing. At our last earnings call in February 2022, I said a few words about this new service offering that we introduced to the market in the latter part of Q4, 2021. Offshore Staffing is largely a step-up variant of our very successful MAS-REMOTE offering.

As you're all aware, COVID-19 forced companies to rethink the advantages of having employees, including their contingent workforce working remotely and, by doing so, gaining access to the best talent available beyond self-imposed limitations around geographic locations. The adoption rate of the work from anywhere model has been stupendous, and we believe the market is now ready to embrace our offshore staffing model that continues to deliver topnotch talent but at price points that will generate material cost savings for our customers, over the domestic model.

The rollout of this new service offering in late Q4 went very well, and the offering was one of the contributors to the record gross margin performance of our IT Staffing Services segment in the first quarter of 2022.

We believe this model is both scalable and will provide our customers with an enhanced value proposition.

And now it gives me the immense pleasure to introduce to you our new Chief Executive Officer of the Data and Analytics Services segment, Ganeshan Venkateshwaran.

I can tell you that our Board conducted an exhaustive search for this critical role, leaving no stone unturned to find the right leader to take Mastech InfoTrellis to the next level in its lifecycle. As our search progressed, it became clear to me and our Board that Ganeshan was the ideal leader to take our Data and Analytics business on its next journey. Clearly, our organization is excited to have onboard Ganeshan, who has already hit the ground running in his first month with the company. So, without further ado, I will now turn the mic over to Ganeshan Venkateshwaran, our new CEO of Mastech InfoTrellis.

### **Ganeshan Venkateshwaran**

Thank you, Vivek, and good morning, everyone. It's a pleasure to be here today talking to you on my first Mastech Digital Earnings Call

As you are aware, I joined Mastech InfoTrellis as the Chief Executive Officer on March 28, so I'm quickly approaching my first full month with the company. Somehow, it seems a lot longer than that. Let me start by giving you a bit of my background and experience.

Prior to accepting the CEO position at Mastech InfoTrellis, I held executive leadership roles at the Trianz and at Wipro Technologies. From an academic background, I got an engineering degree and business management to programs from the Indian Institute of Science and the Wharton School of Business. Throughout my carrier, I have been involved with advanced technologies and enabling digital transformation services to enterprise clients.

The pandemic has only accelerated the need for digital enablement, forcing CXOs across enterprises to think of cross functional and the connected experience value chain for running enterprise success.

I'm a hands-on leader and bring a strong blend of technology, execution, and management experience to drive a strong team collaboration, while delivering growth and profitable outcomes.

I was attracted towards Mastech, given the background and the capabilities that the Mastech InfoTrellis has built around the Data and Analytics practice covering good aspects of end-to-end data, which includes data management, data engineering and data science, combined with a layer of enabling customer experience, which came as a part of the AmberLeaf acquisition that Mastech Inf Trellis made.

This positions Mastech InfoTrellis to engage with both technology stakeholders, as well as the business stakeholders, which is a very strong position to be in. Also, I see the variety in experience that the Board brings, starting from scaling larger businesses, depth in technology, making successful large acquisitions in the past as an advantage, as well as a leverage for me as I go after opportunities for hyper scaling. I believe I have a solid opportunity to make a profound difference at the Mastech InfoTrellis.

Next, I would like to share my views on some of my first impressions of the company. It's almost one month in. You know, when joining a new organization, particularly, in a senior leadership role, your first instinct is to find out if anything is broken and needs to be turned around. I'm pleasantly surprised that is not the case at Mastech InfoTrellis.

I have been very impressed with the people that I have met, the strong work culture and work ethic that they demonstrate and, more importantly, the burning desire to be successful. I found the culture to be very collaborative, open to change, and focused on success and innovation. Also, I've found the competencies of our delivery center in Chennai, India, to be outstanding, which explains the company's track record of near 100% customer retention. However, what needs to be done to bring together an integrated and holistic view of driving enterprise customer experience, starting with digital strategy and roadmap, to enabling technology solutions and providing managed services.

I will be working closely with my teams to ship this go-to-market approach. What this will essentially mean is the premium positioning at upstream end of the enterprise value chain and being able to command a premium pricing.

In summary, the Digital Transformation Services is an exciting space that I know well and have been hands-on.

