



# genpact

## Genpact Reports Results for the Second Quarter of 2014

July 31, 2014

**Revenues of \$561.6 Million, Up 5.0%**  
**Adjusted Income from Operations of \$87.6 Million**  
**Cash Flow from Operations of \$78.8 Million**

NEW YORK, July 31, 2014 /PRNewswire/ -- Genpact Limited (NYSE: G), a global leader in designing, transforming and running business processes and operations, today announced financial results for the second quarter ended June 30, 2014.

### **Key Financial Results – Second Quarter 2014**

- Revenues were \$561.6 million, up 5.0% from \$534.8 million in the second quarter of 2013. Revenues from Global Clients were up 6.8%, and business process outsourcing (BPO) revenues from Global Clients were up 8.7%.
- Income from operations was \$73.1 million compared to \$78.0 million in the second quarter of 2013.
- Adjusted income from operations was \$87.6 million, compared to \$89.2 million in the second quarter of 2013.
- Adjusted income from operations margin was 15.6%, compared to 16.7% in the second quarter of 2013.
- Net income attributable to Genpact Limited shareholders was \$49.0 million compared to \$63.9 million in the second quarter of 2013.
- Diluted earnings per common share were \$0.22, compared to \$0.27 in the second quarter of 2013.
- Adjusted diluted earnings per share were \$0.27, compared to \$0.32 in the second quarter of 2013.

**N.V. 'Tiger' Tyagarajan, Genpact's president and CEO said,** "Genpact delivered solid results in the second quarter of 2014. Our revenue growth and adjusted operating income and net income levels are all tracking in line with our expectations. We are being disciplined in executing our strategy, with a particular emphasis on investments in our chosen verticals, geographies and service lines. Our increased focus has resulted in signing two large deals this past quarter in our chosen areas. Additionally, in line with our capital allocation objectives, we purchased \$303 million of our shares during the quarter, at \$17.50 per share."

Revenues from Global Clients grew 6.8% over the second quarter of 2013. BPO revenues from Global Clients grew by 8.7%, led by growth in the consumer packaged goods, life sciences, insurance and capital markets verticals. Revenues from Global Clients represented approximately 78.7% of Genpact's total revenues, or \$441.8 million, with the remaining 21.3% of revenues, or \$119.8 million, coming from GE. GE revenues decreased 1.2% from the second quarter of 2013, adjusted for dispositions by GE of businesses that Genpact continues to serve as Global Clients.

In the 12 months ending June 30, 2014, Genpact grew client relationships with revenues over \$5 million to 85 from 81 as of June 30, 2013. This includes client relationships with more than \$15 million in annual revenue increasing from 26 to 27, and client relationships with more than \$25 million in annual revenue increasing from 12 to 14.

75.6% of Genpact's revenues for the quarter came from BPO services, up from 75.1% in the second quarter of 2013. Revenues from IT services were 24.4% of total revenues for the quarter, compared to 24.9% in the second quarter of 2013.

Genpact generated \$78.8 million of cash from operations in the quarter, up from \$76.1 million in the second quarter of 2013. Genpact had approximately \$376.8 million in cash and cash equivalents as of June 30, 2014.

As of June 30, 2014, Genpact had approximately 66,900 employees worldwide, up from approximately 60,200 as of June 30, 2013. Genpact's employee attrition rate for the quarter was approximately 26%, measured from the first day of employment, down from 27% for the same period in 2013. Annualized revenue per employee for the quarter was \$35,600, compared to \$36,700 for the three months ended June 30, 2013.

### **Year-to-Date Results**

- Revenues were \$1.090 billion, up 4.9% from \$1.039 billion for the six months ended June 30, 2013.
- Income from operations was \$150.3 million, compared to \$151.9 million in the six months ended June 30, 2013.
- Adjusted income from operations was \$173.9 million, up from \$171.9 million for the six months ended June 30, 2013.
- Adjusted income from operations margin was 16.0%, compared to 16.6% for the six months ended June 30, 2013.
- Net income attributable to Genpact Limited shareholders was \$99.6 million, compared to \$110.6 million for the six months ended June 30, 2013.
- Diluted earnings per common share were \$0.43, compared to \$0.47 for the six months ended June 30, 2013.



