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Genpact Ltd. (G)

Q3 2021 Earnings Call

CORPORATE PARTICIPANTS

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Head-Investor Relations, Genpact Ltd.

N. V. Tyagarajan

Chief Executive Officer & Director, Genpact Ltd.

Michael Weiner

Chief Financial Officer, Genpact Ltd.

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David John Koning

Analyst, Robert W. Baird & Co., Inc.

Maggie Nolan

Analyst, William Blair & Co. LLC

Ryan E. Potter

Analyst, Citigroup Global Markets, Inc.

Zack Ajzenman

Analyst, Cowen and Company, LLC

Bryan C. Keane

Analyst, Deutsche Bank Securities, Inc.

MANAGEMENT DISCUSSION SECTION

Operator: Good day, ladies and gentlemen. Welcome to the 2021 Third Quarter Genpact Limited Earnings Conference Call. My name is Nika and I will be your conference moderator for today. At this time, all participants are in a listen-only mode. We will conduct a question-and-answer session towards the end of this conference call. As a reminder, this call is being recorded for replay purposes. The 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.

Roger Sachs

Head-Investor Relations, Genpact Ltd.

Thank you, Nika, and good afternoon, everybody. Welcome to our earnings call to discuss results for the quarter ended September 30, 2021. We hope you had a chance to review our earnings release, which was posted to the IR section of our website, genpact.com. Speakers on today's call are Tiger Tyagarajan, our President and CEO; and Mike Weiner, our Chief Financial Officer.

Today's agenda will be as follows: Tiger will provide an overview of our results and an update you on our strategic initiatives; Mike will then walk you through our financial performance for the quarter as well as provide you our current thoughts on our outlook for the full year 2021. Tiger will then come back with some closing comments and then we will take your questions. Expect the call to last roughly an hour.

Some of the matters we will discuss in today's call are forward-looking and 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 that we believe provide additional information to enhance the understanding of the way management views the operating performance of our business. You can find a reconciliation of those measures to GAAP in today's earning release posted to the IR section of our website.

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

N. V. Tyagarajan

Chief Executive Officer & Director, Genpact Ltd.

Thank you, Roger. Good afternoon, everyone, and thank you for joining us today for our third quarter 2021 earnings call. Our third quarter performance reflects continued momentum across our business. Global Client top line performance, which grew at 11% on a constant currency basis, was once again driven by strong demand for Transformation Services made up of analytics, digital and consulting. Our strategic investments over the years and capabilities and talent, including the continuous training and development of our global workforce, positions us well to address the pressing challenges and opportunities our clients are facing. This quarter, we achieved the milestone of crossing the threshold of \$1 billion in quarterly total revenue for the first time.

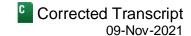
For the third quarter 2021, we delivered total revenue of \$1.02 billion, up 8% on a constant currency basis; Global Client revenue of \$921 million, up 11% on a constant currency basis; adjusted operating income margin of 16.6% compared to 17.1% during the third quarter of 2020; and adjusted diluted earnings per share of \$0.66 per share, up 18% year-over-year. Global Client revenue growth in the quarter cut across almost all of our industry verticals with double-digit growth in consumer goods and retail, life sciences and healthcare, high-tech and manufacturing and services. As expected, banking and capital markets growth continued to be muted due to their restructured relationship with one client that resized its asset management business in late 2020.

Our pipeline remains healthy with a mix of both large and regular-sized deals. We continue to scale our revenue and bookings from existing relationships and add new logos, which sets the stage for future growth.

During the third quarter, we signed four large deals across life sciences, CPG, banking and capital markets and high-tech services. As we deepen our role as a trusted advisor to our clients, we have seen sole-source deals, which was for many quarters above 50% of our bookings, now rising above 60%. We're also seeing great traction build up in fintech, digital banking and other fast growth tech companies where our domain strength and agile development and deployment is helping them scale rapidly.

Global Client, Transformation Services continues to grow at a 30%-plus rate and now accounts for more than 35% of total Global Client revenue including the contribution from the Enquero acquisition. Year-to-date, approximately 70% of Global Client bookings include a component of analytics, digital or consulting in them. As a reminder, approximately half of Transformation Services bookings are annuity-based and often lead to large, long-term intelligent operations engagements.

