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PRESENTATION

Operator

Good day, ladies and gentlemen. Welcome to the Third Quarter 2019 Genpact Limited Earnings Conference Call. My name is Demetrius, and I will be your conference moderator for today. (Operator Instructions) We expect this call to conclude in about an hour.

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, sir.

Roger Sachs ***Genpact Limited - Head of IR***

Thank you, Demetrius, and good afternoon, everybody, and welcome to Genpact's Third Quarter Earnings Call to discuss our results for the quarter ended September 30, 2019. We hope you've had a chance to review our earnings release, which was posted to the IR section of our website, genpact.com.

Joining me in New York today are Tiger Tyagarajan, our President and Chief Executive Officer; and Ed Fitzpatrick, our Chief Financial Officer.

Our agenda for today will be as follows: Tiger will provide a high-level overview of our second quarter results, third quarter results and update you on our strategy; Ed will then discuss our financial performance in greater detail and provide an update on our outlook for the year. Tiger will then come back for some closing comments, and then we will take your questions.

And as Demetrius' just noted, we expect the call to last roughly an hour. 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 can 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. We believe these non-GAAP measures provide additional information to enhance the understanding of delayed management views the operating performance of our business. You can find a reconciliation of these measures to GAAP in today's earnings release posted to the IR section of our website.

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

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

Thank you, Roger. Good afternoon, everyone, and thank you for joining us today for our 2019 third quarter earnings call. I am very pleased with our third quarter results as we continue to see broad momentum across our business. Demand for our transformation services that feeds our annuity intelligent operations remains the primary driver of robust global client growth.

Strong operating performance led to a healthy adjusted EPS and operating cash flows during the quarter. We have embraced the experienced economy using design thinking as a level to create value across clients' operations. This has become a key factor in our many new large multiyear relationships.

We believe the pending acquisition of Rightpoint and their digital consulting team dramatically enhances our already strong capabilities in experience and further strengthens our reputation as a thought leader in this space. Specifically, during the third quarter, on a constant currency basis, total revenue increased 19%; global client revenue increased 13%; global client BPO revenue increased 14%. We also delivered adjusted operating income margin of 16% and adjusted EPS of $0.56, up 17% year-over-year.

Our chosen verticals and service lines continue to be under-penetrated, and they are being transformed by digital technologies as well as insights derived from data and analytics.

Let me share a few year-to-date and third quarter highlights that show the continued success of our strategy and execution.

Global client growth was driven by strong performance in our consumer goods retail banking capital markets and high-tech verticals. We saw continued growth in GE driven by the new large deals signed late last year as well as Transformation Services work.

Global Client Transformation Services revenue was up over 25% year-over-year. Transformation Services was systematically embedded in approximately 75% of our new deal wins, up from the 60% range in 2018, driving more digitally enabled, annuity-based intelligent operations. Approximately 40% of total revenue now consists of commercial models that are not based on FTE pricing, up from the mid-30% range a couple of years back as our solutions increasingly leverage advanced digital technologies and analytics to deliver outcomes beyond lower cost and productivity.

Our pipeline remains healthy driven by strong year-to-date inflows with a consistent contribution from large deals as in the recent past. The acquisitions of Barkawi and riskCanvas expanded our capability in supply chain services and financial crimes risk services in banking, leading to more than a fivefold increase in our pipeline for both these services where digital-led solutions create the impetus for transformation.

Our strong win rates highlight our differentiation in competitive situations. And finally, sole-source deals remain at approximately 50% of our bookings. We believe a key factor in recent large deal wins is our reputation as a transformation thought leader with the ability to deliver end-to-end domain and process-led solutions that leverage consulting and digital technologies.

Building on our proven track record of providing innovative solutions for a growing roster of iconic brands in the industries of our focus, we recently won a new strategic relationship with Cardinal Health, a major participant in the broader health care life sciences industry, where we will help transform their finance operating model.

