

**GENPACT**

Genpact

# Q1 2014 Earnings Presentation

May 5, 2014

Ticker (NYSE: G)

## Forward Looking Statements

These materials contain certain statements concerning our future growth prospects and forward-looking statements, as defined in the safe harbor provisions of the U.S. Private Securities Litigation Reform Act of 1995. These statements are based on Genpact's current expectations and beliefs, as well as a number of assumptions concerning future events. These statements involve a number of risks, uncertainties and other factors that could cause actual results to differ materially from those in such forward-looking statements. These risks and uncertainties include but are not limited to a slowdown in the economies and sectors in which our clients operate, a slowdown in the BPM and IT Services sectors, the risks and uncertainties arising from our past and future acquisitions, our ability to manage growth, factors which may impact our cost advantage, wage increases, our ability to attract and retain skilled professionals, risks and uncertainties regarding fluctuations in our earnings, general economic conditions affecting our industry as well as other risks detailed in our reports filed with the U.S. Securities and Exchange Commission (the "SEC"), including the Company's Annual Report on Form 10-K. These filings are available at [www.sec.gov](http://www.sec.gov) or on the investor relations section of our website, [www.genpact.com](http://www.genpact.com). Genpact may from time to time make additional written and oral forward-looking statements, including statements contained in our filings with the SEC. The Company does not undertake to update any forward-looking statements that may be made from time to time by or on behalf of the Company.

## Non-GAAP Financial Measures

These materials also include measures defined by the SEC as non-GAAP financial measures. Genpact believes that these non-GAAP measures can provide useful supplemental information to investors regarding financial and business trends relating to its financial condition and results of operations when read in conjunction with the company's reported results. Reconciliations of these non-GAAP measures to GAAP are available in this presentation and in our earnings release dated May 5, 2014.

## Q1 2014 - Good Start, in line with Stated Full Year Expectations

Revenues, adjusted income from operations, net income and earnings per share all increased year-over-year, margins steady

### Key events and accomplishments:

- ✓ Made good progress in executing new, more focused, growth strategy
- ✓ Added depth to our client management organization; on track to meet our objective of investing 6% of our revenue in client-facing teams
- ✓ Closed a large deal with a leading CPG client; adds domain expertise we can leverage across that industry
- ✓ Completed \$303 million purchase of approximately 17.3 million Genpact shares at a price of \$17.50 per share (post-Q1)
- ✓ Announced strategic partnership with Oliver Wyman to build and take to market new risk solutions for the increasingly regulated Financial Services industry (post-Q1)
- ✓ Announced acquisition of Pharmalink Consulting; adds domain capabilities in regulatory affairs space of targeted Life Sciences vertical (post-Q1)

## Q1 2014 - Key Financial Highlights

Growth and margins in line with our stated full year expectations

### Q1 '14 versus Q1 '13 performance:

- Total Revenue: +5%
- Revenue from Global Clients: +7%
- GE Revenue: -3%
- Adjusted Income from Operations<sup>(1)</sup>: +4%
- Adjusted Income from Operations margins: 16.4%

**Notes:**

1) Adjusted Income from Operations is a Non-GAAP Measure. Q1 14 GAAP Income from Operations increased 4.5% and GAAP Operating Margin was 14.6%.

# Healthy Pipeline

## Investments driving good inflows of large, transformative deals

- Continuing investments in client-facing teams and domain experts driving increased involvement in more strategic and transformative engagements
- Transformative engagements continuing to increase both in value and proportion of our pipeline
- Decision cycles continue to be long on larger deals; longer conversion time to revenues

## Four Key Pillars of Our Growth Strategy

### Concentrate Investments

- Concentrating our investments on specific market leadership opportunities in select key industry verticals, service lines and geographies to drive faster growth

### Enhance Domain Expertise

- Expanding our team of subject-matter experts and lead solutions architects who can bring extensive knowledge and domain expertise to clients

