

**GENPACT**

Genpact

# Q3 2013 Earnings Presentation

November 6, 2013

Ticker (NYSE: G)

## Forward Looking Statements

These materials contain certain statements concerning our future growth prospects and forward-looking statements, as defined in the safe harbor provisions of the U.S. Private Securities Litigation Reform Act of 1995. These statements are based on Genpact's current expectations and beliefs, as well as a number of assumptions concerning future events. These 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. These risks and uncertainties include but are not limited to a slowdown in the economies and sectors in which our clients operate, a slowdown in the BPM and IT Services sectors, the risks and uncertainties arising from our past and future acquisitions, our ability to manage growth, factors which may impact our cost advantage, wage increases, our ability to attract and retain skilled professionals, risks and uncertainties regarding fluctuations in our earnings, general economic conditions affecting our industry as well as other risks detailed in our reports filed with the U.S. Securities and Exchange Commission (the "SEC"), including the Company's Annual Report on Form 10-K. These filings are available at [www.sec.gov](http://www.sec.gov) or on the investor relations section of our website, [www.genpact.com](http://www.genpact.com). Genpact may from time to time make additional written and oral forward-looking statements, including statements contained in our filings with the SEC. The Company does not undertake to update any forward-looking statements that may be made from time to time by or on behalf of the Company.

## Non-GAAP Financial Measures

These materials also include measures defined by the SEC as non-GAAP financial measures. Genpact believes that these non-GAAP measures can provide useful supplemental information to investors regarding financial and business trends relating to its financial condition and results of operations when read in conjunction with the company's reported results. Reconciliations of these non-GAAP measures to GAAP are available in this presentation and in our earnings release dated November 6, 2013.

## Q3 2013 - Highlights

Revenues, adjusted income from operations, margins and cash flows from operations all increased year-over-year

Q3 '13 versus Q3 '12 performance:

- |  |      |
|--|------|
| ➤ Total Revenue:                                   | +9%  |
| ➤ Revenue from Global Clients:                     | +13% |
| ➤ GE Revenue:                                      | -3%  |
| ➤ Adjusted Income from Operations <sup>(1)</sup> : | +19% |
| ➤ Cash from Operations                             | +62% |
- Revenue growth impacted by delayed large deal decisions, mortgage business and FX
  - Strong Adjusted Income from Operations margin<sup>(1)</sup> of 17.8%
  - Increasing interest in large transformational deals, reflected in our pipeline

**Notes:**

1) Adjusted Income from Operations is a Non-GAAP Measure. GAAP Income from Operations increased 22.9% and GAAP Operating Margin was 16.1%.

## Our Growth Strategy

### Lead

- Guide global enterprises to best-in-class through our proprietary SEP<sup>SM</sup> framework

### Expand

- Invest in targeted industry verticals and domain expertise

### Allocate

- Allocate capital and resources to support sustainable, profitable growth and shareholder value