I'm looking forward to leading Mastech InfoTrellis in its journey ahead by enabling industry-leading learning experience for our employees, capturing the growth rate and creating substantial value for our shareholders.

Thank you. And back to you, Vivek.

**Vivek Gupta**

Thanks, Ganeshan. Operator, this concludes our prepared remarks. We can take questions now.

**Operator**

Thank you. If you would like to ask a question, please press "\*", "1" on your telephone keypad. A confirmation tone will indicate your line is in the question queue. You may press "\*", "2" if you would like to remove your line from the queue. And for participants using speaker equipment, it may be necessary to pick up the handset, before pressing the star keys.

Our first question is from Lisa Thompson with Zacks Investment, please proceed.

**Lisa Thompson**

Good morning. Nice to see a great Q1 and record revenues. That's pretty exciting. I have to say it seems, I don't know if the word's ironic, that Staffing is doing better than Data and Analytics.

Do you expect with a new CEO that that might change, or is it going to be competition on who can grow faster?

**Vivek Gupta**

Hi Lisa, nice to hear your voice. I would actually like to have a competition there, that's sounds pretty exciting. No, on a more serious note, I see no reason there. Inside I see every reason why we should see scaling happening on the Data Analytics side. We are very excited to have Ganeshan on board.

And, he has the bright background, the right experience to take it forward. So, we should see some healthy competition in the future.

**Lisa Thompson**

Okay, any prediction on when that might cross over to them growing faster?

**Vivek Gupta**

Lisa, as you know, we don't make any projections, but I think we're just, as Ganeshan mentioned, he's barely been in for a month, we need to give him a bit of time. And I have no doubt as the year progresses, we'll start seeing the uptake and the scaling happening on the Data Analytics side.

**Lisa Thompson**

Okay. Great. A couple, financial questions. It looks like in Q1 SG&A was a little bit higher than at least, I expected. Is anything funny going on there, this quarter? Do you expect that number to come down from the 12.6, or not?

**Vivek Gupta**

I'm going to pass this question over to Jack.

**Jack Cronin**

Hi, Lisa,

**Lisa Thompson**

Hi.

**Jack Cronin**

You know what, I think that the 12.6 is likely to stay put in Q2 and increase a bit in the second half of the year.

**Lisa Thompson**

Okay.

**Jack Cronin**

I don't think there's anything funny. I mean, we had a lot of variable expenses that increased just to support our revenue growth.

**Lisa Thompson**

All right. I know in the past you discussed how margins were benefited by that people-- consultants weren't traveling. Are they traveling now? Is that going to affect gross margins?

**Jack Cronin**

Um--

**Vivek Gupta**

Go on, Jack, go on, Jack.

**Jack Cronin**

No, no, I think traveling is going to open up a little bit and, on the D&A side, you know, it could have some impact on gross margins, but I don't anticipate it to be a huge number.

As far as SG&A expenses, I think in Q1 we did have some travel costs that exceeded last year's Q1, so that's part of the increase in overall operating expenses to come up with that \$12.6 million (INAUDIBLE).

**Lisa Thompson**

Alright. And just to clarify, when you said that the consultants went up by 3%, you meant that sequentially to like 1305?

**Jack Cronin**

Yes, it's a 3% increase for the quarter.

**Lisa Thompson**

Sequentially, right, from Q3?

**Jack Cronin**

Yes, right.

**Lisa Thompson**

All right. And then one last question is, I noticed when reading the 10-K that you went from having like 20, like 48% H-B1 Visa of people down to 26%. Can you talk about how that happened and if that's going to stay that way?

**Vivek Gupta**

Lisa, if talking about it wasn't very clear. You're talking about the H1B percentage?

**Lisa Thompson**

Yes.

**Vivek Gupta**

Yes, I think it's a, you know, that's just a sign that we are placing a lot more knowledge when H1B people right now on billing. And we don't see any reason why that kind of ratio will not continue. It should continue. We should continue to have the H1B is coming down as a percentage, over a period of time. As the other side of the non-H1B side of the business keeps picking up.

**Lisa Thompson**

Is there any--does that save you any money or how does that change anything?



**Vivek Gupta**

Well, it does change, it does save us some money. There will always be Visa processing fee which bridges there but I think at a larger level, it just means that we are addressing a larger pool of resources across the country and MAS-REMOTE is helping us, as well.