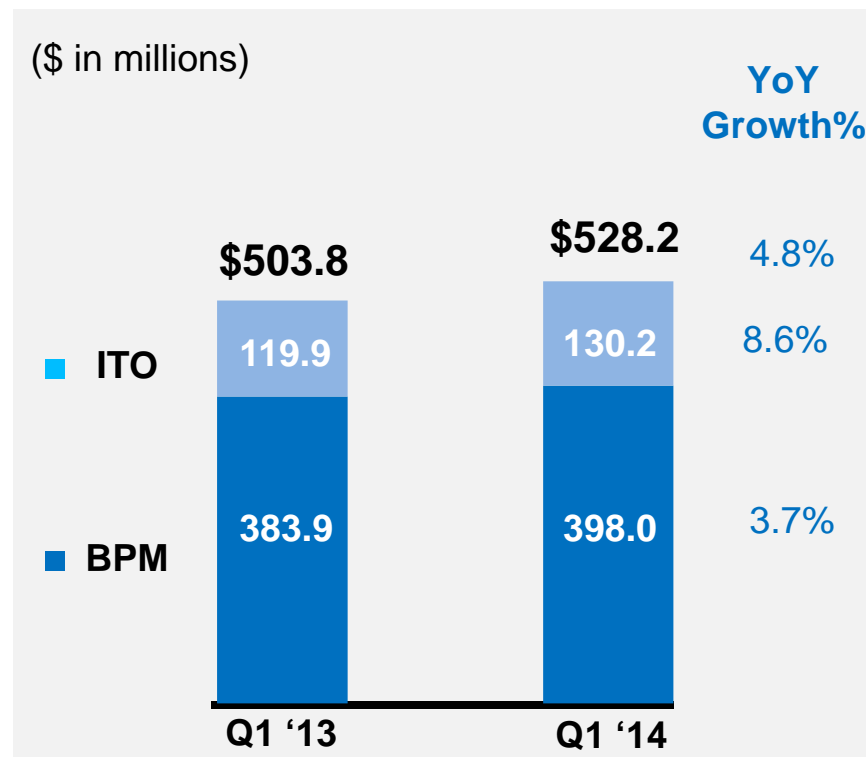
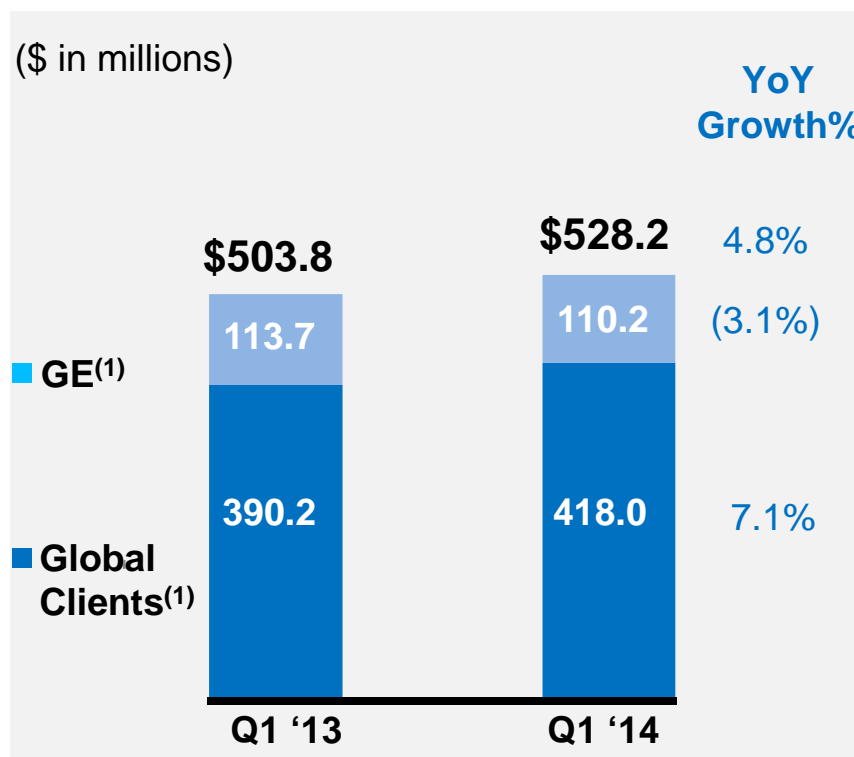
### Further Differentiate Solutions