Analytics is not only the largest component of Transformation Services contributing more than half of its revenue over the last several quarters but is also its fastest growing component, consistently growing well above 30%. Many of our analytics solutions are deeply connected to high-growth areas where we are strategically focused such as sales and commercial, supply chain, financial crimes and risks and FP&A. Our sharp differentiation is our ability to orchestrate data and analytics in the cloud with deep industry and process knowledge.



The availability of high-quality data and the ability to derive actionable insights with analytics to drive decision-making is now more critical than ever. It is at this insight to action level where we differentiate ourselves the most. Our intelligence platform, Genpact Enterprise 360, enables clients to do just that. Genpact Enable Enterprise 360 harnesses the power of data and insights from our operations, built on proprietary metrics and benchmarks we have deployed and developed over the past 20 years in our digital smart enterprise frameworks. This enables clients to have radical transparency in their businesses. The platform then uses AI to generate predictive insights. This further empowers clients to take actions either themselves or through our work with them to deliver better outcomes today and to point transformation opportunities to unlock future growth.

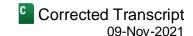
Another differentiator for us is our ability to drive outcome-oriented value for clients beyond just cost and productivity such as increased growth, lower receivables and inventory, lower losses and fraud and better pricing. This is one of the key reasons why our Transformation Services solutions resonate so well with our clients. Some examples include for a large global CPG client, leveraging our experience and design thinking methodologies, we are using analytics to help them with better sales targeting and automating processes such as contract management and payment reconciliations. This enables the sales teams to focus on much higher proportion of their time on business development.

For a large fintech client, we have designed, implemented and are now running a best-in-class anti-money laundering and transaction monitoring process to improve their regulatory risk compliance as they experience hypergrowth. For a large, high-tech client, using our Cora Sales Assist solution, we are leveraging data and analytics to proactively generate and prioritize advertising leads for small and medium business segment to grow the client's top line.

For a large client in the semiconductor ecosystem, we are using digital and analytics solutions to improve supply and demand forecasting; diversify their supplier base for greater resilience; conduct global inventory analysis; and run spot price forecasting to optimize the timing of purchases. These examples reflect the five trends we continue to see in every CXO conversation. The five trends are, one, a significant shift from offline to online across every industry; two, the virtualization of all technology, services and solution deliveries; three, an accelerated consumption of cloud-based services and solutions; four, an exponential growth in real-time predictive analytics; and five, the move to human-centered design that creates superior experiences for customers, users and employees.

Clients continue to tell us that our approach of bringing together our expertise in digital and cloud-based analytic solutions with our deep industry and process depth to drive actions that deliver outcomes is different. We continue to see momentum in driving commercial models linked to these outcomes versus traditional input-based models that focus on the cost of FTEs. These commercial models ensure goal alignment between us and our clients, for example, being paid for the outperformance of pre-defined metrics, consumption of transaction-based models or fixed-fee models.

As the world continues to adapt to the changes that I've seen over the last 18 months, companies across every industry are intensely competing for talent across the globe. While this hot talent market presents challenges for our kind of a business, it certainly creates an interesting set of opportunities for us. We see many engagements where we can help our clients access and nurture global talent given our ability to scale across a range of skillsets and geographies, as well as our focus on reskilling. We are using our investments in our online, on-demand learning platform, Genome, to build the critical skills businesses are looking for across digital, data and analytics, specific industry and process knowledge, use of Lean and Six Sigma, as well as soft skill and personal development.



As an example, our data and analytics certification program equips our employees with the skills necessary to generate impact immediately after course completion by deriving insights from complex data sets. To date, almost 70% of our employees are enrolled with more than 43,000 fully trained and tested. This is analytics at scale for our clients.

At the height of the pandemic in 2020, we saw historically low attrition rates. In the third quarter, as expected, our attrition rate increased above our historical average. This is a global trend that is impacting our peers and clients alike. However, given our talent management practices to date, we had no impact on our client engagements or our ability to convert new bookings.

Year-to-date, we have welcomed almost 30,000 new team members with about 10,000 joining in the third quarter alone. This reflects the strength of our culture of curiosity, innovation and learning, as well as the countless learning, development and career opportunities we provide for our employees enabled by investments like Genome and our redeployment platform, TalentMatch.

