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Genpact Ltd. (G)

Q2 2025 Earnings Call

CORPORATE PARTICIPANTS

Krista Bessinger

Head-Investor Relations, Genpact Ltd.

Balkrishan Kalra

President, Chief Executive Officer & Director, Genpact Ltd.

Michael Weiner

Chief Financial Officer, Genpact Ltd.

OTHER PARTICIPANTS

Bryan C. Bergin

Analyst, TD Cowen

Surinder Thind

Analyst, Jefferies LLC

Jacob Haggarty

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

Sean Kennedy

Analyst, Mizuho Securities USA LLC

Puneet Jain

Analyst, JPMorgan Securities LLC

Bradley Clark

Analyst, BMO Capital Markets Corp.

Maggie Nolan

Analyst, William Blair & Co. LLC

MANAGEMENT DISCUSSION SECTION

Operator: Good day, ladies and gentlemen. Welcome to the 2025 Second Quarter Genpact Limited Earnings Conference Call. My name is Lisa, 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 Krista Bessinger, Head of Relations – excuse me, Head of Investor Relations at Genpact. Please proceed.

Krista Bessinger

Head-Investor Relations, Genpact Ltd.

Thank you, Lisa. Good afternoon, everyone, and welcome to Genpact's Q2 2025 earnings conference call. We hope you've had a chance to read our earnings press release, which was posted on the Investor Relations section of our website, genpact.com. Today, we have with us BK Kalra, President and CEO; and Mike Weiner, Chief Financial Officer. BK will start with a high level overview of the quarter, and then, Mike, will cover our financial performance in greater detail before we take your questions.

Please note that during this call we will make forward-looking statements, including statements about our business outlook, strategies, and long-term goals. These comments are based on our plans, predictions, and expectations as of today, which may change over time. Actual results could differ materially due to a number of important risks and uncertainties, including the risk factors in our 10-K and 10-Q filings with the SEC.

Also, during this call, we will discuss certain non-GAAP financial measures. We have reconciled those to the most directly comparable GAAP financial measures in our earnings press release. These non-GAAP measures are not intended to be a substitute for our GAAP results. And finally, this call in its entirety is being webcast from our Investor Relations website, and a replay and transcript will be available on our website in a few hours.

And with that, I'd like to turn it over to BK.

Balkrishan Kalra

President, Chief Executive Officer & Director, Genpact Ltd.

Thank you, Krista. Hello, everyone, and thank you for joining us today. Q2 was another strong quarter for Genpact with revenue reaching \$1.25 billion, up 7% year-over-year, reflecting broad-based outperformance across the business. Gross and adjusted operating income margins were also strong, up 50 and 40 basis points year-over-year respectively, as we continue to deliver margin expansion, while also making significant investments for long-term growth. Importantly, adjusted EPS continues to grow faster than revenue, up 11% year-over-year, including reaching \$0.88 above the high end of our guidance range.

At our Investor Day in June, we introduced GenpactNext, a strategy designed to establish Genpact as a global leader in Advanced Technology Solutions, building on strength of our core business services to accelerate revenue growth and expand margins. The GenpactNext growth model has three key elements, which we call the three Cs. They are, number one, our Capabilities, which include, what we go to market with across our Advanced Technology Solutions and Core Business Services. Number two, our Clients, which include, who we serve across both the enterprise and mid-market. And three, our Catalyst, which include, how we plan to further accelerate growth through investments in partnerships and AI focus talent. We are seeing strong early momentum across each.

Let me walk you through the key highlights. First, on capabilities. We have two sets of distinct, but interconnected offerings, Advanced Technology Solutions and Core Business Services. These offerings amplify each of them. Why? Because as you have heard me say before, there is no artificial intelligence without process intelligence. We are capitalizing on this opportunity by integrating advanced technologies into what Genpact has always been known for, exceptional process, industry domain, and last mile expertise. This quarter, Advanced Technology Solutions revenue, which includes data and AI, digital technologies, advisory, and agentic solutions, continued to accelerate, up 17% year-over-year, driven by strength in data and AI as we continue to help clients rapidly deploy AI systems into production.

