THOMSON REUTERS STREETEVENTS

EDITED TRANSCRIPT

G - Q4 2017 Genpact Ltd Earnings Call

EVENT DATE/TIME: FEBRUARY 12, 2018 / 9:30PM GMT

CORPORATE PARTICIPANTS

Edward J. Fitzpatrick *Genpact Limited - CFO and SVP*

Nallicheri Vaidyanathan Tyagarajan *Genpact Limited - CEO, President and Director*

Roger Sachs *Genpact Limited - Head of IR*

CONFERENCE CALL PARTICIPANTS

Ashwin Vassant Shirvaikar *Citigroup Inc, Research Division - Director and U.S. Computer and Business Services Analyst*

Bryan C. Bergin *Cowen and Company, LLC, Research Division - VP*

Bryan Keane *Deutsche Bank AG, Research Division - Research Analyst*

David John Koning *Robert W. Baird & Co. Incorporated, Research Division - Associate Director of Research and Senior Research Analyst*

Francis Carl Atkins *SunTrust Robinson Humphrey, Inc., Research Division - Associate*

Margaret Marie Niesen Nolan *William Blair & Company L.L.C., Research Division - Analyst*

Michael Edward Reid *Cantor Fitzgerald & Co., Research Division - Associate*

Moshe Katri *Wedbush Securities Inc., Research Division - MD and Senior Equity Research Analyst*

Richard Mottishaw Eskelsen *Wells Fargo Securities, LLC, Research Division - Associate Analyst*

Steven Jason Schneiderman *BMO Capital Markets Equity Research - Associate*

Tien-tsin Huang *JP Morgan Chase & Co, Research Division - Senior Analyst*

PRESENTATION

Operator

Good day, ladies and gentlemen, and welcome to Genpact's Fourth Quarter and Full Year 2017 Earnings Conference Call. My name is Carmen, and I will be your conference moderator for today. (Operator Instructions) As a reminder, a replay of the call will be archived and made available on the IR section of Genpact's website.

I would now like to turn the call over to Roger Sachs, Head of Investor Relations at Genpact. Please proceed, sir.

Roger Sachs - *Genpact Limited - Head of IR*

Thank you, Carmen. Good afternoon, everybody, and welcome to Genpact's fourth quarter earnings call to discuss our results for the fourth quarter and full year ended December 31, 2017. We hope you had a chance to review our earnings release, which was posted to the IR section of our website, genpact.com.

With me in New York today are Tiger Tyagarajan, our President and Chief Executive Officer; and Ed Fitzpatrick, our Chief Financial Officer. Our agenda today is as follows. Tiger will provide a high-level overview of our results and update you on some of our strategic initiatives and Ed will then discuss our financial performance in greater detail and provide our outlook for 2018. Tiger will then come back for some closing comments and then we will take your questions. As Carmen just mentioned, we expect the call to last about an hour.

Please note, the a year-over-year growth rates discussed today include the impact of the reclassifications of the divested GE Capital businesses to Global Client revenue as if these transactions occurred on January 1, 2016. This was done to provide a consistent view of the underlying growth trends of our business. The actual results without these adjustments are included in the earnings release.

Some of the matters we will discuss in today's call are forward-looking. These forward-looking 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. Such risks and uncertainties are set forth in our press release.

In addition, during our call today, we will refer to certain non-GAAP financial measures, which we believe provide additional information for investors and better reflect the way management views the operating performance of the business. You can find a reconciliation of these measures to GAAP in our earnings release in the IR section of our website.

Now with that, let me turn the call over to Tiger.

Nallicheri Vaidyanathan Tyagarajan *- Genpact Limited - CEO, President and Director*

Thank you, Roger. Good afternoon, everyone, and thank you for joining us today for our 2017 fourth quarter and year-end earnings call.

We are very pleased with our full year 2017 results. We grew Global Client BPO revenues 14% on a constant currency basis and generated double-digit adjusted EPS growth. The strategic investments we are making in digital domain and talent drove 25% growth in Transformation Services revenues from our Global Clients. We will remain sharply focused on a specific set of industry verticals and service lines and continue to use the increasing power of our Genpact Cora platform to unleash opportunities for our clients.

Specifically, during 2017 in constant currency, total revenues increased 7%, Global Clients revenues increased 11% and Global Client BPO revenues increased 14%. In addition, adjusted operating income margin grew 20 basis points to 15.7%; adjusted EPS was $1.62, up 11%; and bookings for the full year were $2.8 billion, up 6% on a constant currency basis from $2.65 billion in 2016.

Global Client revenue growth was balanced across most of our chosen verticals, including Insurance, CPG, Banking, Manufacturing, Life Sciences and High Tech. This led to our strong 14% year-over-year constant currency growth in Global Client BPO revenue.

During the latter part of the year, we also began to see new momentum in our capital markets vertical driven by risk services, robotic process automation and AI-driven digital consulting engagements, all of which are very exciting. Growth in our service lines were led by Transformation Services that grew at 25% during the year driven by demand for our digitally led solutions and digitally embedded intelligent operations. Core industry vertical operations and finance and accounting were also strong contributors to our Global Client BPO growth, while Global Client ITO declined 2% on a constant currency basis.

GE revenues declined 19% year-over-year largely due to the impact from the phase-out of work related to the GE Capital divestitures. Given our sustained Global Client revenue growth, GE now contributes less than 10% of our revenues.

In 2017, we further reinforced our position as one of GE's preferred partners. Our total bookings for 2017 were approximately $2.8 billion, up 5% year-over-year or 6% on a constant currency basis from $2.65 billion achieved in 2016 and included the return of a large deal as a meaningful contributor to our bookings for the year.

We drove solid growth in Global Client BPO bookings, which is partially offset by declines in GE and IT bookings. Our business momentum continues with our pipeline up significantly from last year's levels. This has been driven by strong new deal inflows during the year and steady win rates.

2017 was a very exciting year for us as we executed on many different fronts. During the year, we established ourselves as a digital transformation partner of choice for a number of our strategic clients, connecting intelligent operations and digitally led transformation solutions to win large deals; introduced our Automation to AI platform, Genpact Cora, to create scalable and replicable digital solutions to reimagine and transform client operations; closed multiple strategic acquisitions to enhance our digital capabilities as well as deepen our domain expertise in our chosen industry verticals; repositioned our brand with the tagline, transformation happens here; added new leadership and experts across our organization globally; and finally, became recognized as a digital leader by prominent analysts and research firms.

