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# Genpact Ltd. (G)

Q2 2024 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

Robert W. Bamberger

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

**Mayank Tandon** 

Analyst, Needham & Co. LLC

**Surinder Thind** 

Analyst, Jefferies LLC

Bryan C. Keane

Analyst, Deutsche Bank Securities, Inc.

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Analyst, Mizuho Securities USA LLC

**Keith Bachman** 

Analyst, BMO Capital Markets Corp.

## MANAGEMENT DISCUSSION SECTION

**Operator**: Good day, ladies and gentlemen, welcome to the 2024 Second Quarter Genpact Limited Earnings Conference Call. My name is Michelle 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 this 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 Investor Relations at Genpact. Please proceed.

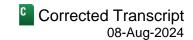
#### Krista Bessinger

Head-Investor Relations, Genpact Ltd.

Thank you, Michelle. Good afternoon everyone and welcome to Genpact's Q2 2024 Earnings Conference Call.

We hope you had a chance to read our earnings press release, which was posted on the Investor Relations section of our website, genpact.com. And 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 also 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 an audio 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.

I am pleased to report another strong quarter as we continue to successfully deliver on our 3+1 Execution Framework. Revenue in Q2 reached \$1.18 billion, up 6% year-over-year, above the high end of our guidance range with better than expected performance across both Data-Tech-AI and Digital Operations. Gross margin of 35.4% and adjusted operating income margin of 16.9% also exceeded expectations, driven by operating efficiencies. We are on the right path and momentum is building.

For context, in FY 2023, we grew roughly the revenue by \$100 million on an absolute basis. In 2024, we have already hit \$100 million in incremental revenues in the first half of the year, with higher gross margin, all while continuing to invest in our top priorities.

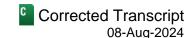
Unwavering focus on our 3+1 Execution Framework is accelerating growth and we will continue to build our execution muscle in the second half of the year with a continued focus on one, strong partnerships; two, comprehensive Data-Tech-Al solutions; three, a simplified go-to-market approach; and our +1 (sic) [3+1] that is leading Genpact as our best credential for Al-first innovation.

Let me walk you through the key highlights on each. First, on partnerships, we see a significant opportunity to accelerate revenue growth, as we increase the strength of our partner relationships. To give you a sense, IT service and solution companies with mature partner operations typically generate 20% to 50% of their revenue from partners. For us, partner-related revenues was in low single-digits in 2023. This represents a significant opportunity for Genpact.

We started ramping our investments in our partnership organization at the beginning of this year and at the end of second quarter we have more than doubled the percentage of revenue generated by partners with line-of-sight to generate significantly more in future periods.

Growth to date has been driven by investing in world-class leadership team, driving awareness, improving go-to-market activations, and scaling delivery capabilities with a number of hyperscaler partners, including Microsoft, AWS, GCP, and other key partners like ServiceNow, Salesforce and Databricks, to just name a few.

Second, on Data-Tech-AI, our focused go-to-market approach, continue to drive accelerating revenue growth in quarter two. GenAI has significantly expanded our total addressable market and is increasingly becoming a driver of our business. While the absolute numbers are still small, GenAI bookings in the first half of 2024 are already up more than 10 times, compared to full year of 2023, with more than 95% of our GenAI bookings year-to-date



contracted on a non-FTE basis. We also now have more than 80 GenAl's solutions in production environments with clients either deployed or going live.

Embedding AI into enterprise systems is a significant undertaking. It requires weaving AI into the very fabric of an organization, cutting across data engineering, conversational interfaces, existing IT systems, and ultimately weaving AI and end-to-end business processes. This represents a significant opportunity for Genpact. We play a critical role in leveraging AI to drive business transformation for our clients, because our deep-domain expertise at the keystroke level essential to the successful implementation of an AI-first end-to-end business processes in production environments.

Let me give you few examples. A leading global provider of financial technology solution has chosen Genpact to drive their business-wide transformation and increase scalability and efficiency through the use of GenAl. This is one of the large deals that we signed in second quarter and GenAl is a significant part of the design. We are leveraging our banking domain, end-to-end process frameworks and technology expertise along with ServiceNow to deliver a suite of Al solutions.

These AI solutions are integrated with the client existing IT systems, leveraging large amount of unstructured data to drive competitive advantage and growth. This implementation has a potential to serve as a template that can be replicated across industries.