Our data and AI pipeline has tripled over the last year and we are innovating rapidly. The AI Gigafactory is now live across all Genpact verticals with more than 45 clients onboarded year-to-date and more than 100 experienced data and AI leaders joining us to help our clients rapidly scale AI. We now have more than 270 GenAI Solutions in production environments with clients, either deployed or going live, up more than 3x year-over-year. Our agentic solutions are also gaining traction. All four modules of our agentic AP Suite are now generally available and we are delivering measurable results with more accurate data capture, greater touchless processing, and significant productivity benefits for clients and for Genpact. The AP Suite is just one example of how our Advanced Technology Solutions are creating more value for clients and generating high value revenue for Genpact.

Our Advanced Technology Solutions deliver more than 2x the revenue per head count compared to the company average and are growing at more than twice the data of Genpact's overall revenue. Approximately 70% of Advanced Technology Solutions revenue is annuitized and approximately 70% comes from non-FTE commercial

terms, making it high quality, sticky, and strategically aligned with our future direction. And while we are sharing AI-driven productivity gains with clients, incremental revenue is coming from expanded scope, increased volumes, and entirely new logos driving net revenue growth.

Second, on Clients. We are very proud of our enterprise and mid-market clients, many of whom shared first hand at Investor Day, how our Advanced Technology Solutions are driving meaningful value. Today, I want to share two additional stories with you that demonstrate how we are leveraging Advanced Technology Solutions across both the enterprise and mid-market to build intelligent, agile operations for our clients. The first is a leading global healthcare solutions company, serving patients and providers for more than 125 years. As a strategic partner, Genpact has modernized the company's new product introduction and installed base functions to excel in the rapidly changing environment. We are now integrating GenAI and agentic AI into the company's product lifecycle and reducing time to spend on routine engineering work through GenAI-based documentation and leveraging agentic AI frameworks to proactively track and manage compliance across a rapidly evolving regulatory landscape.

Our AI-powered solutions and industry domain expertise are enabling a more agile and innovative approach to launch new products and managing them in the aftermarket, resulting in faster time to market, enhanced compliance, and sustained product quality around the world. The second example is a large Property & Casualty Insurance broker in North America. We are partnering with this firm to modernize its operations using AI and other advanced technologies. Our partnership will transform their policy lifecycle operation, leveraging intelligent automation, agentic processes and scalable operating models to drive greater efficiency, scalability, and enhanced experience for their retail partners and carriers. This work speaks to the strength of our leadership in insurance sector and our focus on empowering high growth mid-market clients with scalable, repeatable AI-led solutions.

And finally on Catalyst. We are further accelerating growth through investments in partnership and AI-focused talent. Partnerships represent a significant growth opportunity for Genpact, partner-related revenues grew more than 70% year-over-year in quarter two, representing 10% of total revenue. We have achieved top tier partnership status with AWS, Salesforce and ServiceNow. Our joint solution portfolio is also expanding, further differentiating Genpact and accelerating pipeline growth.

Today, we offer joint solutions for financial clients with AWS Bedrock, order management with Salesforce, sourcing and procurement with ServiceNow, just to name a few. To further advance our capabilities, we are also collaborating with start-ups like Instabase for intelligent document processing, Zenity for responsible AI adoption and so on so forth. We also continue to make significant investments in AI talent, accelerating our pivot to Advanced Technology Solutions with a focus on AI builders, experts who build AI solutions, and AI practitioners. Domain experts trained to use AI in flow of work for client processes.

Now turning to guidance. With better than expected results in quarter two, we are raising our full year outlook for revenue, adjusted operating income margin, and EPS. Our expected revenue range is now 4% to 6% on as reported basis, up from 2% to 5% previously. We expect adjusted operating income margin of 17.4%, up from 17.3% previously. And we are raising our outlook for adjusted diluted EPS by \$0.08 to \$3.54 at the midpoint of the range.

In closing, we are incredibly excited about the future as we reshape Genpact to be an AI-first company. Momentum is building as we leverage Advanced Technology Solutions to strengthen our last mile advantage and position Genpact as a clear partner of choice for AI-driven transformation.

