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## CORPORATE PARTICIPANTS

**Roger Sachs** *Genpact Limited - IR*

**Tiger Tyagarajan** *Genpact Limited - President & CEO*

**Ed Fitzpatrick** *Genpact Limited - CFO*

## CONFERENCE CALL PARTICIPANTS

**Anil Doradla** *William Blair & Company - Analyst*

**Amit Singh** *Jefferies & Co. - Analyst*

**George Tong** *Piper Jaffray - Analyst*

**Keith Bachman** *BMO Capital Markets - Analyst*

**Puneet Jain** *JPMorgan - Analyst*

**Joseph Foresi** *Cantor Fitzgerald - Analyst*

**Ashwin Shirvaikar** *Citigroup - Analyst*

**Frank Atkins** *SunTrust Robinson Humphrey - Analyst*

**Bryan Keane** *Deutsche Bank - Analyst*

**Dave Koning** *Robert W. Baird & Company, Inc. - Analyst*

**Bryan Bergin** *Cowen and Company - Analyst*

## PRESENTATION

**Operator**

Good day, ladies and gentlemen, and welcome to the second quarter 2016 Genpact Limited earnings conference call. My name is Tamara and I will be your conference moderator for today.

(Operator Instructions)

I would now like to turn the call over to Roger Sachs, Head of Investor Relations at Genpact. Please proceed, sir.

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**Roger Sachs** - *Genpact Limited - IR*

Thank you, Tamara, and good afternoon, everybody, and welcome to Genpact's second quarter earnings call to discuss our results for the quarter ended June 30, 2016. We hope you had a chance to review our earnings release which was posted to the IR section of our website, Genpact.com. With me in New York today are Tiger Tyagarajan, our President and Chief Executive Officer, and Ed Fitzpatrick, our Chief Financial Officer.

Our agenda today is as follows. Tiger will provide a high-level overview of our results, as well as an update view on some of our strategic initiatives. Ed will then discuss our financial performance in greater detail and provide an updated full-year outlook. Tiger will then come back for some closing comments and then we will take your questions. As Tamara just said earlier, we expect the call to last about an hour.

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 than those in such forward-looking statements. Such risks and uncertainties are set forth in our press release.

In addition, during our call today, we will refer to certain non-GAAP financial measures which we believe provide additional information for investors and better reflect the way management views the operating performance of the business. You can find a reconciliation of these measures to GAAP in our earnings release in the IR section of our website. And with that, let me turn the call over to Tiger.

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**Tiger Tyagarajan** - *Genpact Limited - President & CEO*

Thank you, Roger. Good morning, everyone, and thank you for joining us this afternoon for our 2016 second quarter earnings call. Genpact delivered steady results in a macro environment with heightened volatility and uncertainty. Our results were driven by continued double-digit constant currency growth in our core global client BPO business, including very strong traction in our transformation consulting digital and analytical services, steeped in deep domain expertise.

Specifically during the quarter, total revenues increased 5% on a constant currency basis. Global Client revenues increased 7% on a constant currency basis, GE revenues declined 5% both on an as reported and constant currency basis. Global Client BPO revenues grew 10% on a constant currency basis. Adjusted operating income margin was 14.9% and adjusted EPS was $0.36, up 10% year-over-year.

Our second quarter top line results reflect increasing awareness and traction in the marketplace of our highly differentiated Lean Digital approach. Global Client revenue was up 7% on a constant currency basis, driven by solid 10% growth in our core BPO business, as work related to transformative engagements that bring together our consulting, digital and analytics practices with our deep domain expertise grew approximately 20% during the second quarter and now accounts for almost 20% of our total revenues.

Overall growth from Global Clients continued to be broad based across many of our targeted verticals, including banking and financial services, CPG, life sciences and high tech. We also saw solid growth across most of our service lines, including finance and accounting, core industrial vertical operations, and consulting, digital and analytics-driven transformative services.

However, continued challenging business conditions in the investment banking and healthcare industries caused a number of clients in these two industries to cut back materially on discretionary short cycle technology spending. This has weighed upon our Global Client ITO business; and as a result, our overall ITO business declined 5% during the quarter.

GE revenue was down 5%, much better than our expectation, primarily due to delays in the phase out of some of the work we do for GE Capital corporate. We also started to see traction in the GE industrial businesses, including exciting new work related to the Internet of Things using the Predix platform, where we are one of GE's chosen partners. To date, we have signed six contracts with various buyers of the GE Capital businesses. We continue to have active discussions with all of the remaining buyers and feel very good about retaining and growing the majority of these relationships. Moving into the second half of the year, we expect to see increasing penetration with some of the buyers of the GE Capital businesses.

As we have discussed with you during the past year, the challenging macro environment and the drive to embrace digital and analytics is forcing companies to transform themselves to more agile and nimble business models which are disruptive in their respective industries. We believe we are very well-positioned to help clients undertake these transformative journeys. Using our highly differentiated Lean Digital approach, we harness the power of digital technologies and analytics through a domain and operations lens, incorporating design thinking practices to create winning an innovative solutions for clients.

We are establishing some amazing proof points of what our Lean Digital-led approach can deliver for our clients. Lean Digital has allowed us to focus client discussions on using design thinking to re-imagine end-to-end processes and undertake transformational change, as opposed to fragmented, piecemeal engagements that often only focus on parts of their value chain.

We now engage with clients at a broader and more strategic level than ever before. As a result, we are seen a significant amount of consulting engagements that drive end-to-end process redesign that include Lean Digital components and approaches. In fact, many of our recent wins in finance and accounting and vertical core operations have proprietary Lean Digital assets embedded into their design and delivery. This is resonating strongly in the market, as the total value of engagements embedding digital assets represents approximately 60% of our current pipeline, up from 35% just six months back.

Our innovative thinking around digital solutions for our clients continues to be recognized by leading industry analyst and research firms. For example, analyst firm HFS Research recently highlighted our Lean Digital approach by placing Genpact in their Winner's Circle rankings for our work embedding digital and analytics capabilities into various client solutions. Similarly, Nelson Hall cited Genpact's leadership in digital and design thinking in many mid- and back office operations in a range of industry verticals.

Over the last two-plus years, our focused investments and capabilities, client facing teams and rigorous training have established us as a trusted partner that global corporations are looking to in order to help lead them through digitally enabled transformational journeys. These investments are paying off and we believe they are driving our industry-leading Global Client BPO growth rates.

During the second quarter, we continued to make great progress on a number of fronts. We continued to invest in our chosen set of 12 cutting-edge technologies that underpin our Lean Digital assets. As you recall, earlier this year we acquired Endeavor Software Technologies to expand our capabilities around mobile technology services.