I have talked before about how our deep domain allows us to bridge the gap between out-of-the-box solutions and what clients need on the ground to transform their business processes with GenAI. This case study is a perfect example of that.

Another example is the work we are doing with Mondelez to address the need for upskilling and shorter ramp times for new employees, leveraging Genpact's Cora Knowledge Assist platform to enable faster access to knowledge, insights and standardized operating procedures.

Or, for example, with ALDI SÜD, here we are transforming their retail operations in US and Australia by leveraging data, technology and AI solutions to drive agility and cost leadership, ultimately creating an exceptional customer experience and driving competitive growth.

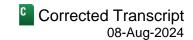
Our work for Amazon is another great example of Al. For Amazon, for their Out-of-Warranty device customer service in Europe, we have leveraged Al and Amazon Connect to create an end-to-end solution that integrates Alpowered chatbots and enables logistics management, our repair partner network, end-to-end tracking and proactive customer notifications, all with minimal human interactions.

These are just few examples. At the end of the day, clients choose us for five key reasons. Our deep-domain data and AI expertise; comprehensive solutions; accelerating partner ecosystem; client-centric approach, and innovative technology, including our pre-built AI accelerators.

In a world increasingly driven by advanced technologies, these strengths are more critical than ever and enable us to deliver solutions that keep our clients ahead of the curve.

Coming back to be third element in our 3+1 Execution Framework, which is simplification. We continue to streamline our go-to-market approach so that we can scale more efficiently. As an example, we have standardized our rate cards across our Data-Tech-Al services offerings, and we are reducing complexity in our end-to-end sales process by automating workflows and adopting Al-contracting tools.





And finally, on leading with Genpact as our own best credential for AI-driven transformation, we hit a number of major milestones in second quarter. I will give you two specific examples.

First, we launched a new Cora AI assistant for our global IT helpdesk. Since launch, we have seen a 2x increase in user satisfaction, and a 30% reduction in service desk staff. Our future roadmap includes Cora AI assistant for HR, finance, sourcing and many other functions, and we aim for similar improvement across these functions.

Second, Al Guru, our GenAl-powered learning coach, is making personalized learning recommendations for over 60,000 employees, increasing productivity and amplifying the collective knowledge of our internal experts. And that gets me to the talent. Our employees are critical to our success, and we have made significant progress year-to-date, scaling our broader technology skills as part of our overall investment in Data-Tech-Al.

One foundational GenAI, we have more than 100,000 employees who are actively learning, 70,000 have completed entry-level training, and 18,000 have completed more advanced work. For GenAI delivery capabilities, we have 3,000 AI practitioners across the company, and for applied AI leadership, we are making a significant change at the more senior levels in the company. 85% of senior leaders will have gone through certification from schools like MIT by end of 2024.

As we look ahead, we will continue to invest aggressively in our talent with a focus on practical application of advanced technologies.

Now turning to guidance. With another quarter of better-than-expected results and strong performance in the first half, we are raising our revenue and EPS outlook for the full year. We are increasing our revenue guidance by 150 basis points to 4% to 5% growth on as-reported basis, up from 2.5% to 3.5% previously. Similar to the last quarter, we are not assuming any improvement in the buying environment. We are simply reflecting our improved execution in our full year outlook.

Guidance for gross margin and AOI margin for full year remains unchanged at 35.3% and 17% respectively. As we continue to invest in our top priorities, partnerships and advanced technologies in Data-Tech-AI to drive accelerating long-term growth. For the full year, we are also raising our outlook of adjusted diluted EPS to reflect the strong performance we achieved in the first half with a \$0.14 increase at the midpoint of the range.

In closing, I would like to extend my heartfelt thanks to every one of our employees. Your dedication is delivering exceptional value to our clients and driving success and growth for Genpact. As we continue to innovate and expand, your commitment is the cornerstone of our achievement. Thank you. And we continue to sharpen our competitive-edge and build the next chapter of Genpact.

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

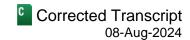
#### **Michael Weiner**

Chief Financial Officer, Genpact Ltd.

Thank you, BK, and good afternoon, everyone. I appreciate your time today as we review our financial performance for the second quarter of 2024 and provide insights into our outlook for the third quarter and full year.

I'm pleased to report Genpact delivered another strong quarter, including an all-time high income from operations of \$170 million. We continue to build the foundational improvements needed to drive sustainable growth and efficiencies. Our pipeline reached a record level in the second guarter, driven by a healthy mix of small, medium





and large deals. Generative AI contributed to our pipeline, also doubled in the first half of 2024. All this sets us up well for future growth.