We are delighted to have had a spate of recent recognitions for being a great destination for talent in the market such as Forbes' 2021 World's Best Employers list; Refinitiv's 2021 Diversity and Inclusion Top 100; a total of 28 Excellence Awards from Brandon Hall's Human Capital Management; International SOS' Duty of Care Award for Diversity and Inclusion; Avtar's Top 10 Best Companies for Women in India; and earlier today, Forbes' 2021 America's Best Employers for Veterans. We're also being recognized for the work we are doing to improve our communities. For example, being named to Fortune's Change the World list as one of 100 companies celebrated for having a positive societal impact. We are deeply committed to our environmental, social, and governance initiatives and are proud to have been recently awarded a gold medal from EcoVadis, recognizing our efforts across environment, labor and human rights, ethics and sustainable procurement.

We also recently concluded our annual Greenathon event with more than 25,000 participants to sponsor the planting of more than 14,500 tree saplings, underscoring our commitment to environmental sustainability. ESG is not only an important focus for us internally as a company, but also for what we do with our clients. Given our industry knowledge, strength in data and analytics, and deep familiarity with our clients' processes, we are in a meaningful position to help our clients achieve progress on their own ESG agenda. Through areas like responsible sourcing, supply chain optimization, financial crimes, climate footprint of equipment usage, and many others, we're able to help our clients generate positive social and environmental impact. We are very excited about the work we are doing on our pursuit of a world that works better for people.

Lastly, as our teams are beginning to return to the office globally and travel more frequently to collaborate inperson or meet with clients, we are taking every precaution to continue to ensure the health and safety of our own employees and their families. We are happy to report that a large and increasing number of our employees are getting vaccinated globally. For example, in our largest delivery ecosystem, India, approximately 80% of our workforce has received at least one dose of a COVID vaccine, and we continue to encourage participation for the rest of our population.

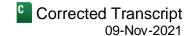
With that, let me turn the call over to Mike for a detailed review of our third quarter results.

Michael Weiner

Chief Financial Officer, Genpact Ltd.

Thank you, Tiger. And good afternoon, everyone. Today, I will review our third quarter results and provide our latest thinking regarding our full year 2021 financial outlook. Total revenue was \$1.02 billion, up 9% year-over-year or 8% on a constant currency basis. Global Client revenue that expanded to 91% of total revenue increased





12% year-over-year or 11% on a constant currency basis, primarily driven by ongoing movement in transformation services led by analytics that grew more than 30% in the quarter as we continued underlying strength in our intelligent operation business.

Total Global Client growth included approximately one point contribution from revenue related to certain divested GE businesses that we began including in our Global Client portfolio as of January 1. During the quarter, we continue to expand the size of our Global Client relationships. For example, during the 12-month period ended September 30, we grew the number of Global Client relationships with annual revenue of over \$5 million from \$129 million to \$142 million, or 10% year-over-year increase. This included clients of more than \$25 million in annual revenue, increasing from 23% to 26% or 13% year-over-year.

GE revenue declined 15% percent year-over-year, driven by our delivery of committed productivity and the overall macroeconomic impact on GE. Excluding the effect of revenue related to divested GE businesses I mentioned earlier, GE revenue would have declined 6% during the quarter, which is in line with our expectations. Adjusted operating income margin at 16.6% declined from the first half of the year, largely due to the increase in investment activity that we discussed with you last quarter, as well as higher travel expenses. As we move into the latter part of the year, we expect travel-related activity to increase as the macro environment continues to stabilize. Gross margin in the quarter was 35.6% compared to 35.2% during the same period last year largely due to increased productivity from higher revenue and a more favorable mix. We continue to expect our full year gross margin to expand 70 basis points to 75 basis points year-over-year.

SG&A as a percentage of revenue was 21.3%, up 10% (sic) [10 basis points] year-over-year and 60 basis points sequentially as we dialed up investment activity to be able to take advantage of long-term growth opportunities.

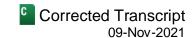
Adjusted EPS was \$0.66, up 18% year-over-year, compared to \$0.56 in 2020. This 10% – \$0.10 increase was primarily driven by higher adjusted operating income of \$0.04, lower taxes of \$0.03, a \$0.02 impact related to FX remeasurement and a \$0.01 impact related to lower year-over-year share count.

