



# Genpact Q4 and FY 2014 Earnings Presentation

**GENERATING IMPACT**

**February 4, 2015**

Ticker (NYSE: G)

**GENPACT**

## 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 BPO and IT Services sectors, the risks and uncertainties arising from our past and future acquisitions, our ability to convert bookings to revenues, 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, dependence on tax legislation, 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 undertakes no obligation 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 from GAAP are available in this presentation and in our earnings release dated February 4, 2015.

# FY 2014 – Key Financial Highlights

## Solid growth and strategy execution

### FY '14 versus FY '13 performance:

- Total Revenue: +7%
- Revenue from Global Clients<sup>(1)</sup>: +10%
- GE Revenue<sup>(1)</sup>: -2%
  
- FY 2014 Adjusted Income from Operations margin at 15.1%, reflecting planned strategic investments<sup>(2)</sup>
  
- Solid progress in the execution of our strategy:
  - Realigning our resources and developing new solutions for our targeted verticals, service lines and geographies
  - Making significant client-facing investments
  - Adding domain and subject-matter experts to drive differentiation

**Notes:**

1. Data adjusted for dispositions by GE of businesses that Genpact continues to serve as Global Clients.
2. Adjusted Income from Operations is a non-GAAP measure. FY '14 GAAP income from operations margin was 12.9%.

## Q4 2014 – Key Financial Highlights

### Q4 '14 versus Q4 '13 performance:

- |  |      |
|--|------|
| ➤ Total Revenue:                               | +8%  |
| ➤ Revenue from Global Clients <sup>(1)</sup> : | +11% |
| ➤ GE Revenue <sup>(1)</sup> :                  | -5%  |
- Q4 2014 Adjusted Income from Operations margin at 13.6%, reflecting planned investments<sup>(2)</sup>
  - Global Client growth was broad-based and led by five of our target verticals – CPG, Life Sciences, Insurance, Manufacturing and Services, and Capital Markets
    - From a service line perspective, Finance & Accounting, Core Vertical Operations, and Consulting led growth
  - Signed two large transformational deals, one each in the CPG and Banking verticals

#### Notes:

1. Data adjusted for dispositions by GE of businesses that Genpact continues to serve as Global Clients
2. Adjusted Income from Operations is a non-GAAP measure. Q4 '14 GAAP income from operations margin was 11.8%.

# FY 2014 – Solid Growth and Progress on Strategy Execution

## Key events and accomplishments:

- ✓ Continued progress on converting large deal pipeline; signed six large transformational engagements, including two in the fourth quarter
- ✓ Continued to add depth to our client-facing teams; invested 6.6% of our revenue in sales and marketing and also made incremental investments in capability builds
- ✓ Built industry leading solutions that integrate new technology and data insights to solve for critical client and industry needs
- ✓ Launched Systems of Engagement<sup>SM</sup> (SOE) technology; combining advanced technologies with our deep domain and process expertise to drive business impact for clients
- ✓ Accelerated the integration of rapid robotic automation solutions with our SEP<sup>SM</sup> framework to drive increased efficiency and effectiveness and operational intelligence for our clients
- ✓ Made strong progress on the Know Your Customer (KYC) solution with Markit; Integration of our Life Sciences regulatory affairs acquisition on track
- ✓ Collaboration with Lombard Risk Management on collateral management exemplifies use of strategic partnerships and alliances to create new client solutions