*Current assets*

|   |           |                  |           |                  |
|---|-----------|------------------|-----------|------------------|
| Cash and cash equivalents                   | \$        | 571,276          | \$        | 376,802          |
| Accounts receivable, net                    |           | 504,714          |           | 531,093          |
| Accounts receivable from related party, net |           | 403              |           | 24               |
| Deferred tax assets                         |           | 60,638           |           | 44,118           |
| Prepaid expenses and other current assets   |           | 139,113          |           | 189,018          |
| <b>Total current assets</b>                 | <b>\$</b> | <b>1,276,144</b> | <b>\$</b> | <b>1,141,055</b> |
| Property, plant and equipment, net          |           | 173,204          |           | 176,282          |
| Deferred tax assets                         |           | 89,305           |           | 65,866           |
| Investment in equity affiliates             |           | 384              |           | 450              |
| Intangible assets, net                      |           | 99,116           |           | 122,395          |
| Goodwill                                    |           | 953,849          |           | 1,072,070        |
| Other assets                                |           | 97,365           |           | 110,062          |
| <b>Total assets</b>                         | <b>\$</b> | <b>2,689,367</b> | <b>\$</b> | <b>2,688,180</b> |

**GENPACT LIMITED AND ITS SUBSIDIARIES**  
Consolidated Balance Sheets  
(Unaudited)  
(In thousands, except per share data and share count)

|  | As of December 31,<br>2013 | As of June<br>30,<br>2014 |
|--|----------------------------|---------------------------|
|--|----------------------------|---------------------------|

**Liabilities and equity***Current liabilities*

|   |           |                |                |
|---|-----------|----------------|----------------|
| Short-term borrowings                           | \$        | —\$            | 175,000        |
| Current portion of long-term debt               |           | 4,263          | 4,275          |
| Current portion of capital lease obligations    |           | 1,405          | 1,575          |
| Accounts payable                                |           | 18,412         | 17,490         |
| Income taxes payable                            |           | 15,007         | 35,148         |
| Deferred tax liabilities                        |           | 614            | 616            |
| Accrued expenses and other current liabilities  |           | 421,992        | 406,143        |
| <b>Total current liabilities</b>                | <b>\$</b> | <b>461,693</b> | <b>640,247</b> |
| Long-term debt, less current portion            |           | 653,601        | 651,451        |
| Capital lease obligations, less current portion |           | 2,657          | 2,993          |
| Deferred tax liabilities                        |           | 4,464          | 5,431          |

|   |  |                     |                     |
|---|--|---------------------|---------------------|
| Other liabilities   |  | 242,884             | 182,253             |
| <b>Total liabilities</b>  |  | <b>\$ 1,365,299</b> | <b>\$ 1,482,375</b> |
| <b>Shareholders' equity</b>   |  |                     |                     |
| Preferred shares, \$0.01 par value, 250,000,000 authorized, none issued   |  | —                   | —                   |
| Common shares, \$0.01 par value, 500,000,000 authorized, 231,262,576 and 216,314,379 issued and outstanding as of December 31, 2013 and June 30, 2014, respectively |  | 2,310               | 2,160               |
| Additional paid-in capital  |  | 1,268,344           | 1,275,127           |
| Retained earnings   |  | 511,699             | 306,301             |
| Accumulated other comprehensive income (loss)   |  | (459,614)           | (377,887)           |
| <b>Genpact Limited shareholders' equity</b>   |  | <b>\$ 1,322,739</b> | <b>\$ 1,205,701</b> |
| Noncontrolling interest   |  | 1,329               | 104                 |
| <b>Total equity</b>   |  | <b>\$ 1,324,068</b> | <b>\$ 1,205,805</b> |
| <b>Total liabilities and equity</b>   |  | <b>\$ 2,689,367</b> | <b>\$ 2,688,180</b> |

#### GENPACT LIMITED AND ITS SUBSIDIARIES

Consolidated Statements of Income  
(Unaudited)  
(In thousands, except per share data and share count)