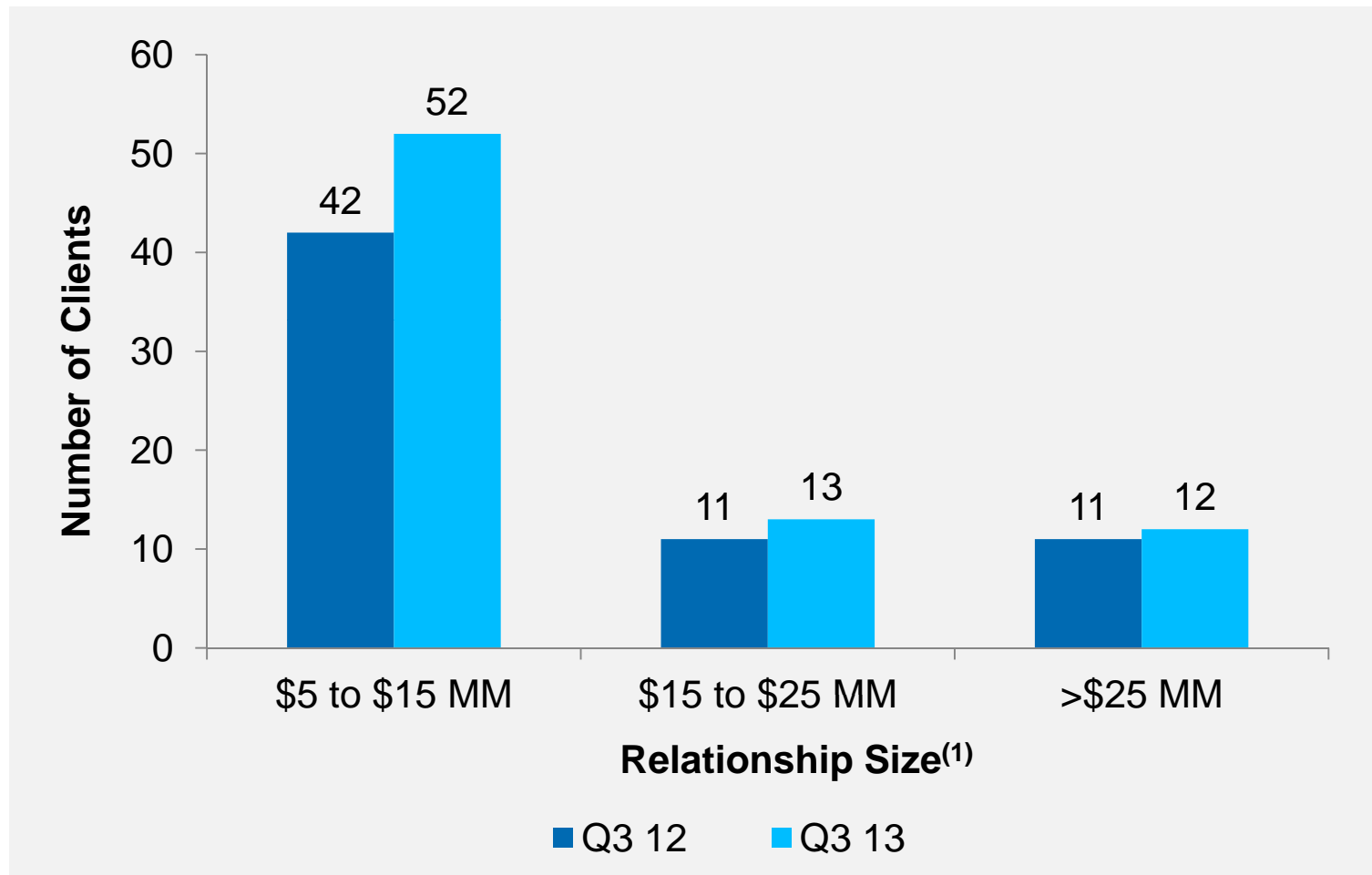
### Deliver

- Execute seamlessly for clients across service lines and geographies

**We are actively driving change to our growth strategy to expand and capture a bigger set of market opportunities:**

- Increasing focus on specific industry verticals, service lines and geographies
- Redirecting management resources and investments to the best opportunities

## Continue to Expand Client Relationships



**Notes:**

1) Relationship size = Clients representing annual revenues based on rolling four quarters