- Further differentiating our solutions by building capabilities and combining core operations, IT and analytics

### Deepen Client Relationships

- Strengthening client relationships by adding a new set of senior-client facing leaders and expanding onshore capabilities to enhance proximity to clients

## Q1 Revenue Growth of 4.8% Driven by Global Clients

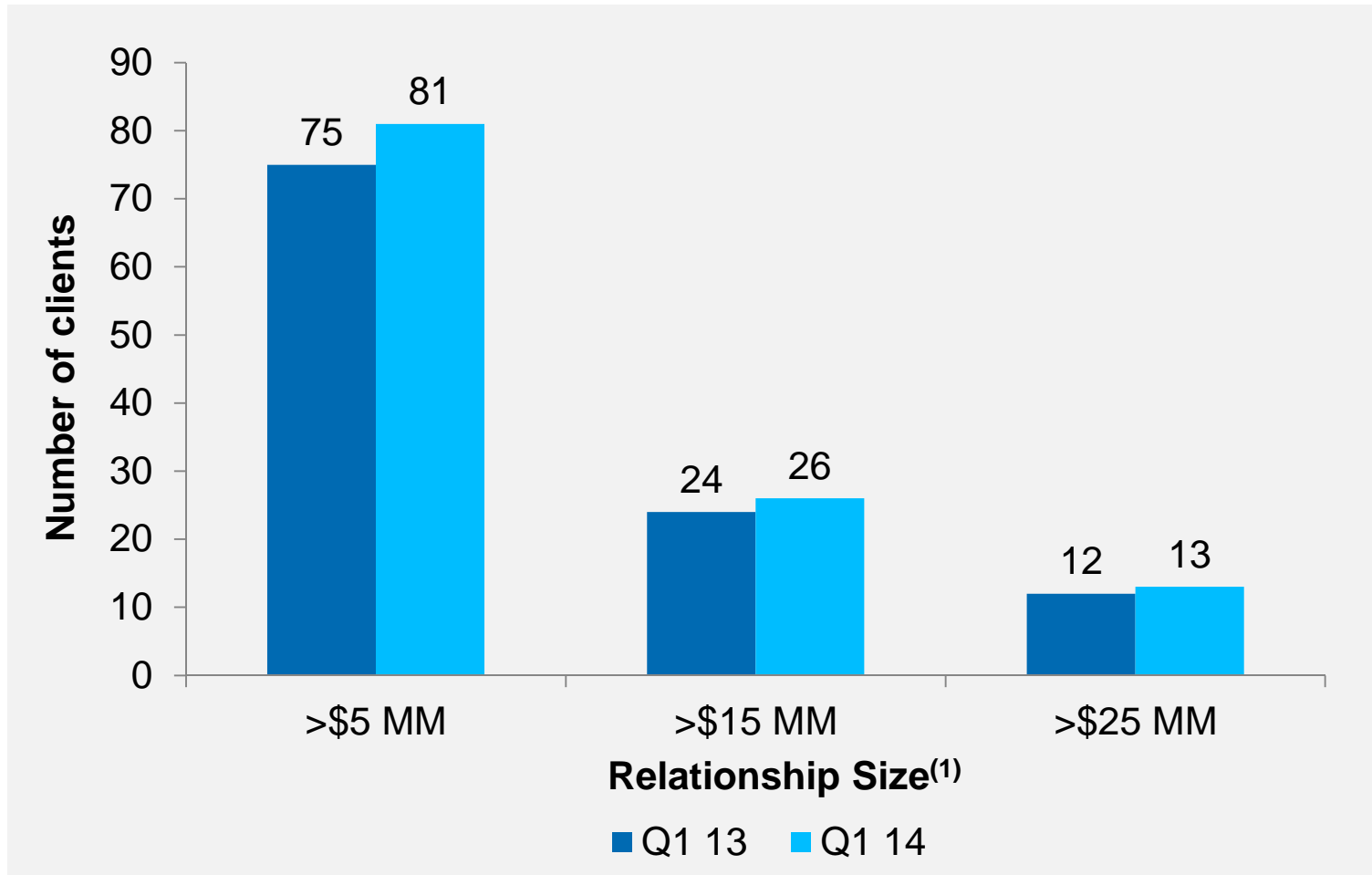


- Q1 2014 Global Clients
  - Business Process Management revenues increased 6% while ITO revenues increased 10%
- Q1 2014 GE
  - Decline in Business Process Management partly offset by growth in ITO

