THOMSON REUTERS STREETEVENTS

EDITED TRANSCRIPT

G - Q1 2020 Genpact Ltd Earnings Call

EVENT DATE/TIME: MAY 11, 2020 / 8:30PM GMT

OVERVIEW:

Co. reported 1Q20 total revenues of $923m and adjusted diluted EPS of $0.53. Expects 2Q20 constant-currency revenue to be down 3-5% YoverY.

CORPORATE PARTICIPANTS

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

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

Roger Sachs *Genpact Limited - Head of IR*

CONFERENCE CALL PARTICIPANTS

Ashwin Vassant Shirvaikar *Citigroup Inc, Research Division - Former Director*

Bryan C. Bergin *Cowen and Company, LLC, Research Division - MD & Analyst*

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

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

Edward Stephen Caso *Wells Fargo Securities, LLC, Research Division - MD and Senior Analyst*

Kyle David Peterson *Needham & Company, LLC, Research Division - Associate*

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

PRESENTATION

Operator

Good day, ladies and gentlemen. Welcome to the 2020 First Quarter Genpact Limited Earnings Conference Call. My name is Bridget, and I'll be your conference moderator for today. (Operator Instructions) As a reminder, this conference call is being recorded for replay purposes. The replay of the call will be archived and made available on the IR section of Genpact's website. I would now like to turn the call over to Roger Sachs, Head of Investor Relations at Genpact. Please proceed.

Roger Sachs - *Genpact Limited - Head of IR*

Thank you, Bridget, and good afternoon, everybody, and welcome to Genpact's first quarter earnings call to discuss our results for the quarter ended March 31, 2020. We hope you had a chance to review our earnings release, which was posted to the IR section of our website, genpact.com. The speakers on our call today are Tiger Tyagarajan, our President and CEO, who is joining from his home in New York City; and Ed Fitzpatrick, our Chief Financial Officer, joining from his home in Pennsylvania. We have a lot to cover during today's call, including Genpact's response to the COVID-19 crisis, our positioning for a path to longer-term growth, a review of our financial performance. We will also provide some color related to our expectations for our second quarter results. Our prepared remarks will be somewhat longer than usual, but we will provide extra time to answer all of your questions. As a reminder, 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 could cause actual results to differ materially from those in such forward-looking statements. Such risks and uncertainties are set forth in our press release. Additionally, during our call today, we will refer to certain non-GAAP financial measures that we believe provide additional information to enhance the understanding of the way management views the operating performance of our business. You can find a reconciliation of 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 2020 First Quarter Earnings Call. I'm extremely proud of the passion and dedication of the Genpact team around the globe, who have worked tirelessly to support our clients, deliver phenomenal service and help communities and each in these unprecedented times. The COVID-19 crisis has disrupted personal lives, businesses and economies around the world in a very short period of time. Today, I will start with a quick review of our first quarter results and then share an update on our response so far to COVID-19. I will then discuss the status of our delivery to clients, learnings from our journey to work from home, and the impact we are seeing on our clients and their industries. I will also cover the new opportunities we are seeing in the market, why we are well positioned to win these opportunities and how our strategic focus over many years and particularly over the last 5, allows us to be resilient in these times and sets a clear path forward for longer-term growth in the post COVID-19 world. Despite the challenges the world faced starting in the second half of March, we had strong first quarter results, demonstrating a continuation of the momentum we saw throughout 2019.

All of our industry verticals, consumer goods retail, life sciences, health care, banking and capital markets, insurance, high-tech and industrial manufacturing and services grew nicely. Transformation Services was once again the leading engine with particular strength in analytics and significant new traction in our cloud services. Specifically, total revenue was $923 million, up 14% on a constant currency basis, and global client revenue increased 15% on a constant currency basis.

We also delivered adjusted operating income margin of 14.7% and adjusted diluted EPS of $0.53, up 23% year-over-year. Transformation services, including the contribution from Rightpoint, grew more than 30% in the quarter, and accounted for approximately 30% of total Global Client revenue. We were off to a strong start to the year as we continued to see traction in our underpenetrated target markets. We saw early signals of the COVID-19 crisis in our China operations, where we have more than 4,000 associates serving a number of our Global Clients in China, Japan, South Korea and the Northern Asian economies, and responded with an agile switch to work from home.

As COVID-19 began to spread throughout the world, in the second half of March, we reacted quickly across our global footprint, including Europe, U.S., Latin America, Philippines and India, with our China playbook in hand as a great starting point. We estimate a loss of about $7 million in first quarter revenue, primarily driven by supply constraints in the transition to work from home. Much of the revenue loss on the supply side was related to delays in approving work from home from many of our banking and capital market clients, due to regulatory constraints and privacy and security concerns. From the very beginning of the crisis, our decision-making framework has been focused on 2 key pillars: one, ensuring the safety, health and well-being of our 95,000 plus global team members; and two, continuing to deliver service to our clients, knowing that the work we do for them is essential, in many cases, to make their businesses and economies in which they operate function effectively. On day one, we established a global COVID-19 response task force with 8 specific work streams with responsibilities to: one, transition operations to work from home; two, orchestrate internal and client communications; three, refresh our financial outlook with a high-frequency to drive actions; four, drive superior operational delivery performance and productivity in a virtual work environment; five, design and implement a comprehensive employee well-being program for this new environment; six, develop frameworks and playbooks for Transformation Services engagements, digital implementations, collaborative solution design and transition in a virtual world; seven, build and take to market new Transformation Services and digital offerings; and finally, eight, develop a point of view on the post COVID-19 world. Each work stream is led by one of my leaders across businesses, functions and geographies to ensure rapid real-time decision-making. As we look back over the last 8 weeks, the speed and agility with which we have transitioned to a new virtual work from home model for all of our services can be attributed to our early adoption of virtual collaboration and communication tools to deliver global solutions. Over many years, our culture of running the company with a globally distributed leadership team made the transition easier for us to embrace. To date, more than 95% of our overall revenue coverage is being delivered. The single biggest gap to reaching 100% virtual is in our banking and capital markets vertical, where client approvals to work from home in processes that manage highly sensitive customer information has taken time and has varied by regulatory jurisdiction in which these clients operate. To protect the long-term health of our business and allow us to continue to invest strategically in areas that will fuel growth in the future, we have taken decisive action to reduce our cost base, such as freeze on all salaries across the organization, including our executive leaders and a hold on internal promotions for the year after paying our 2019 bonuses in full. Second, a temporary ban on all team member travel around the globe to ensure the safety of our employees and clients as well as a pullback on all discretionary spending. And three, the deployment of a proprietary platform, Talent Match, that has allowed us to identify talent available for redeployment to other parts of our business as the needs of our clients change. This, combined with our Genome re-skilling platform has been a home run in these times. The strength of the portfolio choices we made as part of our 2013 strategy exercise in terms of both industry verticals and service lines is making a huge difference. Additionally, the global diversity of our delivery footprint between onshore, nearshore and offshore has been a major driver of our resilience in these times. We have rapidly developed the science of virtually running our services efficiently and effectively. We have taken our end-to-end smart enterprise process, SEP frameworks, and refreshed them for this new model focusing on security controls, monitoring service level adherence and maximizing employee productivity in a work from home environment.