Cardinal Health will serve as the anchor client at our new data analytics and FP&A hub in Central Ohio to drive industry-leading innovation. Leveraging Genpact's deep expertise in digital technologies, analytics, finance and operations excellence, the hub will drive industry-leading transformation in the highly underpenetrated and critical data analytics and FP&A function to enable more accurate real-time data analytics that allows better and more insightful decision-making for our clients. This new center will serve as an integral part of our growing network of innovation hubs, where we work with clients to reimagine business models.

We are seeing our market rapidly changed with experience moving front and center in many of the services we design and run for our clients. Market forces have elevated experience from primarily a front-end customer-facing need through a key strategic lever that companies see as a differentiating factor to create value across their front, middle and back-office operations. With digital transformation moving beyond the CIO, value is being created by driving true experience-led journeys that reimagine siloed organizations are seamless end-to-end enterprises. We believe the fusion of process innovation and experience innovation will help clients change the way they work and gain a competitive advantage in the markets they serve.

A few years back, we identified user and customer experience as one of the curated set of technologies that was critical to our automation to AI-based platform, Genpact Cora. We acquired TandemSeven to provide a solid stake in the ground and experience and design thinking capabilities. Over the last 2 years, the TandemSeven team has proven to be a critical differentiator in Genpact's ability to win and drive large-scale end-to-end transformation for our clients and a key source of value creation in many of the large deals we have won.

The market has validated our strategy as we have won significant deals during the last 18 months that would never have been possible without our experience capabilities leading outcomes beyond cost savings. Together with our clients, we are building and driving industry first solutions around experience-led transformation.

Just a few weeks back, we announced the pending acquisition of Rightpoint, a leading experienced digital consultancy to deepen our capabilities in this space and accelerate our ability to drive transformative outcomes for clients. With this acquisition, we believe Genpact is in a unique position to bring process and experience together in an unprecedented way to help our clients drive true end-to-end digital transformation and win in the growing experience economy. We believe our ability to connect front to middle and back offices will make a huge difference to our clients as we help orchestrate their digital transformation journeys.

I also want to update you on our partnership program that provides new routes to market, expand our new commercial model deployment and accelerate solution development by leveraging a targeted set of ecosystem players.

First, we are collaborating with Celonis to combine their leading-edge process mining technology to identify inefficiencies in customer processes. Coupled with our digital and operations expertise, we are able to provide detailed strategic road maps for our process improvements to help accelerate digital transformation.

Next, partnering with Deloitte and OneSource Virtual, we launched a novel and flexible finance-as-a-service solution called GenOne, built using Workday to scale and manage clients' finance operations in the cloud. The solution automates various transactional finance processes, freeing up time for employees to engage in higher-value work.

Given our strong year-to-date performance, our bookings, pipeline and inflows, we are confident we will achieve our double-digit to low-teen medium-term global client revenue growth target that we shared during our recent Investor Day. With that, let me turn the call over to Ed.

Edward J. Fitzpatrick ***Genpact Limited - Senior VP & CFO***

Thank you, Tiger, and good afternoon, everyone. Today, I'll review our third quarter results and provide an update on our full year financial outlook for 2019.

During the quarter, we generated total revenue of $889 million, an increase of 19% year-over-year, both on an as-reported and constant currency basis.

Overall business process outsourcing revenues, which represent 84% of our total revenue, increased 20% year-over-year. Total IT services revenue grew 12%.

Global Clients revenue was $768 million representing 86% of total revenue and increased 12% year-over-year or 13% on a constant currency basis. Within Global Clients, BPO revenue grew 14%, both on an as-reported and constant currency basis, largely driven by the impact of large deals and the growth in Transformation Services that was up over 25% in the quarter and contributed more than 25% of total Global Client revenue.

Global Client IT services revenue was up 4% year-over-year. We continue to expand relationships with our global clients across a range of our targeted industry verticals. For the 12-month period ending September 30, 2019, we grew the number of Global Client relationships with annual revenues over $15 million to 52 from 45, including client relationships with more than $25 million in annual revenue increasing to 25 from 22.

GE revenues were $121 million, up 88% year-over-year driven by the new large deal signed late last year as well as Transformation Services work.