Let me expand on each of these. We define our highly differentiated digital strategy that connects intelligent operations and digitally led transformation solutions. Our strong Global Client BPO bookings and expanding pipeline offers clear evidence of the virtuous cycle between intelligent operations and digitally led engagements. The more we grow intelligent operations, the more we win new digitally led transformation engagements; and the more we win digitally led transformation engagement deals, the more opportunities we have for long-term intelligent operation annuity relationships. This dynamic drove 25% growth in Global Client Transformation Services revenues during 2017.

Let me share a couple of specific examples. We are working with a large global bank to consolidate, standardize, lean-out and digitize end-to-end procurement and sourcing operations. We are leveraging new digital technologies such as RPA and dynamic intelligent cloud-based workflows to completely reimagine these to drive dramatic improvement in outcomes, user experience and costs. We also have a gain share component in the commercial model.

We also won a new deal with a large food services company to completely reimagine their finance operations. We are leveraging the entire suite of Genpact Cora's finance products and solutions to digitize their accounts receivable, accounts payable and reporting functions. Our deep domain and process understanding of finance and accounting, combined with the power of our Genpact Cora platform, is the reason the client chose us to both design as well as transform their finance operations.

We fill a void in the marketplace by introducing our Automation to AI platform, Genpact Cora, to help clients better orchestrate their digital transformation journeys. Genpact Cora pulls together an interconnected set of flexible digital technologies in a modular fashion, along with a governance layer that fully integrates automation, analytics and AI into one platform. We are really excited by the traction we are seeing with clients around the Genpact Cora platform.

Genpact Cora offers scalable and replicable digital solutions. Some examples are Genpact Cora LiveSpread used by banks and financial institutions to automatically extract intelligence from a variety of financial statements of bank lines, thereby helping them to make almost real-time risk and underwriting decisions; Genpact Cora LiveWealth used by asset managers to completely automate portfolio performance reporting; Genpact Cora PharmacoVigilance helps pharma companies to reimagine the way they monitor, detect, assess, report and prevent adverse events from various drugs, leveraging AI and machine learning; and Genpact Cora SeQuence, a dynamic workflow-based solution used by a variety of businesses to manage work processes in the cloud with intelligence and analytics built-in.

Our disciplined M&A program played a critical role in our strategic journey during 2017. We completed deals that expanded our digital capabilities in AI, design thinking and digitized insurance claim handling. We also added U.S. onshore domain and operations depth in our Insurance vertical. We're extremely pleased with how these businesses have integrated into the company and excited our client base.

We unveiled our bold new brand positioning with the tagline, transformation happens here. And to be clear, it does happen here with our unique combination of domain expertise, process science, digital analytics and design thinking-led consulting. Since our rollout last fall, we have registered more than a 30% increase in traffic to our website from targeted accounts, with our digital content pages being a key contributor. We are also seeing higher social media engagement levels and believe brand awareness is leading to more meaningful engagements with leaders from key accounts and target clients.

We have significantly enriched our leadership teams and added talent across our entire company, both organically and through our targeted acquisitions, thereby revitalizing ways of thinking, behaving and working in the new digital and AI world. A few notable hires that bring considerable new experience to the company include a new Head of Global Ecosystem of Partners and Alliances, a new Head of Engineering in our Digital and Analytics Services and a new Head of AI Solutions.

Lastly, we are very excited that our positioning as a digital transformation partner is being increasingly recognized by leading industry analysts and research firms. During the year, our name was positioned more prominently in industry analyst rankings, particularly in digital, from noted firms such as Gartner, HfS Research, Everest Group, IDC and NelsonHall.

While we accomplished a lot during 2017, we still more -- we still have more to do. Enterprises have to stay nimble and continue to learn and experiment in today's world. Digital technologies, including AI and machine learning, will fundamentally change the way companies run and will disrupt business models. We are sharply focused on helping our clients navigate through transformational journeys and continue to believe that people are critical to these journeys. We have always trained our employees in Lean Six Sigma, domain and process. We are now also training and certifying thousands of our global professionals in digital technologies. One example is a new development program around AI we launched last month. Our continuous learning cycle is a key element of our culture and always will be. We will also continue to look for strategic acquisitions and bring in fresh talent to strengthen our company.

With that, let me turn the call over to Ed for a detailed review of our fourth quarter results and full year results.

Edward J. Fitzpatrick - *Genpact Limited - CFO and SVP*

Thank you, Tiger. Good afternoon, everyone.

Today, I'll review our fourth quarter and 2017 full year results, followed by key balance sheet and cash flow highlights. I'll also provide our financial outlook for 2018.

Let me begin with a review of our fourth quarter results. We generated total revenues of $734 million, an increase of 8% year-over-year or 7% on a constant currency basis. During the quarter, overall business process outsourcing revenues, which represent 84% of our total revenues, increased 11% year-over-year while total IT services revenue declined 6%. Revenues from Global Clients, which represent 91% of our total revenue, increased 11% year-over-year both as reported and on a constant currency basis.

Within Global Clients, business process outsourcing revenues grew 15% year-over-year both as reported and on a constant currency basis. Our Global Client IT services revenue declined 8% due in part to the recent divestiture of the European legacy IT business we discussed with you last quarter. GE revenues, which represent 9% of total revenue, decreased 20% primarily due to the impact from the GE Capital divestitures.

Adjusted income from operations for the quarter totaled $115 million with a corresponding margin of 15.7%, down 100 basis point from the fourth quarter of 2016. The year-over-year decline was largely due to lower gross margin levels due to a higher onshore mix as well as productivity commitments related to additional ITO work we won early in the year that was part of GE's vendor consolidation initiative.

SG&A expenses totaled $189 million compared to $171 million in the fourth quarter of last year. Our sales and marketing expense as a percentage of revenue this quarter was 6.8%, largely in line with the 7.1% in the same quarter last year.

Total G&A expense increased year-over-year from $122 million to $139 million due to higher G&A related to our recent acquisitions and higher bad debt expense, partially offset by savings initiatives to drive efficiencies in all our support functions.

Additionally, during the quarter, we recorded an $8 million nonrecurring charge in the other operating expense line to partially write-down certain wealth management in-production software that we decided to discontinue as part of our ongoing portfolio review process. These charges were more than offset by $15 million of nonoperating other income related to an incremental India-based subsidy recorded for the current period. Recall that we recorded a benefit from the same program during the second quarter of 2017. That benefit is related to prior year activity and cannot be recognized until the second quarter of 2017 due to the timing of Indian government approvals and the realization of the benefit during that quarter.

Adjusted EPS for the quarter was $0.43 per share, flat from the same period last year as higher net interest expense was offset by a lower year-over-year share count.