|  | Three months ended June 30, |                   | Six months ended June 30, |                   |
|--|-----------------------------|-------------------|---------------------------|-------------------|
|  | 2013                        | 2014              | 2013                      | 2014              |
| <b>Net revenues</b>  |                             |                   |                           |                   |
| Net revenues from services – others  | \$ 534,614                  | \$ 561,540        | \$ 1,038,271              | \$ 1,089,659      |
| Net revenues from services - related party   | 190                         | 71                | 381                       | 142               |
| <b>Total net revenues</b>  | <b>534,804</b>              | <b>561,611</b>    | <b>1,038,652</b>          | <b>1,089,801</b>  |
| <b>Cost of revenue</b>   |                             |                   |                           |                   |
| Services   | 332,714                     | 340,125           | 644,440                   | 664,414           |
| <b>Total cost of revenue</b>   | <b>332,714</b>              | <b>340,125</b>    | <b>644,440</b>            | <b>664,414</b>    |
| <b>Gross profit</b>  | <b>\$ 202,090</b>           | <b>\$ 221,486</b> | <b>\$ 394,212</b>         | <b>\$ 425,387</b> |
| <i>Operating expenses:</i>   |                             |                   |                           |                   |
| Selling, general and administrative expenses                                       | 118,403                     | 142,715           | 231,627                   | 265,213           |
| Amortization of acquired intangible assets   | 6,185                       | 6,610             | 11,736                    | 12,628            |
| Other operating (income) expense, net  | (486)                       | (890)             | (1,088)                   | (2,752)           |
| <b>Income from operations</b>  | <b>\$ 77,988</b>            | <b>\$ 73,051</b>  | <b>\$ 151,937</b>         | <b>\$ 150,298</b> |
| Foreign exchange (gains) losses, net   | (17,184)                    | 3,829             | (13,802)                  | 7,422             |
| Other income (expense), net  | (10,539)                    | (6,505)           | (15,650)                  | (13,038)          |
| <b>Income before equity-method investment activity, net and income tax expense</b> | <b>\$ 84,633</b>            | <b>\$ 62,717</b>  | <b>\$ 150,089</b>         | <b>\$ 129,838</b> |
| Equity-method investment activity, net   | (63)                        | (34)              | (107)                     | (54)              |
| <b>Income before income tax expense</b>  | <b>\$ 84,696</b>            | <b>\$ 62,751</b>  | <b>\$ 150,196</b>         | <b>\$ 129,892</b> |

|  |           |               |                  |                   |                  |
|--|-----------|---------------|------------------|-------------------|------------------|
| Income tax expense   |           | 19,234        | 13,851           | 36,482            | 30,139           |
| <b>Net Income</b>  | <b>\$</b> | <b>65,462</b> | <b>\$ 48,900</b> | <b>\$ 113,714</b> | <b>\$ 99,753</b> |
| Net income attributable to noncontrolling interest   |           | 1,586         | (84)             | 3,101             | 156              |
| <b>Net income attributable to Genpact Limited shareholders</b>   | <b>\$</b> | <b>63,876</b> | <b>\$ 48,984</b> | <b>\$ 110,613</b> | <b>\$ 99,597</b> |
| Net income available to Genpact Limited common shareholders  | <b>\$</b> | <b>63,876</b> | <b>\$ 48,984</b> | <b>\$ 110,613</b> | <b>\$ 99,597</b> |
| Earnings per common share attributable to Genpact Limited common shareholders  |           |               |                  |                   |                  |
| Basic  | \$        | 0.28          | \$ 0.23          | \$ 0.48           | \$ 0.44          |
| Diluted  | \$        | 0.27          | \$ 0.22          | \$ 0.47           | \$ 0.43          |
| Weighted average number of common shares used in computing earnings per common share attributable to Genpact Limited common shareholders |           |               |                  |                   |                  |
| Basic  |           | 229,237,503   | 217,541,960      | 228,232,364       | 224,817,938      |
| Diluted  |           | 235,329,303   | 221,509,867      | 234,475,027       | 229,392,759      |

**GENPACT LIMITED AND ITS SUBSIDIARIES**  
Consolidated Statements of Cash Flows  
(Unaudited)  
(In thousands)

|   | <b>Six months ended June 30,</b> |                     |
|---|----------------------------------|---------------------|
|   | <b>2013</b>                      | <b>2014</b>         |
| <b>Operating activities</b>   |                                  |                     |
| Net income attributable to Genpact Limited shareholders   | <b>\$ 110,613</b>                | <b>\$ 99,597</b>    |
| Net income attributable to noncontrolling interest  | 3,101                            | 156                 |
| <b>Net income</b>   | <b>\$ 113,714</b>                | <b>\$ 99,753</b>    |
| <i>Adjustments to reconcile net income to net cash provided by (used for) operating activities:</i> |                                  |                     |
| Depreciation and amortization   | 27,318                           | 24,994              |
| Amortization of debt issue costs (including loss on extinguishment of debt)                         | 4,392                            | 1,610               |
| Amortization of acquired intangible assets  | 11,736                           | 12,628              |
| Reserve for doubtful receivables  | 5,070                            | 1,719               |
| Unrealized (gain) loss on revaluation of foreign currency asset/liability                           | (14,067)                         | (807)               |
| Equity-method investment activity, net  | (107)                            | (54)                |
| Stock-based compensation expense  | 16,619                           | 11,879              |
| Deferred income taxes   | 1,589                            | (322)               |
| Others, net   | 6,087                            | 895                 |
| <i>Change in operating assets and liabilities:</i>  |                                  |                     |
| Increase in accounts receivable   | (25,492)                         | (15,110)            |
| Increase in other assets  | (25,385)                         | (37,870)            |
| Decrease in accounts payable  | (3,060)                          | (5,222)             |
| Decrease in accrued expenses and other current liabilities  | (33,809)                         | (7,788)             |
| Increase in income taxes payable  | 18,826                           | 18,939              |
| Increase (Decrease) in other liabilities  | 4,244                            | (12,178)            |
| <b>Net cash provided by operating activities</b>  | <b>\$ 107,675</b>                | <b>\$ 93,066</b>    |
| <b>Investing activities</b>   |                                  |                     |
| Purchase of property, plant and equipment   | (25,635)                         | (29,657)            |
| Proceeds from sale of property, plant and equipment   | 283                              | 129                 |
| Short term deposits placed  | (36,769)                         | —                   |
| Redemption of short term deposits   | 36,769                           | —                   |
| Payment for business acquisitions, net of cash acquired   | (46,134)                         | (123,701)           |
| Proceeds from divestiture of business, net of cash divested   | (1,049)                          | —                   |
| <b>Net cash used for investing activities</b>   | <b>\$ (72,535)</b>               | <b>\$ (153,229)</b> |
| <b>Financing activities</b>   |                                  |                     |