So, it just helps us address the needs of our customers much better by going after the larger pools.

**Lisa Thompson**

Okay. Great. Thank you. That's all my questions.

**Ganesh Venkateshwaran**

Hi Lisa, this is, Ganeshan here. Nice to have you on this call. And, to your earlier question on the D&A business, a couple of points from my side in addition to what Vivek covered. One, is it is always nice to have a very healthy competition, so be prepared for it.

I first want to commend the team that were holding the fort in the absence of a Chief Executive. I think that the teams have done a tremendous job. But coming to the market itself for D&A, the data analytics market is booming. The market is expected to grow at the caveat of around 13%, plus. And the demand for data analytics of professional fees also exploding.

Nearly 90% of the corporations have predicted that analytics is going to be an essential competency, this year. So, that positions Mastech InfoTrellis in a very unique position of being able to enable growth and experience to all of our enterprise clients, given that we're bringing a very holistic view of data.

So, we should expect to capitalize on the market opportunity. And you will see that reflect, as we move forward. I'm still early. It's been four weeks, since I came on board. But but I think the indications look very positive, from a market standpoint. I hope I answered your questions.

**Lisa Thompson**

Yes. I also remembered another thing. I know they have a pile of acquisitions for you to look at. Have you started up working on the stack and do you see that happening anytime soon?

**Ganeshan Venkateshwaran**

I have not yet started to look into it. I think the first order of priority for me as I joined Mastech InfoTrellis was to look at a couple of things. Number one, what is our opportunity for a go-to-market positioning, based on what we currently have.

Now, when I look at both the Data and Analytics, as well as the customer experience of business, okay, the ability to strongly influence a customer acquisition and the growth side of our enterprise declines is very, very high. What I mean by that is the Data and Analytics

segment will enable enterprises with a data driven approach to architecting business intelligence and driving growth.

The customer experience, enabled by AmberLeaf, will enable enterprises with a customer experience driven approach to sales, service and marketing transformation. So, there is an opportunity for Mastech InfoTrellis to operate on board the technology side of the business, as well as the business side of the business.

So, I see a tremendous opportunity to cross-leverage upsell and influence the interface value chain.

The second area that I started to look at was the differentiated value proposition to clients from a service offering perspective.

I spoke about strategy and roadmap, technology implementation, and then managed services. That will position us for an engagement with the clients upstream and also help us to engage with the clients at the CXO -level, positions us for premium pricing and, in that process, create a downstream revenue, at scale.

The third area of focus was around the scaling the Data and Analytics businesses, strategically and rhythmically. What I mean by that is from a growth standpoint, how are we focusing on achievability, predictability, repeatability.

And I underline repeatability because being able to do more of seeing means less stress, less effort required to be able to sustain and grow the business and also looking to opportunities for driving non-linearity. As part of my initiative to drive non-linearity, I will be looking into some of these acquisition candidates downstream. I am not ready for that yet, Lisa.

And, of course, the last area of focus has been around people and culture and the leadership coming together, as we scale. So, these have been my areas of focus in the last four weeks, but we will get to some of the acquisitions pretty soon.

**Lisa Thompson**

Okay. Great. We'll give you another quarter and I will ask you again. Thank you.

**Ganeshan Venkateshwaran**

Sure. Thank you.

**Operator**

Our next question is from Timothy Call with The Capital Management Corp, please proceed.

**Timothy Call**

Congratulations on strong bookings and your increased backlog. The cash levels are rising and-- and might exceed long-term debt, later this year. Should we expect net interest expense to approach zero?

**Vivek Gupta**

Jack, will you take that question?

**Jack Cronin**

It's clearly going to go down, you know, absent an acquisition. We were paying off debt at a clip of \$1.1 million a quarter and that's going to continue.

And we're generating cash flows. So, if we don't accelerate or early pay our debt, we're going to be accumulating cash. So, I think our interest rates or interest expense is clearly going to go down.

**Timothy Call**

Absent from other effects does the IT staffing unit benefit from U.S. wage inflation? Do your revenues and profits grow because of wage inflation in that unit?

**Vivek Gupta**

Yes, to some extent, you know, definitely. There is-- you get the benefit of it in terms of the build rates increasing. And, also, for the same number of heads, you're able to get more revenue per head, as a result of that.

