



# Genpact Q2 2014 Earnings Presentation

**GENERATING IMPACT**

**July 31, 2014**

Ticker (NYSE: G)

**GENPACT**

## 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 BPO 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 undertakes no obligation 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 from GAAP are available in this presentation and in our earnings release dated July 31, 2014.

## Q2 2014 - Continued Growth & Disciplined Strategy Execution

Revenue growth, adjusted operating income and net income meet our expectations

Made solid progress in our strategy execution journey

### Key events and accomplishments:

- ✓ Won two large transformational engagements in our chosen verticals
- ✓ Made solid progress in ramping up our Q1 win in CPG vertical; building unique CPG core operations capabilities
- ✓ Continued to add depth to our client facing teams; well positioned to meet our objective of investing at least 6% of our revenue in sales & marketing for the full year
- ✓ Ed Fitzpatrick joins as the new CFO; added new leaders into the Healthcare and Analytics businesses, bringing deep industry and leadership capabilities to our team
- ✓ Completed announced acquisition; adds domain capabilities in life sciences regulatory affairs space

## Q2 2014 - Key Financial Highlights

### Growth and margins in line with our stated full year expectations

#### Q2 '14 versus Q2 '13 performance:

- Total Revenue: +5%
  - Revenue from Global Clients: +7%
  - GE Revenue: -1%
  - Adjusted Income from Operations: -2%
    - Q2 2014 Adjusted Income from Operations margin at 15.6%
- 
- Growth led by four of our target verticals, namely CPG, Life Sciences, Insurance and Capital Markets
    - From a Service Line perspective Finance & Accounting and Consulting services led growth
  - Margins reflect solid progress on planned strategic investments in client facing teams and capabilities

#### Notes:

1. Adjusted Income from Operations is a Non-GAAP Measure. Q2 '14 GAAP income from operations decreased 6.3% and GAAP Operating Margin was 13.0%.

## Investments on Track

### Driving good inflows of larger, complex deals

- Focused investments in client-facing teams and domain experts are driving increased involvement in more strategic and transformative engagements
- We are bolstering our transformative capabilities by adding consulting services, particularly in the Finance & Accounting and Risk Services spaces
- Strong pipeline inflows, win rates improving
- Decision cycles continue to be long on larger deals; longer conversion time to revenues

**Our investments are clearly resonating with our clients and in the marketplace**

## 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

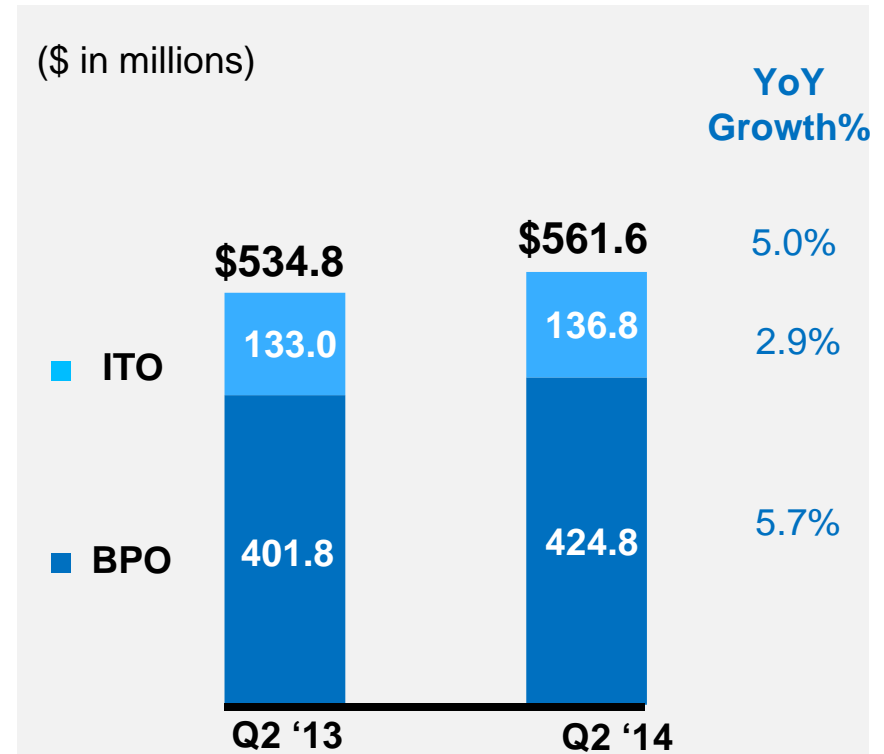
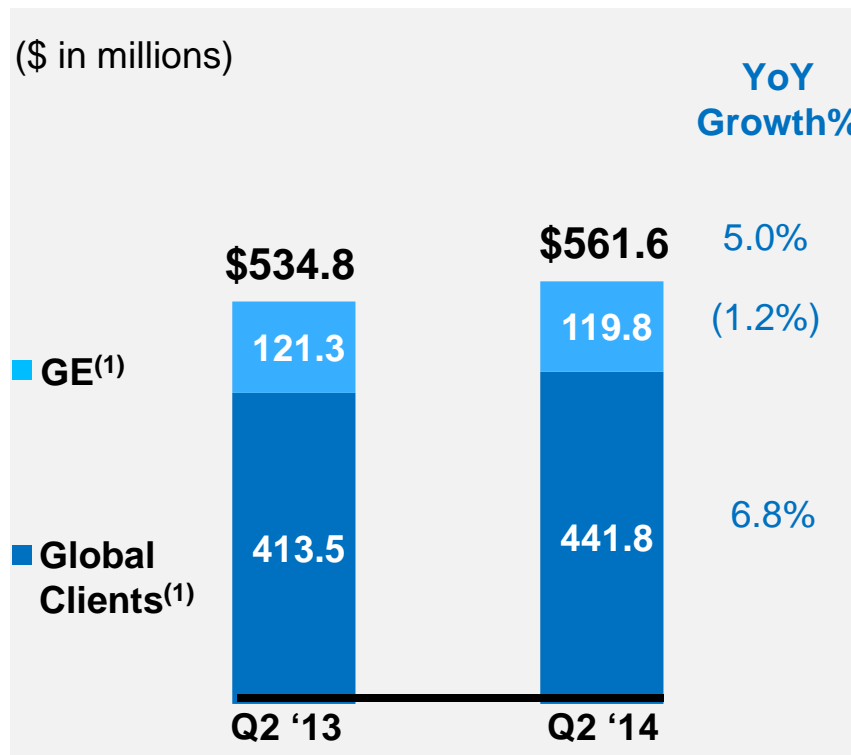
### Further Differentiate Solutions