Our effective tax rate was 17.3%, compared to 22.6% last year, largely due to discrete benefits in the quarter, as well as a non-recurring prior period tax refund related item. Excluding this one-time tax benefit that equates to \$0.03 per share, our effective tax rate for the quarter would have been 21.4%.

Turning to cash flow and balance sheet. During the third quarter, we generated \$210 million of cash from operations that correspond to free cash flow being almost 2 times higher than net income. As a reminder, during 2020, we experienced a lower than normal working capital impact to our cash flow, given improved days outstanding as lower revenue growth related to the pandemic. This helped drive cash flow from operations of \$252 million during the third quarter last year. Our days outstanding have remained in a consistent range, with third quarter 2021 at 84 days.

Cash and cash equivalents totaled \$922 million compared to \$753 million at the end of the second quarter of 2021, and includes \$350 million related to the 1.75% bond that we issued in the first quarter. We continue to closely monitor market conditions for the optimum timing of the pay down of our 3.7% bond that is scheduled to mature in April 2022.

Our net debt to EBITDA ratio for the last four rolling quarters was 1.1 times with undrawn debt capacity of approximately \$500 million and existing cash balance as we continue to have ample liquidity to pursue growth opportunities and execute on our capital allocation strategy. While we continue to invest to drive organic top line growth, we have a solid M&A pipeline and we remain vigilant in searching for companies that can strengthen our



capabilities in our chosen service lines. As our track record demonstrates to the extent capital is available, we expect to repurchase shares, particularly when the valuation is attractive in comparison to our view of the intrinsic value of the firm.

As expected, capital expenditures as a percentage of revenue increased from levels we saw during the first half of the year due to investments related to deal ramp ups and the measured pace of our global workforce return to office. Given our year-to-date spending, we now anticipate capital expenditures as a percentage of total revenue for the full year to be in the range of 1.5% to 2%.

Let me now turn to an update of our full year outlook. We continue to expect total revenue between \$3.96 billion and \$4 billion, representing year-over-year constant currency growth of 5.5% to 6.5%. For Global Clients, the expected growth remains in the range of 10.5% to 11.5%, or 9% to 10% on a constant currency basis. There is also no change to our full year GE outlook of approximately 20% year-over-year decline.

Excluding the effect of approximately \$40 million in revenue related to the GE divested businesses, we continue to expect GE full year revenue to decline 10% to 12%. We continue to expect our adjusted operating income margin to expand to 16.5% for the full year. Factored into this outlook is the impact of continued ramp ups in investment activity in both sales and marketing, research and development, higher fourth quarter travel, and a higher level of transaction costs related to recent large deal signings. To be clear, our approximately 16.5% adjusted operating income full year margin remains the baseline for which we think about our trajectory for 2022.

As a result of the non-recurring tax benefit in the third quarter I referred to earlier, we now expect our full year 2021 effective tax to be approximately 22.5% to 23.5% which compares to the prior year range of 23.5% to 24.5%. Given the outlook I just provided, we now expect full year adjusted EPS to be in the range of \$2.40 to \$2.43, up from the prior \$2.36 to \$2.39 range due to the favorable impact of the non-recurring tax benefit, as well as the balance sheet remeasurement gains during the quarter.

Additionally, given our year-to-date performance, we can now expect our full year operating cash flow to be at least \$550 million, up from our earlier outlook of \$500 million, and we continue to anticipate free cash flow from operations of approximately 1.2 to 1.3 times net income above our historical 1:1 ratio.

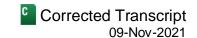
With that, let me turn the call back to Tiger.

N. V. Tyagarajan

Chief Executive Officer & Director, Genpact Ltd.

Thank you, Mike. Our results for the third quarter are a reflection of the focused long-term strategic choices we have made, the capabilities we have built organically, and added inorganically over the years are resonating well in the market. We are pleased with our performance that we believe reinforces our medium to long-term trajectory of double-digit to low teens Global Client revenue growth driven by continued momentum in Transformation Services, particularly analytics, with an expanding adjusted operating income margin and adjusted diluted earnings per share growing ahead of total revenue, all supported by strong cash flow generations.