There's not that much of other, you know, gross margin improvement because that sort of goes with the higher rates, as well. The import rate also goes up or is going up, as a result. But definitely there is a bit of an upside on the rate increase, as a result of this.

**Timothy Call**

And do you see a shortage of with the shortage U.S. skilled labor, do you think that will lead to increased outsourcing in the United States? And would that eventually increase business at Mastech?

**Vivek Gupta**

But it's already happening. The demand is way--way more than supply and the customers are unable to fill those positions internally, even the permanent positions they have online open. And they are, increasingly, leaning more and more on organizations like ours to help them find contingent workforce.

And we are sort of, you know, rising to that, and some of our growth that we've demonstrated over the last few quarters has been as a result of that. Of course, when there is more demand than supply, we also lose people much more.

So, our focus has been, how do we make sure that - we pick up new business, we do new placements, we do new starts, disproportionately, more than the ones that we lose. And we've done a pretty decent job, so far.

**Timothy Call**

Well, congratulations again on a great quarter. Thank you.

**Vivek Gupta**

Thank you, Tim.

**Operator**

Our next question is from Marc Riddick with Sidoti & Company. Please proceed.

**Marc Riddick**

Hey, good morning, everyone.

**Vivek Gupta**

Hi, Marc.

**Marc Riddick**

So, I wanted to start with was there anything as far as any shifting of orders or business or any disruptions that we should think about during the course of 1Q that would maybe affect comparability?

**Vivek Gupta**

I don't think so. I don't think there is anything like that to report, right now. Jack, is there something that I may have missed?

**Jack Cronin**

No disruptions that I'm aware of.

**Marc Riddick**

Okay. Great.

And then, shifting gears, I wanted to talk a little bit about maybe and I know it's only been, first of all, welcome, Ganeshan. I know it's been a whole month that you've been there so you know, the stack of acquisition opportunities will still be there tomorrow, I suppose.

But I was wondering if you could maybe update everyone as far as the general thoughts around maybe what the general pipeline looks like, valuation and if there's been much of a shift, as far as the opportunities that has been seen, maybe over the last three to six months.

**Ganeshan Venkateshwaran**

Marc, thank you. And is your question around the pipeline for acquisitions or is it around the pipeline for the for the Data and Analytics business?

**Marc Riddick**

Well, the acquisitions first--and then--well actually, you can answer both if you wish, but I was asking about acquisition.

**Ganeshan Venkateshwaran**

Okay. I would probably turn over to either Vivek or Jack to answer on the acquisitions of these, and then I can take the question around the overall business pipeline.

**Vivek Gupta**

So, as far as, Marc, the acquisitions are concerned, we don't agree. We did have a few candidate targets that we were considering and towards the end of last year. And I think I mentioned that in my previous earnings calls, as well. We had to put them on the back burner, and it made--didn't make sense to go ahead with any acquisitions, without having a new leader on board. So, clearly, we've said that before, that our acquisitions are going to be in the data analytics area, and that's the strategy or that approach is still very much valid.

So, we're just waiting for Ganeshan to settle down and have a look at the targets that we were considering. And also, there could be new injection of ideas from Ganeshan. And we will refine our target on the approach that we are taking. So, we see that in the latter half of this year, we should start going back to evaluating what could be the next targets to look at.

**Ganesh Venkateshwaran**

Thank you. Thank you, Vivek. Marc, to the other question, right, see, what the pandemic has done is influenced the velocity of digital transformations. And as we all know, no industry is spared.

But when you look at the sequencing, which effective digital transformation initiatives happen in the market, it all starts with the data and analytics. Okay, and in order to get insight of your own enterprise, but the real end-user transformation begins with redefining experiences of your products and services.

Now, when you look at Mastech InfoTrellis, okay, I think we are very uniquely positioned to influence what I call as the customer acquisition and the group segment of an enterprise, okay, which essentially starts by driving your customer experience initiatives, starting from your product and the service, the designed customer through the journey mapping.

And then taking it all the way into your implementation under managed services. So, the ability for Mastech InfoTrellis to drive the transformation experience, starting with the business's stakeholders, be it in sales, be it in service or be it in marketing.