I'll now turn to our full year 2017 results. Revenues were $2.74 billion, an increase of 6% year-over-year, including the adverse impact from FX of approximately $14 million driven primarily by the depreciation of the British pound. On a constant currency basis, total revenues were up 7% year-over-year. Acquisitions added approximately 250 basis points of growth during the year.

Business process outsourcing, which represents 83% of total revenue for the full year 2017, increased 9% year-over-year. IT services revenues declined 3% year-over-year. Revenue from Global Clients, which represented approximately 90% of total revenue for the full year 2017, increased 10% year-over-year or approximately 11% on a constant currency basis.

Within Global Clients, our core BPO revenue increased 13% year-over-year or 14% on a constant currency basis led by growth in Transformation Services, while IT services revenues declined 2% compared to decline of 9% in 2016. As expected, GE revenues declined 19%.

For the 12-month period ending December 31, 2017, we grew the number of Global Client relationships with annual revenues over $5 million to 125 from 110, including 6 with annual revenues greater than $15 million.

Adjusted income from operations totaled $430 million, up 8% year-over-year, with a corresponding margin of 15.7%, an increase of 20 basis points from 2016.

Our gross margin for the year was 38.5% compared to 39.5% in 2016, down largely due to the change of onshore mix of our business and the impact from the GE IT contract I mentioned earlier.

SG&A expenses totaled $690 million compared to $653 million last year. Our sales and marketing expense as a percentage of revenue was 6.7% compared to 7% last year driven by operating efficiencies.

Total G&A expenses as a percentage of revenue was similar to last year as cost efficiencies offset the impact of higher G&A related to our acquisitions during 2017 as a percentage of revenue.

Adjusted EPS was up 11% year-over-year to $1.62 compared to $1.46 in 2016. The $0.16 increase from last year was primarily driven by higher operating income of $0.12, lower share count of $0.10, partially offset by higher interest expense of $0.06.

During 2017, we returned $263 million of capital to shareholders. This included approximately $47 million in the form of our regular dividend of $0.24 per share. Additionally, we also repurchased approximately 7.7 million shares totaling $216 million at a weighted average price of $27.89 per share, including 6.9 shares purchased under our $200 million accelerated share repurchase program in the first quarter of last year. Since we initiated our share buyback program in 2015, we reduced our outstanding shares by 14% or 32 million shares at an average price of $24.97 for a total of approximately $792 million. We currently have approximately $450 million of authorized capacity available under our share repurchase program.

Our effective tax rate for the year was 18.5%, slightly lower than our expectations, driven by discrete items during the quarter.

Turning to our balance sheet. Cash and cash equivalents totaled $504 million compared to $423 million at the end of the fourth quarter of 2016. With undrawn debt capacity of $179 million and existing cash balances, we continue to have ample flexibility to pursue growth opportunities and execute on our capital allocation strategy. Our net debt-to-EBITDA ratio for the last 4 rolling quarters was 1.6x, down from the third quarter at 1.7x. Days sales outstanding were 85 days, higher by 4 days from last year due to delays in collections resulting from the last 2 days of 2017 falling on a weekend. We also experienced late payments from a few accounts that were received in early January. We generated $359 million of cash from operations in 2017, in line with our expectations. Capital expenditures as a percentage of revenue was 2.9% in 2017, slightly lower than our expectations due to the timing of certain expenditures.

Finally, let me update you on our outlook for 2018. We expect total revenues to be between $2.93 billion and $3 billion, representing year-over-year growth of 7% to 9.5% both on an as reported and constant currency basis. This includes about 1 point contribution to the growth rate from M&A activity completed during 2017.

For Global Clients, we expect revenue growth to be in a range of 9% to 11% both on an as reported and constant currency basis. Within Global Clients, we expect Global Client BPO to grow in the range of 12% to 14% both on as reported and constant currency basis. GE is expected to decline 8% to 10% due primarily to the full year impact from the decline of GE Capital business in 2017.

We expect our adjusted operating margin to improve to 15.8% in 2018 as G&A efficiency programs and leverage from our 2017 acquisitions more than offset the adverse impact of rupee appreciation on gross margins and SG&A costs. We expect gross margins to be impacted by approximately 75 basis points on the rupee appreciation. We plan to continue to invest in new digital analytics capabilities as well as consulting and domain expertise.

Our 2018 effective tax rate is expected to be approximately 21% to 22%, up from approximately 19% in 2017. The increase in our effective tax rate is primarily due to nonrecurring benefits from certain discrete items recorded in 2017 and, as we discussed previously, the expiration of certain special economics or benefits in India.

We are not anticipating a material impact to our effective tax rate from the recently announced U.S tax law reforms. We will continue to evaluate implications in future periods and we'll update on expected impacts accordingly. We expect that we may benefit in future periods as we continue to make investments in the United States to grow that business and build digital technologies to transform our customers' operations.

Given the outlook I just provided, we are estimating adjusted earnings per share for the full year of 2018 to be between $1.70 and $1.74. This includes the impact of a higher tax rate of approximately $0.05 per share in 2018. We've assumed a benefit of approximately $0.01 to $0.02 from the expected 2018 share repurchases in the CPS estimate range.

Cash flow from operations is expected to grow approximately 8% to 9% for 2018. Capital expenditures as a percentage of revenues are expected to be approximately 3%. We continue to expect the free cash flow to net income ratio to be approximately one-to-one on average over time.

Lastly, as we just announced, we've increased our annual dividend payment from $0.24 per share to $0.30 per share, a 25% increase. We estimate total payments to be approximately $60 million during the year or approximately 15% of estimated operating cash flows, up from approximately 13% of cash flows in 2017.

With that, I'll hand over to Tiger for his closing comments.

Nallicheri Vaidyanathan Tyagarajan - *Genpact Limited - CEO, President and Director*

Thank you, Ed.

All in all, 2017 was a great year for us along many fronts and we feel very good about our business. More and more CxOs and company boards are coming to the realization that digital is real and being used to drive revenue, change customer experiences, lower costs and completely change business models. Company leaders need to stay ahead of the curve and either become disruptive in their industries or risk getting disrupted.

Our investment in digital domain and talent has set us up as initiators of change to create thoughtful digital experiences that reimagine our clients' business models. This has led to significant growth in our Transformation Services revenues. And with the increasing power of our Genpact Cora platform to unleash opportunities for our clients, we believe we are well-positioned for sustainable profitable growth.