## Bookings Up 50% Year-Over-Year

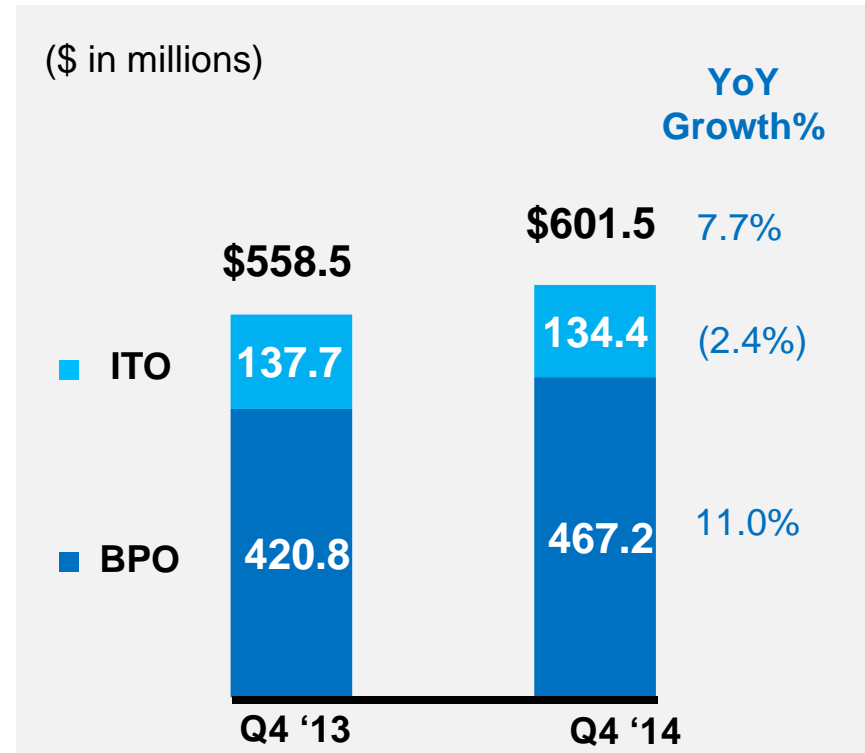
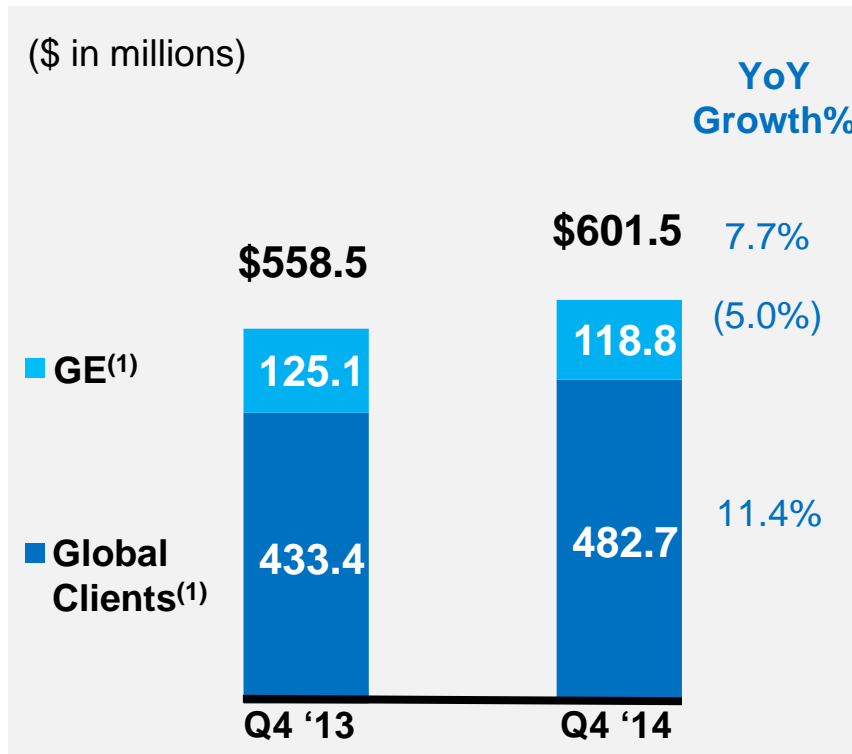
(\$ millions)

	2014	YoY
<b>Bookings*</b>	2,156	+50%

- Annual bookings up significantly over 2013 of \$1,440m due to:
  - Realignment of our strategic focus to key target verticals, service lines and geographies led to an increase in salesforce productivity
  - 2013 bookings were broadly flat in comparison to 2012
  - Focus on large annuity opportunities led to six new large deal wins over the course of 2014

**Notes:** \* New bookings means the total contract value of new contracts, and certain renewals, extensions and changes to existing contracts. Regular renewals of contracts with no change in scope are not counted as new bookings.