**Notes:**

1) Data adjusted for divestitures from GE

## Continue to Expand Client Relationships



**Notes:**

1) Relationship size = Clients representing annual revenues based on rolling four quarters



## Adjusted Income From Operations Growth of 4.3%

(\$ millions)

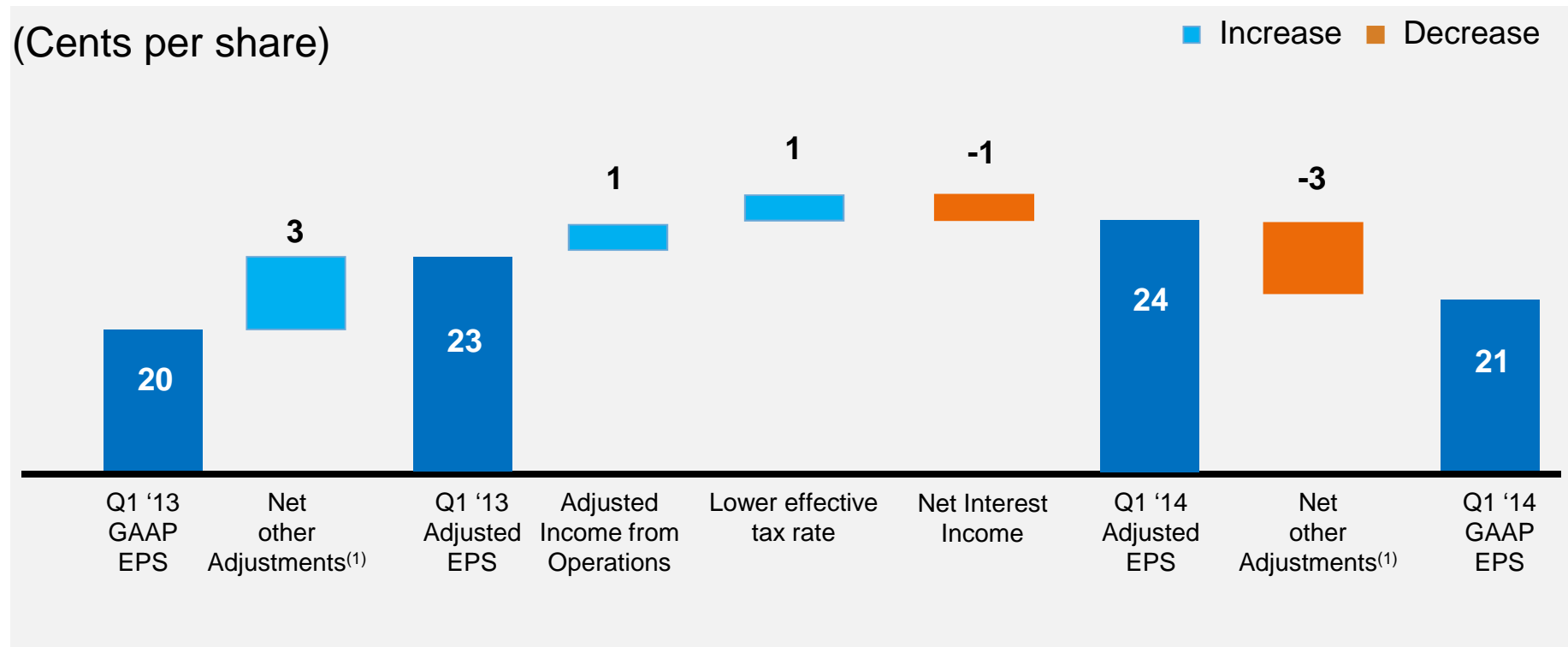
	Q1'13	Q1'14	YoY Growth
<b>Revenue</b>	<b>\$503.8</b>	<b>\$528.2</b>	<b>4.8%</b>
<b>Cost Of Revenue</b>	<b><u>311.7</u></b>	<b><u>324.3</u></b>	<b>4.0%</b>
<b>Gross Profit</b>	<b>192.1</b>	<b>203.9</b>	<b>6.1%</b>
<i>Gross Profit % of Revenue</i>	<i>38.1%</i>	<i>38.6%</i>	<i>50bps</i>
<b>Selling, general and administrative expenses</b>	<b>113.2</b>	<b>122.5</b>	<b>8.2%</b>
<i>SG&amp;A % of Revenue</i>	<i>22.5%</i>	<i>23.2%</i>	<i>70bps</i>
<b>Adjusted Income From Operations<sup>(1)</sup></b>	<b>82.8</b>	<b>86.4</b>	<b>4.3%</b>
<i>Adjusted Income From Operations Margin %</i>	<i>16.4%</i>	<i>16.4%</i>	<i>0 bps</i>