Before signing off, my team and I look forward to seeing many of you next month in New York City for our Investor Day. Through interactive experiences and presentations, we will show you how organizations are blending advanced digital technologies with real world expertise. We will also discuss our growth strategy and financial performance and provide networking opportunities with members of our broader leadership team, including a number of our newer members.

With that, let me turn the call back over to Roger.

Roger Sachs - *Genpact Limited - Head of IR*

Thank you, Tiger.

We'd now like to open our call to questions. Carmen, would you please provide the instructions?

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) And our first question is from the line of Ashwin Shirvaikar with Citi.

Ashwin Vassant Shirvaikar - *Citigroup Inc, Research Division - Director and U.S. Computer and Business Services Analyst*

I guess, my first question is the growth of Transformation Services and digital in your portfolio. Can you comment on what the impact is on margins longer term? In other words, as Transformation inevitably grows, are you seeing that beneficial to margins, not or neutral and kind of the explanation for it?

Nallicheri Vaidyanathan Tyagarajan - *Genpact Limited - CEO, President and Director*

So I'll start by saying, Ashwin, that, longer-term, it will be beneficial to margins and we see that -- we see a road map and a path to that very clearly because clearly, whether it is digital or it's analytics or it's consulting and all of those put together, is a lot of these digital Transformation Services that we have in our client engagement tend to be higher margin.

We are in a ramp-up phase in all of these. We are in a phase where as you ramp up in a typical consulting and digital type of engagement, you are to invest upfront as you go through that ramp-up, but as you look at pricing and all our margins, it will have a longer-term positive impact on margins.

Ashwin Vassant Shirvaikar - *Citigroup Inc, Research Division - Director and U.S. Computer and Business Services Analyst*

Got it. So the -- this 10 basis point improvement in margins as opposed to kind of what you might have historically done or slightly better than that, that has more to do with the ramp-up? Or is there anything onetime going on there?

And then, a separate question. I might have mixed it. If you can comment -- I guess, this one is sort of for Ed. If you can comment on sort of long-term impact of tax reform? And what tax rate should we be modeling?

Edward J. Fitzpatrick - *Genpact Limited - CFO and SVP*

Ashwin, I think we've always said, since we were talking about Transformation Services and we do expect that to be a tailwind on gross profit, which would flow -- which would naturally flow down to operating margins as well, but there's a lot of puts and takes in all of that, both in gross margins and in the other. That's why we haven't guided to gross profit margins well ahead of -- or more ahead than just a year just because a lot of things can happen. So a lot will impact gross profits, but Transformation Services, the good news is that nice margins and we do expect as that grows, it should help us. But in any particular year, you may have other things that happen like the rupee, like we talked about, can impact you for some near-term period or certain onshore mix can impact that as well, but the longer view is that's a very good thing for us. We called a tailwind and we expect it to be a tailwind.

And I'd say at the operating margin level, we said we're going to be delivered so to the extent that even gross profit margins do go up, even if it's 100 basis points in a year. Tiger said, look, this is an engine that we need to continue to fuel for the top line growth and we're going to do that through investing in capabilities. So you've seen us do that consistently. Even with big ins and outs in a particular period or quarter, we're going to look at that and say, okay, we need to redeploy our resources or increase our resources to ensure investing in capabilities. So that's why you've seen that very deliberate increase in operating margins from -- I think we were 15.1 or 2 and went to 3 and then 5 and then 7. And this year, we're saying 8. So I think it's -- that's the path you should be on. I'm not saying that it can't be faster in any particular period, but it could be that we decide to deploy that fuel to make capability type of investments and/or to fuel our acquisition engine.

And on the tax question, I think we've assessed it initially and determined it not to be material obviously for '17 results and also for '18 results, but we'll continue to assess it. I actually -- I mentioned it in my prepared remarks, but we do view it as a positive, the fact that the U.S. rate is 21% than the federal rate. On a global basis, that's actually a pretty nice place to be. So all in, maybe you're close to 25% tax. That makes the U.S. even more attractive to us. And maybe more lucky than good, we're making significant investments in the United States, both ramping up the people, you heard us talk about onshore presence, but also intellectual property build and the digital investment. So that actually runs nicely with the way we're taking the firm. So I think, long-term, I think that will be a good thing. It will provide a little better balance in terms of where we're generating income and I think that's a good thing long-term.

Operator

Our next question comes from the line of Dave Koning with Baird.

David John Koning - *Robert W. Baird & Co. Incorporated, Research Division - Associate Director of Research and Senior Research Analyst*

I guess, my first question -- I know the momentum is really good. It looks so like, in Q3, I think you grew about 10% constant currency and then, Q4, about 7% constant currency, a tailwind. I'm just wondering if anything happened sequentially. It doesn't sound like demand fell off at all, but there's a little lumpiness somewhere in the revenue stream.

Nallicheri Vaidyanathan Tyagarajan - *Genpact Limited - CEO, President and Director*

So Dave, this goes back to something that we've talked about pretty consistently over many, many years in our business. Our business is not a quarter-by-quarter business. It has very long cycles attached to it from a sales cycle, followed by a bookings cycle, followed by a revenue ramp cycle. And when you put all 3 cycles together, it is actually a much more longer cycle business.

Looking at it, potentially year-over-year is a good way to think about it and look at it. So there's nothing between Q3 and Q4 that we would call out. Our momentum has been good through the year. And as I mentioned in my prepared remarks, we've got a great significant pipeline increase as we enter 2018.

David John Koning - *Robert W. Baird & Co. Incorporated, Research Division - Associate Director of Research and Senior Research Analyst*

Got you. And, I guess, secondly, it looks like the momentum is really good with revenue growth -- the way you're guiding is for acceleration in '18 and part of that, I know, is just GE getting smaller, but is that something that -- where the pipeline is today that not only does momentum go into '18, but you have a pretty good line of sight even into '19 based on the recurring nature?

Nallicheri Vaidyanathan Tyagarajan - *Genpact Limited - CEO, President and Director*

No. I don't think we really could model this out beyond '18. We do obviously have significant detail modeling, Dave, into the year as we begin the year. Our visibility for the year is actually pretty consistent as we look at '18 versus the prior year. So we feel good about '18, same visibility as the prior years. I can't really comment right now on '19. But again, I'll go back to an earlier statement, long cycle nature of the business. So all of that is good.

Edward J. Fitzpatrick - *Genpact Limited - CFO and SVP*

Dave, on Q4, too, Global Client BPO growth was in the same rate.

Nallicheri Vaidyanathan Tyagarajan - *Genpact Limited - CEO, President and Director*

That's right. That's right.