Clients across all industries are increasingly looking to leverage data and analytics for predictive insights to drive actions and position themselves to compete in this new world. This secular trend plays to our strengths in Transformation Services that continues to power our revenue growth, led by its largest segment analytics that have been consistently growing more than 30%. The majority of our Transformation Services engagements are longer-term annuity-based work that often leads to larger intelligent operations engagements that are, of course, annuity-based by definition.



Our outcome-oriented solutions are resonating well with clients as we focus on generating value beyond just cost and productivity, which is helping us win many sole source opportunities, both with existing client relationships that are growing as well as with new logos. We are at the forefront of developing new ways of working. We are conducting many experiments across the globe with and for our clients in a variety of hybrid flexible models that allows our talent to get the benefits of being able to work from home while coming together as a team in a set rhythm to collaborate, innovate, and build on a strong team culture that we are known for.

Our clients value us for our talent practices and our ability to reskill globally and at scale. These strengths differentiate us even more in the talent market we are today. This is opening doors to many opportunities to help clients transform their business models with new cloud-based digital solutions that leverage newer commercial constructs given the changing nature of work away from traditional FTE models.

I want to thank our more than 100,000 person global team for that ongoing commitment in the relentless pursuit of a world that works better for people. I'm very proud of the work we are doing and the impact our global teams have for our clients, our colleagues, our shareholders, and the communities we live in. And I'm very excited about the opportunities ahead of us. Thank you.

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

Roger Sachs

Head-Investor Relations, Genpact Ltd.

Thank you, Tiger. I'd now like to open up our call for your questions. Mika, can you please provide the instructions?

QUESTION AND ANSWER SECTION

Operator: Absolutely. Okay. [Operator Instructions] Your first question comes from the line of Dave Koning from Baird. Your line is now open.

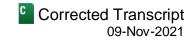
Yeah. Hey, guys. Great job.	David John Koning Analyst, Robert W. Baird & Co., Inc.	C
	Yeah. Hey, guys. Great job.	

N. V. Tyagarajan
Chief Executive Officer & Director, Genpact Ltd.

Thank you, Dave. Thank you.

David John Koning Analyst, Robert W. Baird & Co., Inc.

Yeah. And I guess first of all, the momentum has been really good. You got to the 10%-plus Global Client two quarters early, you got there last quarter, you're continuing this quarter. I guess I'm wondering is – is kind of your post ramp up kind of post-COVID, is it fully at scale now and we can just kind of expect that level to keep going? Or is there more to come? I know you said kind of low teens is possible, like do you fully expect that kind of recurring growth to happen kind of into next year as we think about next year?



N. V. Tyagarajan

Chief Executive Officer & Director, Genpact Ltd.

So, Dave, thank you. And let's talk a little bit about the medium to long-term rather than next year. As I reiterated on my script, the medium to long-term, we continue to believe Global Client double-digit to low teens is the trajectory we are back on to. Obviously, last year with the pandemic, we didn't grow as much. But otherwise, we've been on that long-term trajectory for many years now and we think we are back on to that trajectory. So we feel very good.

I agree that we got there a couple of quarters earlier than originally we had thought as we concluded last year and started this year. And therefore, we feel good about inflows, about our pipeline, about bookings, about the mix of our business and the fact that it's pervasive across all our industries, including by the way banking and capital markets, which if you take out the impact of the one client we talked about end of 2020 is actually doing very well.

David John Koning

Analyst, Robert W. Baird & Co., Inc.

Great. Thanks for that. And maybe just the second one, I know the way you kind of set up guidance is for Q4 to be lower margin than the rest of the year. Is – like when we think of the gross margin part of it being lower in Q4, is any of that just having to do with wage inflation? Or can we kind of look at this year's baseline and kind of think the full year is more how to think about next year rather than how the trends go into Q4?

Michael Weiner

Chief Financial Officer, Genpact Ltd.

Yeah. So, hi, Dave. It's Mike. That's exactly how we're thinking about it. So when we talked about the baseline for AOI at 16.5%, you can make the same case for our gross margin as we go forward. We see a lot of things happening in the latter part of the year. Notably, the thing that we're most interested in is we're seeing travel and activity pickup, investment in our accounts pickup, I mean that's all driving that margin as we go forward. So we look to use that as a baseline to jump into next year.