During the quarter, we added 23 new logos, bringing our first half total to 53 new logos, a 29% increase year-over-year. We also booked four large deals in the quarter.

Our win rate was 51%, while sole sourced deals accounted for approximately 45% of total bookings, highlighting our strong value proposition. We continue to deepen and broaden our client base. During the second quarter compared to the prior period, we expanded the number of client relationships generating annual revenue greater than \$5 million from 180 to 185. We also increased the number of clients with annual revenue exceeding \$25 million from 38 to 42, while 5 of these clients generate more than \$100 million in revenue.

Now on to our income statement. Total revenue for the quarter was \$1.176 billion, up 6% year-over-year as reported, and 7% on a constant currency basis. This performance, which exceeded our expectations is the result of renewed focus on driving results in Data-Tech-AI and Digital Operations. Data-Tech-AI represents roughly 46% of total revenue in the second quarter and grew 4% over a year-over-year on both a reported and constant currency basis. Growth was primarily driven by supply chain and risk management service lines.

Digital operations revenue increased 9% year-over-year on both a reported and constant currency basis, primarily due to ramp-ups of large deals. Digital operations accounted for 54% of total revenue in the quarter. Revenue contributed from outcome and consumption-based deals, which excludes fixed-fee contracts, continued to expand compared to prior year. It now comprises 20% of second quarter revenue, a milestone we achieved at the end of 2023.

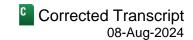
This recurring achievement demonstrates our commitments to meeting our long-term objectives. Expanding these deals enables us to drive profitable growth and enhance value to our clients.

Revenue from priority accounts grew approximately 7% year-over-year and comprised of 62% of total revenue. Now on to our 3 segments, all which delivered strong results. Revenue in consumer and healthcare grew 7%, while revenue in financial services, as well as high-tech manufacturing increased approximately 6% year-over-year. The primary revenue growth drivers of all three segments remain largely unchanged from the prior quarters, reflecting stability and consistency in our business operations.

Transitioning from top-line performance, to gross margin of 35.4%, up 10 basis points from the prior year quarter, driven by operational leverage and modestly lower stock-based compensation expense, partly offset by our annual comp cycle. Adjusted operating income margin was 16.9%, up 10 basis points year-over-year.

SG&A as a percentage of revenue declined 40 basis points year-over-year to 20.4%, driven by higher operating leverage, some of which results from our ongoing simplification efforts, offset by increased investments. Our effective tax rate was 24.9%, up from 22.7% in the prior-year quarter, which had a discrete tax benefit. GAAP net income was \$122 million, a 5% improvement year-over-year. GAAP diluted EPS rose to \$0.67, a 6% increase year-over-year. Similarly, adjusted diluted EPS climbed to \$0.79, up 10% from last year, outpacing revenue growth.

We continue to generate significant cash from operations. We delivered \$209 million compared to \$171 million in the prior year period.



Moving on to our balance sheet. Cash and cash equivalents were \$914 million, up \$491 million at the end of the same period last year. The cash increase is primarily due to proceeds from our recent bond issuance, which will be used to repay upcoming bond maturities. Days sales outstanding decreased by two days versus last quarter. We delivered net debt to EBITDA ratio of 0.9 times for the quarter at the low end of our preferred range. This positions us well for future investments in future growth opportunities.

In the second quarter, we repurchased approximately 1.9 million shares at an aggregate cost of \$63 million. We also paid \$27 million in dividends. Overall, we returned approximately \$90 million to our shareholders in the second quarter alone. We remain committed to returning capital to shareholders and allocating a minimum of 30% of operating cash flow to share repurchases, in addition to the 20% annual dividends. Attrition remained at historical lows at 23% for the second quarter, 200 basis points under the same quarter – lower than the same quarter last year.

Moving on to expectations for the third quarter, we guided to total revenue in the range of \$1.18 billion to \$1.186 billion, a year-over-year growth of approximately 3.9% to 4.4% as reported. This comprised of Digital Operations and Data-Tech-Al revenue growth of approximately 3.8% and 4.6% versus the prior-year period respectively. At the midpoint of the ranges reported.

Gross margin for the quarter is expected to be approximately 35.4%, consistent with prior quarter. Adjusted operating income margin is expected to be 17.2% as we continue to invest for long-term growth. For the full year, we are raising our adjusted diluted EPS guide. We now project adjusted diluted EPS to be between \$3.14 and \$3.18. This represents a \$0.14 increase at the midpoint of our previous guide and will mark the fourth consecutive year of delivering EPS growth that outpaces revenue.