- Strong Q1 2014 Adjusted Income from Operations margin:
  - Impact of investments and wage inflation
  - Offset by higher operating efficiencies and favorable foreign exchange

**Notes:**

1) Adjusted Income from Operations is a Non-GAAP Measure. Income from Operations was \$73.9 million in Q1 '13 and \$77.2 million in Q1 '14

# EPS Bridge

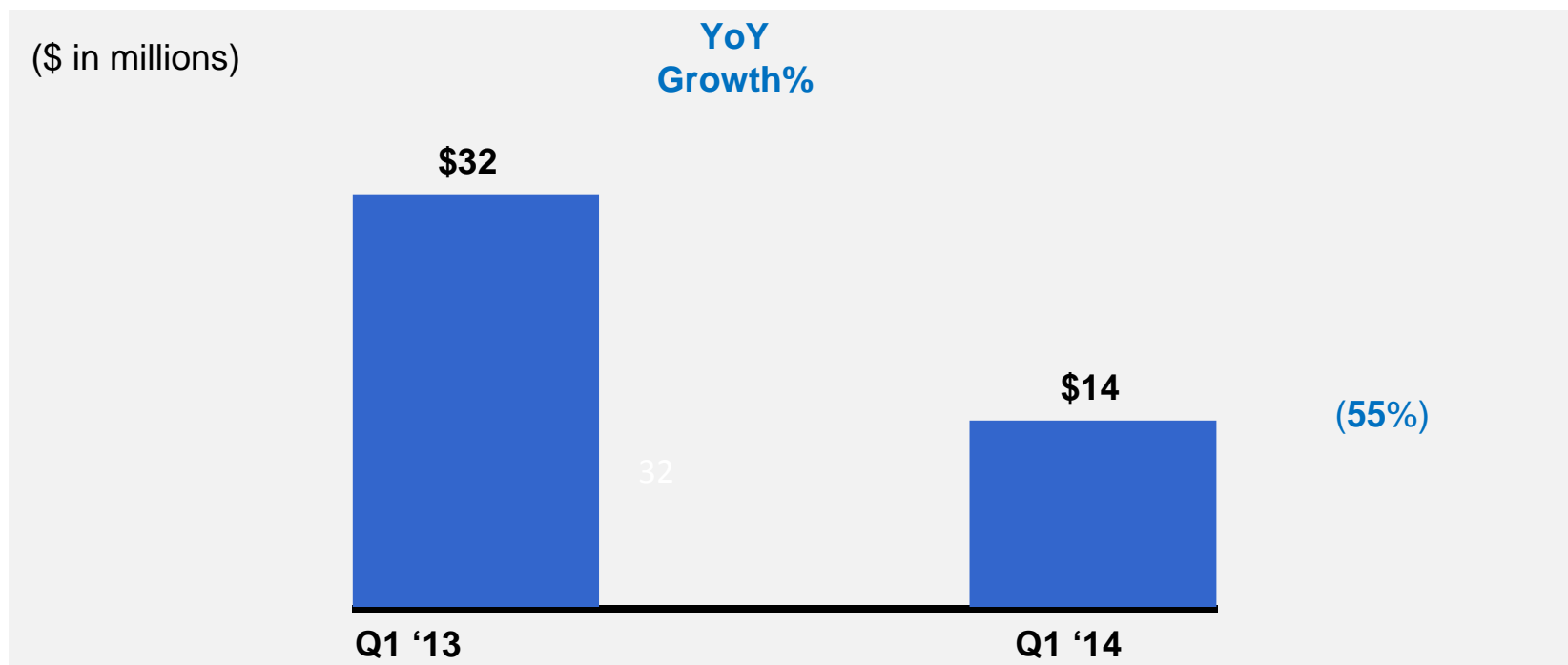


	<u>Q1 '13</u>	<u>Q1 '14</u>
<b>Adjusted Net Income (\$ millions)</b>	54.5	57.3
<b>Diluted Shares Outstanding (millions)<sup>(2)</sup></b>	234	237

**Notes:**

- The above bridge reflects only significant variance items year over year and is illustrative and subject to rounding.
- EPS = Diluted earnings per share
- 1) Adjustments primarily include amortization of intangibles relating to acquisitions and share-based compensation expenses.
- 2) Weighted average number of diluted shares outstanding

# Cash From Operations



- Q1 2014 cash from operations was in line with last year after normalizing for:
  - Non-recurring inflows in Q1 2013 of approximately \$11 million
  - Non-recurring outflows in Q1 2014 of approximately \$8 million

	<u>Q1 '13</u>	<u>Q1 '14</u>
<b>Days Sales Outstanding</b>	82	87
<b>Cash and Liquid Assets (\$ millions)<sup>(1)</sup></b>	493	567

**Notes:**

1) Cash and Liquid Assets = Cash and Cash equivalents and short-term deposits

## Full Year 2014 Outlook

	FY 2014
Revenues (\$B)	2.22 - 2.26
Adjusted Income from Operations - Margin	15.0% - 15.5%
<b>Other Metrics</b>	
Cash Flow From Operations	Decline 10-13% YoY
