

## Alight Solutions

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- Mark Marcon: Good afternoon, everybody. This is Mark Marcon. I follow Human Capital Technology and Solutions for Baird. Our next presenting company is Alight Solutions. Alight is a leading cloud-based provider of comprehensive human capital solutions, including integrated digital health, retirement, and payroll solutions. Alight's 15,000 employees serve more than 30 million clients, employees, and family members, including those employees that comprise 70% of the Fortune 100. Today, we're very pleased to have Steven Scholl... Stephan Scholl, the CEO. Stephan joined the company in 2020 prior to joining Alight. Stefan was served as president at Infor for eight years. And prior to that had senior roles at Oracle and PeopleSoft.
- Mark Marcon: We're also very pleased to have Katie Rooney, the CFO. Katie joined Alight in 2017. Prior to that, she was over at Aon and prior to that at Morgan Stanley. And we're also very pleased to have John Rouleau, the director of IR and a good friend. I'm going to turn it over to Stephan. Who's going to take you through some of the slides and then we're going to go into a fireside chat. Stephan. Thanks for joining us.
- John Rouleau: Can you hear us? Okay, Mark.
- Stephan Scholl: Can you hear us now?
- Mark Marcon: We can.
- Stephan Scholl: Perfect. Excellent. All right. Wonders of technology. Thanks for the introduction. Appreciate that. Hello to everyone, Stephan Scholl here, CEO of Alight as Mark mentioned. I started my role here at Alight kind of April last year. So in the middle of the pandemic and many people ask, "Well, why did I do that?" And I'll tell you, it's a simple discussion. When you look at what Alight does, it really is about helping, not only Americans, but employees around the world stay financially secure and stay healthy. And that was if there's ever a time in the middle of a pandemic, that was top of mind for everybody here on this call on a global basis. And I took on the role as a CEO because I really saw an opportunity as a light to really jump into the market opportunity that's in front of us.
- Stephan Scholl: If you look at the space of human capital management, it is a very fragmented space. And it's one that when you look at the clients, Mark just mentioned, we serve 70 of the Fortune 100, we serve half of the Fortune 500 clients, and we already do it today for them. Some of the most complicated, yet important components around keeping employees financially secure and healthy, but employees are demanding and have been demanding a better relationship with their employers. More interaction, more visibility, more information, and you want to start here, let's do it. Yeah. And so, and I think it all is just maps to the market demand and it's staring us in the face and has been for so many years that employees just aren't getting enough support and help in making the right financial decisions, whether it's 401k related or whether it's around staying healthy around HSA decisions.

Stephan Scholl: And as you can see from the statistics here, a lot of employees really feel that they haven't made the right decisions, anxiety, mental illness and depression is at an all time high, not only in the United States, but on a global basis. And so given my background, I'm a technologist product, a software type individual that really saw an opportunity to take great ingredients and bring together the playbook that we'll talk about here of this afternoon. As a company, was already mentioned, we have already today 30 plus million participants that use our technology to drive key decisions around their health and their wealth. 70% of the Fortune 100, half the Fortune 500 longstanding relationships, almost 15% of the entire US workforce sits on our systems today. And so, as you can see, we come from a very strong base with a very deep moat with some of the largest, most important clients here in the United States.

Stephan Scholl: And we're leveraging that technology. Why don't we go to the next one after that jump, please. We're leveraging that relationship to bring together our one Alight platform. And what simply that is, is a cross section or an enterprise view across these components that you see here on the screen. And it really does put us into a category of one where a lot of our competitive set in this best of breed world cover off some of these components. But when you think about the dynamic that happened with companies dealing with their clients, the last 20, 25 years, I was a part of it. Many of you have invested in it, and you've seen the success of moving away from best of breed to an enterprise lens on clients, sorry, on companies helping serve their clients. As I said earlier, I finally see that moment here happening around employee engagement. There are way too many point solutions, touchpoints for employees where they have to go to get an end-to-end for hire to retire information. And so we've taken an end-to-end approach because we have the ingredients, we have the assets.

Stephan Scholl: And as of a few days ago, with our recent announcement, we also have the retirement piece with a much broader solution around the health... with the retirement exchange from Aon coming as part of our business in the near future. It really does complete for us an end-to-end approach. Maybe go to the.. there we go. No. So when you look at what we're trying to do with that end to end offering, it really is bringing together what we've been calling our business process as a service, very technology forward agenda around leveraging the fact that we already have 30 plus million participants. We already know the decisions that they've made over the last 10 to 15 years. They already engage us. And I really want to hit hard on that word, engage. A lot of these points solutions have between two and 6% engagement a year. And while they are great companies with great products, you cannot have a winning formula with simply two to 6% engagement. The employees that we're talking about on our systems have to engage us on an annualized basis to complete their process for benefits enrollment across the board.

Stephan Scholl: That is a platform of engagement that we've invested in heavily in the last year, since I've started here in moving to the cloud, we've done an outside in approach. Why don't we go to the work-life platform? We've built an outside in approach with our work-life platform, which we've launched here, the next generation in April. And it all started with the first bullet here, which is all around our engagement portal, if you will. So it's 30 million people now logging into a much more beautiful experience. It's consumer grade, it's action-oriented number two, which is the analytics and AI platform. We've built out all the capability to stitch together, whether it's our systems or third party systems on the transaction engine side, you can see we've put together a reference architecture that allows us to really bring the employee engagement into one holistic place, which

we've called the Alight Worklife platform. We've launched that in April last year, around our new engagement capability. We've launched analytics throughout last year. We've launched the capability around health, wealth and payroll cloud all of the last nine, 10 months.