The year-over-year increase in EPS is driven by adjusted operating income of \$0.14 and a \$0.09 benefit from lower share count. The increases are forecast to be partially offset by higher interest expense of \$0.03 and expected tax rate impact of \$0.01.

As BK mentioned, we are not anticipating more favorable market conditions as the year progresses. We are primarily incorporating the strong performance in the first half into our projections for the full year. Specifically, we are now anticipating total revenue to be between \$4.656 billion and \$4.701 billion, representing a year-over-year growth of 4% to 5% as reported. This positive adjustment reflects Digital Operations revenue growth of 5.2% and approximately 3.8% in Data-Tech-AI revenue growth at the midpoint. We continue to expect full year gross margin to be approximately 35.3% and an adjusted operating income margin of 17%, highlighting our ability to maintain profitability while navigating uncertain economic and business environment and investing in our business.

We now anticipate to generate approximately \$525 million in operating cash flow this year. In addition to our results-driven focus, our strategic investments, robust client relationships and operating excellence, all positions us to navigate the dynamic market environment effectively. These efforts are designed to enhance shareholder value, drive sustainable growth, and generate long-term returns to our shareholders.

Now I'll turn the call back over to Krista. Thank you.

#### Krista Bessinger

 ${\it Head-Investor\,Relations,\,Genpact\,Ltd.}$ 

Hi, operator we're ready to go ahead and poll for questions.



## QUESTION AND ANSWER SECTION

**Operator:** Thank you. [Operator Instructions] And our first question comes from Maggie Nolan with William Blair. Your line is now open.

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Hi, everyone. It's [ph] Kate (00:23:48) on for Maggie. Congrats on a nice quarter. My first question is, I understand that you guys are not accounting for any improvement in client demand with the revised outlook, but can you provide any update just on where overall client sentiment is right now and how it's evolved over the past quarters?

#### Balkrishan Kalra

President, Chief Executive Officer & Director, Genpact Ltd.

A

I will take that. This is BK. So, first of all, thanks so much. And what I can report on the client sentiment that it has largely stayed the same as we have observed over last six months, or I would say even over the last 12 months. So, we haven't seen, as an example, in the discretionary spends neither any improvement, and yes, no deterioration either. And our clients continue to stay very cautious, very watchful, and continue to be almost in the same zone, given all the uncertainties that surround them.

Okay, great. Thank you, BK. And then my next question is, it was nice to hear about the continued increase and consumption in outcome based deals. Has your long-term mindset changed at all on what that percentage could eventually get up to?

#### Michael Weiner

Chief Financial Officer, Genpact Ltd.



This is Mike. I'll take that one. So you're correct. We've already reached our goal that we put out ahead of schedule on that. While we don't have any concrete numbers to share today, but you can expect that number to be notionally higher as we move forward in the year. But I think what's so important about it is as we're [ph] approximately (00:25:33) at 20% right now, it's also to think about it's not just that it's helping us pivot this new economic model. But if we look back at that 20%, the margin on it continues to remain robust and above average. So, more to come on that.

Great. Thank you, Mike and BK.

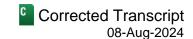
#### Balkrishan Kalra

President, Chief Executive Officer & Director, Genpact Ltd.

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Thank you.

Operator: And the next question comes from Bryan Bergin with TD Cowen. Your line is open.



#### Bryan C. Bergin

Analyst, TD Cowen

Hey, guys. Good afternoon. Thank you. BK, maybe a high-level question. You know, you've been in the role sixplus months now. Can you give some perspective on the initiatives that you think have worked really well here versus any of those that are moving slower, and just any area, added areas of emphasis for you, as you're working through the second half of 2024?

#### Balkrishan Kalra

President, Chief Executive Officer & Director, Genpact Ltd.

Absolutely Bryan, thanks. So, as we clearly articulated, Bryan, that we are focused predominantly on these four initiatives, what we call as 3+1, which I am building [ph] through lines (00:26:42) across the company as well, along with all the colleagues in Genpact. And what I would gladly say that all of these 3+1 initiatives, be it +1 being Genpact – building Genpact has the best credential on AI-first journey, or the three client-facing ones, the first one being partnership, the second one on Data-Tech-AI and third and more simplified, go-to-market motions. All of them are progressing really well and some I reflected already.