David John Koning

Analyst, Robert W. Baird & Co., Inc.

Awesome. Thanks. Great job, guys.

N. V. Tyagarajan

Chief Executive Officer & Director, Genpact Ltd.

Thank you, Dave. Thank you.

Operator: Your next question comes from the line of Maggie Nolan from William Blair. Your line is now open.

Maggie Nolan

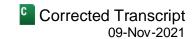
Analyst, William Blair & Co. LLC

Thank you and congrats. I wanted to...

N. V. Tyagarajan

Chief Executive Officer & Director, Genpact Ltd.

Maggie, thank you. Thank you.



Maggie Nolan

Analyst, William Blair & Co. LLC

... delve up on Dave's first question a little bit, about kind of the sustainability of growth. Tiger, did you say that the analytics piece of TS was growing at 30% or was that TS in general? And then can you comment on the sustainability of that growth rate given that it's quite high and we've seen that increase demand for analytics coming through in post-pandemic?

N. V. Tyagarajan

Chief Executive Officer & Director, Genpact Ltd.

Yeah. So, the overall TS growth has been 30% for Global Clients. And within that, analytics clearly is above that. So, it's a leading engine of our growth and it's now – actually for quite a few quarters now, it's the largest segment of TS. So, it's always good to have the largest segment of the Transformation Services business also be the fastest growing. Transformation Services itself is growing at 30%. All very good.

Obviously, as that business continues to scale, I'm not – I don't want to presuppose that 30% growth is going to be something that we can expect longer term. I think the way it'll play out is the way we described it which is the fact is every enterprise that we are working with in every industry is figuring out a way to leverage data and analytics for insights and actions on a real-time predictive basis in order to add value to their customers and differentiate themselves in the marketplace. That's the world we are in right now, and that secular trend I would argue is here for the next 10 years to stay.

So the whole analytics engine and the value we bring to clients in driving that insights and benchmarks and the ability to then convert it into actions and decisions and then deliver outcomes, which is where we really differentiate ourselves. It's not just the insights we produce, but it's the outcomes we deliver. And more and more, some of our commercial constructs are getting paid for their outcomes. That's what makes us feel really good.

Maggie Nolan

Analyst, William Blair & Co. LLC

Okay. Thanks, Tiger. And then, you both were referencing the GE divestitures and the results and there's obviously more change to come with that client. So, can you talk a little bit about when large customers have significant restructurings or the like, talk about your success historically navigating the risk and opportunity that comes out of that?

N. V. Tyagarajan

Chief Executive Officer & Director, Genpact Ltd.

No. It's a great question, Maggie. And no surprise, after this morning's announcement with our large client, GE, it's a question that is obvious. One of the most interesting things about our history is that we've really created amazing playbook that helps our clients allow real flexibility as they acquire businesses and spin-off businesses, separate themselves into independent companies. We've seen that again and again in a variety of industries, a set of consumer goods companies where we've actually participated in that separation. They separated often to companies. Some of them listing separately. Pharma companies, some of our largest pharma companies have listed independent companies recently in the last three or four years and we've been in the middle of all those separations given the work that we do in finance, in procurement, in supply chain, in some of the regulatory work.

And then, of course, talking about GE. As GE went through its divestitures of the various GE Capital businesses and then subsequently a number of the industrial businesses over the last three to four years in almost a majority of them, we've ended up with new contracts, with new clients, and then set that up for growth. So, we really have



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a very good playbook. Our relationship with the GE businesses is very strong and we continue to find ways to add value to GE. So, I think we're very well-positioned to continue to add value to GE as they undertake their transformation journey.