We're already having great success embedding mobility solutions into a number of our services. In June, we signed a definitive agreement to acquire PNMsoft, a dynamic workflow solutions provider for intelligent business process management. We are very excited about this acquisition, as it represents a great strategic fit for Genpact. PNM's intelligent dynamic workflow portfolio significantly improves our capabilities to rapidly define and automate middle and back office workflows and integrate a number of agile disruptive digital technologies, such as natural language processing, artificial intelligence and cognitive computing.

Both companies bring great leaders and outstanding talent in the digital space. We believe the combination of organic and inorganic investments, together with strategic partnerships, provides the most effective way to accelerate the deployment of our disruptive solutions embedding our digital technologies into the services we provide.

At the beginning of the year, we set a goal to design, develop and deploy about 100 digital assets to help re-imagine and digitize specific end-to-end processes and deliver a step change in our clients' business outcomes. To date, we have approximately 80 active assets in various stages of design, implementation and production.

A significant benefit of these proprietary digital assets is their reusability. For example, one of the assets created by our digital team analyzes financial statements as part of an automated underwriting process that dramatically reduces end-to-end cycle time from days to minutes for commercial loan approvals. This same digital asset is now being deployed at a global pharma company to assess supplier risk and health.

We also remain on track to reach approximately 1,000 certified Lean Digital experts by year end. Additionally, we are training and certifying team members on design thinking, in order to run design thinking workshops that help clients completely re-imagine and enhance their customers' experiences and processes.

As part of our leadership program, we have set up a Digital and Analytics Innovation Center in Silicon Valley to demonstrate to our clients the disruptive value of transformative journeys. In the few months since its opening, the Center has gained momentum in developing and showcasing innovative digital solutions to our clients. We've had several very productive design thinking workshops with a number of our clients that led to disruptive solutions for their problems using new digital technologies and analytics combined with our domain expertise. We believe Lean Digital is a game changer that helps dramatically transform enterprise end-to-end processes.

Let me now share a few exciting examples of how our Lean Digital solutions are creating value for clients. Given all the complexities around trade promotions, we are completely reimagining the way orders are placed and fulfilled between a leading CPG client and retailers, making it increasingly real-time, predictive and much more accurate. This is expected to have a material impact on our client's top line growth and market share.

We created a new solution for the internal requisitioning and sourcing process of a leading life sciences company. The solution, which dramatically improved the employee experience while reducing costs by more than 50%.

We worked with a global P&C insurer to completely re-imagine and transform their customer originations by implementing digital technologies that went from the front end of customer originations through to the middle and back office to cut cycle times by more than half. Of course, costs dropped dramatically and customer satisfaction significantly improved to drive top line growth.

Let me now discuss a couple of recent deal wins that highlight our strong competitive position in the marketplace. We won a new engagement with an existing client, a leading global insurance company, where we will build an actuarial center of excellence to provide high-end analytics, including asset valuations, predictive modeling, and financial projections and actuarial operations. Our unique ability to combine deep domain expertise in core insurance operations, high-end analytics, and embedded digital tools gave us the upper hand relative to competition to win this deal.

In another new engagement, we are expanding an existing relationship with a leading CPG client. In addition to running their entire North American finance and accounting operations, we are now transforming and taking on critical processes that optimize pricing and contract management, including complex trade promotions with their customers. Our deep domain expertise, along with specific depth in customer service and sales support within the CPG vertical, helped us win this engagement over an existing provider.

Our pipeline continues to be strong across most of our targeted verticals, service lines and geographies. Overall inflows are up and win rates remain near historical high levels.

Let me briefly touch upon Brexit and its implications for our business. With the majority of our revenue denominated in US dollars and only a small exposure to the pound and euro, we expect only a minimal impact to our full-year 2016 top line results, isolated to currency translation.

Longer term, it is too early to evaluate specific Brexit-related impact to companies located in the UK, the eurozone and throughout the globe. We expect some industries and firms will benefit, while others could be challenged. In any event, our deep domain and process expertise, coupled with our agility in leveraging analytics and digital technologies to fully re-imagine operations puts us in an enviable position to help clients within our chosen vertical service lines and geographies as they cope with potential regulatory compliance and other business changes.

To conclude, we remain highly confident in our long-term growth trajectory and believe our pivot to Lean Digital to further penetrate our addressable market is clearly standing out as being hugely differentiated. This is showing through in our core Global Client BPO growth that is driven by our transformational digital consulting and analytics services.

With the heightened level of global economic uncertainty, we now anticipate that challenging business conditions facing the investment banking and healthcare industries are likely to persist and continue to impact our short cycle Global Client ITO business. As a result, we now expect our full-year 2016 revenue to be between $2.59 billion and $2.62 billion. Ed will provide more detail in a few minutes. With that, let me turn the call over to Ed for a more detailed review of the second quarter results.

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**Ed Fitzpatrick** - *Genpact Limited - CFO*

Thank you, Tiger, and good afternoon, everyone. Today I'll provide you with more detail on our second quarter results, followed by key balance sheet and cash flow highlights.

We generated total revenues of $631 million in the second quarter, an increase of 3% year-over-year or 5% on a constant currency basis. Revenues from Global Clients, which represent 83% of total revenue, increased 5% year-over-year or 7% on a constant currency basis. Within Global Clients, core Business Process Outsourcing revenues increased 9%, or 10% on a constant currency basis. Our Global Client IT Services revenues declined 7%. GE revenues, representing 17% of total revenues, decreased 5%. During the quarter, overall Business Process Outsourcing revenues, which represent 81% of total revenues, increased 6% year-over-year, while IT Services revenue declined 5%.

We continue to expand relationships with global clients across a range of our industry verticals. For the 12-month period ending June 30, 2016, we grew the number of client relationships with annual revenues over $5 million to 104 from 102, driven by client relationships over $15 million increasing to 34 from 31. Client relationships over $25 million remained constant at 17. We have 4 relationships, including GE, with more than $50 million in annual revenue.

Adjusted income from operations for the quarter totaled $94 million, down 6% year-over-year, with a corresponding margin of 14.9%, down from 16.5% during the same period last year. As a reminder, our second quarter 2015 adjusted income from operations benefited from certain nonrecurring items that added approximately 100 basis points to the adjusted operating margin. We continue to expect our adjusted operating margin to be higher in the second half of the year relative to the first, primarily due to the ramp of revenue in the second half.

Gross margin for the quarter was 39.1%, in line with historical levels and up versus the 38.8% in the first quarter. We are pleased with the stable gross margins generated from our business.

SG&A expenses totaled $165 million, compared to $149 million in the second quarter of last year. Our sales and marketing expense as a percentage of revenue this quarter was approximately 7.1%, compared to 6.9% in the same quarter last year, and down from 7.3% in the first quarter, in line with our expectations.