Edward J. Fitzpatrick - *Genpact Limited - CFO and SVP*

I think 15%, 14%. So I think it was more lumpiness in IT, a little bit of GE, right? So the good news is as we look at '18 for GE, we talked about we think a lot of the -- what we saw throughout '17, that will be the impact on '18, but we're kind of at a pretty good run rate at this point with GE with them completing a lot of the divestitures that we've talked about, but that's good. Q4 has just some of the lumpiness in IT as well as with GE, but Global Client BPO on the same trajectory as you might expect.

Operator

Our next question comes from the line of Joseph Foresi with Cantor Fitzgerald.

Michael Edward Reid - *Cantor Fitzgerald & Co., Research Division - Associate*

This is Mike Reid on for Joe. I'm just wondering if you could talk a little bit about if there's any further color or detail on how the integration of TandemSeven is going and a little detail there.

Nallicheri Vaidyanathan Tyagarajan - *Genpact Limited - CEO, President and Director*

So Michael, great question. The TandemSeven integration couldn't be going better. It's probably the best way to describe it. And I think it's a confluence of 3 factors. I mean, let's be clear. The world is moving towards using design thinking, using customer journeys to reimagine in this new world of digital and AI and analytics, how to really change the way some of these customer journeys happen. And that's in the banking industry, to the insurance industry, to the consumer products industry, to the life sciences industry. In every industry that we're focused on, that's a big change that's happening with our clients. TandemSeven is perfectly positioned with amazing examples to be able to take that to market and to combine with our teams and take -- bring that capability and take it to our clients. And the speed at which we manage to do that, I mean, I would say has been pretty amazing.

And the third is the UX360 platform that they have built that allows those customer journeys to be put on the cloud to then be managed by large enterprises that have many of these journeys. It has allowed us to take that platform and integrate it with Genpact Cora. So now, we have Genpact Cora UX360, which further reinforces the one platform, the modular aspect of that platform, the ability to bring that together. So altogether, great integration. The teams are working very well together. The leadership team of that group is very well integrated with our teams. And actually, they're performing better than our expectations.

Michael Edward Reid - *Cantor Fitzgerald & Co., Research Division - Associate*

Okay. Great. And then, one on the model. Is there anything that you would call out that could impact the regular seasonality on the top line or the margin front this year?

Edward J. Fitzpatrick - *Genpact Limited - CFO and SVP*

So as you look at 2018 in comparison to '17, I'd say '17, the word is maybe lumpy. The way the growth happened, a little bit low in the first quarter and then there wasn't any kind of path throughout the year. For '18, it seemed a little bit more evenly spread throughout the quarters. A little bit lower in the first half, a little bit higher in the second half is what I'd say. So a little below to the overall total, first half a little above than the second half.

And I'd say, margin is something similar as well. I think margins last year was pretty lumpy because of some of the timing of certain costs and subsidies that we had in the second quarter a bit higher than we would expect, but for '18, we think that should be more evenly spread. A little bit lower than the full year forecast in the beginning, first half a little bit higher than second half roughly.

Operator

Our next question comes from the line of Tien-tsin Huang with JPMorgan.

Tien-tsin Huang - *JP Morgan Chase & Co, Research Division - Senior Analyst*

Just good revenue here. Just wanted to ask, I guess, on timeliness of backlog conversion. I know, Tiger, you mentioned you're bringing on some bigger accounts in the backlog or in the bookings. How do you feel about the timing of conversion, the visibility of conversion because we've heard some cases here this earnings season of delays.

Nallicheri Vaidyanathan Tyagarajan - *Genpact Limited - CEO, President and Director*

Tien-tsin, hi. Great to have you on the call. I would say cycle times on deals are pretty consistent. We had to speed it in the late second half of 2016 and early part of '17 when broad cycle times on deals and decision-making are a little delayed. I would attribute that to classic a once in 4 years election cycle and so on. All of that came back in the latter part of '17, and it's now consistent. And so a tale of 2 cities. On the one hand, large, complex digital transformation combined with managed services deals that are typically large deals by definition because of the complexity do take longer than normal and have been taking longer than normal, but that is to be expected. But it is a tale of 2 cities because the other half -- not half, but the other portion of the business, which is Transformation Services, tends to be shorter cycle. Decisions are faster. You start in one place, you land and then you expand. And the combination overall cycle time, I would say, at the aggregate is pretty steady and good, and that's how we see 2018 playing out barring any macro event.

Tien-tsin Huang - *JP Morgan Chase & Co, Research Division - Senior Analyst*

Got it. Okay. That's good to know. And then just -- I know you -- a lot of talk about digital transformation, and I'm curious with that and intelligent automation. Are clients starting to go with the same vendor? Are they still doing sort of best of breed? Are you seeing some signs of some bundling of those 2 areas?

Nallicheri Vaidyanathan Tyagarajan - *Genpact Limited - CEO, President and Director*

No. So I think I'm going to, hopefully, answer the question you're asking. I clearly see best of breed as the part that's being taken when it comes to specific domain areas. So best of breed in finance versus best of breed in HR versus best of breed in mortgage operations or best of breed in supply chain. I think that's still the way the world is going, best-of-breed industries, specific industry verticals that we are focused on versus not being focused on. If your question is in the world of digital, ERPs and core technology getting combined with all of managed services on top of it, we don't see that happening. We don't see that happening any differently than it has been over the last 5 or 6 years. What we do see happening is that in managed services, we have to have digital technologies and digital solutions as part of the intelligent operation that you're going to run, which means you got to find a way to bring to life AI and machine learning and robotic automation and workflow in the cloud from just being technology and algorithms to actually bringing it alive in the specific solution for the specific problem and the specific vertical. And our view is that it's in that translation of digital technologies to specificity is where the battle is won or lost, which is why domain expertise becomes that important.

Operator

Our next question comes from the line of Maggie Nolan with William Blair.

Margaret Marie Niesen Nolan - *William Blair & Company L.L.C., Research Division - Analyst*

I was hoping you could talk about the talent supply and the competitive dynamics or talent acquisition, especially as your Transformation Services are growing so well and you're going to need additional talent in those areas. Any color there would be great.

Nallicheri Vaidyanathan Tyagarajan - *Genpact Limited - CEO, President and Director*

So Maggie, I think the first statement would not surprise you. I mean, this is a space where talent is critical and where the wall for talent is real. And therefore, the 2 ways, we've already talked about it, is how do you attract the right talent into the company at 2 levels: the leadership and -- team leadership and domain expertise level and at the initial joining the company at the entry levels. And then creating a program where you can grow the talent through large university type training programs. We've always been really outstanding at doing that given our GE and post-GE heritage. We've now brought that learning, having done that with Lean and Six Sigma and domain expertise and process expertise into the world of digital, so which is why we have a number of certification programs, etc., around building talent inside the company. And we continue to attract talent from the outside. When you have a repositioned brand that resonates in the marketplace, when you have Genpact Cora that resonates with people who understand how those things are taken to market, when you have a company that's been doing well from a growth perspective, I think we are finding that our ability to attract talent is very real from great companies across the globe.