Adjusted income from operations for the quarter grew 15% to $142 million, and our adjusted operating margin was 16% compared to 16.6% in the prior year period that included export subsidy income of $5 million. Adjusted operating income margin expanded sequentially by 60 basis points driven by higher gross margins and SG&A operating leverage.

Gross margin for the quarter was 35.5% compared to 35.6% during the same period last year. The positive impact from the improvement in Transformation Services utilization was offset by lower gross margins from the new large deals that are in the early stages of the ramp as well as higher stock-based compensation.

Total SG&A expenses were $195 million compared to $168 million in the same quarter last year. As a percentage of revenue, SG&A expenses declined year-over-year by 60 basis points primarily driven by operating leverage.

Adjusted EPS for the quarter was $0.56 compared to $0.48 last year. The $0.08 increase was driven by higher operating income of $0.07, a lower effective tax rate of $0.02 partially offset by $0.01 related to lower foreign exchange balance sheet remeasurement gains and higher net interest expense.

Our effective tax rate was 20.5% compared to 24.7% last year that was elevated due to the impact from the U.S. tax reform in 2018. The third quarter 2019 tax rate was a bit lower than we expected due to certain discrete benefits recorded during the quarter.

Now let me turn to our cash flows and balance sheet. During the quarter, we generated $220 million of cash from operations compared to $153 million last year. The incremental cash flows were driven primarily by higher operating income and the expected collection of the India export subsidy from prior periods.

DSOs of 87 days were in line with the second quarter. We continue to expect our DSOs to improve in the fourth quarter to the low- to mid-80 day range. Our cash and cash equivalents were $457 million compared to $401 million at the end of the third quarter of 2018.

Our net debt-to-EBITDA ratio for the last 4 rolling quarters was 1.4. With undrawn debt capacity of $253 million and existing cash balances, we continue to have sufficient liquidity to pursue growth opportunities and execute on our capital allocation strategy.

During the quarter, we returned $40 million of capital to shareholders. This included approximately $16 million in the form of a regular dividend of $0.085 per share. We also repurchased approximately 600,000 shares, totaling $24 million at a weighted average price of $39.29 per share during the quarter. Since we initiated our share buyback program in 2015, we have reduced our net outstanding shares by 17%. Over this period, we repurchased 37 million shares at an average price of approximately $26 per share for a total of $970 million. We currently have approximately $280 million of authorized capacity available under our share repurchase program.

Capital expenditures as a percentage of revenue was 4.1% in the third quarter compared to 5.2% during the same period last year. For the full year, we continue to expect capital expenditures to be in the range of 3% to 3.5% of revenues.

Let me update you on our full year 2019 outlook. This outlook does not include any impact from our planned acquisition of Rightpoint, which we expect to close in mid-November. We continue to expect total revenue to be between $3.46 billion and $3.5 billion representing year-over-year growth of 15% to 17% or 16% to 18% on a constant currency basis.

For global clients, expected full year revenue growth remains in the range of 10.5% to 12% on a constant currency basis. We continue to expect adjusted operating margin to be approximately 16% for the full year with continued margin improvement during the fourth quarter.

We are increasing our full year adjusted earnings per share expectation to be in the range of $2.02 to $2.04, up from our prior outlook of $2 to $2.02 due to the favorable impact from balance sheet FX remeasurement gains. With that, let me turn the call back over to Tiger for his closing comments.

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

Thank you, Ed. Our results for the third quarter are a continued reflection of our focused long-term strategic journey playing out in the marketplace. We expect to end the year strong, setting the stage for 2020 and beyond. We are continuing to deepen and grow many of our strategic relationships in all our verticals, and we expect more of them to eclipse the $100 million annual revenue level going forward.

Our targeted capability acquisitions have been a fundamental driver of our growth and accelerated our path to become a true transformation partner for our clients. With the macro uncertainty we see all around us, we like the durability and resiliency of our business model through economic cycles. Our business is primarily made up of annuity-like revenue streams derived from designing, transforming and running mission-critical operations for a set of strategic clients in the industry verticals of our choice. We take tremendous pride in our ability to help our clients navigate the many different challenges associated with the ups and downs of an economic cycle. The more we become a trusted adviser and partner, the more we can help our clients drive change, so they can better compete in their markets.