Total G&A expense as a percentage of sales increased by 150 basis points year-over-year, largely driven by continued investment in domain expertise, digital and analytics capabilities, as well as a $2 million tax duty paid during the quarter related to certain corporate structuring activity. We expect G&A expense as a percentage of revenue to continue to decline throughout the balance of the year, as revenue ramps.

Adjusted EPS for the second quarter was $0.36 per share, compared to $0.32 per share last year. The $0.04 year-over-year increase was primarily driven by lower net interest expense of $0.05 from lower current interest rate and incremental costs during the second quarter of 2015 associated with our debt refinancing, partially offset by lower balance sheet-related FX gains in 2016.

During the second quarter, we repurchased approximately 2 million shares at a weighted average price of $27.27, for total purchases equaling $53 million. Since launching our buyback program during the first quarter of 2015, we've repurchased 13.2 million shares at a weighted average price of $23.77, for total repurchases through June 30, 2016 of $313 million.

Our effective tax rate was 19.1%, down from 19.5% in the second quarter of last year, reflecting changes in our jurisdictional mix of income.

Turning to our balance sheet, our cash and liquid assets totaled approximately $407 million, down from $442 million at the end of the second quarter of 2016. With undrawn debt capacity of $289 million and existing cash balances, we continue to have ample flexibility to pursue growth opportunities. Our net debt to EBITDA ratio for the last four rolling quarters was approximately 1.

Regarding operating cash flows, we generated $91 million of cash from operations in the second quarter of 2016, slightly above the same period last year, primarily due to an improvement in DSOs during the quarter. Our days sales outstanding were 85 days, in line with our expectations. This represented a four-day improvement from the first quarter, largely driven by reduced billing cycle times on some large complex contracts, as well as the expected improvement from lower transition costs.

Capital expenditures as a percentage of revenue increased to approximately 4% the second quarter. This included the development of certain Lean Digital assets that Tiger mentioned during his remarks, as well as opening a new operating center in Kuala Lumpur and the expansion of our Bucharest operating center to add additional required capacity.

Finally, let me update our outlook for 2016. We started the year with revenue outlook in the range of $2.62 billion to $2.66 billion, representing 8% to 10% growth on a constant currency basis. In order to reach that level of revenue, we had assumed we would achieve a certain level of short cycle project-oriented work.

While our core Global Client BPO business continues to grow in line with the guidance range we gave at the start of the year, due to the ongoing headwinds impacting discretionary IT spending in the investment banking and healthcare industries, we now expect our total revenue for the full year to be approximately $2.59 billion to $2.62 billion.

This updated outlook includes an assumed adverse foreign exchange impact of approximately $41 million, consistent with the estimated impact we discussed at the beginning of the year. As the impact to our short cycle IT business I just described affects only our Global Client base, Global Client revenue for full year is now expected to grow between 10% and 11%, in comparison to our prior range of 12.5% to 14%.

Regarding GE, given the factors that Tiger mentioned in his remarks, we now expect revenue for the full year 2016 to decline by approximately 5% compared to our prior range of down 8% to 10%. We continue to expect our adjusted operating margin to be approximately 15.5%.

With regard to the impact of Brexit on our business, as a result of the financial hedges we had in place, our natural hedges, and the relatively low level of pound and euro exposure, we do not expect a material impact to our financial results due to the FX-related headwinds caused by Brexit.

Our full-year 2016 effective tax rate is expected be in the range of 20% to 21%. We continue to expect our cash flow from operations to grow approximately 6% to 8% and adjusted earnings per share to be between $1.40 and $1.42. This now assumes weighted average shares outstanding of approximately 213.7 million for the year and includes 2 million shares bought during the second quarter, as well as a positive impact of approximately $4 million related to pretax foreign exchange gains on balance sheet-related items in the first half of the year. With that, I'll hand it over to Tiger for his closing comments.

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**Tiger Tyagarajan** - *Genpact Limited - President & CEO*

Thank you, Ed. In summary, our Global Client BPO business continued to deliver strong performance during the second quarter, driven by transformative engagements that bring together our consulting, digital and analytics practices with our deep domain expertise. This reflects increasing traction for our highly differentiated Lean Digital approach. Further, our GE business is showing progress, with revenue coming in ahead of expectations.

With our unique positioning in the industry, evidenced by increasing Lean Digital-driven transformative engagements in our pipeline, we continue to remain highly confident in our long-term growth trajectory.

We have recently added two Directors to our Board who bring significant experience in advanced digital technologies, design thinking and transformational journeys within our targeted industry verticals. Carol Lindstrom joined in June; and as you know, Cece Morken joined our Board in March. Their presence on our Board clearly demonstrates our commitment and ongoing investment to our pivot on Lean Digital. With that, I'd like to open our call for your questions.

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## QUESTIONS AND ANSWERS

**Operator**

(Operator Instructions)

Anil Doradla, William Blair.

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**Anil Doradla** - *William Blair & Company - Analyst*

A couple of questions. So Tiger, when you look at the IT part of your business, sounds like 2016 would be another declining year, which would make it two years in a row. So do you think that when you look at the strategy, overall strategy of IT, is there something fundamental that you have to do to this business? I know it's very tied into your BPO segment, but when you look at it just from a growth point of view, what can you do to reverse growth into the segment?

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**Tiger Tyagarajan** - *Genpact Limited - President & CEO*

Anil, I think the way would answer that question is in two aspects. First, let me address what we're already doing. There is a portion of the IT business where it is deeply tied to the domain that we really are experts around. And for example, that would be all the commercial lending and leasing platforms, all the technology that underlies commercial lending and leasing as a banking business, all the technologies that underlie, for example, financial planning and analysis in the F&A space. Those are areas that actually continue to do well across our industry verticals.

The problem with the IT business in 2016 is very specific to macro impact in the investment banking vertical, which I don't think is a surprise, given what's been happening to the investment banking space over the last, I would say, two quarters, and the healthcare IT space, given what's happening with the merger activity and lack of discretionary spend decision making in that vertical. And those are two specific causes of the IT landscape that we service.

The parts that are outside of that are actually doing well. And then the last part is GE. Our GE IT business is actually beginning to do well, particularly with our pivot to Predix, the focus on Predix as a platform that is a combination of Internet of Things, the technology platforms underlying that, and analytics. So actually, there is a very specific reason why 2016 in IT is looking the way it is.