What we have also done, Bryan, that killed many initiatives, and that has helped us focus on these initiatives that are meaningfully better for our future, as well as our present and we are seeing results. Having said all of that, we are also leaning hard into innovation, innovation represented by data in GenAl and we are at the early stages of that and more to come on that.

#### Bryan C. Bergin

Analyst, TD Cowen

Okay. Understood. And then as it relates to Digital Operations, so a nice uptick here in 2Q, that sequential uptick. As we compare that to the 3Q and 4Q outlook, can you just maybe tease out if anything changes, your outlook flattens out a little bit, was there anything that happened in 2Q that allow for that strong ramp? Anything one-time or just more so kind of the prudent approach you've demonstrated?

#### Balkrishan Kalra

President, Chief Executive Officer & Director, Genpact Ltd.

It is more prudent approach, Bryan. I think we continued to see earning of large deals into each quarter actually on schedule, a little bit ahead of schedule, and really pleased with that, really pleased with how all the cadences on various deals even this year, be it small deals, medium deals, large deals, and it is – we are also wanting to maintain a prudent approach as we go through the balance of the year.

#### Bryan C. Bergin

Analyst, TD Cowen

All right. Makes sense. Thank you.

#### Balkrishan Kalra

President, Chief Executive Officer & Director, Genpact Ltd.

Thank you, Bryan.

Operator: And our next question comes from Robbie Bamberger with Baird. Your line is now open.

#### Robert W. Bamberger

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

Yeah, thanks for taking my question. So, in terms of the large deals you noted at the end of 2023, can you maybe touch on how that large deal revenue is flowing through in 2024 and 2025, and maybe the puts and takes of the larger deals on EBIT and gross margins for 2024?

Michael Weiner

Chief Financial Officer, Genpact Ltd.

Let me kick that off and maybe BK you can opine on it. So, in the second half of 2024, we had a notable amount of large deals that started to ramp that continued throughout the first two quarters of this year – I apologize – 2023 into 2024. Those continued to perform very well and we're at the point where they're ramping. Those deals typically come in at the beginning at a lower gross margin, and end up at a higher gross margin as they move through the pipeline and as they mature.

Keep in mind, our large deal for us typically can be about a five-year in terms of their duration. So, if you think about our guide for the remaining piece of the year, it really does reflect that movement as we move forward.

Balkrishan Kalra

President, Chief Executive Officer & Director, Genpact Ltd.

Pretty well said, and I think we'll continue with the momentum overall, Robbie.

Robert W. Bamberger

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

Perfect. And then in terms of the GenAl deals, you noted 95% of GenAl bookings are on a non-FTE basis. So, can you maybe dive into the pricing of these non-FTE based contracts that you have with clients? Are they higher margin than normal contracts?

Balkrishan Kalra

President, Chief Executive Officer & Director, Genpact Ltd.

Yeah, a number of these GenAl deals are – which is also reflected in the quarter-end results that we just spoke about, are non-FTE based. When we say non-FTE based, they are largely more based on outcomes, outcomes they generate for our clients and how we get paid for it. And most of our outcome deals are at a higher profitability and that's what we are anchoring the entire company on.

Robert W. Bamberger

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

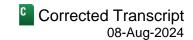
Great. Thank you.

Balkrishan Kalra President, Chief Executive Officer & Director, Genpact Ltd.

Operator: Our next question comes from Mayank Tandon with Needham. Your line is open.

Thank you, Robbie.





#### Mayank Tandon

Analyst, Needham & Co. LLC

Thank you. A good evening. Bala, you mentioned that the GenAl opportunity expanded your TAM, so, could you maybe just give us some sense of how it does it? Is it just opening up new avenues of growth that haven't been explored before by clients? Just maybe a little bit more details around how [ph] expand the TAM (00:31:27) and maybe if you could quantify it too.

Balkrishan Kalra

President, Chief Executive Officer & Director, Genpact Ltd.

Yeah. So I think quantification might be challenging at this early stages, but really what we see, Mayank, is increasing of our TAM, be it in the bookings that we are seeing, or even in our pipeline or number of solutions that we are baking for clients as we speak. And it increases TAM because of two or three reasons. One, it also expands the scope of opportunity that we are talking about, point number one.