## Increased Pipeline Across Core Markets

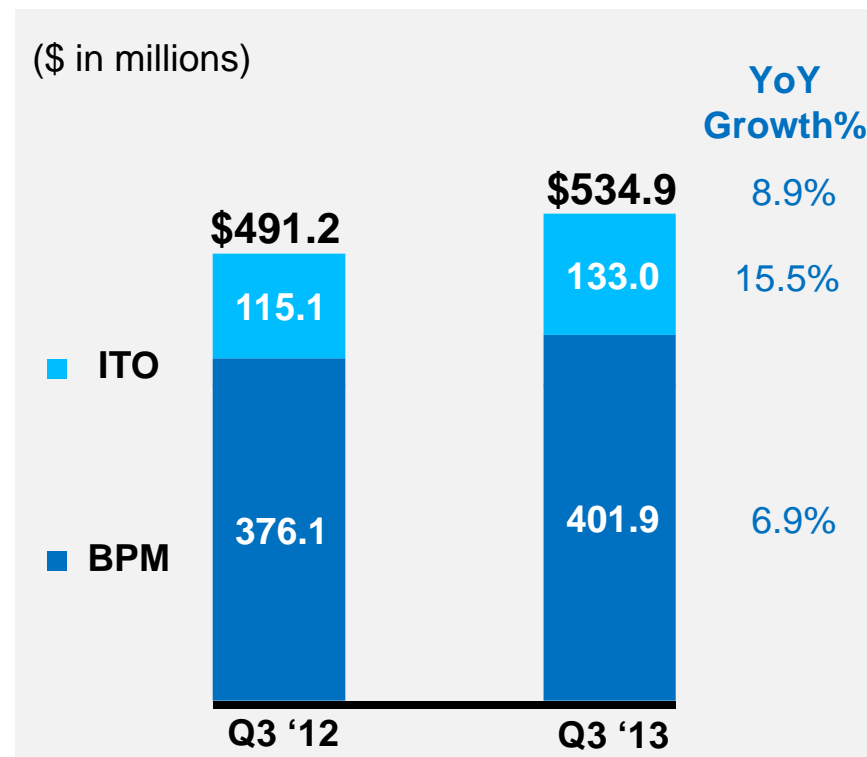
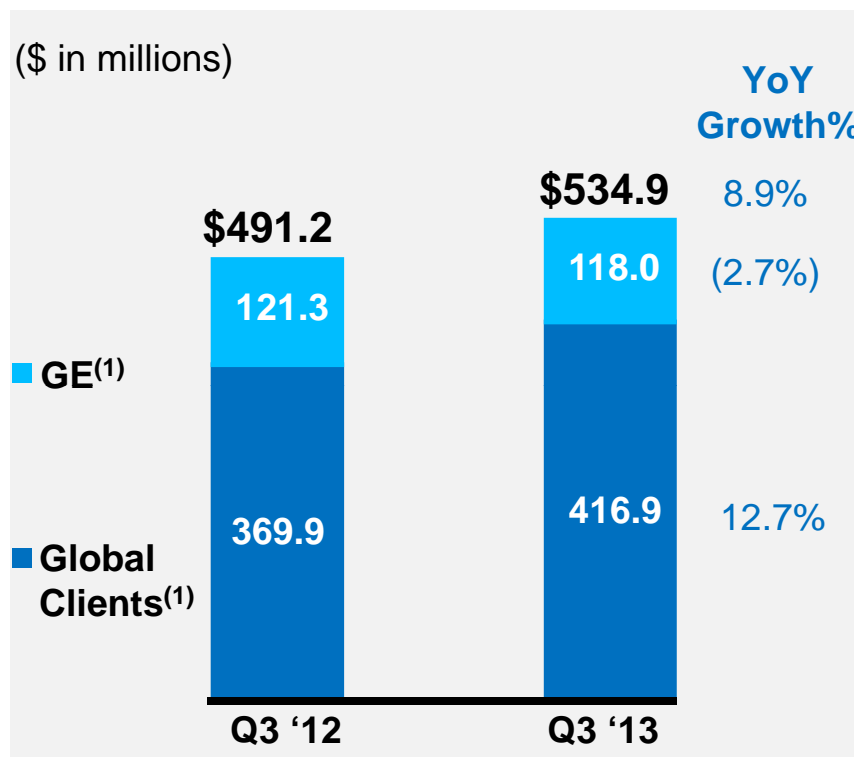
### Macro-environment continues to be mixed

- Clients' continued focus on improving business models to adapt to a continuously challenging environment
- Increasing interest in longer term, transformative engagements

### Pipeline at historically high levels

- Significantly bigger value and proportion of larger, transformative deals in the pipeline, involving complex transformational changes
- These larger deals take longer to convert to revenues
- Win rates steady; pricing competitive but stable