With that, let me turn the call over to Mike.

Michael Weiner

Chief Financial Officer, Genpact Ltd.

Good afternoon, everyone, and thank you for joining us. Results for the second quarter exceeded our expectations with broad-based strength across our businesses. Total revenue grew to \$1.254 billion, up 7% from the prior year, driven by organic growth. Data, Tech and AI represented 48% of total revenue or \$599 million and grew a 10% from the prior year, driven by continued strength in data and AI. Digital operations revenue of \$655 million was up 4% year-over-year, driven by strong execution and deal ramps. Digital operations accounted for 52% of total revenue.

At Investor Day, we introduced two additional revenue metrics to track our progress against our GenpactNext strategy, Advanced Technology Solutions, and Core Business Services. Advanced Technology Solutions revenue of \$293 million was up 17% year-over-year, reflecting strength in data and AI. Core Business Services revenue of approximately \$962 million was up 4%, primarily driven by digital operations. This quarter, Advanced Technology Solutions represented 23% of total revenue. We closed four large deals in the second quarter, including one that was pushed out from the first quarter. All the remaining large deals that were pushed out remain active.

As a reminder, large deals are \$50 million or greater in total contract value. We also continue to expand our footprint both with enterprise and mid-market clients. Our pipeline remains strong and balanced across mix of deal sizes with our Advanced Technology Solutions pipeline up nearly 1.5 times year-over-year. Revenue grew across all segments, led by High Tech and Manufacturing at 13%, followed by Financial Services at 6%, and Consumer and Healthcare at 1%. Non-FTE revenue, which now includes outcome, consumption, and fixed fee deals, accounted for 46% of second quarter revenue in line with the period a year ago.

Turning to profitability. We expanded gross margin by 50 basis points year-over-year, reaching 35.9%, driven by operating leverage. SG&A expenses were 21.2% of revenue. Adjusted operating income was \$217 million, and adjusted operating income margin expanded 40 basis points to 17.3%. Our effective tax rate for the second quarter was 24.9%, in line with the prior year. Net income for the quarter was \$133 million and diluted EPS was \$0.75. Adjusted diluted EPS was \$0.88, up 11.4% year-over-year.

Operating cash flow was \$177 million, down from \$209 million in the prior year. Additionally, DSOs were 91 days. We ended the second quarter with \$663 million in cash and cash equivalents, down from \$914 million a year ago. As a reminder, 2Q 2024 cash included proceeds from our bond issuance which we used to repay a bond maturity later in the year. We returned \$60 million to shareholders in the second quarter through \$30 million in share repurchases and \$30 million in dividends.

Turning to guidance. With our strong second quarter performance, we are increasing our guidance range. For the full year on an as reported basis, we now expect to deliver net revenue in the range of \$4.958 billion to \$5.053 billion or 4% to 6% growth, at the midpoint of 5%. Data, Tech and AI and Digital Operations revenue is expected to be approximately 7.4% to 2.9%, respectively.

Given that estimated range, our adjusted diluted EPS is now expected to be between \$3.51 and \$3.58, representing 8.1% growth year-over-year at the midpoint, again, projected to grow faster than revenue. To provide additional details on reaching our 5% midpoint of our full year revenue guide, we need to deliver \$238 million of growth for the full year, of which, roughly 70% has been delivered in the first half. That leaves 30% or \$76 million to be delivered in the second half.

Moving on, our expectations for full year gross margin remains at 36%, a 50 basis point increase year-over-year. Expectations for adjusted operating income margin are now 17.4%, a 30 basis point increase from the prior year. Operating cash flow is expected to be approximately \$610 million. On capital allocation, we continue to aim to return at least 50% of cash flow to investors through a combination of share repurchases and dividends, while maintaining the flexibility for strategic investments. As a reminder, the XponentL acquisition, which closed in June, is now included in our guide and is not expected to have a material impact in 2025 results.