As an example, for the most recent quarter closed, using these updated frameworks, we closed the books up to 2 days quicker for 98% of clients that we closed the books for, with the balance being closed in normal cycle times. At a broader level, we have seen better service level performance for more than 50% of our services and only a small single-digit percentage of our services had a perform below par. This has further led to client delight even in these difficult times. Very early in this transition to work from home, we started developing programs and initiatives to help our employees manage the stress of this new way of working. We set up 24/7 helplines with mental health professionals to provide assistance to employees, share best practices on working from home and self-care during this crisis and conducted global webinars with experts on a variety of topics, including health and wellbeing. We're also leveraging our AI-driven employee sentiment chatbot to capture daily mood across our global workforce. Many of our core enterprise services, including finance and accounting, sourcing and procurement and supply chain, as well as industry-specific services such as financial crimes and risk, insurance underwriting and claims and content moderation are nondiscretionary in nature. We estimate that more than 85% of our portfolio is positioned to weather the short-term economic challenges of the current environment. Our exposure to the hardest hit industry such as travel, hospitality and leisure and energy is limited. We are seeing heightened demand for our solutions and supply chain management, consumer banking collections, small business lending through government support programs and analytical services to a range of industries, witnessing volatile demand and supply patterns, all of which we have strengthened. Over the last 2 years, we have refocused our IT services work to specific areas connected to our domain depth and digital capabilities, providing us with a springboard to accelerate our digital transformation and cloud engagements in these times. Two recent examples of a large technology firm moving all of their analytics engines to the cloud and for a global pharma company implementing Workday finance across their enterprise. Our Transformation Services engagements did not miss a heartbeat. Most of these engagements have continued demonstrating both our ability to deliver these virtually as well as the essential nature of some of the change programs we lead for our clients. The last couple of months have reinforced the importance of flawless execution, client intimacy and Net Promoter Score as the true North star of our culture. As we look at our overall portfolio of revenue, more than 2/3 comes from a cohort of clients, where our relationships have strengthened throughout this crisis. We believe this sets the stage for growth with these same clients as they emerge from the crisis and look to significantly transform their businesses. As expected, we are seeing the progression of our large deal pipeline slowdown as clients manage disruption and uncertainty to their businesses. With the exception of clients in the hardest-hit industries, all other deals in the pipeline continue to be active, although at a much slower pace. At the same time, we are seeing a number of new deal opportunities, in many cases, triggered by the challenges of the current environment that start off at the CEO, CFO level. These are large-scale multi function transformation deals in the $100 million plus range. Just in the last 3 weeks, we were awarded a new relationship with a large global insurance client and are also significantly ramping up with an existing large global banking client as they both reconfigure their location and partner operational footprints.

We are solutioning and transitioning this work directly to a work-from-home team as we speak. We're also remote solutioning and seamlessly transitioning more than 2,000 people for more than 40 clients across both existing and new engagements. As I said earlier, we are now executing our Transformation Services engagements in a virtual setting. With the slowdown of the movement of our large deal pipeline, Transformation Services embedded in these deals have also naturally slowed down. The province of solutions that clients engage with us in our Transformation Services business has significantly changed. We are seeing heightened demand for a range of new Transformation Service solutions that have quick payback and are very relevant in the current environment. We have recently developed and taken to market 17 new Transformation Services solutions and 8 new digitization solutions, all as rapid response offerings. A few examples of these are: for health care companies using real-time predictive analytics to ensure rapid deployment of life-saving devices and personal productive equipment to the right locations at the right time; for Pharma companies using predictive analytics to help them adapt their end-to-end supply chain to changing demands in their portfolio of medicines, for example, demand for allergy relief medications are down as fewer people are going out. We are helping with material purchase, capacity planning and logistics orchestration; for banks, monitoring credit risk and detecting financial crimes and fraud, we are providing expertise to set up surge operations in various regions of the world and helping manage the record high-volume of small business loan applications as part of the Paycheck Protection Program, a key element of the CARES Act by streamlining and digitizing loan application and funding processes; for consumer goods, retail and manufacturing companies using supply chain analytics to redesign distribution networks in order to balance volatile supply and demand as well as supporting offline to online transformation through rapid digitization, given increasing volumes of our online channels. And finally, for a range of manufacturing companies, we are running supply risk assessments, sourcing programs, benchmarking, digital interventions and segmentation and customer behavior analytics to drive receivables down to improve cash flows. The broad themes that cut across these new opportunities are an increased consumption of cloud-based services, automating and digitizing for rapid payback and analytics that deliver real-time predictive insights. In times of uncertainty, strategic partnerships with deep client intimacy means more than ever, and CXOs and boards continue to look for ways to drive change in their organizations to achieve outcomes in both the short and the long term. The essential nondiscretionary and annuity-based nature of the services in our industry provides resiliency during these uncertain times. With a strong balance sheet and solid cash flows, the underlying fundamentals of our business remain very healthy. Geographical concentration risk is also of paramount concern for many of our clients. Our broad, robust global delivery footprint allows for a balanced mix of offshore, nearshore and onshore delivery. This diversity is a huge strength that helped us win the large insurance client I talked about earlier, who selected us to derisk their delivery concentration in the middle of the crisis. Our stepped up investments in digital and analytics over the last 5 years, both organic as well as through partnerships and acquisitions have positioned us well to offer specific solutions for our clients looking for immediate value creation. The capabilities we acquired through the acquisition of the AI and machine learning business, and the dynamic cloud workflow business that provides the digital layer of Genpact Cora are examples of these. When we acquired Rightpoint late last year, our thesis was that we are 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 believed our ability to connect front to middle and back offices would make a huge difference to our clients as we help orchestrate their digital transformation journey.