Margaret Marie Niesen Nolan - *William Blair & Company L.L.C., Research Division - Analyst*

Okay. Great. And then as you are looking to hire more folks onshore, I know that was -- that affected your margins this quarter. What are your expectations for mix kind of going into 2018? And any pressure on the margins that might result from a shift towards onshore?

Edward J. Fitzpatrick - *Genpact Limited - CFO and SVP*

Yes, we're not anticipating any material impact on gross margins for the year. We'll -- we don't have great -- we don't have a crystal ball in terms of visibility as to how it will all play out. But I -- we're not expecting it to move the needle materially. The gross margins will be impacted a bit more [better than] anything else. So if anything changes on that, probably we'll let you know, but we don't just see [any impact].

Nallicheri Vaidyanathan Tyagarajan - *Genpact Limited - CEO, President and Director*

And whatever little impact might get out of there has already got factored into our view of '18 and how that's going to play out. The more we do complex services, the more we do services that are sensitive to customers -- to the customer of our clients, the more we do services that have a strong element of regulatory requirement around it, the more onshore operations, which is now a pretty material portion of our business in the U.S., in Europe, in Latin America, in various parts of the world, is all very good. And then on top of that, we have Transformation Services digital analytics where a lot of the innovation actually happens here. Whether it's the Palo Alto Innovation Center or what we're calling the Boston center of gravity for our digital AI, design thinking kind of group there, I think all of those are very good. And our view is that overall, I think we'll continue to get the margin on Transformation Services as we answered earlier.

Operator

Our next question comes from the line of Frank Atkins with SunTrust.

Francis Carl Atkins - *SunTrust Robinson Humphrey, Inc., Research Division - Associate*

Wanted to ask a little bit about the banking and financial services sector. I think you mentioned a little bit of strength. Any change there? And what are the areas of strength and weaknesses in that group?

Nallicheri Vaidyanathan Tyagarajan - *Genpact Limited - CEO, President and Director*

Sure. So for us, Frank, banking and financial services, I just want to start by saying, is actually 2 separate verticals. There is consumer banking, commercial banking, wealth management and that portion of the business, we call that the banking financial services vertical. And then we have the capital markets investment banking vertical, which is a separate vertical. On the banking vertical, we've actually all, for the last couple of years, had pretty steady performance. We've seen steady growth. That growth has been driven by all the things we talked about, which is digital transformation journeys, the desire for banks to actually get an opportunity to bring in all the new digital technologies into their services, a desire to reimagine customer journeys with clients with their consumers and clients. And all of those are the kind of engagements we are involved in as well as over the last 2 or 3 years, the need to respond to regulatory requirements. Now some of that is becoming less of a demand over the last couple of quarters in the U.S. But global demand still is there, and then you have new regulations across the globe, GDPR being an example, that needs to be responded to. And then on the capital markets investment banking side is where we called out a change. And that change is the beginning of what I would call green shoots where we think spending is going up and that's much more in our business technology driven. A lot of the work that we do is IT services work, and we are seeing spend go up there. But we're also seeing our opportunity to bring robotic process automation, risk services and AI-driven solutions to that vertical, which we saw gather -- begin to gather some momentum in that vertical. So we think that will hopefully, play out in 2018, which will make it a little different from the last couple of years, but our banking vertical has been doing well for the last 2 or 3 years.

Francis Carl Atkins - *SunTrust Robinson Humphrey, Inc., Research Division - Associate*

Okay. Great. That's helpful. And then I wanted to see if I could get a quick sales update. How are you feeling in terms of the skill set and the capacity and the sales force given that transformational services and digital's becoming such a growing part of the business?

Nallicheri Vaidyanathan Tyagarajan - *Genpact Limited - CEO, President and Director*

That's a great question, Frank, because our team is a very -- is a strong team now both in terms of size, scale, their alignment to the various verticals as well as the maturity advantage that they have in the company as compared to 3, 4 years back when we actually started ramping up on the sales side. However, we are actually now teaching them, training them on new digital technologies to the extent that that's great for them. We are getting them certified, so they are part of the people who are getting certified, so that they can take those solutions back into the marketplace. Again, our view on digital technologies is very, very clear. Those technologies really come alive only when you know how to bring it alive in the context of consumer lending. In the credit card, how do you use that to detect fraud. In insurance claims, how do you find a way to actually change your claims process from being a few days to minutes for an auto insurance claim using some of the new digital technologies. It's that, that they are learning so that they're then able to take that back to clients because that's not longer about costs. It's about revenues. It's about risk. It's about losses. It's about cycle time. It's about customer experience and journeys.

Operator

Our next question comes from the line of Bryan Bergin with Cowan.

Bryan C. Bergin - *Cowen and Company, LLC, Research Division - VP*

I wanted to ask on bookings. Can you remind us what bookings, the figure, includes, how we should think about that measure? I think you reported about the same 5% last year and then you obviously did well above that in the global client population this year. Trying to just get a sense if it's -- how much the client on GE and IT may be obviously overshadowing the overall growth or if it's more of a function of short cycle transformation work?

Nallicheri Vaidyanathan Tyagarajan - *Genpact Limited - CEO, President and Director*

Bryan, you got it. You got it. It is the right way to think about it, which is the total number of $2.8 billion, which is a 6% constant currency growth, needs to be passed into Global Client BPM bookings, GE bookings and ITO bookings. And actually those very nicely line up to the growth rates that Ed called out as our outlook for 2018. And our modeling for a typical year actually starts with those kind of booking numbers that we have done and then visibility to the pipeline, which then determines what we expect for the year, and that's how we model it. And as I said, our visibility to '18 is very, very similar to our visibility to '17 when we started the year.

Edward J. Fitzpatrick - *Genpact Limited - CFO and SVP*

And bookings is new work, right, not just renewals of work getting -- it's only new works.

Nallicheri Vaidyanathan Tyagarajan - *Genpact Limited - CEO, President and Director*

We don't have renewals.

Edward J. Fitzpatrick - *Genpact Limited - CFO and SVP*

Yes.