Stephan Scholl: So this has been a progress since April of last year to kind of April of this year, where we've integrated all those investments and moving to the cloud, building out analytics, AI capability, building out these new transaction engines in the cloud. That's all been happening as we speak in the last year. And we've all put it together in a platform called Alight Worklife. For the rest of this year, you will see us deliver on health cloud. As we speak, wealth cloud and payroll cloud all before the year is done in 2021. All this is going to have impact on how we serve our clients better. And in terms of supporting them in terms of driving a new enterprise engagement platform. Do you want to go Katie to...

Katie Rooney: Sure. Yeah. Thanks Stephan. So if you think about kind of the transformation and where we go, as Stephan mentioned, start with the building blocks a little bit of who we are today, right? I mean this year, 2.7 billion over 2.7 billion in revenue of 600 million in EBITDA. And if you think about that, 80% of that is subscription-based three to five-year contracts, kind of great cashflow characteristics. So we have this underlying base that, again, we've built over a number of years and that really helps us we think about kind of the foundational elements going forward. Because today we have over 80% of our 21 revenue under contract. Next year, it's over 60%. So we, again, kind of have a solid foundation, but as we think about the opportunity to drive top line growth, there's really three levers that play off exactly what's Stephan mentioned. How we're thinking about the go-forward transformation. And so the first piece around one Alight, if you think about kind of starting with the slide we showed that show kind of some of the point solutions and how we really bring that together.

Katie Rooney: As we think about that enterprise approach, driving the BPaaS solutions that drive this differentiated outcome, we think within our existing client base today, within our existing solution set, there's over a billion dollars of opportunity. But importantly, we also know there's a significant portion of the market that we need to and can still address. And so, one of our key investments over the last couple of years has been in our commercial go to market area, and we're still building that out now, as we think about kind of our investment in 2021. And that's really helped us create the new logo Salesforce, which is helping us go more proactively at the clients we don't know today. Go more into the middle market from a growth perspective to take share. And so that is kind of the second lever as we think about the growth platform.

Katie Rooney: And then third is around M and A. Stephan said, we announced an acquisition last week, that's our eighth acquisition over the last couple of years and we've taken a disciplined approach but also know that serving 50% of the Fortune 500, having this great install base, there's a great opportunity to continue to build out our solution set to really deliver that to our clients and cross-sell that into our base. And so we see opportunity for international expansion for product expansion, technology expansion. And as we think about the process we're going through as part of a spec, once we close the acquisition, we will have a great capital structure in place that will enable us to continue to drive more M and A as another function of growth. I think importantly, as you think across all of those, you see down at the bottom, we are continuing to invest in new solutions every day.

Katie Rooney: As we think about the technology platform, as we think about what we're hearing from our clients and bringing together outcomes that enable greater opportunity for both them and their employees, we will be able to do that across our existing base, across new logos and we will leverage M and A to help us accelerate some of those solutions as well. So finally, I think for those of you who have spent time with us before, we just thought it would help to provide a little bit of color on progress that we've made as an organization over the last few months. So I think importantly, if you go back to some of those growth levers, a couple of key dynamics. First is financial. So we had a good start to the year in terms of our first quarter performance. And we've seen that the total contract value of our total bookings for the quarter up 15% and of our BPaaS bookings up close to 200%. And really that's important because as you think about the progress we're driving across the organization, there's a long cycle between sales to revenue.

Katie Rooney: And so bookings are kind of a key leading indicator for us of the progress we're making. The second piece around commercial. So two areas, as I mentioned. First, we continue to have notable wins within our existing base. So as you think about that cross-sell opportunity, two key clients. First is Dell, which has been a long standing client with us. We launched a new solution just in May around our nurse navigation. Product that they have purchased, which really helps continue to build out their total health offering. So it helps improve the outcomes, helps drive additional support across their base. And I think just a good showcase of kind of how we're able to continue to penetrate into our existing BPaaS solutions. And then the second was Westinghouse, which was for those that go to the Westinghouse. I mean, a great global company in 20 countries who today were already servicing benefits for them. We have now added kind of our global payroll capabilities, really built a total integrated approach for them that we're working through with them right now.

Katie Rooney: Which again, I think is a good signal of the opportunity we have within the base. And then the other thing I'd say, as I mentioned around commercial, is we're building up that new logo team. So, as we see the white space opportunity within the market, that will be a great area of opportunity for us. On the product and technology side, Stephan mentioned the Worklife platform that we rolled out, that was a great opportunity for us to accelerate our investment strategy which we've done. It's been one of our key investment areas over the last couple of years, actually last year, that will drive a great opportunity for our clients to leverage a better interface, enable us to leverage our underlying data and AI in a way to drive hyper-personalization differentiated outcomes, more effectively into those clients and provide an integration layer that will enable us to partner with other providers as well, to make sure we can be kind of that front engine and that integrated approach for a client.

Katie Rooney: Importantly, we also have our Worklife mobile app going live now, which will enable a number of our top customers to be through open enrollment this fall on the mobile app. Which, again, I think just the pace at which we're seeing the teams move the progress, the rollouts for our clients is a good signal of the strategy and how we're executing on that. And finally, M and A, we mentioned the Aon retiree health exchange acquisition last week that we announced. And we will continue to look at organic and inorganic opportunities for investment as we continue to build out our strategy. So I know we went through that fast Mark, but wanted to make sure we gave a little bit of a history on the company who we are and some of the progress we've made here over the last few months.