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**Anil Doradla** - *William Blair & Company - Analyst*

Okay. Great. And as a follow-up, Tiger, you made some comments, you and Ed made some comments on Brexit. But more specifically, can you share with us the nature of interactions that you're having with the clients in that part of the world, UK more specifically, from a narrative point of view? Do you feel, given the increased costs associated with the Brexit, there's increased willingness to participate, to engage you guys? I just wanted to understand what is the level of perhaps nervousness or willingness of those people who were on the sidelines to engage with BPO and you guys.

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**Tiger Tyagarajan** - *Genpact Limited - President & CEO*

So Anil, actually it's a great question. I would hope that actually what you are saying happens. I think it's just too early. It's too early from the perspective of where exactly the trade negotiations will land, what that means for different sectors of the economy. It's probably a little easier, in some respects, for financial services to understand that passporting will be impacted. How that will play out is going to take some time. There is the next couple of years will play that out.

I would think that typically when industries and when businesses and industries undergo change, it provides an opportunity for firms such as ourselves to help those clients to actually orchestrate that change, change from having a set of people running operations in one part of the world to another part of the world, change where different services are offered from different centers of gravity in Europe. All of those provide opportunities for people like us to actually help those clients who undertake that change. I don't think any business in any vertical have actually reached any conclusion on any of those topics.

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**Operator**

Jason Kupferberg, Jefferies.

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**Amit Singh** - *Jefferies & Co. - Analyst*

Hello, guys. This is Amit Singh for Jason. Thank you for taking our question. Just wanted to dig a little bit deeper into the challenges in the financial, banking and healthcare verticals. If you could give a little bit color, is this pretty widespread across all the clients in these two verticals, or is it specific to certain clients? And then second, if you compare to where these industries were, let's say last quarter to now, healthcare was volatile or was facing merger-related uncertainties in last quarter and the same this quarter, and banking has remained volatile, so if you could give some color on what materially got worse from last quarter to now.

**Tiger Tyagarajan** - *Genpact Limited - President & CEO*

Great question, Amit. So let me start by first defining banking as it relates to us. The vertical that we're referring to is the investment banking vertical, and that is a specific separate vertical from what we call the banking vertical, which actually is doing well. And the banking vertical is the lending side of the bank, retail banking, commercial lending and leasing, wealth management and all of that. So that is a separate vertical for us. We run it separately, and it's actually doing very well. The capital markets investment banking vertical is the one that is significantly impacted. And to your question, it's pretty broad based in that vertical. I don't think there is any specific client-related issue. Everyone is shrinking the pie on discretionary spend.

And to get to the second part of your question, the year started with people wondering how the year is going to play out in the investment banking world. If you go back to early part of January, people are beginning to wonder how capital market investment banking clients are going to play out and how that industry is going to play out. As the quarter ended and as the second quarter started, people started crunching down on discretionary spends. Very specific cuts in spends across the board. I think it just went across the board. And that's what happened in that vertical. And we expect that to play out through the year.

Getting to healthcare, I would not say there's any specific difference between one quarter versus another. It just continues to be an area where discretionary spends are getting cut. There is no decision-making that's happening that's material and substantial, particularly as it relates to discretionary spend in IT in the healthcare vertical. And some of that is related to the merger activity that you referred to. We hope, at some point, decisions will be taken. And once decisions are taken, it hopefully opens up conversations. So it's a little different in the healthcare vertical versus the investment banking vertical.

**Amit Singh** - *Jefferies & Co. - Analyst*

All right. Great. And just one quick question for Ed. As we look at the full-year guidance, of course the revenue guidance has been brought down, but the EPS guidance maintained. And some of that is because of the share count. Is the remaining just -- and I believe the FX impact has remained the same, too -- so if you could provide the details of what has led to EPS guidance being maintained despite revenue guidance coming down?

**Ed Fitzpatrick** - *Genpact Limited - CFO*

The impacts from the share count is a little more than $0.01, $0.01 to $0.015. And then also the gain that we had below the line on balance sheet items on FX, somewhere a little bit more than $0.01, $0.015. So that's about $0.03 that has helped us keep the EPS in the range of $1.40 to $1.42. The range, the top line impact of that is being offset by those two items. As you know, we've kept the operating margin percentage at 15.5% in our guidance. So managing spend appropriately, but also some of the benefit from the two items that I've talked about.

**Operator**

George Tong, Piper Jaffray.

**George Tong** - *Piper Jaffray - Analyst*

Hello. Thank you for taking my questions. I'd like to dig a bit deeper into the lower short cycle IT work in investment banking and healthcare. What are the risks that short cycle IT work continues to slow? And are there potential drivers of improvement you see on the horizon?

**Tiger Tyagarajan** - *Genpact Limited - President & CEO*

George, that's a great question. I'll start by saying, I don't know when that will change. To some extent, I think it's a function of many things. If I were to pick two or three topics, it would be trading volumes, fixed income business. But those are ones that have impacted a number of the firms in that vertical. M&A activity, pick a number of those topics. When that will change, we don't have a view.

What we do know is most of the participants in that vertical have had a significant lens put on discretionary technology spends and are basically looking at what spends are needed, what can be pushed out. They obviously continue to have to find a way to invest in new digital work. But a bulk of the work that they do is on running their core operations and maintaining their core technologies, and those are coming under intense scrutiny of shrinking that pie. When that will change, George, is a question that I don't think we would particularly have a view on. Obviously, our job is to keep watching it, keep talking to our clients, and be ready to move very flexibly, and agilely and nimbly when that change happens.

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**Ed Fitzpatrick** - *Genpact Limited - CFO*

And George, just to quantify for you the orders of magnitude, this business, these two businesses, healthcare and the capital markets space, where we talked about somewhere in just above 10% overall business to scope it, and our issues have been focused in those two verticals.

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**Tiger Tyagarajan** - *Genpact Limited - President & CEO*

Yes, between 10% and 15% together.

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**George Tong** - *Piper Jaffray - Analyst*

Very helpful. Tiger, I believe you mentioned that pipeline inflows are up. Can you discuss how pipeline growth compared to your expectations and where the areas of strength are coming from?

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**Tiger Tyagarajan** - *Genpact Limited - President & CEO*

So no surprise, George, the areas of strength are the areas are actually where our results are also showing up. So pipeline growth is pretty broad based across all verticals, except investment banking and healthcare. Pipeline growth is very broad based across all our BPO service lines, core operations, enterprise service lines, like finance and accounting, procurement, and transformative engagements, which actually have had a significant uptick in inflows and in pipeline. And these are engagements where people typically want to find a way to change the way they use digital and analytical tools to actually disrupt the way they run their company and run their businesses and run their processes to create significant impact. All of those have seen an uptick both in inflows and on pipeline. And those typically are the ones that ultimately translate themselves into our view of our revenue for the year holding up to what we thought it would be.