Whether reducing fraud, optimizing inventory levels, creating overall operational efficiency to increase profitability and improve working capital or providing better experience front-to-back to help drive market share gains through growing revenues, we are there to help clients through any changes in the broader economy. At the same time, we are also constantly and proactively looking inside our own operations to be sure we are in line with the best-in-class metrics. This ensures we remain agile, nimble and relevant to serve our clients in the best way possible through innovation.

Lastly, you would have seen our announcement adding Stacey Cartwright as the newest member of our Board of Directors. Stacey has an impressive track record of leading and transforming numerous companies and will be a great asset to Genpact.

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 up our call for your questions. Demetrius, can you please provide the instructions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) And our first question comes from Dave Koning with Baird.

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

I guess I was wondering, as we look kind of forward, and you talked about in the Global Client business growing kind of low double to low teens. This year was so good, does that create a little bit of a comp issue in 2020? Or is your pipeline and then plus, obviously, the acquisition, I would imagine, is on top of that, is that enough to sustain that type of growth next year?

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

So Dave, if you look at our Global Client growth, it's not been that different as we showed you in the -- during Investor Day. Actually, over the last 5 years, ever since we finished our strategic exercise 5 years back and narrow down the set of vertical services and geographies. So I wouldn't necessarily say that Global Client growth of 2019 creates a challenge for 2020. Obviously, we are, as we all know, in slightly uncertain economic times. So we'll see how that plays out. But barring any of that, our pipeline inflows, our strategic value proposition for our clients, we really feel good about all of that.

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

Great. And then just, I guess, my follow-up, gross margin has gone a long ways this year just to stabilize, which is great to see. And that's despite all the kind of ramp costs of some of the big deals. Are we to a point now where pretty soon in the future, now, you'll probably get the benefit of even leverage on some of those -- the ramps and stuff that we can actually stabilize to even improve on the gross margin?

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

Yes. I'll just kick it off, and then Ed will jump in. I think you're absolutely right, Dave, you actually pretty much hit the nail on the head. We feel very good about the stability in gross margins. Obviously, there are puts and takes on that. Clearly, the big deal, when we win a big deal, it starts typically at lower gross margins. Now going into the future, the way a typical portfolio should work is that new big deals come in, they will have pressure on gross margins. But the old big deals, so one way to think about this is, this is -- we believe this is a good, stable gross margin environment. Ed?

Edward J. Fitzpatrick ***Genpact Limited - Senior VP & CFO***

I mean I think Tiger covered it. I think we had this year, the improvement in the Transformation Services, particular consulting margins, given the challenge we had in the first half of last year, so that we feel we're in a really good place there. The large deals are ramping, so that's just mathematics. So that sets the stability.

So to the extent that we have more large deals, Tiger and I are kind of happy that we have them. So we'll deal with it and we'll have improvement in the existing accounts. And as we get new deals, we'll deal with the initially lower margins on the new deal. So we feel good about where we are in the past -- or as we get into 2020.

Operator

And our next question comes from Joseph Foresi with Cantor Fitzgerald.

Joseph Dean Foresi ***Cantor Fitzgerald & Co., Research Division - Analyst***

I just wanted to get a sense of and I know it's a little bit early to be asking for it, but any goalposts around how we should think about the model for 2020? I think in the past, we've talked about GE maybe moderating to a more normal, plus or minus 2% or 3%. It sounds like the pipeline is good enough to support that double-digit Global Client growth. We've always talked about margins sort of slightly going up. But I wanted to see if you're willing to and ready to put out some goalposts out there just from a modeling perspective.

Edward J. Fitzpatrick ***Genpact Limited - Senior VP & CFO***

We haven't changed the model, Joe. At the Investor Day, we talked about growth. Tiger just talked about kind of our comfort level and consistency of Global Client growth being in that double-digit to low-teen range. So we haven't changed that medium-term expectation. And we haven't said -- we haven't come off of the expectation to deliberately improve margins while at the same time, investing to ensure that we drive that profitable growth going forward. So no real change in the model. I won't guide you to 2020. But your -- what you said was not off at all from what we've said previously.