And then, driving it down the value chain, through the technology stakeholders, okay, completing of your bid on the data side or be it on the application side or be it the Cloud side, okay, since it has, is very seamless and, the capability is very well aligned.

So, I am very optimistic about the capturing of the market opportunity and being able to grow the business because it is not just the data business, which is seeing a significant growth in 2022 and beyond but combined with the ability to drive upstream customer experience, I think that we have a significant opportunity to tap into. I hope I answered your question, Marc.

**Marc Riddick**

Yes, absolutely. Thank you. And then, a couple of more for me. One is, wondered if you could sort of give us an update as to where you are with the real estate strategy and as far as, you know, with your offices, and where you think, you can get to by the end of the year. And then I have one last follow-up, after that.

**Ganeshan Venkateshwaran**

Okay.

**Vivek Gupta**

Sure.

**Ganeshan Venkateshwaran**

You--go ahead, Vivek.

**Vivek Gupta**

No, I was--I was going to respond to the real estate situation. So, Marc, I think one thing that's happened as a result of this pandemic, as we all know, that we don't really need everybody to be in the office, every day. And what that means is that the office spaces that we have right now, you know, can handle a lot more people because we will have the hybrid approach and going forward.

But having said that, I mean, that we have large centers that we have. There is one, Noida, which is in India in the national capital region. Then there is one in Chennai, which is the Data and Analytics Center. And then of course, the third large one in the U.S.; one is of course, Pittsburgh. And then we have smaller offices, quite a few of them, sales offices in different parts of the U.S. and in Europe.

So that kind of footprint that we already have. We did upgrade our Chennai facility to a much larger facility, almost doubled the number of seats and that we did in January because we expect that that part of the business will probably scale on the offshore side of data analytics will scale the fastest and the quickest.

So, I think we are pretty comfortable right now, in terms of the real estate footprint that we have, at least for the foreseeable future. And I'm hoping that we will get to that point, maybe next year when we have to start thinking of what more to add and that will be a great problem to have. That means we are scalable.

**Marc Riddick**

Right-right. Excellent. And then the last thing for me is, what if we talk a little bit about the--you talked about it in your prepared remarks, but maybe put a little more around sort of the timing and what your thoughts are around the offshore staffing, launch.

**Vivek Gupta**

Yes, so, the offshore staffing, as I mentioned, is basically, and if we go back a little June of 2020, right in the middle of the thick of the pandemic, we launched a service call MAS-REMOTE, which is leveraging the customers readiness to work from home or work from anywhere model. And that actually was very well timed.

And from that point onwards, all the way till the end of 2021, roughly two-thirds of all placements that we did were MAS-REMOTE. And what we found in when we launched this new offering of staffing is, if you think about it is just an extension or a variant of that where we are not just having people working remotely, but they're working much further out.

And the logic essentially is this, if you look at the demand in or--for IT people, it's very heavily skewed towards the U.S., followed by Europe and then followed by the rest of the world, including Asia. But the availability of resources is just the other way around.

The largest availability, you know, the resources are actually in Asia, followed by Europe, followed by the U.S., at this point in time. So, what we are trying to do is address that, you know, where the demand is and where the supply is through this offshore staffing.

And we found that customers having experienced this work from home, work from anywhere model, successfully, are now ready and more amenable to having people work, offshore. And offshore model we already know has a lot of advantages.

Its availability for a very large pool of top-notch talent and enterprise point, which is--makes it, a compelling proposition for customers because they can have a lot of cost savings or they may not want cost savings, they can have much more people for the same amount of spend that they would have had.

So, we launched this offering in Q4, and we are finding it's gaining traction, very rapidly. So, we are pretty excited about it.

So, when you--if you put this in along with MAS-REMOTE, I think we now have a pretty good sort of options in addition to, of course, the traditional on-prem, or on-premises staffing.

So, our sales team is pretty excited that we now have a much wider complement of offerings to offer.

**Marc Riddick**

Thank you very much.

**Vivek Gupta**

Thanks. Marc.

**Operator**

As a reminder, just “\*”, “1” on your telephone keypad, if you would like to ask a question. Our next question is from Brian Kinstlinger with Alliance Global Partners. Please proceed.