Turning to third quarter. On an as reported basis, we expect to deliver net revenue between \$1.258 billion and \$1.27 billion or 3.9% to 4.9% growth, representing 4.4% at the midpoint. This translates into Data, Tech and AI and Digital Operations revenue of approximately 6.7% and 2.3%, respectively. We are now anticipating a margin of 36% and adjusted operating income margin of 17.5%. We expect adjusted diluted EPS of \$0.89 to \$0.90 for the third quarter. More details on constant currency growth rates can be found on our earnings press release and factsheet posted to our Investor Relations website.

In closing, we're excited about the future. We remain committed to growing adjusted diluted EPS faster than revenue, expanding margins while self-funding investments for growth and maintaining strong track record of returning cash to shareholders.

With that said, I'll turn the call over to Krista now.

Krista Bessinger

Head-Investor Relations, Genpact Ltd.

Great. Thank you, Mike. Operator, we're ready to go ahead and take questions. Thank you.

QUESTION AND ANSWER SECTION

Operator: Okay. Thank you. [Operator Instructions] Thank you so much. And the first question that I have today is coming from the line of Bryan Bergin of TD Cowen. Your line is open.

Bryan C. Bergin

Analyst, TD Cowen

Q

Hey, guys. Good afternoon. Thank you for taking the questions here. I guess, the first one I have is just, as it relates to pace and conversion and new bookings, you had noted a deal was signed ahead of the Investor Day. Just any further traction you've seen there as far as pipeline conversion goes and whether any prior tariff-related delays are signed?

Balkrishan Kalra

President, Chief Executive Officer & Director, Genpact Ltd.

A

Maybe I'll start. Mike, feel free to add. Thanks, Bryan. Look, overall, inflow and conversion and pipeline continue to be in a very healthy state, Bryan, really pleased with the execution and innovation and investments that we're doing to fuel innovation. Specifically, on the deals that we spoke about in quarter one, as Mike said in his prepared remarks, we already closed one of them and we closed many other large deals or few other large deals in second quarter. And both the large deal, our overall pipeline continues to be in a pretty healthy state. Mike?

Michael Weiner

Chief Financial Officer, Genpact Ltd.

A

Yeah, the only thing I'd like to add is that, we closed one of those deals in the first quarter, as BK talked about, and we had three other large deals in a different cohort that weren't delayed, that closed in the second quarter. We're still in active dialogue with those deals and we expect them to come to fruition within the year.

Bryan C. Bergin

Analyst, TD Cowen

Q

Okay. Okay, good. Second question on GenAI. Just anything the latest you can share about that net impact of GenAI from traditional contracting on your base business. And if you got any incremental details on the range of outcomes that you may have across engagements?

Balkrishan Kalra

President, Chief Executive Officer & Director, Genpact Ltd.

A

Yeah. I think as, Bryan, you may have noticed during our Investor Day, we shared a little bit of a detailed illustration of how a lot of this GenAI and agentic implementations are shaping up our franchise, and it pretty much stays in the similar range. And it was a demonstration of how AI is a clear tailwind. And we continue to see that progress reasonably well. And I think how - be it - if I look at the pipeline, be it from a data and AI standpoint or GenAI standpoint, that pipeline is actually as proportion from Advanced Technology Solutions continues to be actually in a very, very healthy stage. And really thrilled as to how we are shaping the curve of the business, especially without investments in this innovation.

Michael Weiner

Chief Financial Officer, Genpact Ltd.

A

Yeah. If I can just tap on to that, right? So when we think about it, we laid out, we gave an illustrative example that BK alluded to earlier that we had in our Investor Day. But the way to kind of think about it is, we're sharing the AI productivity gains with our clients. That's to be expected. But we are seeing incremental revenue coming from a number of sources, including expanded scope, increased volumes or both, as well as new logos. That on top of our ability to do it and enhance our margins makes it very accretive for Genpact both top and bottom-line.

Bryan C. Bergin

Analyst, TD Cowen

Q

Okay. Very good. Thank you.

Balkrishan Kalra

President, Chief Executive Officer & Director, Genpact Ltd.

A

Thanks.