Point number two, given – especially with GenAl and Al always existed, at least for a decade, I would say, but with GenAl, a lot of our clients have also woken up to this transformative opportunity and therefore they are engaging while we are engaging with them in different buying centers. And given our intense client-centric approach, we get called in some of the areas where we were earlier not getting called. So, those are obviously adding to opportunities as well. So, our TAM in a particular client, as well as TAM in a particular opportunity within the client.

And if you look at the example that I shared in my prepared remarks in that financial services industry case, overall that deal size, it's a large deal, when we call large, you know, greater than \$50 million is much bigger than \$50 million, but deal size pre-GenAI or post-GenAI is much bigger in [ph] PCB (00:33:12).

Michael Weiner

Chief Financial Officer, Genpact Ltd.

I would just quickly add on, so I said in my remarks as well, our pipeline reached a record level in the second quarter. Right. So if you also think about the GenAl contribution of that has more than doubled in the six-months of this year versus the full year next year. So, we are seeing a net increase in our quality pipeline, which does support the notion that BK alluded to as a TAM enhancer to it.

And then if you extrapolate upon that, as BK alluded to, with outcome based deals and looking at the margin on that being higher, we feel very positive about it as a net-TAM enhancer and a net revenue enhancer to our business on our franchise.

**Mayank Tandon** 

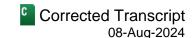
Analyst, Needham & Co. LLC

That's helpful. But, on margins, then, I would be curious, does this potentially create a nice tailwind for you and maybe helps you close the gap versus your peers that run at slightly higher adjusted EBIT margins? I think the general margin level has been high-teens, low-20s. I think you have some more headroom to get there. Is this potentially a longer-term tailwind to close that gap?

Michael Weiner

Chief Financial Officer, Genpact Ltd.

Two things. So, potentially, yes, but keep in mind as well that, you know, our adjusted operating income margin continues to remain stable as we've taken flow through the operating leverage that we have in our business and



have made substantial investments into our franchise on a go-forward basis. [ph] The (00:34:42) things BK alluded to earlier, including enhanced training, investments in partnerships and all these things, we think are a pivotal part to our company to generate long-term sustainable growth.

So, we'll be doing that at least for the foreseeable future this year, and that's reflected in our numbers. Mayank Tandon Analyst, Needham & Co. LLC Great. Thank you for all that color. Congrats on the quarter. **Michael Weiner** Chief Financial Officer, Genpact Ltd. Thank you. **Operator**: And our next question comes from Surinder Thind with Jefferies. Your line is open. Surinder Thind Analyst, Jefferies LLC Thank you. I'd like to start with a question about the partnerships. It's quite surprising that your partnership revenue sourcing is quite low. Can you help us understand why the strategy was what it was, given that the difference between your peers is so significant and how quickly do you think you can ultimately close that gap to get to where maybe – where your peers are? Balkrishan Kalra President, Chief Executive Officer & Director, Genpact Ltd.

Yeah, so we are moving ahead now, rapidly and therefore investing rapidly, Surinder. And given we were running many initiatives, as I also alluded to earlier in the commentary, it was generating results not fast enough and that is what is changing. And we are very, very pleased with the investments we have made and given we had made many of these connections with various hyperscalers or other iconic partners, we have been in relationship with them for X number of years, but not in a focused manner, and now they see us more.

We have a pretty strong leader and a very strong team, possibly one of the best team in the industry that we have put up and we are seeing early results and we certainly want to close this gap fast.

Surinder Thind
Analyst, Jefferies LLC

Just any color on how quickly that gap can – are we talking about like a five-year journey, or is it something shorter or just any color?

Balkrishan Kalra

President, Chief Executive Officer & Director, Genpact Ltd.

Five-year is a very long time, Surinder. We are not thinking five-year horizons, but clearly want to get to double-digit fast.

Michael Weiner /



Chief Financial Officer, Genpact Ltd.