Bryan C. Bergin - *Cowen and Company, LLC, Research Division - VP*

Okay. And then just an update on IT services business. Any changes in the strategic outlook there as far as vertically you might be emphasizing or deemphasizing?

Nallicheri Vaidyanathan Tyagarajan - *Genpact Limited - CEO, President and Director*

It's a continuation of what we called out the last couple of quarters, which is really focusing on IT services, and it's actually showing up where we are focused on those IT services that are connected to our chosen domain areas, chosen process areas. And in all those areas, we're actually driving growth. And in areas where we haven't, we've decided that actually, it's not going to be a focus area for what we just described. We are running those as business as usual. And that's actually playing out, and as that settles down and become stable, which it seems to have, I think we have a much more steady portion of the business. And over time, that will become smaller and smaller.

Operator

Our next question comes from the line of Bryan Keane with Deutsche Bank.

Bryan Keane - *Deutsche Bank AG, Research Division - Research Analyst*

Just wanted to follow up on those bookings figures. The 6% constant currency, is that a pretty good figure to what you guys anticipated? And I guess as we go forward, then that number can continue to creep up as some of the GE business continues to shrink. Is that the right way to think about it, Tiger?

Nallicheri Vaidyanathan Tyagarajan - *Genpact Limited - CEO, President and Director*

Yes. I mean, it is actually not any different from what we expected -- we kind of expected for the growth rate that we were expecting in a different past out number that I called out. That's the expectation we had. And as we go forward, as the shape of the business changes between GE, Global Clients, IT services and Transformation Services, the one thing I'll call out in Transformation Services is given that it is shorter cycle and project-based versus long-term annuity based, the relationship between booking and revenue is different because that also has to be modeled differently than we do. So you put all that together, our expectation on bookings would have been $2.8 billion, and that's what we end up with.

Bryan Keane - *Deutsche Bank AG, Research Division - Research Analyst*

Okay. Helpful. And then just on GE, I know that revenue declined on a year-over-year basis, started to lessen in '18. Do we get to a point in '19 where it starts to flatten out? Just trying to figure how that should look on modeling purposes.

Nallicheri Vaidyanathan Tyagarajan - *Genpact Limited - CEO, President and Director*

So obviously, GE is undergoing its own transformation journey, like most of our clients are. So without actually presupposing anything that they would announce and do and change, just the roll-through of the impact of GE Capital divestitures, the lessening of the work that we do for GE Capital corporate and so on will finally cycle its way through as we finish 2018. And therefore, barring any other change, 2019 will get to steady state.

Edward J. Fitzpatrick - *Genpact Limited - CFO and SVP*

That's right. We're -- as I mentioned, we're kind of at the run rate now. Q1 one is always the lowest and will ramp. But I'd say on a kind of run rate basis, where we ended Q4 is kind of the run rate for the year, and that's what we based our forecast on. So Tiger's right. The year-over-year decline is really just what happened in '17 rolling forward -- rolling through year-over-year, but pretty stable base.

Nallicheri Vaidyanathan Tyagarajan - *Genpact Limited - CEO, President and Director*

And as I called out in my prepared remarks, given the transformation journey that GE is itself undertaking, I think we are very well positioned to continue to be a very significant material partner for them on a number of these transformation journey and take a number of our solutions to them.

Operator

Our next question is from the line Rick Eskelsen with Wells Fargo.

Richard Mottishaw Eskelsen - *Wells Fargo Securities, LLC, Research Division - Associate Analyst*

First question is about sort of the productivity and the efficiency commitment levels that you have to give to your clients on an annual basis. Can you just sort of just give us a view on what those are this year, maybe, if not specifically, directionally? We've heard from others that those numbers have been going up in part, it seems like, from automation. So how should we think about that?

Nallicheri Vaidyanathan Tyagarajan - *Genpact Limited - CEO, President and Director*

So Rick, I think I'll start by saying that our history as a company is one where we actually have always prided ourselves on giving productivity commitments and then delivering on those. And we did that using classic process science, Lean, Six Sigma, etc. We learned that as we grow up at G and then we took that to Global Clients, and that's what we delivered. Now we have new tools, digital tools and automation tools, and we've incorporated those to deliver more productivity to our clients. So directionally, I think the world, as being able to deliver more productivity, those get contracted out and then we deliver on those. We are on a significant productivity journey in the world, and I think we have a very good path to deliver those. It varies by client. It varies by domain. It varies by geography. It varies by specific area. So I don't think there's any single specific number or math that one could call out. All one can say is that it's higher than it used to be because now there are more tools.

Richard Mottishaw Eskelsen - *Wells Fargo Securities, LLC, Research Division - Associate Analyst*

That's helpful. Just wanted to build on the earlier question about sort of the ability to find talent. Wondering if you could talk a little bit about the -- a little bit more about the training and the rescaling that you're doing and maybe in the context of how have career paths and how you view sort of talent management within your organization changed and evolved over the years.

Nallicheri Vaidyanathan Tyagarajan - *Genpact Limited - CEO, President and Director*

It's changed in many, many ways over the years. Clearly, we've been on a journey where we said industry depth and understanding an industry in its depth, whether it's insurance or it's banking or it's consumer products, etc, is one part that people have taken in careers and they've learned as they engage with clients and get into those areas. We then also had the ability for people to learn process and process reengineering and use of Lean and Six Sigma, which became very significant parts to get certified to become Black Belt, Master Black Belts, etc. And we have mirrored that over the last few years on getting similarly trained, certified and then you use that certification in digital. And now we've taken that to what we call the tip of digital, which is AI, through the artificial intelligence development program. As we've done these, we've always had the view that when you learn some of these methods and tools and technologies, you actually take that to other areas. So we move people around. So the most recent change that we did was one of our senior leaders in the company who had spent time in digital and on the commercial side of digital has now moved as one of the sales leaders working for our Chief Growth Officer, Ahmed. That's a kind of change that we do really well. It's something that we've learned over the years as we've grown up. So we move people around. So they take their training and then immerse it in another area. So we think we are very good at this. It's actually one of our core competencies, and we've now brought it to the world of digital.

Operator

Our next question is from the line of Steven Schneiderman with Bank of Montréal.

Steven Jason Schneiderman - *BMO Capital Markets Equity Research - Associate*

I am pinch-hitting for Keith tonight. Wanted to start off by following up on Bryan's question regarding GE. First, is flattish plus or minus 2% the right way still to think about steady state on this business? And given the massive run down that you've had over the last couple of years on the business, has margins been disproportionately impacted by GE performance?