Operator: Thank you. One moment for the next question. The next question is coming from the line of Surinder Thind of Jefferies. Your line is open.

Surinder Thind

Analyst, Jefferies LLC

Q

Thank you. BK, can you maybe just talk about a bit more about the Advanced Technology Solutions, the pipeline there, maybe how quickly that converts and just kind of the length of the project? So we have a better understanding of that segment reporting, given it's one of the new pieces of data that you're providing?

Balkrishan Kalra

President, Chief Executive Officer & Director, Genpact Ltd.

A

Yeah. Thanks, Surinder. Look, overall, it's a revenue disaggregation, just specifically on Advanced Technology Solutions. As you -- as I just applying that the pipeline is actually growing at a much healthier pace overall and into across various components of Advanced Technology Solutions. Conversion is tad faster. And as I mentioned, including at the Investor Day or in my prepared remarks today, it is greater than 2x revenue by head count and is growing certainly north of 2x of the overall company average. And on your specific question, on the length of the contract, 70% of all of Advanced Technologies Solutions approximately is annuitized and also non-FTE.

Surinder Thind

Analyst, Jefferies LLC

Q

Got it. That's helpful. And maybe just kind of following up, when I think about the growth rates from a segment perspective, it looks like you had nice growth across each of the verticals. Any additional color that you can provide there? Obviously, it seems like we've seen a pickup in professional services, but just any color on how we should think about the demand environment there at the segment level?

Balkrishan Kalra

President, Chief Executive Officer & Director, Genpact Ltd.

A

Look, overall, again, very pleased with the execution and total growth being 7% year-over-year on pretty decent comps. High Tech and Manufacturing, and it is High Tech and Manufacturing, we don't split it out, grew 13% as Mike mentioned in his prepared remarks, Financial Services 6%, and yes, Consumer Healthcare was 1%, some concentration of macro sensitive customers specifically. If I look at the pipeline, pipeline across cohorts, be it cohorts of the deal or cohorts of verticals, cohort of geos, continues to be in a pretty strong and pretty healthy stage and really pleased with the strong execution that the team is demonstrating along with our clients.

Michael Weiner

Chief Financial Officer, Genpact Ltd.

A

Yeah. So the only thing I'd to add to that is that, we delivered 7% growth for the quarter, right? And then we are seeing, we're beginning to see the benefits of the strategic investments we've made that we've self-funded in the business that's really reflecting in really our revenue disaggregations, particularly that we're quite pleased with the 17% in Advanced Technology Solutions, which as BK talked about in the previous question, 70% annuitized and we're really proud of.

Surinder Thind

Analyst, Jefferies LLC

Q

Thank you.

Operator: Thank you. One moment for the next question. And the next question is coming from the line of Jacob Haggarty of Baird. Your line is open.

Jacob Haggarty

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

Q

Yeah. Hey, guys, and congrats on a good quarter. I just had a question quick on sequential trends. So at the midpoint of your Q3 guide, it implies below sequential trends, which would then mean that Q4 would have to be sort of above what's normal for you to hit the top end of your guide. Is that something that's possible if you hit the midpoint? Or are you guys going to have to kind of lower the top end there? What are your thoughts on that?

Michael Weiner

Chief Financial Officer, Genpact Ltd.

A

Yeah. Hi, it's Mike. So again, we feel really good about our guide in terms of the range. Again, the way I'd like you to think about it. So at 5%, which is the midpoint of it, right? First of all, we haven't changed our approach on how we guide, right? Nothing's really changed on a sequential basis. So again, using just simple math, at 5% growth of the midpoint, right, we need to deliver about \$238 million for the year as I talked about. 70% of that has already been behind us. So if you then can extrapolate that, the other 30% is about \$76 million. And again, we feel good about being able to achieve that, certainly at the midpoint of the range. And we'll ultimately see about execution and client involvement that potentially could push us above that number.

Balkrishan Kalra

President, Chief Executive Officer & Director, Genpact Ltd.

A

Yeah. And we continue to be prudent about how we guide and how we deliver.