Genpact Ltd. (G) Q2 2024 Earnings Call	Corrected Transcript 08-Aug-2024
Yeah I would also bring on	Ţ
Surinder Thind Analyst, Jefferies LLC	Q
Fair enough.	
Michael Weiner Chief Financial Officer, Genpact Ltd.	A
I would also just quickly bring on as well. I think we can keystroke-level information and data that we have, as ou deal with continue to want to penetrate with their offering chosen verticals than we do. So, net-net, it's a win for Ge partners.	r clients and hyperscalers and other partners that we s. Nobody has a better domain-level experience in our
So, we're putting a lot of effort and money towards that a	and we think we'll see results in not too distant future.
Surinder Thind Analyst, Jefferies LLC	Q
That's helpful. And then in terms of just the innovation piknow, there's some more coming. Conceptually, are you trying to build other pieces of software related to workflow pipeline at this point?	pushing towards like building proprietary LLMs? Are you
Balkrishan Kalra President, Chief Executive Officer & Director, Genpact Ltd.	A
	you think you – we are one of the largest players in LMs including for, let say, accounts payable and building nich are backed-off by many of the LLMs. So, a number of
Surinder Thind Analyst, Jefferies LLC	Q
Thank you.	
Balkrishan Kalra President, Chief Executive Officer & Director, Genpact Ltd.	A
Thanks, Surinder.	
Operator: The next question comes from Bryan Keane	with Deutsche Bank. Your line is open.
Bryan C. Keane  Analyst, Deutsche Bank Securities, Inc.	Q

Hi, guys. Solid results here. Wanted to ask about some of the GenAl bookings and I think you said 95% of those bookings are on a non-FTE basis. I know you're really not generating much revenue yet from GenAl, but how do those contracts price competitively versus the marketplace? And how do you know if, you know, on renewals and



other deals, that you'll be generating the same types of revenue you're generating? That was typically on an FTE basis.

Balkrishan Kalra

President, Chief Executive Officer & Director, Genpact Ltd.

ese are sole

Yeah, so, Bryan, a number of these – one, we have – we report sole source as well. A number of these are sole source opportunities too. But even in a competitive environment, it is a lot of this, it is part of embedded solution that GenAl is integral part of.

And as we are moving and pushing the agenda more on non-FTE basis, a lot of these solutions are therefore now with these technologies, which are a number of them are IP'd, a number of them are, you know, partner solutions. You know, we are centered on what are the outcomes that they are achieving for our clients and [ph] solve (00:40:19) that cadence of outcome then also flows to us. And what we are seeing is early good results.

Michael Weiner

Chief Financial Officer, Genpact Ltd.

Д

BK, I'll mention quickly and bridge upon that, while GenAl is net new and a frothy level of discussion, Al is not new to us, as well as other enhancements and productivity tools. It seems to be a big focus of it. We are not able, or have not been able to generate the efficiencies and profitability and – for our clients and for ourselves without utilizing tools. So, this will continue to evolve over time. It is a net new technology, but it's really an enhancement or an evolution of what we've done in terms of using technologies to drive outcomes.

Bryan C. Keane

Analyst, Deutsche Bank Securities, Inc.



Got it. Got it. And then just a follow up. Maybe I can ask the guidance question a little bit differently. You know, since the growth rate was so strong in second quarter, what would cause the growth rate to decelerate the way you guys guided to, because it just seems like the momentum you have, especially with the partnerships, we're going to see similar growth rates, if not better, in the third quarter and not the deceleration?

**Michael Weiner** 

Chief Financial Officer, Genpact Ltd.



Yeah, I think – I'll start this one. I think it really first starts with a consistent business environment. You know, keep in mind about two-thirds – excuse me, three quarters of our business is annuitized. So we have a very good view into that. The other 25% cohort of our business tends to be shorter duration deals that we have to earn and win throughout the year. So, we're just not anticipating any real change in the macro business environment. We remain prudent in terms of our guide.

In addition to it is, yes, we had some – we had strong growth in the first half of the year, particularly off of better execution, namely in a lot of those large deals, which in many cases we're lapping each other. So we'll continue to monitor the business environment. But again, we remain prudent in how we think about it for the next two quarters.

Bryan C. Keane

Analyst, Deutsche Bank Securities, Inc.



Got it. Thanks, guys.

## Genpact Ltd. (G)

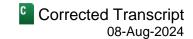
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Michael Weiner Chief Financial Officer, Genpact Ltd.	
Thank you.	
Operator: The next question comes from Sean Kennedy with Miz	uho. Your line is open.
Sean Kennedy Analyst, Mizuho Securities USA LLC	C
Hi. Good evening and congrats on the results. So, I was wondering on Data-Tech-AI and GenAI solutions. So, how does your team se did you change the sales incentives there to help achieve these results.	Il these solutions into your customer base and
Balkrishan Kalra President, Chief Executive Officer & Director, Genpact Ltd.	Α
Yes, sales incentive changed, Sean, and we continue to iterate and typically what we have is our offering hub, so there are series of of client set and the needs and the competencies that we have. And the Genpact offerings, or also on the, you know, marketplace, of our particle. And then depending upon active sales motion in all of the clients the needs, you know, there is active — activation of these offerings there is, from a simplification standpoint, we've also set up certain accountability and agility in the organization.	ferings that we have developed based on the chese offerings are, many of them are just eartners.  That we operate in you know, depending upon that happen in different client situations. And
Sean Kennedy	
Analyst, Mizuho Securities USA LLC  Thank you.	
Balkrishan Kalra President, Chief Executive Officer & Director, Genpact Ltd. Thanks, Sean.	Α
Operator: And our next question comes from Keith Bachman with	n BMO. Your line is open.
Keith Bachman Analyst, BMO Capital Markets Corp.	C
Hi. Good afternoon. Good evening. Guys, I want to ask first on hove	would you characterize pricing in the first half