# Q4 2014 Revenue Summary



- Total growth at constant currency was 9.2%; excluding Pharmalink, total revenue growth was 5.6%, or 7.1% on a constant currency basis
- Q4 2014 Global Clients
  - BPO revenues increased 16% and ITO revenues declined 3%

**Notes:**

1. Data adjusted for dispositions by GE of businesses that Genpact continues to serve as Global Clients

## Q4 Results Reflect Investments in Client-Facing Teams and Capabilities

(\$ millions)	Q4'13	Q4'14	YoY
<b>Revenue</b>	558.5	601.5	7.7%
<b>Cost of Revenue</b>	<u>345.8</u>	<u>359.2</u>	3.9%
<b>Gross Profit</b>	212.6	242.3	14.0%
<i>Gross Profit % of Revenue</i>	38.1%	40.3%	220 bps
<b>SG&amp;A</b>	136.2	167.3	22.8%
<i>SG&amp;A % of Revenue</i>	24.4%	27.8%	340bps
<b>Adjusted Income from Operations<sup>(1)</sup></b>	85.7	81.8	-4.5%
<i>Adjusted Income from Operations Margin</i>	15.3%	13.6%	-170 bps

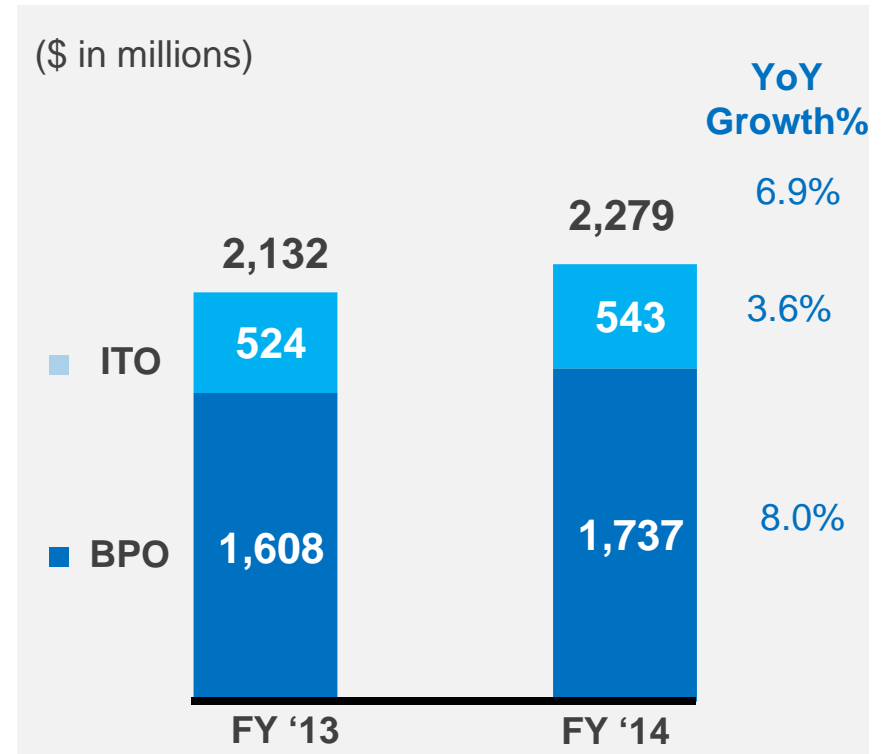
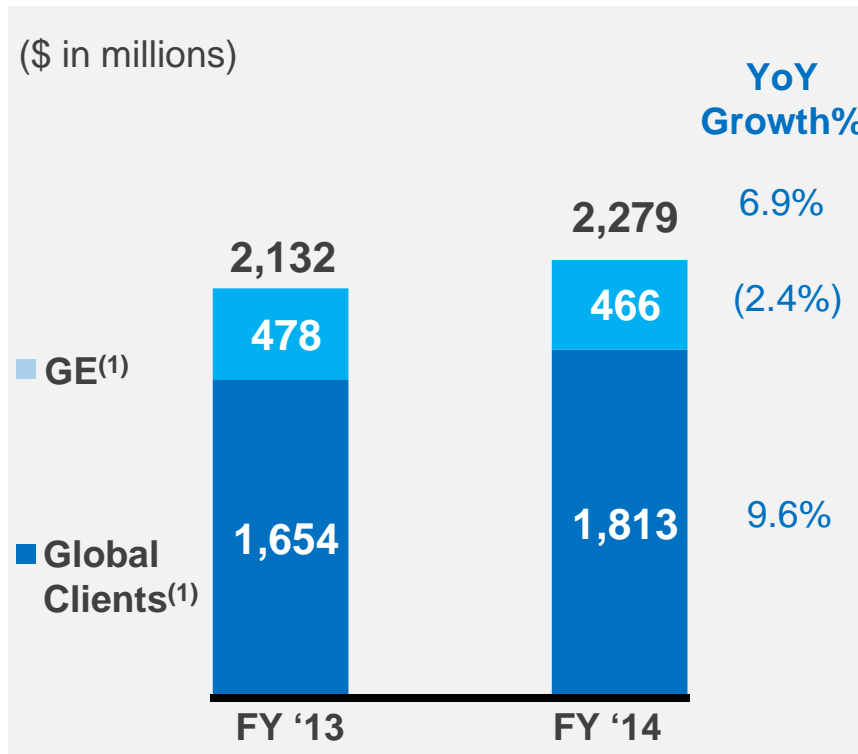
- Gross profit margins increase was driven by productivity and favorable foreign exchange