Jacob Haggarty

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

Q

Got you. And then just a quick follow-up. So appreciate the disclosures on Advanced Tech Solutions and Core Business Services. Just looking back at 2024, Advanced Tech Solutions started to really accelerate in Q3. And since then, Core Business Services has been decelerating. Is that a trend that you expect to continue? And then we sort of hit tougher comps in the back half for Advanced Tech Solutions. How are you viewing the interaction between those two growth rates?

Michael Weiner

Chief Financial Officer, Genpact Ltd.

A

Yeah. So I'll kick this off, BK, and then maybe I will hand it over to you for some additional high level comments about it. So if we hearken back to our Investor Day, which I had about six weeks ago, right? We gave out our targets for the midpoint. But the way to kind of think about it, we're thinking about our ATS business growing at least 15%, right? And our core businesses growing at 4% to 5%. And some of that is really driven by the rotation out of Core Business Services as we pivot into Advanced Technology Solutions. And again, you're correct to assume, it's hard to point out the acceleration we had late last year and throughout this year in Advanced Technology Solutions. And that really pinpoints back to the investments we've made in that revenue category. And we're looking at hypercharge in that on a go forward basis. And that's really what's reflected in our guide for this year and for our medium term guide.

Balkrishan Kalra

President, Chief Executive Officer & Director, Genpact Ltd.

A

And there'll be some variability in comps and numbers that might come through and I won't overread into that. But fundamentally, really pleased with all of our investments that we're making in Advanced Technology Solutions,

how it's ramping up. But I will also center the argument a little bit on total revenue growth that we continue to deliver at amongst the top end profile of – in our sector.

Jacob Haggarty

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

Q

Got you. Thanks, guys.

Operator: Thank you. One moment for the next question. And the next question will be coming from the line of Sean Kennedy of Mizuho. Please go ahead.

Sean Kennedy

Analyst, Mizuho Securities USA LLC

Q

Hi. Nice results. Thanks for taking my question. So, how should we think about the net new versus existing account mix for agentic solutions currently? And how can that mix change over time?

Balkrishan Kalra

President, Chief Executive Officer & Director, Genpact Ltd.

A

Look, I think, point number one, Sean, I would say, really pleased with the book of business and the clients that we have, be it in enterprise or mid-market. And we are continuing to take these innovative solutions to all of these clients and all of these clients that are adopting a different pace depending upon where they are in their journeys. And what we are seeing is clearly all of these solutions taken up by new logos as well are little bit more actively. So really pleased as to how be it the agentic or data and AI solutions are in our pipeline fueled by both existing clients, as well as newer ones.

Sean Kennedy

Analyst, Mizuho Securities USA LLC

Q

Great. Thank you. And then also, could you share, like, how client conversations progressed in last few months [indiscernible] (00:30:53), was it a brief pause followed by a quick re-engagement or clients feel generally more cautious?

Balkrishan Kalra

President, Chief Executive Officer & Director, Genpact Ltd.

A

So overall, look, client conversations are continuing to be more centered around data and AI and how all of this can actually generate ROI for all the investments they are making. We all talk about technical debt and some of my conversation is always about the processed debt and it's framed that I always say that here there ain't any benefit of artificial intelligence if there is not process intelligence behind it. And I think a lot of that differentiation is coming to life.

Michael Weiner

Chief Financial Officer, Genpact Ltd.

A

Yeah. If I can just add on to that for a quick second. So a lot of our customer conversations remain really healthy for us. So it's something we're super proud of and it's reflected in our guide. The macro remains somewhat muted, right, it has clarified a little from the paralysis that we've seen in the early part of the year. We remain somewhat cautious and prudent with how we think about it on a prospective basis. But our guide really is how to think about it from reflecting it, particularly that in Advanced Technology Solutions, as we're seeing enhanced demand for that.

Sean Kennedy

Analyst, Mizuho Securities USA LLC

Great. Thank you. Appreciate all the color. Congrats again.

Q

Balkrishan Kalra

President, Chief Executive Officer & Director, Genpact Ltd.

Thank you.

A

Operator: Thank you. One moment for the next question. And the next question will be coming from the line of Puneet Jain of JPMorgan Chase. Your line is open.