- 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

## Q2 Revenue Growth of 5% Driven by Global Clients

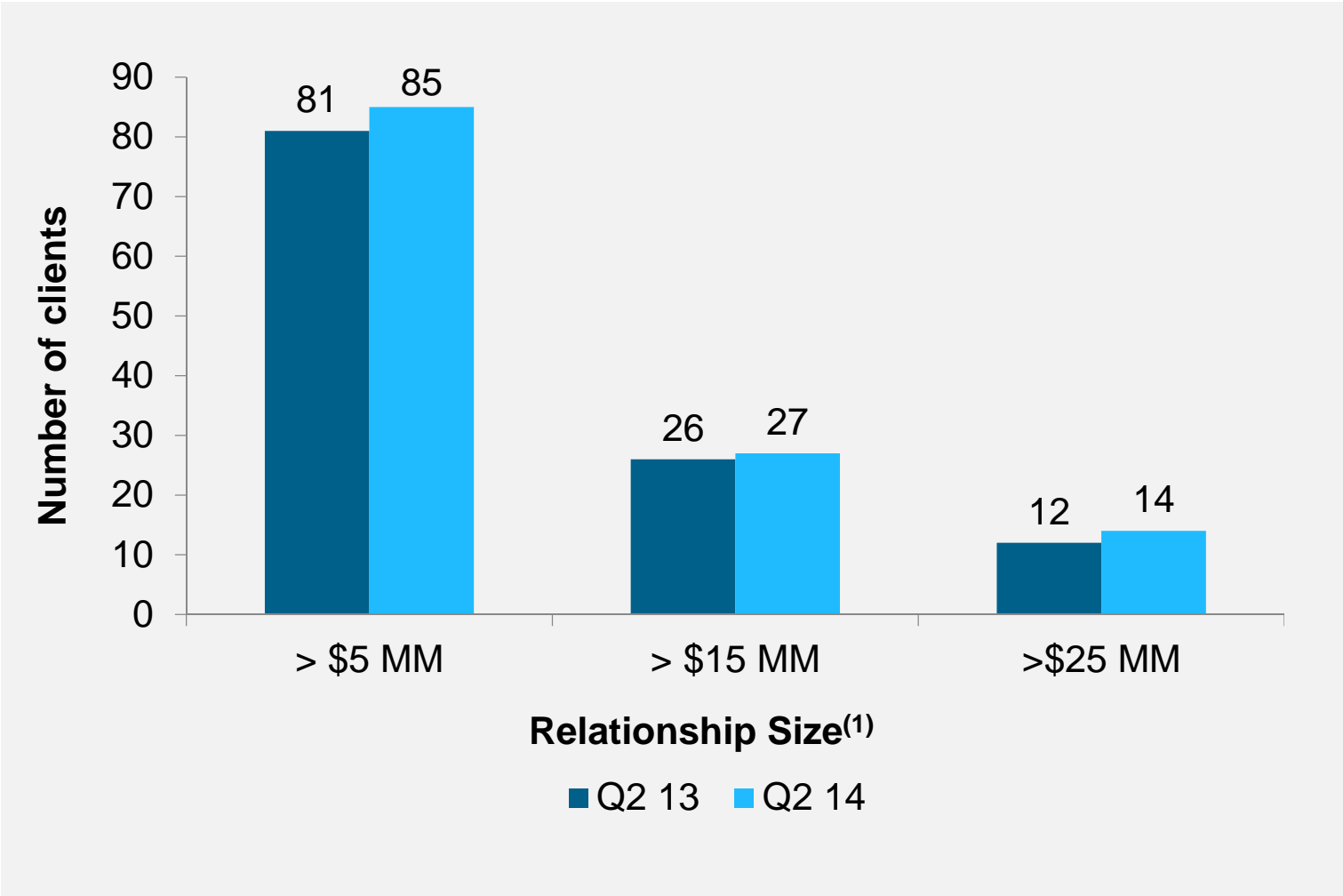


- Q2 2014 Global Clients
  - Business Process Outsourcing revenues increased 8.7% and ITO revenues increased 1.6%
- Q2 2014 GE
  - Growth in short cycle IT and consulting projects partially offsetting expected declines in other parts of the business

**Notes:**

1. Data adjusted for dispositions by GE of businesses that Genpact continues to serve as Global Clients

# Continue to Expand Client Relationships



**Notes:**  
1. Relationship size = Clients representing annual revenues based on rolling four quarters