### Notes:

1. Adjusted Income from Operations is a non-GAAP measure. Income from Operations was \$71.6 million in Q4 '13 and \$70.9 million in Q4'14.



# FY 2014 Revenue Summary

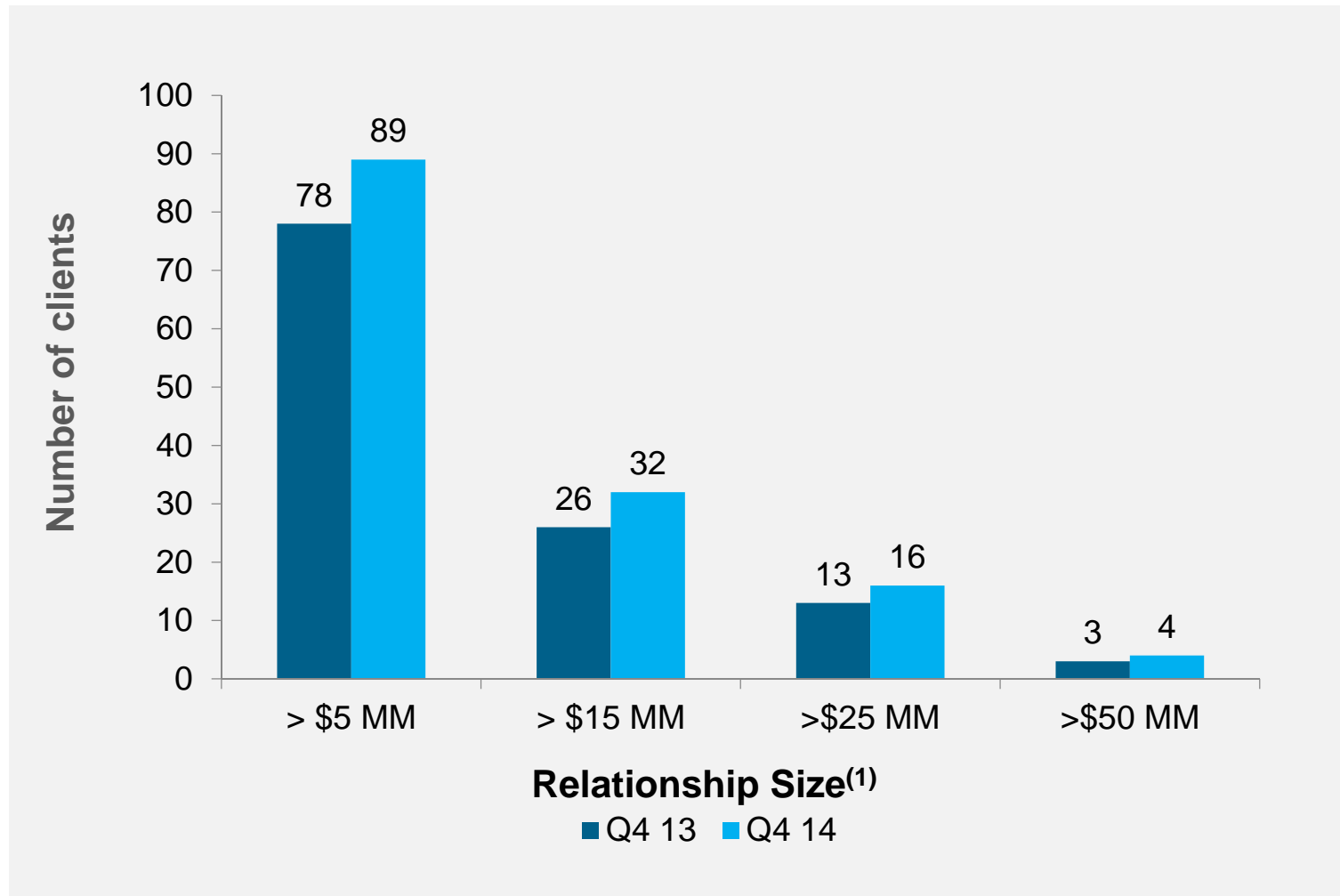


- Total growth at constant currency was 7.9%; excluding Pharmalink, total revenue growth was 5.7%, or 6.7% on a constant currency basis
- FY 2014 Global Clients
  - Business Process Outsourcing revenues increased 12% and ITO revenues increased 3%