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

That's correct.

Joseph Dean Foresi ***Cantor Fitzgerald & Co., Research Division - Analyst***

Got it. Okay. And then on demand for 2020, how is your visibility there? And given the strong performance this year, have you made your way through a decent amount of the pipeline for large deals? Does that need to be replenished?

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

Replenishment, Joe, of large deals has been targets been going well. And that's driven by the inflows, which have been strong. So obviously, while we burn through the pipeline through new deals, the inflows helps keep the pipeline at that level. So I would say visibility is similar to the visibility we've had in the last few years. More importantly, what's clear in the last 3 or 4 years is that visibility is specific to our choices, and that makes a big difference because then you have real differentiation when you go to the marketplace and convince the client to win the relationship.

Joseph Dean Foresi ***Cantor Fitzgerald & Co., Research Division - Analyst***

Got it. And last one for me. What was the organic growth in the quarter?

Edward J. Fitzpatrick ***Genpact Limited - Senior VP & CFO***

It was largely aligned, Joe. We will talk about quarter, but for the year, about 1 point of impact from M&A.

Operator

And our next question comes from Tien-Tsin Huang with JPMorgan.

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

I was curious, Tiger, just on the Rightpoint acquisition. Why is that a good fit for Genpact? I know consulting business obviously can be tricky sometimes. So what can you tell us about that asset that appeals to you?

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

(inaudible) As I was explaining in my prepared remarks, we have been, over the last 3 years, and specifically, in the last 2 years after the TandemSeven acquisition, which was a very deliberate strategic choice that we made and having searched around, finally acquired TandemSeven.

That team, working with each of our verticals, the realization that both from a customer perspective as well from a user perspective, both in the B2C environment and in the B2B environment, almost every one of our operations for our clients and operations that our clients run for themselves, the importance of experience has just skyrocketed. We've seen that in our deals. We've seen that in the way TandemSeven has got included in so many of our big deals that have been one of the reasons we have won.

So we believe that the Rightpoint acquisition is coming in at a time when all of our clients have demands around this topic. We believe that we can bring them into a number of the deals in the verticals of our choice and the services of our choice.

At the same time, they continue to have a great engine of their own. It's a reasonable scale business. It's not a small business. And it has good traction in the marketplace with a client overlap and vertical overlap that's very strong. So we really feel good about the team that's coming in.

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

Okay, good. This is my quick follow-up on the margin side. It looks like year-to-date margins, you're running at 15.5%. I think your guidance is for, what, 16% for the year. So the bump up in the fourth quarter, I just want to make sure we're writing this up correctly. Any call-outs for the fourth quarter?

Edward J. Fitzpatrick ***Genpact Limited - Senior VP & CFO***

Yes. You're right, Tien-Tsin. We're kind of along the lines of where we were last year. Last year, we were about 15.3% year-to-date through Q3. This year, we're at 15.5%. So kind of on track, but with a hurdle to get to -- into the 17% range in Q4.

So a lot of that will come from, as you typically expect and as we typically do through leverage, top line leverage, looking to drive a little bit better gross profits also get SG&A leverage. But at the end of the day, we've also had some expectation in the past of the export subsidy.

Earlier this year, we kind of reaffirmed all throughout the year that we still are expecting it. The likelihood of that continue to drop a bit as we get into the year. Now our expectation is that, that will -- that likely will not come through. So we've been weighing what to do throughout the year and have been kind of putting action plans in place, kind of on a step function, if you will, as the likelihood of that export subsidy became lesser and lesser throughout the year.

So discretionary spend, as you know, has always been -- looked at pretty tightly. We're looking at that. We were looking at it more closely in Q3 and considering other actions. And as we look into 2020, as we typically do, looking at actions that we might look to do to dial up and dial down, including looking at customer relationships and service line investments that we may need to be dialing up or dialing down throughout the year.

So this is some of the things that we're looking to do. And also as we would typically do, looking at our asset portfolio to identify any undervalued assets that we may be able to monetize during the quarter as we've done before as well. So looking at all the levers, discretionary spend, dial up, dial down and whatever else we can do to make sure that we deliver.