Hi. Good afternoon. Good evening. Guys, I want to ask first on how would you characterize pricing in the first half calendar year 2024 versus the same time last year? One of your competitors, big competitors, suggest that pricing is much more aggressive across the BPO landscape. How would you [indiscernible] (00:44:33)?

#### Michael Weiner

Chief Financial Officer, Genpact Ltd.

Yeah, thanks for that question. It's Mike. We've heard that before, so we've thought about it. We have had year-over-year and sequential, I think we alluded to, in terms of pricing, particularly in our Digital Operations business. Keep in mind, half of it is predominantly sole source and half is not, has been relatively consistent. We haven't



seen anything irrational that's really gone on in pricing. And so -- it's hard for us to comment on others. BK, any views?

Balkrishan Kalra President, Chief Executive Officer & Director, Genpact Ltd.	A
Okay. No, I think you're right. It's a reasonably competitive environment, but we haven't seen any irrational behavior in the marketplace.	
Keith Bachman  Analyst, BMO Capital Markets Corp.	Q
Okay, so related to that, would you be willing to provide what [ph] for some of your (00:45:20) business is, sa services related or customer facing? What percent of that in total – that call center business would be a part of that? But I'm talking DX more broadly, how much do you have a service related business?	-
Michael Weiner Chief Financial Officer, Genpact Ltd.	A
Yeah. So in the past we've talked about that in terms of I think you're asking the customer service related business, that type of work?	
Keith Bachman Analyst, BMO Capital Markets Corp.	Q
Yeah.	
Michael Weiner Chief Financial Officer, Genpact Ltd.	A
When you aggregate it up in the many – in what we do for a lot of our customers in a lot of different flavors, a you take that aggregate revenue, it's less than 10% of our business.	ınd
Keith Bachman Analyst, BMO Capital Markets Corp.	Q
Yeah, fair enough	
Michael Weiner Chief Financial Officer, Genpact Ltd.	Α
Of our revenue, I should say.	
Keith Bachman Analyst, BMO Capital Markets Corp.	Q
Yeah. Last question for me then [indiscernible] (00:45:58) and Accenture have said that GenAl seen a great growth for everybody in industry. But it's not additive to customer demand and in order to pursue these projectit's coming out of – it's sourced from some other areas. You know, it sounds like you guys have a different view that. But Liust wanted to try to clarify because like you clearly said, you think it's additive to the pool, but Liust	ew of

want to make sure I heard that correctly.



#### Michael Weiner

Chief Financial Officer, Genpact Ltd.

Yeah, you're hearing that correctly. Again, it's hard for us to comment on other companies in terms of what their native mix of business is. But we look clearly at our pipeline, are our very defined definition of what Generative Al is. We are seeing it as a net enhancer to our pipeline. So, you know, when BK talks about we view the TAM on this being a driver of our sustainable growth in the future, as opposed to a trade-off, we're just not seeing that.

Keith Bachman

Analyst, BMO Capital Markets Corp.

Perfect. Okay. Many thanks, guys. Cheers.

Balkrishan Kalra

President, Chief Executive Officer & Director, Genpact Ltd.

Thanks, Keith.

**Operator**: [Operator Instructions] I show no further questions at this time. I would now like to turn the call back to the company for closing remarks.

#### Balkrishan Kalra

President, Chief Executive Officer & Director, Genpact Ltd.

Thank you. Thank you, Michelle. Quarter two was another strong quarter for Genpact. As we look ahead, we will continue to drive, improving execution, leveraging our 3+1 Framework, and lean into innovation. We will innovate by leveraging GenAl and other advanced technologies to deliver superior value for clients, and drive productivity for Genpact.

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



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