**Notes:**

1. Data adjusted for dispositions by GE of businesses that Genpact continues to serve as Global Clients

## Continue to Expand Client Relationships



**Notes:**

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

## FY Results Reflect Investments in Client-Facing Teams and Capabilities

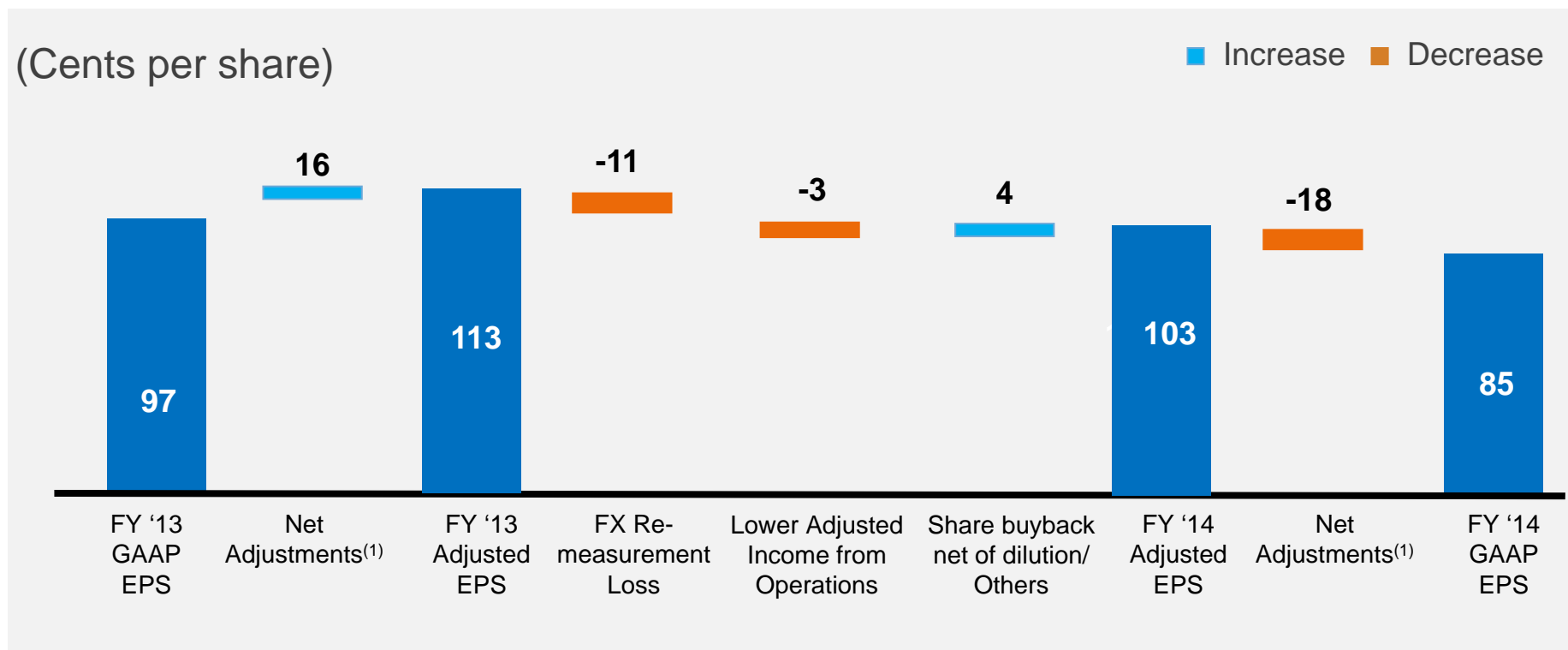
(\$ millions)	FY'13	FY'14	YoY
<b>Revenue</b>	2,132.0	2,279.4	6.9%
<b>Cost of Revenue</b>	<u>1,319.6</u>	<u>1,378.1</u>	4.4%
<b>Gross Profit</b>	812.4	901.4	10.9%
<i>Gross Profit % of Revenue</i>	38.1%	39.5%	140 bps
<b>SG&amp;A</b>	484.8	585.6	20.8%
<i>SG&amp;A % of Revenue</i>	22.7%	25.7%	300bps
<b>Adjusted Income from Operations<sup>(1)</sup></b>	352.6	344.2	-2.4%
<i>Adjusted Income from Operations Margin</i>	16.5%	15.1%	-140 bps

- Gross profit margins increase driven by incremental revenue as well as operating efficiencies and favorable foreign exchange

### Notes:

1. Adjusted Income from Operations is a non-GAAP measure. Income from Operations was \$309.5 million in FY '13 and \$294.0 million in FY'14.