|  |                   |                     |
|--|-------------------|---------------------|
| Repayment of capital lease obligations                                       | (874)             | (896)               |
| Proceeds from long-term debt   | 121,410           | —                   |
| Repayment of long-term debt  | (119,723)         | (3,375)             |
| Proceeds from Short-term borrowings  | 35,000            | 195,000             |
| Repayment of Short-term borrowings   | —                 | (20,000)            |
| Proceeds from issuance of common shares under stock based compensation plans | 27,478            | 8,329               |
| Payment for net settlement of stock-based awards                             | (7,521)           | (14,345)            |
| Payment of earn-out consideration  | (2,993)           | —                   |
| Cost incurred in relation to debt amendment and refinancing                  | (7,908)           | —                   |
| Distribution to noncontrolling interest                                      | (3,242)           | (1,371)             |
| Expenses related to stock purchase   | —                 | (2,543)             |
| Stock purchased and retired  | —                 | (302,625)           |
| <b>Net cash provided by (used for) financing activities</b>                  | <b>\$ 41,627</b>  | <b>\$ (141,826)</b> |
| Effect of exchange rate changes  | (16,868)          | 7,515               |
| Net increase (decrease) in cash and cash equivalents                         | 76,767            | (201,989)           |
| Cash and cash equivalents at the beginning of the period                     | 459,228           | 571,276             |
| <b>Cash and cash equivalents at the end of the period</b>                    | <b>\$ 519,127</b> | <b>\$ 376,802</b>   |
| <b>Supplementary information</b>   |                   |                     |
| Cash paid during the period for interest                                     | \$ 18,474         | \$ 12,828           |
| Cash paid during the period for income taxes                                 | \$ 38,909         | \$ 37,176           |
| Property, plant and equipment acquired under capital lease obligation        | \$ 1,385          | \$ 1,305            |

### **Reconciliation of Adjusted Non-GAAP Financial Measures to GAAP Measures**

To supplement the consolidated financial statements presented in accordance with GAAP, this press release includes the following measures defined by the Securities and Exchange Commission as non-GAAP financial measures:

- Adjusted income from operations;
- Adjusted net income attributable to shareholders of Genpact Limited, or adjusted net income; and
- Adjusted diluted earnings per share attributable to shareholders of Genpact Limited, or adjusted diluted earnings per share.

These non-GAAP financial measures are not based on any comprehensive set of accounting rules or principles and should not be considered a substitute for, or superior to, financial measures calculated in accordance with GAAP, and may be different from non-GAAP financial measures used by other companies. In addition, these non-GAAP financial measures, the financial statements prepared in accordance with GAAP and the reconciliations of Genpact's GAAP financial statements to such non-GAAP financial measures should be carefully evaluated.

Prior to July 2012, Genpact's management used financial statements that excluded significant acquisition related expenses and amortization of related acquired intangibles for its internal management reporting, budgeting and decision making purposes, including comparing Genpact's operating results to that of its competitors. However, considering Genpact's frequent acquisitions of varying scale and size, and the difficulty in predicting expenses relating to acquisitions and amortization of acquired intangibles thereof, since July 2012 Genpact's management uses financial statements that exclude all acquisition related expenses and amortization of acquired intangibles for its internal management reporting, budgeting and decision making purposes, including comparing Genpact's operating results to that of its competitors. Acquisition related expenses are excluded in the period in which an acquisition is consummated.