Puneet Jain

Analyst, JPMorgan Securities LLC

Yeah. Thanks for taking my question and good quarter, guys. My question is around like AI, like, are there any processes or vertical stringent that AI adoption is higher than others? And do clients typically go for their existing vendors when they're to bring AI in their business processes? Or are they – okay, like looking at new vendors, like a vendor who can bring more AI solutions than their current providers?

Q

Balkrishan Kalra

President, Chief Executive Officer & Director, Genpact Ltd.

Yeah. Thanks, Puneet. Overall, I would say, maybe I'll address your second question first. What we see, as I was mentioning earlier, are very strong demand from all of our existing clients as well as newer clients. And I think the last mile expertise be it of end-to-end process ownership, deep domain, or operational data operating at scale is shining through, especially when we are investing in technology at that last mile and shining that differentiation further.

A

And clearly, we see an uptick there and that's what you see in our Advanced Technology Solutions results and I think even as we progress within this quarter. And then our investments in partnerships is further accelerating that. More on your question one, I think, look, I would say, it is across sectors, clearly financial services by, how they experiment at much faster pace. But we are seeing even manufacturing High Tech or even consumer companies are really not behind. Maybe from a geography standpoint, US is continues to lead more. Australia is ahead too, so is Europe. I think it's more broad-based, I would say.

Puneet Jain

Analyst, JPMorgan Securities LLC

Got it. No, thanks for that. And can you also comment on pricing environment, whether AI is accelerating some of the pricing pressure? Or if you are seeing any instances of any of your competitors pursuing deals and being irrational in pricing at all?

Q

Balkrishan Kalra

President, Chief Executive Officer & Director, Genpact Ltd.

So I won't say, Mike, you look at pricing also far more closely. I don't see any irrational pricing behavior at all for me and clients are actually getting more focused on value, not just also cost. And clearly, we are shifting the needle on non-FTE models as well and we spoke about Advanced Technology Solutions nearly 70% non-FTE and more consumption-based structures are – so I think I -- we don't see any irrational pricing behavior. Mike?

A

Michael Weiner

Chief Financial Officer, Genpact Ltd.

A

No, we haven't seen any irrational pricing behavior. The one thing that I would continue to point out that you just alluded to is the delivery from FTE legacy models is now shifting at a faster pace to non-FTE or outcome-based models or any flavor of that pricing, which I think is really healthy for us and also healthy for the industry as a whole.

Puneet Jain

Analyst, JPMorgan Securities LLC

Q

Okay. Thank you.

Operator: [Operator Instructions] One moment for the next question. And our next question will be coming from the line of Bradley Clark of BMO Capital Markets. Your line is open.

Bradley Clark

Analyst, BMO Capital Markets Corp.

Q

Hi. Thanks for taking my question. I want to ask about the mid-term target of 7% growth and sort of how we go into the year 2026, given your guide for the second half, that implies some further deceleration. And I just want to understand about, what you guys are seeing on the pipeline and on the large deal bookings that you closed in the quarter that help gives you confidence in that acceleration from sort of where the second half is laid out here to that 7% growth target that you laid out in Investor Day. What could help to get back to get the number back up? Thank you.

Michael Weiner

Chief Financial Officer, Genpact Ltd.

A

Yeah. So, again, at Investor Day, we highlighted at least 7% growth for the midterm, which is 2026 and 2027, right? We continue to build momentum in our business. The pipeline remains very healthy in conversion rates that BK alluded to. We'll provide some bookings information at the end of the year, but if you're really double clicking on what will the impact be of potentially this cohort of delayed large deals really has no effect on our view either for this year or for next year. We continue to execute extremely well in the existing deals that we have, as well as where our pipeline lies?

Balkrishan Kalra

President, Chief Executive Officer & Director, Genpact Ltd.

A

Yeah. Maybe two comments to add. We stay – continue to stay prudent about our guide and don't want our numbers to run ahead of us. And we remain confident of our medium term targets that we laid out at Investor Day. And if you look at last X number of quarters, we continue to perform at the top end of our services sector.