In this virtual world, the importance of customer and user experience has gone up dramatically. As offline businesses accelerate their journeys to online, it further reinforces the need for a focus on digital experience. This positions us well to leverage these capabilities in the post COVID-19 world where digital transformation becomes center stage.

A quick note on GE. Our relationship remains strong across the multiple GE businesses we serve. As GE drives cost improvements to deal with a reduced market size for a number of their businesses, as always, we are responding with our own productivity initiatives to deliver value back. Due to the impact of COVID-19, we are currently anticipating second quarter revenue to be down 3% to 5% year-over-year on a constant currency basis. Lastly, due to the uncertainty caused by COVID-19, we have decided to withdraw our 2020 financial outlook issued on February 6, 2020, until visibility improves. 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. Total revenue for the first quarter was $923 million, up 14% year-over-year, both on an as-reported as well as on a constant currency basis. We saw broad momentum in our business, and revenues exceeded our expectations despite some late headwinds driven by COVID-19. As Tiger mentioned earlier, the impact from the COVID virus onset only impacted the last few weeks of the first quarter. Due to the comprehensive and rapid global shutdowns, we lost approximately $7 million of revenue in those last 2 weeks. The majority of this was related to the shift in delivery capabilities to a virtual operating environment, including certain clients in banking initially limiting work-from-home execution. Global Client revenue, which represented 87% of total revenue, increased 14% year-over-year or 15% on a constant currency basis, largely driven by broad growth across our portfolio. Transformation Services continued to lead the way with strong contributions from our analytics and digital solutions.

During the quarter, we continue to expand the size of a number of our Global Client relationships. For the 12-month period ended March 31, 2020, we grew the number of Global Client relationships with annual revenues over $15 million to 52 from 49. This included a client with more than $50 million in annual revenue growing to 10 from 8. GE revenue increased 12% year-over-year, in line with our expectations. Adjusted operating income margin was 14.7% compared to 15% during the same period last year. Leverage from strong revenue growth and cost efficiency initiatives, we drove during the quarter, were partially offset by the impact of COVID-19 disruption. This disruption included unutilized intelligent operations resources, resulting from limits placed on our ability to work from home that I mentioned earlier as well as charges associated with an India retirement fund, caused primarily by lower equity values for the period ended March 31, 2020.

Absent the COVID-related impact, our adjusted operating income margin for the first quarter would have come in ahead of prior year margins, which, as you will recall, included $4 million of India export subsidy income, which did not recur this year. Our work-from-home capacity and approval levels continue to progress throughout April and into early May. And as Tiger mentioned, we are now at 95% of overall revenue coverage. Gross margin for the first quarter was 34.5%, which included the impact of the COVID-related costs I've just mentioned. Without these charges, our gross margin would have been largely aligned with the prior year margins of 35.8%. As a percentage of revenue, SG&A expenses were down 230 basis points year-over-year to 21.4%, largely driven by operating leverage as well as efficiency and cost containment actions we initiated earlier in the year. Adjusted EPS was $0.53, up 23% year-over-year compared to $0.43 in 2019. This $0.10 increase was driven by higher operating income, contributing $0.06 per share, foreign exchange remeasurement gains contributing $0.07, partially offset by higher taxes and higher share count with that about $0.01 each. Our effective tax rate, during the quarter, was 22.5% compared to 23.3% last year, largely driven by higher discrete benefits in the current period compared with last year.

Turning to our balance sheet and cash flows. During the quarter, we returned $64 million of capital to shareholders. This included approximately $19 million related to our quarterly dividend of $0.10 per share, which increased 15% in comparison to prior year. We also repurchased approximately 1 million shares, totaling $45 million at a weighted average price of $43.18 per share during the quarter. Since we initiated our share buyback program in 2015, we've reduced our net outstanding shares by 18%. Over this period, we repurchased 38.4 million shares at an average price of approximately $26.60 per share for a total of $1 billion. We currently have approximately $229 million of authorized capacity available under our share repurchase program. Due to the COVID-19 crisis, we have temporarily suspended our share repurchases to augment our liquidity position. I want to try and provide a bit more color on liquidity as we are sure this subject is top of mind for many investors. We are investment-grade rated by both major rating agencies. Our cash and cash equivalents totaled $402 million compared to $325 million at the end of the first quarter of 2019. Our net debt-to-EBITDA ratio for the last 4 rolling quarters was 1.85x. Our total debt balance at the end of the quarter was approximately $1.5 billion. We have no scheduled maturities due until the $350 million bond repayment in the second quarter of 2022. In terms of debt covenants, our outstanding term loan and revolver included net debt-to-EBITDA coverage ratio of 3x and a minimum interest coverage ratio of 3x. We are not expecting to reach these covenant levels given the significant cushion we have based on our current earnings and balance sheet profile. In order to maximize our current flexibility and enhance our liquidity, we drew down our low-cost bank facility during the second quarter, providing an incremental $330 million of cash. At this time, we are not expecting to use the additional cash. Our cash balance as of April 30 was over $700 million. We estimate the incremental interest expense related to the drawdown was approximately $2 million per quarter.