# EPS Year-Over-Year Bridge



	<u>FY '13</u>	<u>FY '14</u>
Adjusted Net Income (\$ millions)	265.9	231.4
Diluted Shares Outstanding (millions) <sup>(2)</sup>	236	225

**Notes:**

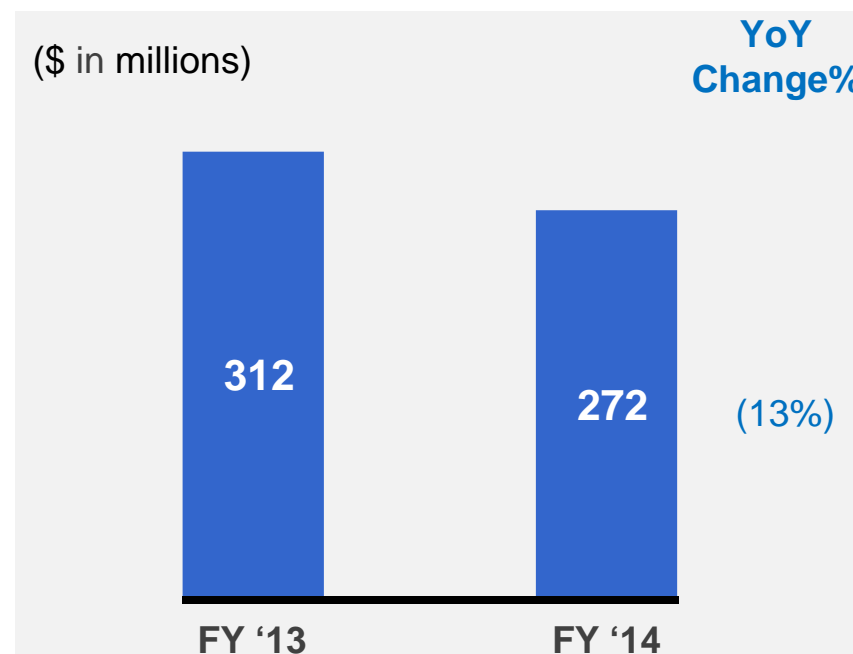
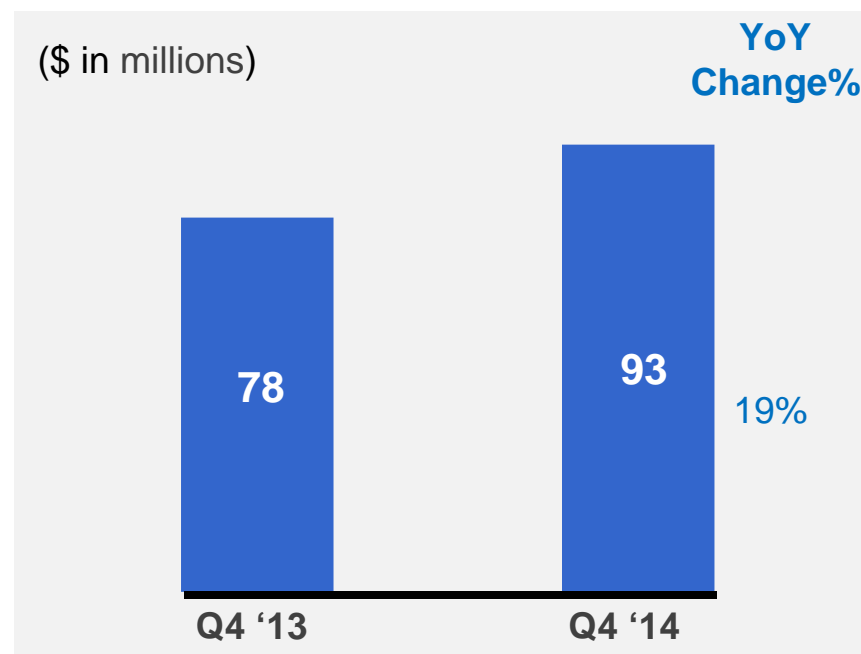
1. Adjustments primarily include amortization of acquired intangible assets, stock-based compensation expenses and acquisition-related expenses.

2. Weighted average number of diluted shares outstanding

- The above bridge reflects only significant variance items year over year and is illustrative and subject to rounding.

- EPS = Diluted earnings per share

# Cash From Operations



- FY 2014 cash from operations down \$40 MM
  - Cash from operations down 13% YoY; better than our earlier outlook mainly due to the improvement in DSOs.
  - The year over year decline was primarily driven by the impact of foreign exchange re-measurement. Lower operating income also contributed to the decline.