transistination journey.		
Maggie Nolan Analyst, William Blair & Co. LLC	Q	
All right. Thank you, Tiger.		
N. V. Tyagarajan Chief Executive Officer & Director, Genpact Ltd.	A	
Thank you, Maggie.		
Operator: Your next question comes from the line of Ashwin Shirvaikar from Citi. Your line is no	ow open.	
Ryan E. Potter Analyst, Citigroup Global Markets, Inc.	Q	
Hey, it's Ryan Potter on for Ashwin. I was wondering		
N. V. Tyagarajan Chief Executive Officer & Director, Genpact Ltd.	А	
Hey, Ryan.	~ `	
Ryan E. Potter Analyst, Citigroup Global Markets, Inc.	Q	
if you could give some – hey. I was wondering if you could give some – more color on the sale you still seeing a good mix of some larger and more complex deals, as well as first time outsource through the pipeline? And the deal that you've closed in the quarter, have you seen decision cycle at all?	cers going	
N. V. Tyagarajan Chief Executive Officer & Director, Genpact Ltd.	A	
No. Actually, a little bit of the answer, Ryan, is going to be it's boring, same old, same old. The most between large complex deals and regular deals is pretty consistent, as it's been in the last few quaternew logos and growing existing large relationships and scaling them, similar mix that we past, cycle times are pretty consistent. They've been very steady as we went through the prior quarter. So all very steady-eddie as we've gone through the third quarter and into the fourth	uarters. The mix e've seen in the uarter as well as	

Ryan E. Potter

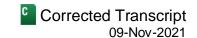
Analyst, Citigroup Global Markets, Inc.

Got it. And then have you guys given any more thought to what the future working model might look like going forward? Is that likely to be some hybrid of work from home and office? And does a more remote workforce allow you to now more easily enter some newer telemarkets that you weren't able to enter before?

N. V. Tyagarajan

Chief Executive Officer & Director, Genpact Ltd.





I think, Ryan, it's a great question. I think as I described in my prepared remarks, we are — as we see conducting a whole set of experiments, so think about experiments by different clients in different industry, some regulated, some not regulated, clients where we provide services from different geographies ranging from India to Philippines to Europe, to onshore, the US, to China into markets across the globe; and then various types of services from order management, supply chain, insurance claims, financial crimes and risk to receivables management, sourcing and procurement. And all those experiments are figuring out the right design for what kind of work and what stage of the work in a month, in a quarter, in a year should be done from where and what's the best design.

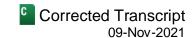
And we think it's going to be dependent on various clients' appetite for how that design will work. We're already seeing some client discussions gravitate to almost the entire work being done remotely. And for the same type of work, other clients actually saying that 90% of the work will be done from an office environment. If you were to ask me, I would say it would broadly land somewhere in the middle in a flexible, hybrid model with a clear understanding that we will bring teams back together into an office kind of an environment where we will have them innovate, brainstorm, create solutions, build team bonding and collaboration that is necessary, to build a culture and apprenticeship that is necessary, to build the talent and reskilling that we need as we continue to go forward. So I think the world is still in experimental mode. I don't think there's a definitive, deterministic answer to the question that you just had. And the good news for us is that we have so many of these going on that will shape the answer for a lot of our clients actually.

Ryan E. Potter Analyst, Citigroup Global Markets, Inc.	Q
Thank you.	
Roger Sachs Head-Investor Relations, Genpact Ltd.	A
Thanks, Ryan.	
Operator : [Operator Instructions] Your next question comes from the is now open.	line of Bryan Bergin from Cowen. Your line
Zack Ajzenman Analyst, Cowen and Company, LLC	Q

Hi. Thanks. This is Zack Ajzenman on for Bryan. First question from us on gross margin, how should we think about the puts and takes on structurally higher gross margins, particularly as transformation services continues to become a larger part of the mix?

Michael Weiner Chief Financial Officer. Genpact Ltd.

So a number of things. Hi. This is Mike talking. So gross margin, there are a number of puts and takes to go with it. You're right in the sense that potentially there are some higher margin and lower margin implications associated with wages there, but you have also productivity that goes against it. And as we grow, the operating leverage on the business kind of normalizes for all of those things. So when we kind of think about it in totality, why we're having the hypergrowth in TS as we like to think about it the leverage that we have in some of the other businesses and the productivity kind of normalizes it. So I don't see that as a big risk as we go forward.



Zack Ajzenman

Analyst, Cowen and Company, LLC

Got it. And, Mike, maybe while we have you, just looking for some of your early observations on Genpact, any areas that you expect to spend a lot of time on over the next 12 months or so, just kind of looking for you to shed some light. And also, as it relates to the capital allocation program, how do you weigh investments in the current business environment both organic and inorganic versus share repos particularly given the valuation discount here versus peers?

Michael Weiner

Chief Financial Officer, Genpact Ltd.