## Accelerated investments in Client facing teams and Capabilities

(\$ millions)

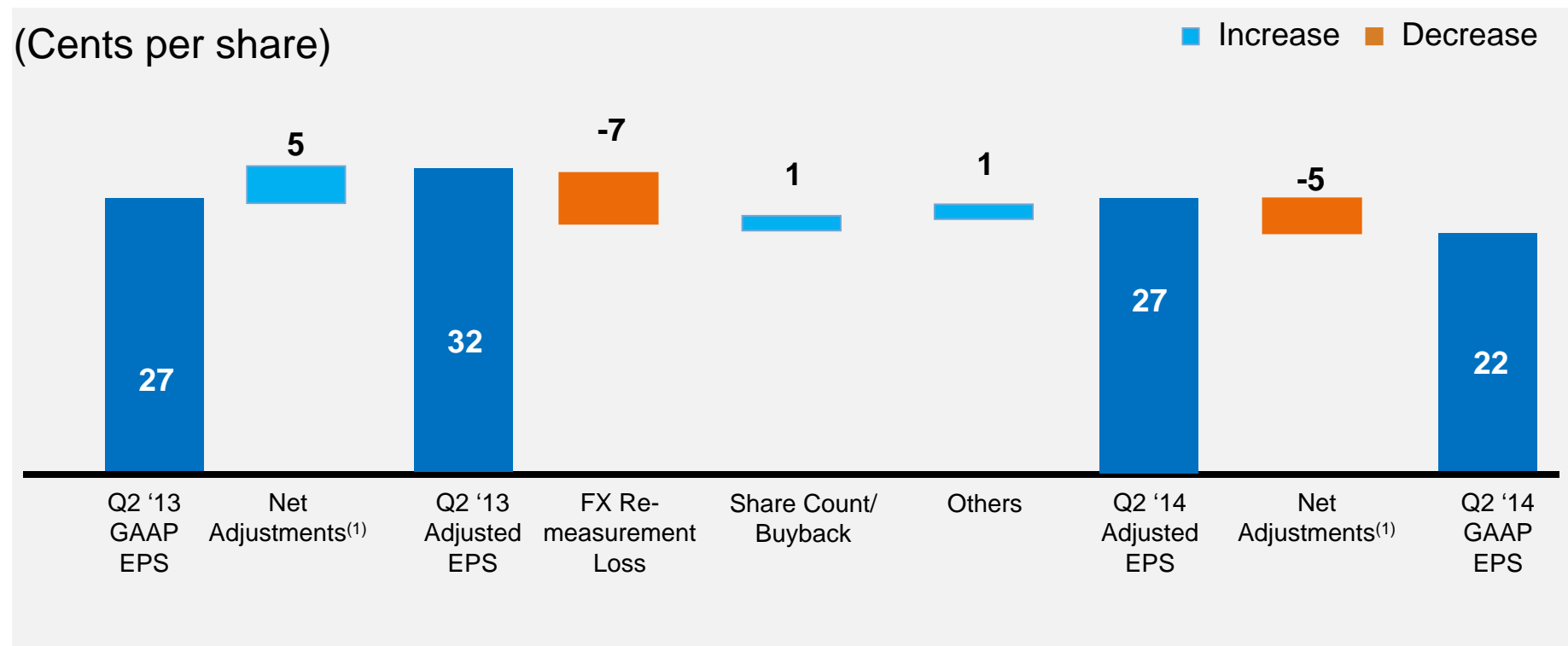
	Q2'13	Q2'14	YoY
<b>Revenue</b>	<b>\$534.8</b>	<b>\$561.6</b>	<b>5.0%</b>
<b>Cost Of Revenue</b>	<b><u>332.7</u></b>	<b><u>340.1</u></b>	<b>2.2%</b>
<b>Gross Profit</b>	<b>202.1</b>	<b>221.5</b>	<b>9.6%</b>
<i>Gross Profit % of Revenue</i>	<i>37.8%</i>	<i>39.4%</i>	<i>160bps</i>
<b>Selling, general and administrative expenses</b>	<b>118.4</b>	<b>142.7</b>	<b>20.5%</b>
<i>SG&amp;A % of Revenue</i>	<i>22.1%</i>	<i>25.4%</i>	<i>330bps</i>
<b>Adjusted Income From Operations<sup>(1)</sup></b>	<b>89.2</b>	<b>87.6</b>	<b>-1.8%</b>
<i>Adjusted Income From Operations Margin %</i>	<i>16.7%</i>	<i>15.6%</i>	<i>-110 bps</i>