	<u>Q4 '13</u>	<u>Q3'14</u>	<u>Q4 '14</u>
<b>Days Sales Outstanding</b>	81	82	79
<b>Cash and Liquid Assets (\$ millions)<sup>(1)</sup></b>	571	424	462

**Notes:**

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

## Full Year 2015 Outlook

	FY 2015
Revenues (\$B)	2.46 - 2.50
Adjusted Income from Operations - Margin	~15.0%
<b>Other Metrics</b>	
Cash Flow From Operations	Increase 2% - 5% YoY
Effective Tax Rate	23% - 24%
Capital Expenditure (% of revenue)	~3.0%

## Annexure 1: Reconciliation of Adjusted Income from Operations – Full Year 2014

(USD, in thousands)	Year ended December 31	
	2013	2014
Income from operations per GAAP	\$ 309,527	\$ 294,031
Add: Stock-based compensation	31,129	28,065
Add: Amortization of acquired intangible assets	18,321	22,233
Add: Acquisition related expenses	-	2,772
Add/Less: Other Income (Expense), net excluding net interest	(1,168)	2,112
Add/Less: Gain (Loss) on Equity-method investment activity, net	169	(4,795)
Less: Net income attributable to noncontrolling interest	(5,334)	(169)
<b>Adjusted income from operations</b>	<b>\$ 352,644</b>	<b>\$ 344,249</b>

## Annexure 2: Reconciliation of Adjusted Income From Operations – Q4 2014

(USD, in thousands)	Quarter ended December 31	
	2013	2014
Income from operations per GAAP	\$ 71,633	\$ 70,866
Add: Stock-based compensation	9,198	7,912
Add: Amortization of acquired intangible assets	4,685	6,347
Add: Acquisition related expenses	-	795
Add/Less: Other Income (Expense), net excluding net interest	1,190	776
Add/Less: Gain (Loss) on Equity-method investment activity, net	30	(4,882)
Less: Net income attributable to noncontrolling interest	(1,064)	-
<b>Adjusted income from operations</b>	<b>\$ 85,672</b>	<b>\$ 81,814</b>



## Annexure 3: Reconciliation of Adjusted Net Income – Full Year 2014

(USD, in thousands, except per share data)	Year ended December 31	
	2013	2014
Net income attributable to Genpact Limited shareholders per GAAP	\$ 229,717	\$ 192,002
Add: Stock-based compensation	31,129	28,065
Add: Amortization of acquired intangible assets	18,321	22,233
Add: Acquisition related expenses	-	2,772
Less: Tax impact on stock-based compensation	(6,913)	(6,366)
Less: Tax impact on amortization of acquired intangibles	(6,373)	(7,154)
Less: Tax impact on acquisition related expenses	-	(184)
<b>Adjusted net income</b>	<b>\$ 265,881</b>	<b>\$ 231,368</b>
Adjusted diluted earnings per share	\$ 1.13	\$ 1.03

## Annexure 4: Reconciliation of Adjusted Net Income – Q4 2014

(USD, in thousands, except per share data)	Quarter ended December 31	
	2013	2014
Net income attributable to Genpact Limited shareholders per GAAP	\$ 48,842	\$ 45,752
Add: Stock-based compensation	9,198	7,912
Add: Amortization of acquired intangible assets	4,685	6,347
Add: Acquisition related expenses	-	795
Less: Tax impact on stock-based compensation	(1,160)	(1,160)
Less: Tax impact on amortization of acquired intangibles	(2,085)	(1,997)
Less: Tax impact on acquisition related expenses	-	(131)
<b>Adjusted net income</b>	<b>\$ 59,480</b>	<b>\$ 57,518</b>
Adjusted diluted earnings per share	\$ 0.25	\$ 0.26



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**Thank You**

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