## Revenue Growth of 8.9% Driven by Global Clients



- Q3 2013 Global Clients
  - Business Process Management revenues increased 10% while ITO revenues increased 20%
- Q3 2013 GE
  - Decline in Business Process Management partly offset by growth in ITO
- Year To Date 2013 revenue at \$1.574 billion; up 12.9% year over year

**Notes:**

1) Data adjusted for divestitures from GE

## Adjusted Income From Operations Growth of 19.2%

(\$ millions)

	Q3'12	Q3'13	YoY Growth
<b>Revenue</b>	<b>\$491.2</b>	<b>\$534.9</b>	<b>8.9%</b>
<b>Cost Of Revenue</b>	<b><u>297.3</u></b>	<b><u>329.3</u></b>	<b>10.8%</b>
<b>Gross Profit</b>	<b>193.9</b>	<b>205.6</b>	<b>6.0%</b>
<i>Gross Profit % of Revenue</i>	<i>39.5%</i>	<i>38.4%</i>	<i>(110)bps</i>
<b>Selling, general and administrative expenses</b>	<b>118.5</b>	<b>117.0</b>	<b>(1.3)%</b>
<i>SG&amp;A % of Revenue</i>	<i>24.1%</i>	<i>21.9%</i>	<i>(220)bps</i>
<b>Adjusted Income From Operations<sup>(1)</sup></b>	<b>79.7</b>	<b>95.0</b>	<b>19.2%</b>
<i>Adjusted Income From Operations Margin %</i>	<i>16.2%</i>	<i>17.8%</i>	<i>160 bps</i>

- Strong Q3 2013 Adjusted Income from Operations margin driven by:
  - Continued efficiencies
  - Slower than expected ramps in front-end and domain expert hiring, and delays in large deals that typically need upfront investments

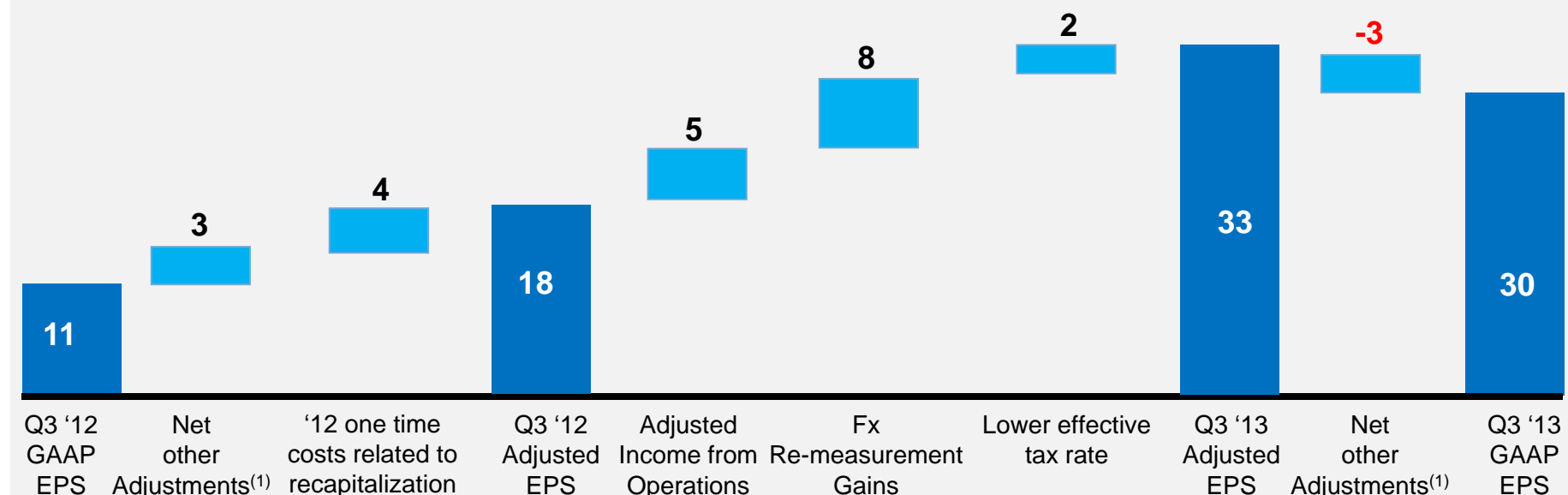
**Notes:**

1) Adjusted Income from Operations is a Non-GAAP Measure. Income from Operations was \$70.0 million in Q3 '12 and \$86.0 million in Q3 '13