Nallicheri Vaidyanathan Tyagarajan - *Genpact Limited - CEO, President and Director*

So the first one, I think barring, as I said, any changes that GE does, I think the plus/minus 2%, which is kind of the steady state we were in until all the changes that GE did happen, is a good way to think about the business longer term. Margin impact, I think in general, all the changes that have been done in the business hasn't changed margins. But for the fact that, I think we've called out and Ed in his prepared remarks talked about it, the IT consolidation that GE undertook during '17 did change the margin structure in that portion of the business, and that's actually part of our 2017 financials and it shows up in the early part of 2018.

Edward J. Fitzpatrick - *Genpact Limited - CFO and SVP*

Yes, that's right, no big impact really in 2018. And really, if you remember a few years back when we showed the gross margin chart all the way back to, I don't know what year it was, 10, 15 years back, it was a gross margin chart that showed the history of this company. And the numbers were, as I said at the time, remarkably similar year-to-year with ups and downs, right? It was as low as 37%, 37.1% and it's high as 40%. And I think the company kind of operates in that band, and I think that's kind of where we'd expect to be. You're going to have dips and peaks, but I think we're managing. And I think we talked about what we consider a tailwind in the TS-related work that we're doing is a good guy in that, but the productivity we need to commit, partially offset. So I think we're feeling pretty good about the long-term gross margin of the firm, but we'll see peaks and valleys and we'll manage through it. And for us, managing to the bottom line of 15.7% this year and outlooking 15.8% next year is kind of all -- all of that goes into that estimate.

Steven Jason Schneiderman - *BMO Capital Markets Equity Research - Associate*

Okay. Great. And on -- in terms of deal sizes for the transformational work, it seems like larger deals are starting to come in. Do you think you're at a tipping point where we can really start seeing an industrialization of transformation type work? Or what kind of inning do you say we're at of clients really starting to fully adopt and make these deals bigger than they've been over the last year or 2?

Nallicheri Vaidyanathan Tyagarajan - *Genpact Limited - CEO, President and Director*

So Steven, I think there's, again, no -- unfortunately, there's no single answer. I would say clearly, a lot of the world of digital and transformation is around experimentation. Now some of those experiment -- some of that experimentation, either in an industry or in a specific client or in the ecosystem itself, has demonstrably worked and then people start scaling that. But in many other cases, those experiments are still going on. I think we are probably in the second innings of this journey. And I'm not talking about Genpact. I'm talking about the world of leveraging digital is in the second -- at best, the second or maybe the third inning of a 9-inning journey. So there's a lot more to be done. And interestingly enough, it's actually got a lot to do with the culture of the firm and their ability to drive change and their willingness to embrace change and sometimes, their willingness to disrupt themselves, which is where we are finding big differences between client 1 and client 2.

Operator

And our last question comes from the line of Moshe Katri with Wedbush Securities.

Moshe Katri - *Wedbush Securities Inc., Research Division - MD and Senior Equity Research Analyst*

Good numbers. Just kind of a big picture question. We know what the backlog or the booking number looked like for the quarter. Is there anything to call out in terms of the mix of the new business that has, I don't know, whether it's analytics embedded in it versus where we were a year ago? Some of it is may be outcome based in terms of how it's structured. Is there anything that's kind of relevant that you can talk about here?

Nallicheri Vaidyanathan Tyagarajan - *Genpact Limited - CEO, President and Director*

I think, Moshe, you actually called out a couple that directionally is where, I think, the world is going and we are going. Transformation Services is growing faster than the rest of the business. So obviously, Transformation Services booking is growing faster than managed services booking. Within managed services booking, there are digital technologies that are getting embedded, which is why we're calling it actually intelligent operations. So an example would be when we earlier will talk about end-to-end underwriting support for, let's say, a small business lending bank

-- portion of a bank, we would talk about the end-to-end management of underwriting and use process discipline and analytics and redesign of those processes and understanding underwriting and risk, which as you can imagine given our GE Capital heritage, we really understand well. And that was the value proposition that we brought to the table, which is a great value proposition. We now have, through the acquisition of RAGE and the products we've developed with RAGE and now Genpact Cora LiveSpread and LiveCredit, the ability to bring that into that end-to-end underwriting. So think about in a medium -- in a mid-market lending environment that's sort of taking 5 days to say yes or no to a client, you can do it in 30 minutes. That's a dramatic change in the business value proposition for that bank. Are we seeing a lot of that in a number of our services? The answer is yes. So when we acquired RAGE or we acquired TandemSeven or we acquired OnSource in insurance, claims, our objective is really to bring those and embed them into our services. And then we also take them separately to our clients so that they can use them in their operations in areas that we actually are not supporting them through managed services. Now the good news is it's a virtuous cycle. The more you do managed services, the more you can embed digital, the more they come back and say, "Hey, I need these in my operations." The more you do the latter, they come back and say, "Actually, manage all these operations for me." And we are finding that virtuous cycle to be pretty significant.

Moshe Katri - *Wedbush Securities Inc., Research Division - MD and Senior Equity Research Analyst*

So is there a way to break it down in terms of mix, where we are now versus where we were a year ago, maybe a quarter ago, just to give us a feel on how we're advancing in that direction?

Nallicheri Vaidyanathan Tyagarajan - *Genpact Limited - CEO, President and Director*

I think the best way to break that mix is the one that we talk about, which is Transformation Services growing at 25%. We expect that growth for 2018 to be actually higher than 25%, somewhere in the ballpark of 25% to 30%. So that's a step up from 2017. And it used to be 20% of the business, and it is 20% of the business broadly in 2017. As we go and navigate through 2018, that will gravitate towards 25% of the business. And this is in a business that's growing, so the other part of the business is also growing. That's one of the other significant things about our business, which is the non-Transformation Services side of the business is also a growth business. And therefore -- I mean, that's the way that we measure our movement towards embedding digital and embedding a lot of those into our services.

Edward J. Fitzpatrick - *Genpact Limited - CFO and SVP*

I'd say -- you also asked about visibility. So really no change there even with this [move]. Still feel pretty good. 70% to 75% visibility coming into the year, which is pretty consistent with what we've seen, so that's good news.

Operator

Thank you. And ladies and gentlemen, this concludes our Q&A for today. I would like to turn the call back to Roger Sachs for his final remarks.

Roger Sachs - *Genpact Limited - Head of IR*

Thank you, Carmen, and thanks, everyone, for joining us on the call today. We hope to see you in New York City next month and look forward to speaking with you again next quarter.

Operator

And with that, ladies and gentlemen, we thank you for participating in today's conference. This concludes our program, and you may all disconnect. Have a wonderful evening.