It's the capital markets vertical and the healthcare vertical where we've had significant challenges in new inflows. With discretionary spend cuts, you will not have new inflows and therefore, the pipeline actually does not have an increase, and in fact, the pipeline actually doesn't move, as well. So you have what is sitting in the pipeline remains there, because people are not taking decisions. So you almost have to think about the world as that 15% of the world and the balance 85% of the world.

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**George Tong** - *Piper Jaffray - Analyst*

And outside of the investment banking and healthcare verticals, would you say the pipeline growth met your internal expectations, exceeded?

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**Tiger Tyagarajan** - *Genpact Limited - President & CEO*

I would say it broadly met, if you take that as an aggregate, met our expectations. We always want more. I don't think it will be wrong to say it's good to be greedy, but it broadly met expectations. I just want to reemphasize, it's the investment banking and capital markets vertical, not the banking vertical.

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**George Tong** - *Piper Jaffray - Analyst*

Right. And then last question, can you remind us how many Lean Digital assets you currently have compared to the last quarter, so how many you've developed in quarter, and what percentage of revenues you would say has a digital component, again compared to the last quarter?

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**Ed Fitzpatrick** - *Genpact Limited - CFO*

I don't remember what we said last time. But we're developing 100, and we've got -- so we've got about, I thought it was 80 in process.

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**Tiger Tyagarajan** - *Genpact Limited - President & CEO*

So our goal is to get to some number like 100 for the year. I think that's right on track. 80 of them are at very stages of development, including production. Actually, a couple of the examples that I shared, for example, in commercial lending or insurance or the CPG one are actually in production. The proportion of our pipeline that has these digital assets embedded, where our solutions out there as proposals have them embedded, is about 60%, as I said. That's up from 35% just six months back.

I would say at least half of our new revenue coming in, more than half of our new revenue coming in, has a number of these digital assets embedded. Again, shouldn't be a surprise. Clients expect it, clients want it, they want this disruption. They want to be actually the leader in that versus their competitor being the leader in that. So it's part of the natural evolution of the world jumping onto digital and wanting to leverage analytics and data. Our clear view is that if you want to really leverage data and analytics to drive your business forward, then you must have digital embedded into a number of your processes and services. And the only reason to bring digital into your process and services is to be able to use data to build predictive insights. So it fits within each other very, very clearly.

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**George Tong** - *Piper Jaffray - Analyst*

Very helpful. Thank you.

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**Operator**

Keith Bachman, Bank of Montreal.

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**Keith Bachman** - *BMO Capital Markets - Analyst*

Hello, Ed. I wanted to ask one for you, if I could. Could you talk a little bit about how you envision cash flow from operations for the year? The cash flow was a good quarter, but you're down meaningfully year-over-year in terms of your cash flow operations, more than 30%. How does that look as you think you get towards the end of the year?

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**Ed Fitzpatrick** - *Genpact Limited - CFO*

So a couple of points there. You're right, year-to-date we're behind, more because of the problems that we caused, or the problems that took place in the first half, first quarter. You have complex billings and some of the transition work that was higher than you might otherwise expect, and that can happen. That's more lumpy than anything else. We expect that to be mitigated by the end of the year. We do need to make progress on receivables to get to that up 6% to 8%, I think, is the guidance that we gave on operating cash flow. That means we need to get AR days down further, closer to 80, which is the plan and that's what we're shooting to get to. So that working capital improvement needs to happen. The net income will be a bit lower, as you'd expect, based upon the top line coming down. But that's probably orders of magnitude $4 million, $5 million. So it's really working capital management, and if we execute on that and keep that in line, we ought to be up to see that uptick in cash flow.

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**Keith Bachman** - *BMO Capital Markets - Analyst*

Okay. So it really sounds -- but if I was thinking about a distinction between the third and the fourth quarter, should I be thinking about more back-end loaded, that is to say, probably having a big fourth quarter to really get you to within that range?

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**Ed Fitzpatrick** - *Genpact Limited - CFO*

I think you should see improvement in the days. I don't know if it would be linear, but we should see improvement. If we're still at 85 in Q3 on a DSO, on that metric, I won't be happy, because then it's a bigger step function to get to closer to 80 by the end. So you should see some improvement in Q3, as well, Keith, so that it's not all back-end loaded. But I suspect that given that revenues were more that way, you'll see more of that cash in the fourth quarter.

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**Keith Bachman** - *BMO Capital Markets - Analyst*

Okay. And just philosophically, I know you're guiding cash flow form op to be up 6% to 8% this year. Is philosophically, given the revenue growth, is that the way to think about the longer term run rate on the cash flow from operations as we look out, even into the long period of time of 2017?

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**Ed Fitzpatrick** - *Genpact Limited - CFO*

I think the way we think of it is the easiest metric that ties out over time is the free cash flow metric to net income, that it should grow largely in line with net income. And that's kind of the way we laid it out this year, too, that's the way the math works. So if we're in that place, that's the way you should be modeling it.

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**Keith Bachman** - *BMO Capital Markets - Analyst*

Okay. And Tiger, I'm just going to sneak one in. As you think about GE, it sounds like you have some good opportunities. I know at analyst day, I think you were telling us that GE, as we look out, should maybe be a flattish number, plus or minus a few percent. But it's been a little bit better recently. How should we think about that GE number as we exit the year? Can that actually, you think, be a growth trajectory as we look out longer term?

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**Tiger Tyagarajan** - *Genpact Limited - President & CEO*

I think it is a little too early to deterministically say that. Obviously, feel good about the first two quarters of the year, feel good about the trajectory for the balance of the year. Some of that better-than-expected performance, as we said, was related to GE Capital corporate work, what we expected as a ramp down of some of the corporate work, taking a little longer to ramp down, which meant that we continued the work a little longer which we expect to conclude through the balance of the year.

And I think we'll have to wait a little bit before we look at next year. We feel good about where that's going. The digital pivot that GE is undertaking, which is a very significant Internet of Things pivot, with Predix as the platform, we are one of the chosen partners for that. We are investing in that space. We are training a bunch of people to actually build applications and analytics solutions for industrial companies, GE and others, using the Predix platform. So those are all good things and are great green shoots for the future.

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**Ed Fitzpatrick** - *Genpact Limited - CFO*

Certainly feels better, Keith, when you look at the last few years in terms of where the GE numbers were, how we look forward.

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**Keith Bachman** - *BMO Capital Markets - Analyst*

Yes, it sounds like it. Okay, thank you, gentlemen.

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**Operator**

Tien-tsin Huang, JPMorgan.