Additionally, Genpact's management uses financial statements that exclude stock-based compensation expense and amortization of acquired intangibles at formation in 2004. Because of varying available valuation methodologies, subjective assumptions and the variety of award types that companies can use when adopting ASC 718 "Compensation-Stock Compensation," Genpact's management believes that providing non-GAAP financial measures that exclude the above expenses allows investors to make additional comparisons between Genpact's operating results and those of other companies. Genpact also believes that it is unreasonably difficult to provide its financial outlook in accordance with GAAP for a number of reasons including, without limitation, its inability to predict its stock-based compensation expense under ASC 718, the amortization of intangibles associated with further acquisitions and acquisition related expenses. Accordingly, Genpact believes that the presentation of adjusted income from operations and adjusted net income, when read in conjunction with the Company's reported results, can provide useful supplemental information to investors and management regarding financial and business trends relating to its financial condition and results of operations.

A limitation of using adjusted income from operations and adjusted net income versus income from operations and net income calculated in accordance with GAAP is that these non-GAAP financial measures exclude a recurring cost, namely stock-based compensation. Management compensates for this limitation by providing specific information on the GAAP amounts excluded from adjusted income from operations and adjusted net income.

The following tables show the reconciliation of these adjusted financial measures from GAAP for the three and six months ended June 30, 2013 and 2014:

### **Reconciliation of Adjusted Income from Operations**

(Unaudited)  
(In thousands)

| Three months ended June<br>30, | Six months ended June<br>30, |
|--------------------------------|------------------------------|
|--------------------------------|------------------------------|

|  | <b>2013</b>      | <b>2014</b>      | <b>2013</b>       | <b>2014</b>       |
|--|------------------|------------------|-------------------|-------------------|
| Income from operations per GAAP  | \$ 77,988        | \$ 73,051        | \$ 151,937        | \$ 150,298        |
| Add: Amortization of acquired intangible assets resulting from Formation Accounting and acquisitions | 4,854            | 5,010            | 9,070             | 9,501             |
| Add: Acquisition related expenses  | —                | 1,977            | —                 | 1,977             |
| Add: Stock based compensation  | 10,093           | 6,906            | 16,619            | 11,879            |
| Add: Other income (expense)  | 709              | 517              | 979               | 386               |
| Less: Provision for loss on Divestitures   | (2,945)          | —                | (3,661)           | —                 |
| Add: Gain (Loss) on Equity-method investment activity, net   | 63               | 34               | 107               | 54                |
| Less/Add: Net (income) loss attributable to noncontrolling interest                                  | (1,586)          | 84               | (3,101)           | (156)             |
| Adjusted income from operations  | <b>\$ 89,176</b> | <b>\$ 87,579</b> | <b>\$ 171,950</b> | <b>\$ 173,939</b> |

### Reconciliation of Adjusted Net Income

(Unaudited)

(In thousands, except per share data)

|   | <b>Three months ended June 30,</b> |                  | <b>Six months ended June 30,</b> |                   |
|---|------------------------------------|------------------|----------------------------------|-------------------|
|   | <b>2013</b>                        | <b>2014</b>      | <b>2013</b>                      | <b>2014</b>       |
| Net income per GAAP   | \$ 63,876                          | \$ 48,984        | \$ 110,613                       | \$ 99,597         |
| Add: Amortization of acquired intangible assets resulting from Formation Accounting and acquisitions          | 4,854                              | 5,010            | 9,070                            | 9,501             |
| Add: Acquisition related expenses   | —                                  | 1,977            | —                                | 1,977             |
| Add: Stock based compensation   | 10,093                             | 6,906            | 16,619                           | 11,879            |
| Less: Tax impact on amortization of acquired intangibles resulting from Formation Accounting and acquisitions | (1,552)                            | (1,631)          | (2,855)                          | (3,107)           |
| Less: Tax impact on acquisition related expenses  | —                                  | (53)             | —                                | (53)              |
| Less: Tax impact on stock based compensation  | (2,605)                            | (1,751)          | (4,295)                          | (3,056)           |
| <b>Adjusted net income</b>  | <b>\$ 74,666</b>                   | <b>\$ 59,442</b> | <b>\$ 129,152</b>                | <b>\$ 116,738</b> |
| Adjusted diluted earnings per share   | \$ 0.32                            | \$ 0.27          | \$ 0.55                          | \$ 0.51           |

Logo - <http://photos.prnewswire.com/prnh/20140627/122419>

SOURCE Genpact Limited