**Brian Kinstlinger**

Great, thanks for taking my questions, with the solid bookings you've discussed in the first quarter and even what sounds like revenue growth as well, can you first talk about--and maybe I missed it, where demand is increasing the most for both Mastech Staffing, as well as the Analytics business, by industry?

Is it financial services? Is it healthcare? And maybe take us through which industries you're seeing the most demand?

**Vivek Gupta**

Hi, Brian. thank you for your question. Actually, right now, at this point in time it's pretty evenly distributed across all industries or even when we look back how things are in the last one and a half years.

You know, we could see skewed towards healthcare more and it was followed by financial services, followed by retail or manufacturing. But at this point in time, the demand seems to be there, across all industry.

So, I mean, we can--I can try and we'll give them some kind of an order there. But actually, I don't think that that's relevant, at this point in the time. So, all our customers in all our segments, we are having conversations with them, and this applies to both sides of the business, IT staffing, as well as Data Analytics.

And maybe I'll ask Ganeshan if he's seeing a skew on the data analytics side in this, you know, his analysis that he's done, over the last one month, or so, if there's a skew on the industry.

**Ganeshan Venkateshwaran**

I think, Vivek, you colored it and Brian, to add to what Vivek said. I think we are clear to think that banking, retail, and high-tech as industries where we are seeing, a start of a momentum.



But, coming to the Data and Analytics business from a core standpoint, it is industry agnostic. The way I would sort of see this is when I look at it from an industry perspective, is from two dimensions. One is data. There are certain industries which have a high-touch impact of a dip consumers.

For example, if you take either healthcare, media, high-tech, or retail, okay, and what I mean by high-tech is, the in-depth feedback loop with the consumers is extremely high. For example, if Apple were to release a phone, then you have a feedback loop being to the adoption and the usage of the features, very quickly.

These are industries that will continue to be on the cutting edge of a digital transformation and also continue to keep growing, okay, and adopt, faster. On the other side there are certain industries that are low touch. Examples would be the ones that are highly regulated, be it insurance or NST, etc. Now, the need for digital transformation and especially data-driven, is seen across the board. But where you will find a variable sort of see, if flavor change in flavor is depending on the velocity of the transformation that each of these industries add up. And depending on that, we will see a slightly skewed pipeline, but that does not mean that any of the industries that I earlier spoke about are the ones where there is transformation, where that is happening. I think it is cutting across.

#### **Brian Kinstlinger**

Great, my second question is, as demand's increasing, you touched on the difficulty on the supply side of resources. How long does it take you to find and onboard staffers to meet demand?

#### **Vivek Gupta**

It's actually--we have a very well-oiled engine for recruitment. We have a pretty large team which is living in India. They are based in Noida. They're working to U.S. time, and we are able to find candidates in a matter of hours, in some cases. And we are able to get customers connected for those candidates, for interviews and get things done in a matter of days when there is a crunch, and the customers have that potency.

But a normal time takes about, you know, a week to two weeks for the whole entire process to happen from availability of the requirements, finding the right candidates, going through the short-listing interview selection, etc., etc. So yes, so it's really how and remember, we are not the only ones who are being offered those wrecks, we have competitors or competition there, as well. And we are able to do well because of the speed at which we are able to do and also the number of producers that we have who can go after these requirements. So yes, we are able to move pretty fast and sort of get ahead of the competition in the process. That's the strength--

#### **Brian Kinstlinger**

--Sorry, go on.

**Ganesh Venkateshwaran**

Let me--let me see, this a question from the data and analytic side of the business. I have a very unique advantage of being able to leverage the strength of what the digital staffing business brings to the table. And you are very well aware of the great recognition and the challenge that the technology services industry is facing, both in terms of talent acquisition, as it relates from a talent retention standpoint.

Okay, the great advantage for me to be able to drive a hyper scaling of the Data and Analytics business will come from the fact that I can leverage the digital staffing of Mastech to be able to acquire talent at speed and have a big, based off what process maturity, as well as recruiters who can help with the scaling. So, I feel very nice about today, the fact that I can leverage the digital staffing business for the good of our D&A.

**Brian Kinstlinger**

Great. My last question is, as it relates to your bookings, how much higher is the implied pricing on your new business, compared to the average rates of 2021? Thanks.

**Vivek Gupta**

Brian, let me ask you this question. Is this question about the IT staffing or is this the data analytics piece?