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**Puneet Jain** - *JPMorgan - Analyst*

Hello. This is Puneet filling in for Tien-tsin. So Tiger, on digital assets, seems like nice progress in the quarter, 80 versus target of 100, and you mentioned 60% of pipeline includes these assets. How should we think about investments required to create these assets, and are such contracts typically on long-term entity in nature?

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**Tiger Tyagarajan** - *Genpact Limited - President & CEO*

So Puneet, the way to think about these assets is that we don't "sell" these assets as independent digital assets. So these are embedded into our solutions. So let's go back to the insurance example that I gave. You probably have two or three digital assets, one that does, for example, financial analysis of the application coming in that helps underwriting and another one that actually does mobility capture of information out in the field, as someone out in the field that's capturing that information from the customer, and those two get embedded in our operations. When we solutioned that for our client earlier, we would not have that in that operation. As a result, that operation becomes incredibly more quicker in cycle time, therefore that particular claim probably is going to move cycle time from days to minutes, he's probably going to capture more value in terms of market share, is potentially going to be able to charge better pricing, and so on and so forth. So that's hugely beneficial for the client. It becomes reasonably sticky for us. It's our regular annuity BPO business, except it's got digital assets embedded in it.

So don't think about these digital assets as separate contracts that we have to think about. And to get back to the 80 assets, just to clarify, these 80 assets are a bunch of them that are under development, build, deployment and production. So it's a range of them, and it's a good mix of that range of that 80, and we'll continue to make progress. Because it goes through proof of concept, it goes through validation. And these are digital tools. So therefore, you would have very quick cycle times. These are sprints, these are fast work of development. So we'll have five cycles of development in six weeks.

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**Ed Fitzpatrick** - *Genpact Limited - CFO*

I think the last thing I saw was that we were 60% all in, based upon the stage of development, if that makes sense.

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**Puneet Jain** - *JPMorgan - Analyst*

Understood. And how should we think about the investments required in these assets next year, after you hit 100 or targeted level of these assets? How should we think about next phase of investments, like which areas you're going to focus on?

**Tiger Tyagarajan** - *Genpact Limited - President & CEO*

So great question again, Puneet. I think our investments, first of all, will get directed, as it has been for the last three years, towards the service lines that we've chosen, within the industry verticals of our choice, as well as the enterprise service lines, such as finance and accounting, procurement, et cetera. And those investments in those service lines, within the verticals of the enterprise service line, will get directed and has been directed more so in the last 18 months towards building out some of these digital assets that have digital technologies, pretty disruptive digital technologies, take artificial intelligence, cognitive computing or machine learning, along with analytical tools that build analytical insights.

Think about being able to assess the risk of 60,000 suppliers for a Fortune 100 company and assess that risk on a real-time basis. And I'm not talking about financial risk, I'm talking about financial risk and reputation risk and foreign current practices risk, all kinds of risks all put together. The ability to actually have a digital tool that allows you to do that, as part of an end-to-end process on sourcing and procurement, is the way to think about this, and the development of that will continue.

A lot of our investment dollars in the last 18 months have got directed in that direction. That will continue. So as we look into the future, I think we have enough of our R&D budget that will continue to get allocated there. I think we have enough of annual R&D budget that allows us to direct that into these specific areas. We'll obviously have some that are more successful than the others. So those will get more R&D budget than the ones that are not so successful. Because again, these are digital assets, so you can actually go through a series of fast failures.

**Ed Fitzpatrick** - *Genpact Limited - CFO*

As you model that in terms of our overall P&L, we took our R&D as a percentage of sale, we've talked to you about something below 3% to talking about being at over 4% this year. So that as a percentage of revenue, that's what Tiger's talking about, that's a $20 million, $25 million annual incremental spend from when we started to invest more. So that's there. Plus, you heard us talk about the mobility acquisition and the PNMsoft dynamic workflow acquisition. So that's the acquisition part of it. And then you also heard me talk about capital expenditures this quarter related to digital assets that we're building. So it's all of those three. It's spend, it's acquisition, and it's our own build.

**Puneet Jain** - *JPMorgan - Analyst*

Understood. Thank you.

**Operator**

Joseph Foresi, Cantor Fitzgerald.

**Joseph Foresi** - *Cantor Fitzgerald - Analyst*

Hello. I was wondering with the changes in guidance, any changes in the trajectory for 3Q and 4Q, for either from a revenue perspective or an EPS perspective and thoughts on GE in those two quarters?

**Ed Fitzpatrick** - *Genpact Limited - CFO*

I think, Joe, directionally what I'd tell you is we'd expect Q3 to be better than Q2, and Q4 to be better than Q3. So it will be a, again I don't want to tell you linear, we do expect Q3 to be a better growth rate, and Q4 we're looking more to get to double digits. So you can start from where we are today and estimate.

**Joseph Foresi** - *Cantor Fitzgerald - Analyst*

Okay. And then on the digital assets, obviously they're a portion of your total backlog. Is this increasing or changing your win rates at all, and would you consider any of that to be new work that you weren't privy to before or is this just a competitive advantage?

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**Tiger Tyagarajan** - *Genpact Limited - President & CEO*

There's no question, Joe, that it is an incredible competitive advantage. It is, as I described in my remarks, hugely differentiating. And it is differentiated in a manner that is very unique to us, which is why we termed it as Lean Digital, because it is not just about these digital assets. It is about what goes into these assets. These are proprietary assets that have benchmarks that have 15 years of having done insurance claims and therefore understanding what kind of frauds happen and therefore incorporating that into those digital assets. That makes it really valuable. So they clearly are differentiating. They clearly allow us to win more and hold up to the very high win rates we've had in the last few years. And as our business pipeline and inflows keep growing, our attempt here and journey here is to continue to hold onto those win rates, and things like these allow us to hold onto those win rates.

By the way, it does satisfy an incredible requirement in the marketplace, where people want these digital assets. So while it is clearly differentiating, I think clearly if you don't have it, you're going to be pretty undifferentiated. So the separation of those who have these types of capabilities versus those who don't is going to start playing out pretty dramatically in the marketplace.

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**Joseph Foresi** - *Cantor Fitzgerald - Analyst*

Got it. And then just lastly for me, with the changes in healthcare and investment banking on the IT Services side, are you going to make some cuts on the headcount side to go along with those? How should we think about the headcount and the resources in IT Services, or do you feel like this is a pause and you're going to hold with the resources you have? Thank you.

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**Tiger Tyagarajan** - *Genpact Limited - President & CEO*

So our business fortunately has pretty significant capability to handle that kind of variability and flexibility. We've already been on the path through the quarter of making sure that we readjust some of the costs associated with those verticals in order to ensure that we end up with a margin that Ed described, at the 15.5% level, while not changing a bunch of the investments that we continue to make. Because those investments are, we feel very good about, whether it is on the sales and marketing side and the client savings side and the domain experts, the practice team, which we continue to do, as well as the digital assets and analytical assets and the chief science officers and so on.