Days sales outstanding during the quarter improved to 89 days compared to 93 days last year. Recall that last year was impacted from certain late payments we received at the beginning of the second quarter. The age of our accounts receivable has remained relatively consistent over the past several years. Given the current environment, we would expect to see some deterioration in our aging. To date, we have not seen any meaningful movement in the aging through the end of April, but we will continue to monitor this very closely. During the first quarter, we utilized $19 million of cash for operations compared to utilization of $5 million during the same period last year. This was driven by higher annual bonus payments, due to our strong performance in 2019 as well as the tax deposit paid related to 2013 India tax matter. Capital expenditures as a percentage of revenue was 2.7% in the first quarter, which included approximately $3 million to bolster our work-from-home capabilities, necessitated by the COVID-19 crisis. Year-to-date, through the end of April, we have spent approximately $11 million on equipment related to the transition to remote service delivery. The majority of these expenditures are associated with the purchase of laptop computers. For the full year, we now expect capital expenditures to be between 2.5% to 3% compared to our prior estimate of 3% to 3.5% of revenue.

Let me now provide you with our current thoughts regarding our full year outlook. As Tiger mentioned, given the many uncertainties surrounding the COVID-19 crisis, we've decided to withdraw our full year outlook until we have better visibility. Let me provide some color on our expectations for the second quarter. We are currently anticipating second quarter revenue to be down 3% to 5% year-over-year, on a constant currency basis. Our range considers variables including the timing of work-from-home approvals received from certain clients, the timing and easing of the lockdown restrictions in the countries where we operate, the progress of conversion of our pipeline as it relates to large deals' decision-making and the timing of infusion of new Transformation Services deals. Given the revenue levels we are now expecting, we have moved quickly to reduce our run rate costs. The actions we have taken include, but are not limited to, a freeze on salary increases, rightsizing and active redeployment of resources throughout the company to drive improved utilization and reduce bench and close to 0 travel and discretionary related expenses. We will continue to assess the overall business environment and we'll be agile with our cost profile to ensure we balance the need to drive current financial results with the need to support long-term growth initiatives such that we are well prepared to ramp up and even accelerate our growth as business conditions improve. Given what we are seeing today in our global operations, we believe second quarter revenues will be the lowest revenue quarter for the year. We experienced greater disruption to revenue delivery in the first half of April compared to the second half, and we have line of sight to an improving revenue profile in both May and June, based on increased client work-from-home approvals. We will continue to assess the market dynamics and hopefully be in a better position to provide our full year outlook during our second quarter earnings call. There is no change to our long-term outlook as our total addressable market continues to be very attractive and growing, and our pipeline continues to be at close to record levels, and we remain a leader in our target markets. With that, let me turn the call back over to Tiger.

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

Thank you, Ed. As we look beyond these unprecedented and uncertain times, we expect to see permanent changes to the way the world is run. In order to succeed in this new normal, businesses will need to find new ways to lead, build resilience, connect across ecosystems and adapt to a changing workforce environment. We believe our culture of embracing change, our entrepreneurial spirit, our passionate can-do attitude, and our focus on client outcomes will be a huge differentiator in the market and is one of the key reasons we win. With a more than 20-year track record of operational excellence, we have developed strong relationships across an enviable client portfolio, including many of the world's leading brands. We believe our agility, responsiveness and innovative ideas have strengthened our position as a trusted adviser with many of our key relationships. We're already seeing this in the quality of our conversations, thinking through their change agendas with them and how we can partner with them on execution. There are 5 ways we think the world of business will change, as a result of learnings coming out of this crisis: first, a significant shift from offline to online in every industry; second, virtualization of all technology, services and solution delivery; third, an accelerated consumption of cloud-based services and solutions. Fourth, an exponential growth in real-time predictive analytics; and all of the above with a human centered design of process and collaboration experience. With our ability to access talent no longer constrained by geographical boundaries, we will be able to find the right people for the right client and the right process, not only from the outside but within Genpact as well. Today, our employees are able to reskill and prepare themselves for future opportunities using our internal learning platform, Genome. This allows us to redeploy these resources to new client opportunities using our Talent Match platform. Just in the last 4 weeks, we have completely reskilled and redeployed close to 2,000 people globally. We are stronger and more relevant for our clients in our industry than we have ever been, and our longer-term financial goals, we shared in the past, remain intact.

To close, I want to once again recognize the amazing work and determination of our teams that have come together so well in these difficult times. Our values of courage, curiosity and incisiveness on a bedrock of integrity have been the guiding principles as our 95,000 plus team members across the globe rallied around a shared purpose to help our clients continue the critical work they do. We are proud of the role we play to keep the global economy running, especially in these difficult times. I also would like to thank our Board of Directors for their support, commitment and invaluable guidance, particularly over the last few months. And finally, I want to thank our clients for their tremendous partnership over the last several weeks, it's in difficult times like these that true partnerships shine through. In addition to the work we have done with our clients, we have also engaged directly with the communities from which we provide our services. Our teams are providing food and hygiene products for displaced migrant workers and children in India and Latin America. We donated medical grade masks to local hospitals in Wuhan, China and New York City. We are working with nonprofit organizations across India to keep them running when their pool of volunteers have declined. We are supporting organizations that provide food and housing for the homeless in the U.S. We are providing first responders in many of the cities we operate from with local call center support. And our teams are creating content and tutorials for virtual classroom enablement to allow more than 10,000 children across Europe and India to continue their education during lockdown. I believe by working together with our clients and our communities, we will emerge from this crisis as a stronger company ready to navigate through the post COVID-19 world. With that, let me turn the call back over to Roger.