Bradley Clark

Analyst, BMO Capital Markets Corp.

Q

Excellent. Appreciate the color.

Operator: Thank you. And this does -- one moment, please. I have another question that will be coming from the line of Maggie Nolan of William Blair. Your line is open.

Maggie Nolan

Analyst, William Blair & Co. LLC



Hi, this is Maggie Nolan with William Blair. Thanks for taking my question. I wanted to see your thoughts on, as we continue to see how these trends of AI developed, whether or not you're seeing a little bit of a convergence between what would have traditionally been considered IT services and what have traditionally would have been considered BPO. Just given that AI is more comprehensive, there seems to be an appetite for larger, more comprehensive deal sizes that touch data and process in all of these different areas. Is that something that resonates with you as you think about, a multiyear vision for the company? And how is Genpact responding to that?

Balkrishan Kalra

President, Chief Executive Officer & Director, Genpact Ltd.



Thanks, Maggie. Look, I think I'll first speak to our strategy, Maggie, and strategy of known as last mile experts, be it from a process domain, contextual data, operational data and operations at scale, and applying investments in technology on this differentiation that has been core to us. And I think that has begun to shine more and more. And like I typically say, 2x, 2x, 70%, 70%, I think it's getting shown in nearly now quarter of our revenue growing at 2x the rate of the company and the 70% annuitized and 70% non-FTE models, and 2x the revenue by head count. Look, I think, we do believe that for clients, clients don't think about BPO, I think clients are looking for who is providing them value, who is underwriting the value. And I think that's where the industry domain are running operations at large scale, knowing the last mile, I think has begun to shine more. And that answers your question.

Maggie Nolan

Analyst, William Blair & Co. LLC



Yes. That's helpful. Thank you. And then, also on kind of a multi-year timeline, obviously, you've talked about this a little bit in the past, but can you elaborate on the ability to drive revenue and kind of decouple that to some degree from head count? And then what type of investments are most important for the head count that does remain as you perhaps invest a little bit less in head count to drive the same amount of revenue? Thank you.

Balkrishan Kalra

President, Chief Executive Officer & Director, Genpact Ltd.



Sure. So maybe two part answer as I think about what you asked. Look, I think, first thing, all this transformation is not happening overnight. It is a multi-year transition and transformation, we are wanting to take all these solutions to our clients. And we got to meet where our clients are. And kind of also, while, we accelerate the pace, but we also need to kind of walk with them and kind of set up the data pipeline, set up the infrastructure, and I think we are in that early phase.

Now, I think – so multi-year, as we have said, I think we gave certainly mid-term targets of at least 7%. And as we think from our workforce standpoint, Maggie, we said that they are only – as we progress, there will be only two cohorts of people in Genpact, AI builders or AI practitioners. We set up some near-term targets as well we shared at the Investor Day and really pleased as to how the talent mix and how our talent is really adopting all of these new technologies and new techniques at scale. And I mentioned about our culture as well and one attribute of the culture is, learning attribute, that has always been Genpact, and that is really again taking shape in a more fundamental way now.

Maggie Nolan

Analyst, William Blair & Co. LLC



Thank you very much.

Balkrishan Kalra

President, Chief Executive Officer & Director, Genpact Ltd.



Thanks. Thanks, Maggie.

Operator: Thank you. And there are no more questions in the queue. I would like to turn the call back over to management for any closing remarks. Please proceed.

Balkrishan Kalra

President, Chief Executive Officer & Director, Genpact Ltd.

Thank you, Lisa. Look, I want to thank you all for joining us today and my heartfelt thanks to our incredible employees for all of their hard work. We are very excited about the future of Genpact. As we look ahead, we will continue to leverage Advanced Technology Solutions to strengthen our last mile advantage and position Genpact as a partner of choice for AI-driven transformation. I also want to take this opportunity to thank all of our clients for choosing Genpact and all the shareholders for ongoing support. We look forward to speaking with you again next quarter. Thank you.

Operator: Thank you for joining today's conference call. This does conclude today's meeting. You may all disconnect.

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