So we are navigating this, I think, really well in terms of making sure that the variable costs related to the lower revenues in those verticals mean those costs are taken care of while continuing to invest where we have to invest without changing any of that, and ending up, therefore, with a margin that we are saying we'll end up with.

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**Ed Fitzpatrick** - *Genpact Limited - CFO*

Joe, as you think about these two businesses, too, coming into the year, these were businesses that were growing a bit slower than the total company growth rate. So think about low single digit types of growth rate as we had the outlook, and now we're looking at low single digit decline. So that's for those two businesses. And that's the dynamic. So from a headcount perspective, it's extremely manageable and in our control, from a short cycle perspective.

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**Joseph Foresi** - *Cantor Fitzgerald - Analyst*

Got it. Thank you.

**Operator**

Ashwin Shirvaikar, Citigroup.

**Ashwin Shirvaikar** - *Citigroup - Analyst*

A couple of years ago, you guys went through a strategic review of the business that led to a sharper focus, you walked away from a few things. Have you considered relooking at the whole thing, maybe making sure that the IT side of the business still belongs? I'd like to hear from you what it brings within those activities that you're doing and what value does it add, from your perspective, to the clients that differentiated, that it makes a difference in your run rate? Because it seems to crop up with reasonable frequency as a reason for revenue shortfalls.

**Tiger Tyagarajan** - *Genpact Limited - President & CEO*

No, so Ashwin, actually it's a great question and it's actually a very timely question. It was 2.5-plus years back when we completed our strategy exercise. And as we've consistently said since then, as we pivoted the business on that outcome of that blueprint strategy exercise, we feel really good and continue to feel great about the direction that we've taken posted that. 18 months back, we further enhanced that with our pivot on Lean Digital, while continuing to maintain our industry verticals, service line and geographic focus that the earlier strategy exercise defined. Our business is a long cycle business, so it does take time for that those kinds of pivots to play through. I think by the time we get to the end of the year, it is a perfect time for us to naturally go back and refresh some of the learnings we've had as we've gone through the last three years. And that's actually in progress and we continue to do that, and we will do that.

Coming out of that will clearly be, where do we double down even more? Where do we add even more firepower? Where is it not working, and therefore we dial back? What new capability should we add, what acquisition should we look at? Apart from doing this, obviously, on an ongoing basis, there are obviously periodic times when we should do this and I think in our business, at the end of a 2.5, 3-year period is a good time to do it. So we actually exactly plan to do what you just described.

And to hit a little bit on the IT side, I do want to repeat what I said. There are clearly parts of the IT business that are growing much faster than all of the parts of the IT business, and these are parts that are deeply connected to our deep domain expertise in specific and obvious areas, and there we will continue to invest. It's not that different from some of the digital investments and analytics investments and domain investment. And they're going to play together really well.

Then there is the GE IT business, which again, we really like. We have a seat at the table. We are one of the chosen few on Predix. So again very strategic, very important, and very core to our business.

And then there's the capital markets vertical, which is going through a very specific macro attack on that vertical. And it is what it is. And we are making sure that we can navigate through as some of the changes that are happening in that specific vertical.

So I think, again, I think it goes back to the time when we actually entered the capital markets vertical, where we said that it is about capital markets as a vertical, not as IT as a business. And we continue to think about these, not as IT as a business, but as GE as a business, investment banking as a vertical, healthcare IT as a vertical within healthcare, and then, for example, commercial lending and leasing IT, which is very closely integrated with our commercial lending and leasing business, or wealth management IT, which is very closely integrated with our wealth management business in the banking vertical. So I don't think -- we think about this as IT as one lump.

**Ashwin Shirvaikar** - *Citigroup - Analyst*

Got it. No, that's really useful. A follow-up question is on the GE side. You said, obviously, signed six contracts with GE buyers expecting increasing penetration later in the year. From one perspective, as we start thinking about that, is that something that is, including penetration perspective, going to be material to next year? How should we think about that?

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**Tiger Tyagarajan** - *Genpact Limited - President & CEO*

Ashwin, I think it's again very early days. These are people, a range of buyers who have taken on big portfolios from GE Capital. And their first job, as you can imagine, would be to make sure that it integrates well, settles down well. A number of them, for example, have transition services agreement with GE Capital and GE, which will continue to get provided for a certain period of time. We are often at the back end of that, because we provide a number of these services for a number of these businesses that are now in the hands of these new buyers.

The early conversations indicate that a number of these new owners of these GE capital businesses obviously like the service that is being provided. They have great promoters within the businesses that they've acquired. All of that is great foundation for incremental conversation. So having seen these types of relationships build over time, we think those provide great foundations for the future.

Again, I want to go back to, these are long cycle relationships that build over time. I think there comes a time when all of those will actually become real conversations, whether it actually converts in 2017, I think is a question that I think is too early to answer. Because remember, some of them are still in contracting with us. Six of them have signed contracts with us for the existing piece of work. All I can say is that early signs are good, are very good.

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**Ed Fitzpatrick** - *Genpact Limited - CFO*

Ashwin, as we reported, next year as these businesses get transferred over to Global Client, it gets somewhat lost or buried, if you will, within the Global Client growth rate Inherently, you would expect that the growth of those accounts may not grow like the rate that we're looking at for other global clients, because of the penetration that we are currently are with the GE portfolio. So I think overall, we think the opportunity to grow is attractive for us, or more attractive, once it's acquired by the other entities. But we'll see how it all plays out in terms of overall growth rates.

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**Tiger Tyagarajan** - *Genpact Limited - President & CEO*

The final point, Ashwin, is, and I think I said this probably at the Investor Day, the way we think about this is that over a period of 18 months we have, pick a number, 10-plus new relationships that we have established in the banking and financial services vertical. That is fantastic. It is absolutely fantastic, and it's global, in different parts of the world. So I think clearly sets the foundation for really long-term benefit.

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**Ashwin Shirvaikar** - *Citigroup - Analyst*

Got it. Thank you guys.

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**Operator**

Frank Atkins, SunTrust.

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**Frank Atkins** - *SunTrust Robinson Humphrey - Analyst*

Wanted to ask a little bit on the pricing environment, any changes you're seeing there, especially on the BPO side?

**Tiger Tyagarajan** - *Genpact Limited - President & CEO*

No, actually, Frank, on the BPO side we're not seeing any material change. Those continue to be stable. It is competitive, as it's always been. The more complex the deal, the more it has Lean Digital and Lean Digital assets and analytics and consulting and all of that as part of the journey of transformation. The less it is about price and the more it is about, can you do it and do you have the capability and do you have the global footprint. So those become different conversations.