Yeah. So we're going through our typical process that we look at. And we don't look capital allocation in any kind of 90-day increment of the quarter, right? So we're going to allocate our capital, first and foremost, to supporting our business organically then looking for inorganic acquisitions that will support the strategy of our business and becoming more relevant to our client and growing the business. But to the extent that those two don't come to fruition again, not over any 90-day period of time, we'll continue to look at repurchasing the shares particularly when we see it as attractive levels from an intrinsic value perspective.

Zack Ajzenman

Analyst, Cowen and Company, LLC

Got it. Thanks.

Michael Weiner

Chief Financial Officer, Genpact Ltd.

Really no change to what was done prior.

Zack Ajzenman

Analyst, Cowen and Company, LLC

Understood.

Operator: Your next question comes from the line of Bryan Keane from Deutsche Bank. Your line is now open.

Bryan C. Keane

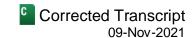
Analyst, Deutsche Bank Securities, Inc.

Hi, guys. I just want to ask about attrition, I mean it's an industry-wide issue. Do you feel like you have a handle on it that it starts to come down next quarter? Or is this going to be a multi-quarter process and some of the things you're doing to bring attrition back down?

N. V. Tyagarajan

Chief Executive Officer & Director, Genpact Ltd.

So, Bryan, it's a great question. I think, number one, it's an industry-wide. And then when I say industry and you probably also meant the same thing, we're not talking about our industry, we're talking about all industries. Some of the talent that we're looking for and our competitors are looking for are the same talent that our clients are looking for. And that cuts across supply chain, that cuts across data, data engineering, analytics, digital. And that cut across almost all geographies. So will that come down in the next quarter? I don't think I would necessarily assume that. And the good news is I don't think we need to assume that.



The current attrition levels that we have, we have clearly demonstrated that we can manage both the hiring engine as well as the redeployment and training and reskilling engine to really deliver both to existing clients as well as our new solutions and bookings.

Here is the interesting thing that as we slice and dice our attrition that it's important to remember and understand. Our attrition is the highest at the lowest levels of the company. At the easiest skill levels of the company is where the attrition is the highest. Those levels are where it's easier for us to hire fresh talent and train them and then deploy them. As we go up to more skill levels, as we go up into more managerial levels and leadership levels, our attrition drops off materially and systematically. It also goes back a little bit to the history of the company and the strength that we've always had on talent management, our people practices, our HR practices, the focus we've had historically on training and development and career pathing.

And then the recent focus over the last four years on our talent and training and development and learning platform on-demand, self-service, Genome, that's really been one of the hallmarks of the way we build talent. I mean, just that data analytics program that I described in my prepared remarks is a fabulous example of the way 70% of our workforce are actually at the moment as we speak going through that program with 43,000 of them already certified. And that's a huge benefit for our clients. We're all trying to scale analytics. So, yes, attrition could continue at these levels for some more quarters as the demand supply stabilizes, but we feel very comfortable about our ability to manage through that.

Bryan C. Keane

Analyst, Deutsche Bank Securities, Inc.

But it doesn't seem like there's a surplus of demand that you can't fulfill that attrition is becoming a problem where you can't get the folks trained enough to do the demand that's out there.

N. V. Tyagarajan

Chief Executive Officer & Director, Genpact Ltd.

No. I would say, Bryan, that's certainly true across the board at a total level. Clearly, there'll be pockets where you have a demand, where you are — where you need to redeploy and move people around to fulfill supply. But one of the advantages of 100,000 people is that you have scale. By the way, one of the opportunities that I talked about is the fact that our clients do not have access to that scale. So one of the reasons we are finding a tailwind in the industry is the current talent situation provides an opportunity for our clients to actually leverage people like us to be able to deal with the current situation. So we provide a capability for our clients to actually access that kind of talent.

Bryan C. Keane

Analyst, Deutsche Bank Securities, Inc.

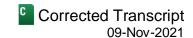
Great. All right. Congrats on the solid execution.

Operator: There are no further question at this time. I will turn it over back to Roger Sachs.

Roger Sachs

Head-Investor Relations, Genpact Ltd.

Thank you, everybody, for joining us today, and we look forward to speaking with you again next quarter.



Operator: This concludes today's conference call. Thank you for participating. You may now disconnect.

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