Roger Sachs - *Genpact Limited - Head of IR*

Thank you, Tiger. We would now like to open our call for your questions. Bridget, would you please provide the instructions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Our first question comes from the line of Ashwin Shirvaikar with Citi.

Ashwin Vassant Shirvaikar - *Citigroup Inc, Research Division - Former Director*

I want to start with -- when I compare your 1Q performance, plus the $7 million that you mentioned for, let's call it, efficiency type losses related to lock down. It's really a very modest sequential decline from 4Q, which is actually quite good relative to even a normal sequential pattern, let alone one affected by a pandemic. So first of all, what's driving this? Are there one-off projects in here, I want to make sure there aren't onetime revenues or pull forwards or of some kind? And could you also talk about the inorganic contribution?

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

Yes. So I'll start off, Ashwin, by saying that we did have a really good first quarter. Every one of our verticals delivered, transformation services delivered and that included Rightpoint. And we were really off to a really good start for the year in the first quarter. And then, of course, COVID-19, the last 2 weeks, and we talked about that. So I have to say that we did have a very good first quarter. There are no one-timers sitting in there, Ed?

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

Yes. I think the one thing that was noteworthy to me as we were going through it. I had to check it a couple of times, but it was every sub vertical saw nice growth during the quarter. So it was probably the most pervasive growth quarter that we've had. Typically, we'll call out the ones that grew more strongly than others. And it was a pretty pervasive growth quarter. So it was -- we thought it would be good, and it was even better than we expected, which is great, but for the headwinds and everybody started to see towards the latter part of March.

Ashwin Vassant Shirvaikar - *Citigroup Inc, Research Division - Former Director*

Okay. Got it. So basically, had a really good start. The revenue trend you mentioned going from 1Q to 2Q, when you mentioned the cost actions you're taking could you size those?

Are they -- let's call it roughly in that $15 million, $17 million per quarter type range, benefit so that maybe you could be in the ballpark for what one would consider normalized margins maybe? Any kind of sizing timing impact, cash versus noncash would be helpful.

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

Tiger, let me just start and then you can add. We're going to kind of refrain from giving a lot of guidance, but I think your question is fair. I think as we've looked at the -- Q2 is going to be a meaningful drop. And I think the actions that we've taken, I think, are appropriate, primarily as it relates to, hey, what's the right utilization levels to shoot for when we know a lot of this as things recover, will be coming back. A big chunk of what we're losing, too, is the approval to work from home for many clients, which we expect will come back. So Q2, as you heard me say, we think that would be some of the low point. But we have done -- taken the right actions, we think, such that going forward, even at a lower level, if we're at that level, you would expect to see operating margins improve a bit because we brought utilization levels up to a point where given the size that we're seeing for Q2, if things kind of stay there for a period of time, the actions that we've taken now in the beginning of the second quarter will help Q3 and Q4 such that by the end -- I don't know that we get back to the levels that we thought were in a way. We do think long-term that that does happen, but we'll be able to resize the organization for the long-term to get back to the levels that we talked about. It's just harder to do in a quarter, even 2 quarters. But I do suspect by the time we get to the fourth quarter, that we actually take a vote. Will flow through. Tiger, anything to add to that?

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

No. I'll just say, Ashwin, that we are very clear that we would like to make sure that we balance actions that actually delivers to financial performance in the short run with making sure that we continue to build strength and muscle as the world changes and our clients' requirements change so that we actually are in a position to deliver value to them in that changed world. And I feel really good that, that balance is being struck well because our client requirements are beginning to change, and we are seeing some of the benefits of that.

Ashwin Vassant Shirvaikar - *Citigroup Inc, Research Division - Former Director*

Got it. By the way, I should've mentioned in the beginning, I appreciate the good work you guys are doing in your community.

Operator

And your next question comes from the line of David Koning with Baird.

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

Impressive quarter. Yes. And I guess a little bit on Ashwin's question, too. If we think of the sequential decline, it kind of implies $75 million to $90 million or so. How much of that is just that $7 million loss of some of the banking clients, obviously, sensitive information, how much of it is just that $7 million being kind of amortized over the whole quarter? Is that like half of the decline, which will just come right back when people can work again?

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

Yes, I would say, that's a great question. Yes, that's a great question, David. I would say about 40% would -- one would characterize as supply-driven and if you think about the $7 million of the first quarter, that's all supply-driven, the transition to work from home, et cetera. And then the other 60% is demand-driven. And I would count that as 2 things: one, the slowdown in decision-making on large deals, and the embedded transformation services in those large deals; and then the second one is, in new Transformation Services and the pace at which that comes in, also slowing down. We are ready for a lot of new services and new solutions in Transformation Services, but in terms of just share sheer volume, that obviously has slowed down. As people basically are dealing with this new world of disruption, that's the ratio of the impact of the quarter.

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

Okay. No, that's really helpful. And then I guess just, Rightpoint, obviously, a pretty big acquisition for you recently. How big was that in Q1? And how is that done during the crisis, kind of relative to your core business?

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

Yes. It's in line with what we had said for the full year, Dave, I think we said 2.5% roughly of revenue. It's in that ballpark. It's probably -- probably closer to 3% for the first quarter, but largely in line with our expectations. And as we look, no change really in the impact of that business versus the rest of the core business. Tiger, anything else to add?

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

Yes. No. I think like the rest of the company, actually, Rightpoint had a pretty -- really good first quarter. Given everything else that's happening and experience in the economy, are -- we are already seeing that with COVID-19 and in the post-COVID-19 world, some of the services and engagements that Rightpoint has, as it relates to experience in this new virtualized economy, is going to really build traction again, as well as some of the commerce work they do on online services and digital online services, that also is going to help Rightpoint. And I think if you think about the whole year, the proportion that we expected from Rightpoint, we would think that continues to be the proportion we would expect in the revised outlook for the year.