**Brian Kinstlinger**

Well, on the staffing side because, you know, on the earlier questions you talked about revenues will benefit from higher salaries or higher pay, of course, that you pass on. So, I'm just curious, as it relates to that. How much higher, are prices 5%, 10% higher than they were, last year?

**Vivek Gupta**

Well, it actually really is, we are seeing anything from zero to 25%, as well. It also depends on the type of skills and how difficult or how scarce are those skills in the marketplace and you can imagine scarcity drives up pricing.

So, many of the new positions that we are doing could come as much as maybe 10% on an average more. But then it's a bucket, which has got already a lot of people, and you are adding more. But it takes a little while for the overall, the average for the bucket to start changing. But there is definitely some increase, which is happening in general, but it varies from technology to technology.

**Brian Kinstlinger**

Great. Thanks so much.

**Jack Cronin**

Hey, Brian. Our average bill rate in the 2022-quarter was just under, this is for staffing, just under, \$79 an hour. And, in the first quarter of 2021, it was just over \$75 an hour, so, that's about a 5% increase and some of that is inflationary pressures and some of it is, just the type of skill sets that we've been working with our new assignments. But clearly, that the trend is up.

**Brian Kinstlinger**

Great. That's super helpful. Thank you.

**Operator**

Our next question is from Rob Stephenson with Bennington Capital. Please proceed.

**Russ Stephenson**

Hi. Good morning. Thanks for taking the question Just a question thinking about all the positive outlook that we talked about with data analytics, all the great trends that the business is tapping into, Ganeshan spoke about. You know, reflecting back on Q1, 15% growth rate is great, but as we talked about, you know, there's sounds like there's some room for even higher growth, there.

I'm curious in Q1 if there were things that you could point to or in your mind, maybe limited that growth, right? What if, you know, another way of thinking about the question perhaps is, as you look out in the future and tapping into all the trends are their specific tactical things or other parts about the business that you could identify that sort of give you the confidence that you can step up that growth rate? Thank you.

**Ganeshan Venkateshwaran**

Thank you. Thank you, Russ. From a Q1 standpoint, again, I think as both Vivek and I said, I count on the team for sort of managing default in the absence of having executive oversight. But from where I see opportunities for scaling. And I've identified opportunities between both the customer experience side coming from AmberLeaf, as well as the Data and Analytics side and the significant opportunities for cross-leveraging and up-selling. There were some tactical things, synergies around people alignment, which have already been fixed.

So, I believe that when it comes to driving customer experience, we are already at a point where we are in a position to drive a holistic and rich customer experience. In fact, I call this as a five-dimensional approach to driving the customer experience, one that comes from the business development team driving relationship experience and driving net new logo acquisition. Second, coming from an integrated digital transformation practice perspective, which is an area that as I mentioned earlier, is something that I'm shaping, as we speak, okay, and once we have that, we will be able to drive both the strategy and road map across all of our enterprise clients, which positions you at the upstream of the value chain.

The third, of course, is the global delivery, which is functioning extremely well today delivering a 100% customer retention. And the two other areas that I am looking into are bringing in

specific industry domain expertise in areas where we have a strong positioning with the clients and also looking into possibilities of platforms and IP's as they get to understand the business, more. So, that is where you will start to see a shift happening both in terms of not just the customer acquisition, but also the quality of revenue from each of these customers. Being able to drive the average revenue within customers and bringing in some amount of nonlinearity through platforms and IP's. Russ, did I answer your question?

**Rob Stevenson**

Yes, thank you Ganeshan. That's really helpful, I appreciate it. And it's great to have you on the team. Thank you.

**Ganesh Venkateshwaran**

Wonderful. Thank you so much.

**Operator**

We have reached the end of our question-and-answer session. I would like to turn the conference back over to Vivek for closing comments.

**Vivek Gupta**

Thank you, Operator. So, if there are no further questions, I would like to thank you for joining our call, today. And we look forward to sharing our second quarter 2022 results with you in early August. So, thank you, all.

**Operator**

Thank you.

**Ganeshan Venkateshwaran**

--Thank you. Have a wonderful day.

**Operator**

Thank you. This does conclude today's conference. You may disconnect your lines at this time and thank you for your participation.