- Q2 2014 Adjusted Income from Operations margin:
  - Impact of investments
  - Partially offset by higher operating efficiencies and favorable foreign exchange rates

**Notes:**

1. Adjusted Income from Operations is a Non-GAAP Measure. Income from Operations was \$78.0 million in Q2 '13 and \$73.1 million in Q2'14

## EPS Year-over-Year Bridge



	<u>Q2 '13</u>	<u>Q2 '14</u>
<b>Adjusted Net Income (\$ millions)</b>	74.7	59.4
<b>Diluted Shares Outstanding (millions)<sup>(2)</sup></b>	235	222

**Notes:**

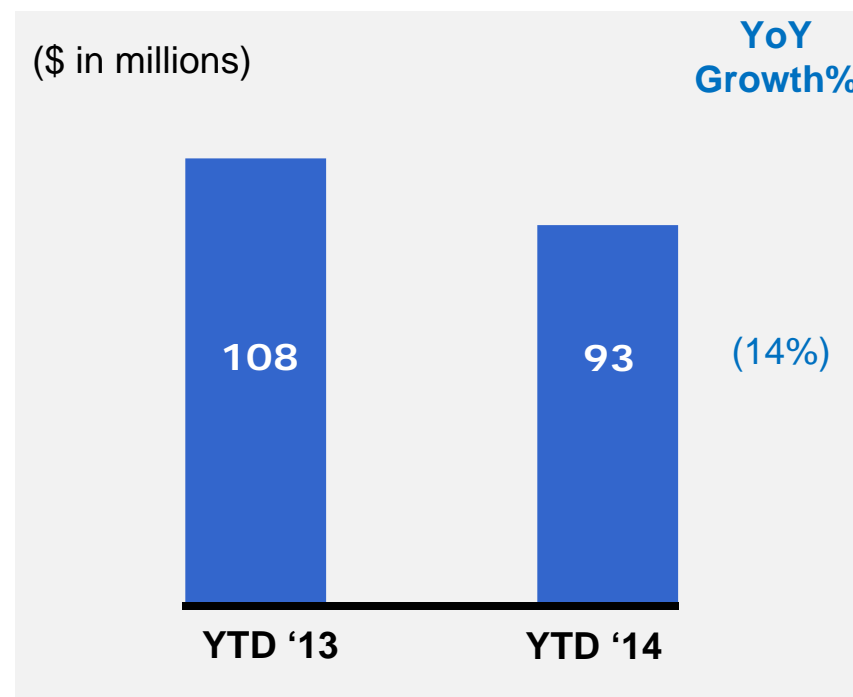
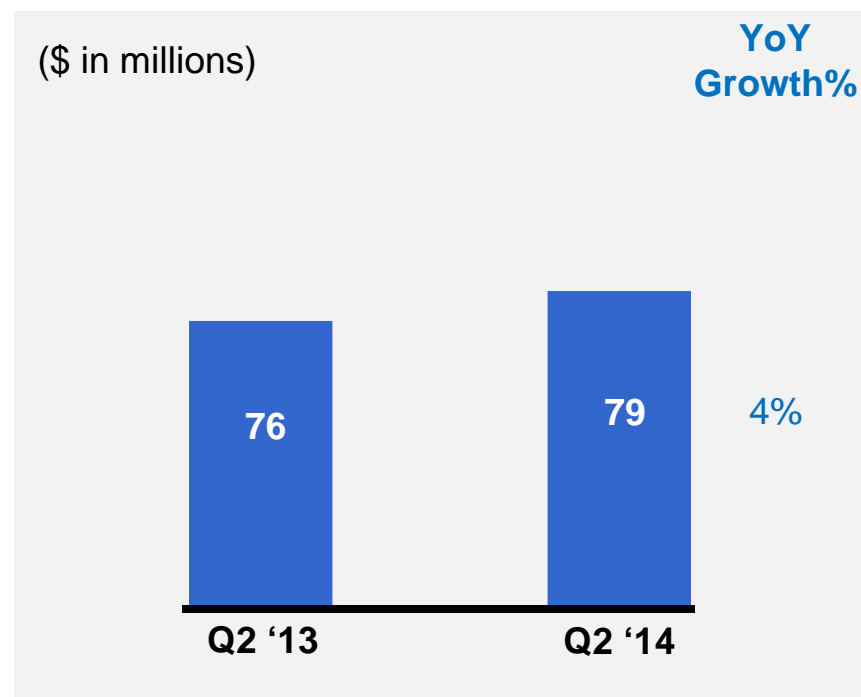
- The above bridge reflects only significant variance items year over year and is illustrative and subject to rounding.