What I would say is we feel good about our ability to drive the 16% margins for '19, but we still have work to do during the fourth quarter to make it happen. For the long term, again, no change in our trajectory or derived to deliberately improve operating margins while at the same time reinvesting in the business to drive that long-term profitable growth.

Operator

And our next question comes from Mayank Tandon with Needham & Company.

Mayank Tandon ***Needham & Company, LLC, Research Division - Senior Analyst***

Tiger, at the recent Investor Day, you called out some of the newer service areas, specifically supply chain management services and financial crimes. Could we just talk about the contribution to growth, how you see that playing out? And is that going to actually inflect the top line? Or do you think that's more about offsetting some of the maturity in some of the core areas, such as F&A and claims processing as an example?

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

I think our growth for the year, particularly in inflows, pipeline, bookings and then revenue, so it's in that order, clearly, has been driven by some of these newer services. And we called out 2 of them: supply chain services in the manufacturing, consumer goods, retail, life sciences space; and financial crimes and risk in the banking capital market space.

Since it's starting off at a lower base, its absolute contribution to growth will start off small, meaningful but small. And then over time, will ramp up because as we explained at the Investor Day, the total addressable market in both these services is massive. Is it offsetting finance and accounting, as an example? No. We continue to see finance and accounting as under-penetrated. And the relationship with Cardinal Health is just one example of why we believe that.

Mayank Tandon ***Needham & Company, LLC, Research Division - Senior Analyst***

Makes sense. And then if I could just tack on another question around the gating factors to growth. Would you basically call out sourcing talent as the main factor? Or are there other factors that might limit the growth over time? I just want to get your sort of high-level thoughts on that, what might limit the growth potential over time?

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

I would say the growth that we are -- we have been experiencing in a very consistent manner, as I said, for 4 or 5 years now at the Global Client level, is the kind of growth rate that we would expect to continue, which is why we're talking about double-digit to low teens Global Client growth in the medium term.

The gating factor on that, I would say -- I mean, obviously, talent is very important in our business. I wouldn't necessarily call that out as the only gating factor. I mean there is delivering excellence for our clients, I would say, is the most important gating factor. We are incredibly careful about the excellence we deliver for our clients because that sets up the basis for doing more with our clients as well as build the reputation to win other clients. And that's been our story for -- ever since we came out of GE in 2005. So that's how it changed at all, and we are big believers in that. So I would say, that's probably a bigger gating factor than just sheer talent.

Operator

And our next question comes from Maggie Nolan with William Blair.

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

So I wanted to follow-up on Rightpoint. Can you give any financial metrics with that or maybe a comparison to Genpact in terms of the growth rate or the margin profile, rep per head?

Edward J. Fitzpatrick ***Genpact Limited - Senior VP & CFO***

Yes. So the profile won't give any of the terms yet because the transaction hasn't yet closed. But in general, the margin profile largely consistent with ours. So that's a good thing. As we go through -- as Tiger said, it has meaningful levels of revenue. So they're not in the -- and this isn't just the capability addition with expertise. It's also coming with a reasonable level of volume and pretty good margins. So happy with the profile. And as we go forward, we'd expect it to be an accretive transaction in 2020. It'll be somewhat minimal for 2019 but accretive in 2020.

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

Understood. And then can we get a little more information on this finance-as-a-service tool that you spoke of, Tiger, and that you codeveloped? Is that like proprietary automation software? And is this bundled in engagements? Or would it be priced out separately?

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

Yes, it is finance-as-a-service. So it's obviously leveraging of Workday's platform in the cloud. And then on finance, obviously, when they -- when Workday gets implemented for finance, it has modules on HR that typically go together with it because they kind of interact with each other.

And our solution really is a bundling of Workday, along with porting the finance operations onto that, which is where the Deloitte partnership becomes incredibly important, including the on-source, the partnership around HR operations. And then the commercial model would be as a service commercial model. So all of that makes it unique and different at a time when Workday finance is beginning to get implemented in a set of plans.

Operator

And our next question comes from Bryan Bergin with Cowen & Company.