Effective Tax Rate	24% - 26%
Capital Expenditure (% of revenue)	2.5% - 3.0%

## Annexure 1: Reconciliation of Adjusted Income from Operations

(USD, In Thousands)	Three months ended March 31,	
	2013	2014
Income from operations per GAAP	\$ 73,949	\$ 77,247
Add: Amortization of acquired intangible assets resulting from Formation Accounting	804	507
Add: Amortization of acquired intangible assets relating to acquisitions	3,410	3,984
Add: Stock-based compensation	6,526	4,973
Add: Other income (expense)	(447)	(131)
Add: Gain (Loss) on Equity-method investment activity, net	44	20
Less: Net income attributable to noncontrolling interest	(1,515)	(240)
<b>Adjusted income from operations</b>	<b>\$ 82,771</b>	<b>\$ 86,360</b>

## Annexure 2: Reconciliation of Adjusted Net Income

(USD, In Thousands, except per share data)	Three months ended March 31,	
	2013	2014
Net income per GAAP	\$ 46,737	\$ 50,613
Add: Amortization of acquired intangible assets resulting from Formation Accounting	804	507
Add: Amortization of acquired intangible assets relating to acquisitions	3,410	3,984
Add: Stock-based compensation	6,526	4,973
Less: Tax impact on amortization of acquired intangibles resulting from Formation Accounting	(141)	(101)
Less: Tax impact on amortization of acquired intangibles relating to acquisitions	(1,162)	(1,375)
Less: Tax Impact on stock-based compensation	(1,690)	(1,305)
<b>Adjusted net income</b>	<b>\$ 54,484</b>	<b>\$ 57,296</b>
Adjusted diluted earnings per share	\$ 0.23	\$ 0.24

***GENPACT***

**Thank You**