Operator

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

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

I actually got disconnected, so forgive me if this was addressed already. But when you commented on the existing pipeline slowing, I think you also mentioned that a new pipeline created by the pandemic was picking up. So I'm curious if the qualified pipeline or bookings as you define it, how that looks now versus pre-COVID? Any way to frame that? I know timing, of course, will matter, but just curious about size if that makes sense.

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

Yes. So Tien-Tsin, again, very good question. I'll start off by saying that quarter-by-quarter bookings is a very nebulous number to look at because it's so episodic and so lumpy. Obviously, with the slowdown in the pipeline on large deals, those large deal bookings have slowed down, and one would expect for those bookings to be slower than normal and that does impact the total booking number. In the meanwhile, we've seen new deals enter the pipeline, and those because they are so specific about today's economy and the challenges and opportunities that clients see today, those tend to accelerate through the pipeline. Obviously, the balance between the 2 determines the overall booking. Obviously, it's not balanced because the slowdown is bigger than the new pipeline coming in, which is why you're seeing a decline in revenue in the second quarter. So obviously that will have an impact, and that will show through in bookings as we go through the balance of the year. And then in transformation services, we're seeing a lot of new traction being built on some of the new solutions we've taken to market as it applies to working capital, liquidity, the CARES act, insurance claims, insurance underwriting, supply chain and a whole lot of new services.

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

Understood. Okay. That helps. So I was just thinking about the second half. And I think I heard you say quick paybacks. So I wasn't sure if some of these deals overall might come in a little bit quicker and make up for some of the second quarter pause. My other question was just curious on the larger clients, GE included are they very different from the rest of the business? I'm just curious if this is isolated to your larger existing accounts and your visibility into those. That's all I had.

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

No, Tien-Tsin, I would say, I mean, the impact that COVID-19 has had, as you can -- as you yourself have seen, is pretty pervasive. Across all industries, across all clients. Obviously, there are a set of industry verticals that are hit much harder than the others. Fortunately, our exposure to those industries is limited. But if you take our broad portfolio outside of those industries, which is, as I said, it's about 85% plus of our revenue. I would say all of them are dealing with this new world, and some of them are dealing with volatility as well as shift to online as well as reduction in total amount of volume. So it's a combination of all three.

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

Yes. I think I asked it poorly, Tiger. I'm sorry, I meant that your existing clients because they know you, can they flex up and down a lot faster. That was sort of the spirit of the question...

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

No. Actually, Tien-Tsin, the reality is, if it is the insurance client that we won, they don't know us that well. It's a new logo. It's a large insurance new logo. I think we built that trust in that very short time frame with the intensity of the way now in this virtual world, you can build intensity including remote exposure to our operations. That they got comfortable in moving work from one geography to another, one operating center to us, work from home to work from home. It's amazing, everything is virtual, and we are beginning to see quite a bit of that, and our teams are getting really clever with frameworks and methodologies to do that.

Operator

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

Unidentified Analyst

This is Ted on for Maggie. Just wanted to ask real quickly how you're balancing client requests for discounts and with account profitability, things like payment terms and pushout? I know you discussed that you are seeing some, but maybe you can just touch on kind of the balance with the client request?

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

Yes, I would say, clearly, these are times where it is important to keep total value that you're creating for clients in mind and make sure that you are focused on solving for their challenges and opportunities. If that requires flexibility, that's exactly what we are really good at. When we went through the global financial crisis many years ago, that's exactly what we did with a certain set of industries. We are doing the same thing with a number of other industries here, and that allows us to create new opportunities, allows us to bring new technologies to actually drive that productivity for our clients, and generate value for them. So it's not necessarily just price concessions straight out of the gate, it's actually creating value. And we are also seeing traction in value creation deals where we get paid based on value creation. Ed, do you want to add anything to that?

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

It's just a couple of things. I think it's been a handful of places where we've had conversations about terms. I think the terms we give are reasonable and fair, as you know, are. Our working capital is accounts receivable, right? We pay payroll for the most part. So not a lot of room for us to extend terms, if you will. And those have been minimal. And then just to kind of add a little bit to what Tiger was saying. Typically, what we are doing is making the client's operations even more efficient and effective and saving money versus their existing run rate. So we're taking -- we are actually helping them become more efficient and cost-effective. So it's kind of a discount what we're already kind of giving them cost reductions on -- we're not having a lot of those conversations because they know we're taking cost out. So it's a -- I get a bit of a different dynamic. But here and there, as Tiger said, with the relationships, if they're in a tougher spot, we're absolutely working with our clients, as you'd expect.

Unidentified Analyst

Okay. That's very helpful. And then in terms of the 95% of your coverage that's currently being delivered, with the biggest gap being in BFSI, is there a point where you maybe expect some demand to be the limiting factor rather than the supply constraints? You can maybe even kind of just talk about, in the next quarter here, maybe what you saw in April and May, about how those different supply demand trend -- have been progressing would be helpful?

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

Yes. Absent any new macro change based on what we know and what all of us know. I would say, going forward, we have a good handle on the impact driven by supply. It's really now demand and the pace at which both our regular intelligent operations, deal demand continues to progress in our pipeline, which, as Ed pointed out, is at pretty record levels. And Transformation Services, that pipeline progresses and new Transformation Services deals enter the pipeline. So it's all demand.

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

Yes, I think it speaks to the type of service that we're offering, too is not discretionary in nature. It's, hey, what happens to this demand? Does it go away? It doesn't go away. So in terms of customer service, if customer service levels we're seeing, our clients are seeing a customer service level decline, backlog growing to levels that aren't acceptable. So at a certain point, you just have to come back, right? The work has to get done. So it's -- we do think it's a temporary demand decline as opposed to a change in dynamic.

Operator

Our next question comes from the line of Edward Caso with Wells Fargo.