# EPS Bridge

(Cents per share)

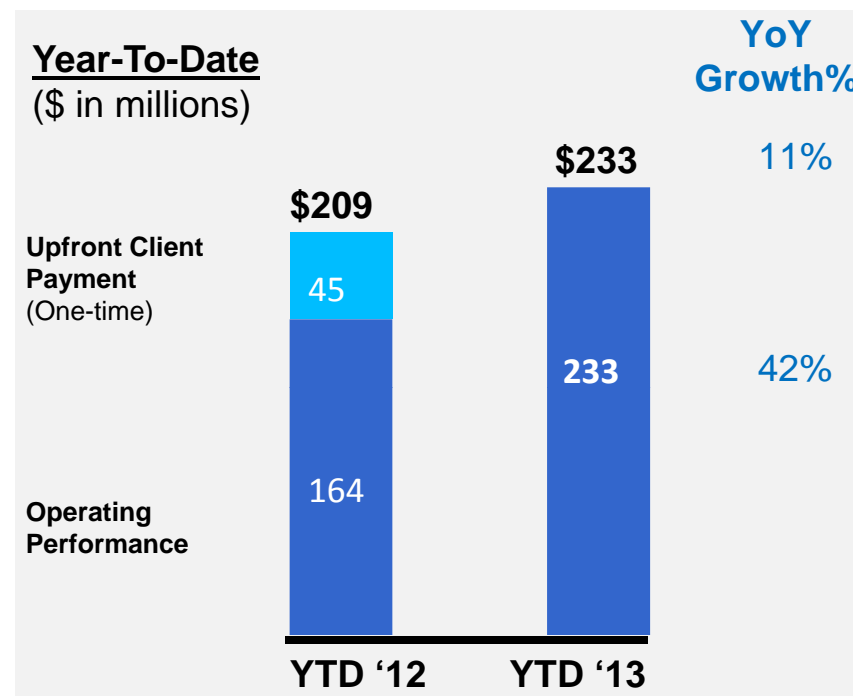
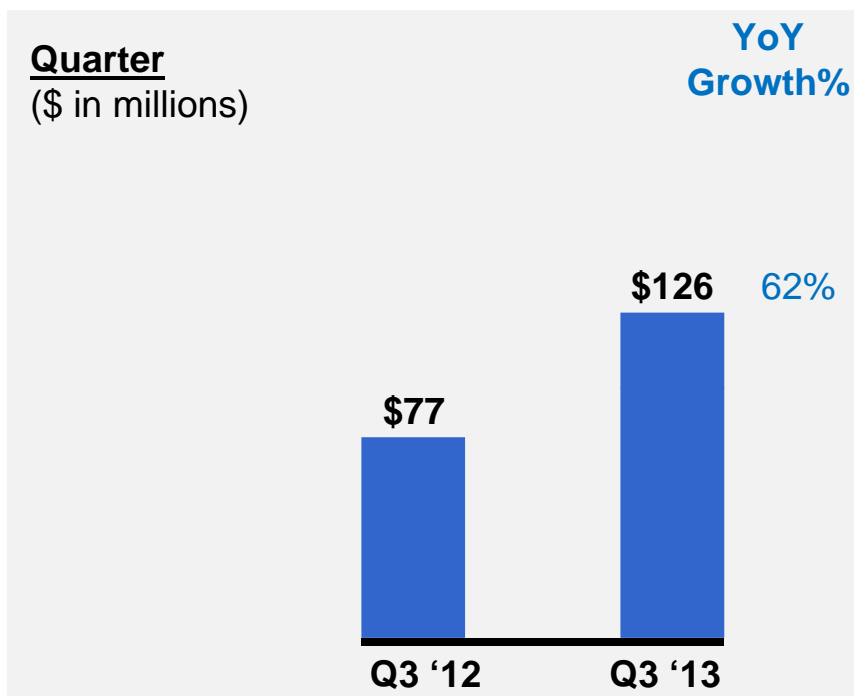