- EPS = Diluted earnings per share

1. Adjustments primarily include amortization of intangibles relating to acquisitions, acquisition related expenses and share-based compensation expenses.

2. Weighted average number of diluted shares outstanding

# Cash From Operations



- Q2 2014 cash from operations up \$3 MM
  - Cash from operations grew 4% YoY, in line with revenue growth.

	Q2 '13	Q2 '14
Days Sales Outstanding	80	84
Cash and Liquid Assets (\$ millions) <sup>(1)</sup>	536	377

**Notes:**

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

## Updated Full Year 2014 Outlook

	FY 2014
<b>Revenues (\$B)</b>	2.24 - 2.28 <sup>(1)</sup>
<b>Adjusted Income from Operations - Margin</b>	15.0% - 15.5%
<b>Other Metrics</b>	
<b>Cash Flow From Operations</b>	Decline ~15 - 20% YoY
<b>Effective Tax Rate</b>	24% - 26%
<b>Capital Expenditure (% of revenue)</b>	2.5% - 3.0%

(1) Adjusted for the Regulatory Affairs Acquisition

## Annexure 1: Reconciliation of Adjusted Income from Operations

(USD, In Thousands)	Three months ended June 30,	
	2013	2014
Income from operations per GAAP	\$ 77,988	\$ 73,051
Add: Amortization of acquired intangible assets resulting from Formation Accounting and acquisitions	4,854	5,010
Add: Acquisition related expenses	-	1,977
Add: Stock-based compensation	10,093	6,906
Add: Other income (expense)	709	517
Less: Provision for loss on Divestitures	(2,945)	-
Add: Gain (Loss) on Equity-method investment activity, net	63	34
Less/Add: Net (income) loss attributable to noncontrolling interest	(1,586)	84
<b>Adjusted income from operations</b>	<b>\$ 89,176</b>	<b>\$ 87,579</b>

## Annexure 2: Reconciliation of Adjusted Net Income

(USD, In Thousands, except per share data)	Three months ended June 30,	
	2013	2014
Net income per GAAP	\$ 63,876	\$ 48,984
Add: Amortization of acquired intangible assets resulting from Formation Accounting and acquisitions	4,854	5,010
Add: Acquisition related expenses	-	1,977
Add: Stock-based compensation	10,093	6,906
Less: Tax impact on amortization of acquired intangibles resulting from Formation Accounting and acquisitions	(1,552)	(1,631)
Less: Tax Impact on acquisition related expenses	-	(53)
Less: Tax Impact on stock-based compensation	(2,605)	(1,751)
<b>Adjusted net income</b>	<b>\$ 74,666</b>	<b>\$ 59,442</b>
Adjusted diluted earnings per share	\$ 0.32	\$ 0.27



Thank You

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