Edward Stephen Caso - *Wells Fargo Securities, LLC, Research Division - MD and Senior Analyst*

I'm curious about your ability to get work back in the facilities, challenges in India, in the Philippines and elsewhere, are you allowed to get back in and when and if you can get back in, do you -- will that resolve some of your capital markets challenges? And then maybe longer term, there's hope to reduce square footage, but at the same time, you have to socially distance more. So are you spending money now to retrofit your facilities?

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

Yes. So Ed, great question. We do have, as you would imagine, we are -- we have created and are creating playbooks of moving back work to office. It will be a very deliberate, systematic move back to office as location by location, city by city, jurisdiction by jurisdiction opens up with various stages of opening up. We will prioritize work that currently we are unable to do in a work-from-home environment in order to bring that back to office first. That is going to be a very staged gradual uptick as jurisdictions open up, we can't predict exactly when that's going to happen. As we prioritize bringing back work that we today can't deliver, we'll bring that back. We do believe that longer term, proportion of the work will actually remain to be done virtually. That's our view. I think work will, over time, depending on the type of work, we'll have a certain proportion that will be done virtually. It will allow us to access new talent. It will allow us to drive better performance and productivity in some of those services. And I think a number of those will get played out not just by us, but by the industry and by clients' propensity to do that and risk profile to do that. So I think a lot of things have to play out. We have the flexibility to move in different directions. I think we are creating solutions that allow clients to choose. We will flex with social distancing in our offices. The first test of that is as we bring some of these banking clients back wherever it's allowed, and that's how we're going to play it.

Edward Stephen Caso - *Wells Fargo Securities, LLC, Research Division - MD and Senior Analyst*

My other question is around consolidation and in sourcing. Have you had clients come to you and give you incremental work because some of their -- maybe other weaker vendors haven't been able to get the job done? And just slightly different question, have you seen clients start the process of moving work back in-house or more so onshore than in-house?

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

The first one we have seen -- we've seen in quite a few instances. I thought I'd refer to the banking client. The banking client is a clear ramp up that we are doing. It's an existing client of ours, great relationship, and we are ramping up significantly in different parts of the world because they had to have us ramp up because some of their other partners could not do the work. We have seen some clients actually move work from their captives to us, the insurance client as an example because they realize that there's too much concentration just with their captive. We haven't seen yet any movement back into the clients' own operations. I guess, these are early days. There could be some clients who will think that way. I think the more important question that clients are debating is exactly the target operating model between onshore, nearshore, offshore, work from home, the flexibility to be able to move things around. Those are more important topics than you do this or I do this.

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

And then we have seen some incremental work from others not be able to cover. So yes.

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

Yes.

Operator

Our next question comes from the line of Bryan Bergin with Cowen.

Bryan C. Bergin - *Cowen and Company, LLC, Research Division - MD & Analyst*

I wanted to ask here, within this 2Q view that you've provided, can you just give us a sense whether you see global client and GE being similar in their trajectory or dramatically different?

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

I don't know if we need to go there yet with the breakout. I think we'll provide more color on that as we get into the second -- suffice it to say, both are experiencing the decline in growth that you've seen before. I don't want to get into the percentages of one versus the other at this point.

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

Yes. I would just say that given my color on supply being 40%, demand being 60%. And the other color that on supply, a lot of the supply was banking capital markets related. You can see that in the end, I think it will broadly work out. You're not that different at trajectory between Global Clients and GE.

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

But Bryan, I mean you know, too. kind of from Q1 to Q2, the growth rate in the GE would be coming down, right, just because of the timing of the work that we brought in from GE last year. So the growth in the first quarter, as we expected, was over 10%, but for the full year, we've guided closer to flattish, right? So we knew that the growth rates of GE were going to be lower. So a bit more pronounced just because of that, and then on top of that, what's happening with COVID. So dry that color.

Bryan C. Bergin - *Cowen and Company, LLC, Research Division - MD & Analyst*

Yes. Okay. Okay. That makes sense. And then I wanted to ask supply chain and procurement opportunity. I wanted to see if you could talk about what you're seeing in this area, this was certainly when you highlighted in the fall, at the Investor Day, and it seems like you would have a broader view now. But can you kind of just talk about some of the deals you may be seeing coming through that pipeline? And any sense of the scale of where that business is?

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

So Bryan, the pre-COVID-19 world was, supply chain is important because it's one of the core ways to drive agility in a business. It makes growth happen for a number of companies, both in the consumables retail space, life sciences, health care space and manufacturing industries. And we were very well positioned both with the acquisition that we had done, Barkawi, as well as with a number of solutions that we had built with the initial clients that we had engaged with over the last 15-plus years, including GE. In the post-COVID-19 world, supply chain is one of the areas that is actually coming under a big ask of dealing with supply volatility, supply risk and demand volatility. So when you put that together, the demands on supply chain to become even more agile, the reconfiguration of networks, the reconfiguration and revisit of suppliers and footprints and manufacturing footprints and finally, the revisit of all algorithms. Companies that use algorithms to actually plan both demand manufacturing and supply, I have to revisit all those models. We are seeing a lot of that traction build up in the marketplace with the capabilities we have.

Operator

Our next question comes from the line of Bryan Keane with Deutsche Bank.

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

I guess, just first, if I look at the month of April, is it down 3% to 5% constant currency? And you're expecting that to streamline or does it drop or get stronger? I just don't know. The trajectory of the revenues maybe by month?

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

Yes. In my prepared remarks, I've talked a little bit about the timing because we did say we -- primarily with respect to approvals from customers, we received some approvals in April and some in May. So the trajectory is a bit better and we have visibility that April should -- sorry, May should be better than April. And given the timing of some of those approvals, that we think June would be a bit better than April or May. Didn't get detailed color on the orders of magnitude, but the situation has improved a bit throughout the -- and should progress throughout the rest of the quarter.