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

I wanted to start on margin. Obviously, a strong SG&A leverage here to offset the stable gross margin. And how much more room do you think you have within SG&A leverage? And I thought I heard a stable environment for gross margin going forward, is operating leverage, really, the model that we should expect here going forward to 2020 beyond?

Edward J. Fitzpatrick ***Genpact Limited - Senior VP & CFO***

Yes. I think that -- nothing has changed in that. I think, Bryan, it is as we grow, can we grow to support functions, a bit less than that top line growth. And given the growth has been robust particularly with the GE revenue coming through or cutting back, it's easy to leverage when you have top line growth at the levels where we are today.

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

And Bryan, just to add to what Ed said, one of the things that has changed in our business over the last 3 or 4 years also is because of the value of the work we do, the complexity of the work we do, the interconnectedness between the front, middle and back office in digital transformation that is required to be done.

A lot more onshore work, and a lot more onshore operations across the globe, not just in the U.S. and that does change the gross margin profile a tad. And all of that is already incorporated because that's what -- that's the change we've undertaken in the company over the last 3 or 4 years. And therefore, we feel good about now being stable in these gross margins.

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

Okay. That's helpful. And then I wanted to ask about content moderation business for high-tech clients. So I'm sure you know large competitors is going to be stepping away from this work. How are you viewing that as an opportunity? And then broadly, your views on that business.

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

So Bryan, we do that kind of work for a range of clients. We are very proud of that work that we do. As you can imagine, it makes society safe. It makes people safe. So actually, we're really proud of that work that we do. Like all the work that we do, we focus really strongly on operational delivery, excellence and so on. And therefore, we feel very good about the position that we have in that business, the relationship with our clients in that business. So all good.

Operator

And our next question comes from Bryan Keane with Deutsche Bank.

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

I just wanted to follow-up on the margins in the quarter. I think The Street had it a little bit higher at 16.8%, but you guys came in at 16%. I was just trying to figure out is that where you thought it was going to come in, in, Ed? Or was there a couple of extra costs or the ramp-up of large deals that might have been a little higher in the quarter than you guys originally planned?

Edward J. Fitzpatrick ***Genpact Limited - Senior VP & CFO***

No. I think it was largely in line with where we were, Bryan. And as you know, the toggle with the export subsidy, when that was going to come in really was dependent, but we didn't think it would come in, in Q3. So part of that Q4 is the uptick that we would have expected from the expert subsidy, which as I said, we now expect not to happen.

So we started dialing up the other items to try to offset that shortfall of the export subsidy, and that's what we're getting after right now. So it is aligned. I don't remember what the outside world was expecting. But I know it was as high as 16.8%. I think it was a little higher than where we came in. But it was a bit higher, but we expected it to be having to be over 17% very early in the year.

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

Yes, and our trajectory, Bryan, of margins through the year has actually been broadly in the direction we've been going with just one item of export subsidy being, depending on when it comes.

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

Okay. Great. And then just one for Tiger, just thinking about the pipeline of deals. Are you seeing -- some of the larger competitors are obviously not doing as well as you guys are. So are you seeing that in the sales pipeline that some of the larger players that you've typically competed with aren't as many pitches or not winning as much as they used to?

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

I wouldn't say that, Bryan. It is a very competitive market. There is no question that, that competitive landscape intensity hasn't reduced. The competitor -- the competitors are very credible, respected competitors. So I wouldn't say that.

Our win rate is stable in competitive situations. And as I said, about 50% of our broader wins are sole-sourced, and that typically happens when you are inside, you've delivered, you've built a reputation, which is why it's so important for us to do that. So I wouldn't necessarily say that there's been any reduction and competitive intensity.

Operator

Ladies and gentlemen, this concludes the Q&A portion of today's conference. I'd now like to turn the call over to Roger Sachs for any closing remarks.

Roger Sachs ***Genpact Limited - Head of IR***

Thanks, everybody, for joining us on our call today, and we look forward to speaking with you again next quarter.

Operator

Ladies and gentlemen, this concludes today's conference call. Thank you for participating. You may now disconnect. Everyone, have a great day.