	<u>Q3 '12</u>	<u>Q3 '13</u>
<b>Adjusted Net Income (\$ millions)</b>	41.7	77.3
<b>Diluted Shares Outstanding (millions)<sup>(2)</sup></b>	230	236

**Notes:**

- The above bridge reflects only significant variance items year over year
- EPS = Diluted earnings per share
- 1) Adjustments primarily include amortization of intangibles relating to acquisitions, share-based compensation expenses and acquisition related expenses
- 2) Weighted average number of diluted shares outstanding

# Strong Cash From Operations



- Q3 2013 cash from operations increased 62% due to:
  - Higher Operating Margin
  - Lower working capital driven by improved Days Sales Outstanding

	<u>Q3 '12</u>	<u>Q3 '13</u>
Days Sales Outstanding	84	80
Cash and Liquid Assets (\$ millions) <sup>(1)</sup>	395	499

**Notes:**

1) Cash and Liquid Assets = Cash and Cash equivalents and short-term deposits

## Full Year 2013 Outlook

	<b>FY 2013</b>
<b>Revenues (\$B)</b>	\$2.12 - \$2.13
<b>Adjusted Income from Operations - Margin</b>	16.5% - 16.8%
<b>Other Metrics</b>	
<b>Cash Flow From Operations</b>	Decline < 5% YoY
<b>Effective Tax Rate</b>	24% - 26%
<b>Capital Expenditure (% of revenue)</b>	2.0% - 2.3%

## Annexure 1: Reconciliation of Adjusted Income from Operations

(USD, In Thousands)	Three months ended September 30	
	2012	2013
Income from operations as per GAAP	\$ 69,952	\$ 85,957
Add: Amortization of acquired intangible assets resulting from Formation Accounting	1,621	711
Add: Amortization of acquired intangible assets relating to acquisitions	2,694	3,857
Add: Acquisition related expenses	298	-
Add: Consultancy and legal fees relating to change of shareholding and capital restructuring (excluding expenses related to the credit facility)	7,318	-
Add: Stock based compensation	5,613	5,312
Less: Provision (created) reversed for loss on divestitures	-	141
Add: Other income (expense)	(6,365)	184
Add: Gain on Equity-method investment activity, net	50	32
Less: Net income attributable to noncontrolling interest	(1,436)	(1,169)
<b>Adjusted income from operations</b>	<b>\$ 79,745</b>	<b>\$ 95,025</b>

## Annexure 2: Reconciliation of Adjusted Net Income

(USD, In Thousands, except per share data)

	Three months ended September 30	
	2012	2013
Net income as per GAAP	\$ 25,175	\$ 70,262
Add: Amortization of acquired intangible assets resulting from Formation Accounting	1,621	711
Add: Amortization of acquired intangible assets relating to acquisitions	2,694	3,857
Add: Consultancy and legal fees relating to change of shareholding and capital restructuring (excluding expenses related to the credit facility)	7,318	-
Add: Stock based compensation	5,613	5,312
Add: Acquisition related expenses	298	-
Add: Withholding taxes relating to remittance of funds between subsidiaries to partly fund the payment of special cash dividend in respect of capital restructuring	2,300	-
Less: Tax impact on amortization of acquired intangibles resulting from Formation Accounting	(357)	(114)
Less: Tax impact on amortization of acquired intangibles relating from acquisitions	(893)	(1,319)
Less: Tax Impact on acquisition related expenses	(75)	-
Less: Tax Impact on stock based compensation	(1,971)	(1,458)
<b>Adjusted net income</b>	<b>\$ 41,723</b>	<b>\$ 77,251</b>
Adjusted diluted earnings per share	\$ 0.18	\$ 0.33

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**Thank You**