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

Yes. And I guess when I'm thinking about Tiger is, what does that recovery look like? I mean, I guess this is the major question everybody is trying to figure out. But does it come back quickly and we get to more normalized levels in third quarter or fourth quarter? Or just how long does it take to get back that demand since it's dropped off here, but hopefully, the market feels like it's feeling like it might be a quicker recovery. Just trying to get your thoughts on how you think about that.

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

It's very difficult to answer, Bryan. Otherwise, that's one of the reasons why we have suspended our original guidance for the year. I think there are lots of variables here, and the most important variable starts with the virus. So depending on how the virus plays out and response to the virus by various governments by businesses and economies and by citizens and how they get back to work, I think those are lots of big questions, deep questions, varies by economy. It's tough to predict. So don't know exactly how to answer your question. And the only thing I can say is that we have people who are constantly in conversation with clients. And I think that's the best thing we can do. And those conversations are at the C-suite and the Board level. So we know when clients begin to actually see changes in their business, that's when we respond rapidly.

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

Got it. Got it And the last question I've been thinking about is this delivery model, and you guys have done a wonderful job to keep up the supply levels and move virtually. But does that mean anything about the model going forward? And maybe higher margins at some point, given some of the learnings that has kind of been forced upon you here with the rise of COVID-19?

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

Yes. I'll start by saying higher margins is not the driver of the operating model in the future. I think the operating model in the future will be a combination of onshore, nearshore, offshore and now virtual working as well. Depending on the service, that proportion will be different. There'll be some services where it will only be from the office. There'll be some services where you can do 95% of everything from work from home. So that will play itself out. We are actually building our thinking and framework for every service line on it. The real driver for having some proportion of virtual delivery in our kind of a business and actually in every business is -- think about what it does to the ability to attract talent, think about what it does to attract talent that otherwise one could not attract because they were not willing and capable of computing an hour, 2 hours ours in each direction to work. The productivity levels that we are seeing is there's a way by which we can make that a science, then that product view level is great. If we can keep employee engagement, employee culture and mental health and all of those issues that other people have experienced as some of this work from home has happened, then some proportion of work will come to be forever, work from home. I see that happen, and we think that's the way ultimately the business will be, does it have a benefit on margins? I'm not so sure that will be the driver. It could be a nice collateral benefit over the long haul, but the real driver is everything else I talked about.

Operator

And our next question comes from the line of Mayank Tandon with Needham.

Kyle David Peterson - *Needham & Company, LLC, Research Division - Associate*

It's actually Kyle Peterson on for Mayank. Just want to get a little bit more color on delivery capacity. I know you guys submit in the approvals and that capacity seems to have been increasing in April, May. Do you think as things go on, do you think there's hope that you might be able to squeeze it a bit higher than that 95%? Or do you think that last 5% is really going to be dependent on being able to have some of these COVID concerns ease a little and get some people back in some of your facilities?

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

Look, a big percentage of it really is our -- is the approvals from customers, right? That's the biggest disconnect, as Tiger mentioned and I mentioned on my prepared remarks. So we're starting to get some of those, and that's the piece that we said is improving. So that's -- it's really getting the approvals from customers. If we get all of them to approve, we're very high 90%, maybe 1% or 2% left that's not capable for work from home. So we're -- it's really those approvals that we need to get and then the demand plus or minus is going to be Transformation Services related, right? And how does that proceed as we progress throughout the balance of the quarter.

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

But it will be fair to assume that given the amount of time that we've been working at this, we are getting close to the edge of what I think it will reach. I mean you can move a little bit incremental from here, but it's not going to be that material. That's why we have a range in our projection for quarter 2.

Kyle David Peterson - *Needham & Company, LLC, Research Division - Associate*

All right. Great. That's helpful. And I guess just one quick follow-up on, really, your thoughts on capital allocation in this environment. You guys mentioned you were suspending the buyback, I know you guys have been acquisitive in the past, some valuations probably have come down from some potential targets. Just wanted to get your thoughts on if you found the right fit, would you guys pursue M&A right now? What would you be looking for or is it possibly you restructure some of the deal terms, be more earn-out or equity-driven? Just kind of want to get some color on that.

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

Yes. I'll start off with the M&A side. And then maybe, Ed, you can wrap it around the overall capital allocation. Look, M&A -- the M&A team continues to look for opportunities. Our strategic focus on what kind of capabilities did we want to bring in have been pretty clear. And we continue to explore bringing the right opportunities to look at. Is the environment challenging to actually dig in and do proper due diligence? Is the environment challenging in terms of specific valuations? Yes, of course. But I don't think we've stopped looking at those types of opportunities. And as some of those come closer to fruition, if they do, then we will think about structuring them differently, connecting them to earn-outs, maybe, et cetera. But our M&A pipeline continues to be focused on what we were focused on, particularly with our digital analytics, data engineering, cloud, I mean, all of those we were anyhow focused on and we continue to be focused on looking for opportunities. Ed, on overall capital allocation?

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

Yes. I think this -- what's happening now has not affected our view of the long-term priorities that we need to go after, right? It's driving growth for the firm organically. Obviously, attractive M&A, as Tiger talked about, is first and foremost. And then obviously, the dividend paid out as a percentage of net income as we grow and share repurchases is there for the excess cash. And the big question on that is what's excess cash today, right? So we obviously love the valuation but we're in an environment right now that we need to see how this plays out before we feel comfortable moving there. So I think that's no change. The long-term health of this of this business is very strong. That's really -- we're all impacted by what's happening in the world, but we think it and rebounds back to where we were before this all started, hopefully sooner rather than later.

Operator

Thank you. And I'm not showing any further questions. I'll now turn the call back over to Roger Sachs for closing remarks.

Roger Sachs - *Genpact Limited - Head of IR*

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

Operator

Ladies and gentlemen, this does conclude the program. You may now disconnect. Everyone, have a great day.