Clearly on the IT side, particularly, when you talk about some of the challenged verticals, the healthcare IT and the investment banking vertical, when you have discretionary spend cuts, there is natural going to be pricing pressure. So that clearly shows up often when you have discretionary spend cuts in those spaces and we are seeing that in those specific areas.

**Frank Atkins** - *SunTrust Robinson Humphrey - Analyst*

Okay. Great. And could you comment on any wage changes and trends in attrition as you look at the human capital side of business?

**Tiger Tyagarajan** - *Genpact Limited - President & CEO*

Nothing. Actually nothing to report. Stable attrition is in the range that we like it to be. It's in fact, on a quarter to quarter, year to year basis, it's actually better. And wages stable across our global footprint of delivery. So nothing new to report there.

**Frank Atkins** - *SunTrust Robinson Humphrey - Analyst*

All right. Great. Thank you very much.

**Operator**

Bryan Keane, Deutsche Bank.

**Bryan Keane** - *Deutsche Bank - Analyst*

Just a couple clarifications. I just want to ask, on the Q2 revenue, the $630.5 million, was that in line with your guys' expectations or was that a little light? I know it was light versus 3, but I'm just curious if it was in line with your model.

**Ed Fitzpatrick** - *Genpact Limited - CFO*

No, it was a bit lighter because of the same reason that we talked about. It's a short cycle. So it was certainly lighter. As we looked at, we certainly expected it to be lower than second half, kind of in line with 2014 growth rates. So I think based upon that, we're maybe about a percentage point lower, a 1.5% lower than what we expected as a result.

**Bryan Keane** - *Deutsche Bank - Analyst*

Yes, because GE was better than you expected and then global IT was basically almost the same, it was down 7% this quarter, it was down 5% last quarter. So that's not really much of a difference.

**Ed Fitzpatrick** - *Genpact Limited - CFO*

We started feeling the impact, particularly in capital markets, pretty quickly, capital markets, both of the IT-related items were hitting us in Q2.

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**Bryan Keane** - *Deutsche Bank - Analyst*

So Global Client BPO then went from 12% constant currency in the first quarter to 10%. So it decelerated. Was that in the budget and in plan, and what should we expect, should that rebound going in the back half?

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**Ed Fitzpatrick** - *Genpact Limited - CFO*

We do expect Global Client growth to improve throughout the balance of the year, in line with, I think in line with, the overall total company growth. When you heard me saying we were going to get into double digits in the fourth quarter, that's, our outlook is to get in double digits by the fourth quarter, that was total company constant currency growth. We do expect the GC growth to grow, as well.

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**Tiger Tyagarajan** - *Genpact Limited - President & CEO*

And Bryan, particularly in the BPO business, it will be wrong for us to plan quarter by quarter. We actually don't plan that specifically quarter by quarter. It's not a business that lends itself to quarter by quarter planning. It's a long cycle business. These are long transformational deals. So I wouldn't necessarily assume that there is a specific BPO exact quarter plan, because that's not the way it works.

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**Bryan Keane** - *Deutsche Bank - Analyst*

Yes, so for example in this quarter, the deceleration to 10% from 12%, that can be explained by just a ramp up of volumes, or something else?

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**Tiger Tyagarajan** - *Genpact Limited - President & CEO*

A combination of all of those. The most material impact on Q2 versus our own expectations is the technology work in capital markets and investment banks, and the technology work in healthcare. We did not expect the extent to which those got impacted. Clearly, we did not. And we hadn't planned for that.

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**Bryan Keane** - *Deutsche Bank - Analyst*

Okay. That's all I had. Thanks so much.

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**Operator**

Dave Koning, Robert W. Baird.

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**Dave Koning** - *Robert W. Baird & Company, Inc. - Analyst*

Basically, my question is a lot like Bryan's question, in that it looks like the way that sequential growth has to play out through the rest of the year, you have to average something like $30 million of sequential revenue improvement each of the quarters, which would be about really the best I think you've ever had. And yet that's in the context of some of the recent growth has been on the slower side of what you ever had. Does that mean that the pipeline right now is incredibly strong and probably lifts the Company into next year and years to come?

**Ed Fitzpatrick** - *Genpact Limited - CFO*

I think it's a combination of it's contracts that are in-house today that are ramping that we know will ramp. So we always knew we were going to ramp based upon contracts that we had in place. And that it's a matter of, okay, what is the unsold and how does that compare historically to your statistical unsold and making sure that that lines up. So a large part of the ramp really relates to the contractual ramp that we have in place. The rest of it is aligned with, the unsold percentage is aligned with what we've seen historically across the short cycle businesses.

**Tiger Tyagarajan** - *Genpact Limited - President & CEO*

And to some extent, we had called out right at the beginning when we launched the year, as well as at Investor Day, that this year will mirror a little bit more 2014 first half, second half. I think Ed had explained that, and that also is playing out exactly that way. On top of which is the investment banking capital markets, which is different from what we had expected.

**Ed Fitzpatrick** - *Genpact Limited - CFO*

A little color. We talked about ending the year with 70% to 75% visibility. A lot of that visibility is in the BPO, the long cycle work. It's significantly lower visibility in the IT space, as an example.

**Dave Koning** - *Robert W. Baird & Company, Inc. - Analyst*

Okay. And I guess one other thing. It looked like the acquisitions in the cash flow, it looks like you spent maybe $9 million or so for that acquisition in Q2. That's not enough to really move the needle much probably, that's probably, what, $5 million or so of revenue annually from that?

**Tiger Tyagarajan** - *Genpact Limited - President & CEO*

Those acquisitions are really capability acquisitions. It's tools, frameworks and leaders who really bring that to bear into the services that we want them to bring that into and help us take that and build out the digital assets that we talked about. So the mobility services acquisition, those people are actually engaged in a number of the buildouts that we're already doing. They don't materially add directly to revenue, because as I said, we don't sell those separately. They obviously are incredibly important as we continue to develop the capabilities. It's really a question of do we spend time, invest and build those over time, or is there an opportunity to actually bring a team in that actually has that built out, and then you actually double charge and accelerate that journey on capabilities. So these acquisitions are that nature. If we do an acquisition that actually is material, then moves the needle, then actually we will call that out separately.

**Dave Koning** - *Robert W. Baird & Company, Inc. - Analyst*

Got you. All right. Thank you.

**Operator**

Bryan Bergin, Cowen and Company.

**Bryan Bergin** - *Cowen and Company - Analyst*

Thank you for taking the questions. You mentioned the significant uptick in the transformative engagements in the pipeline. Are you seeing any changes in the clients' decision cycles around those?

**Tiger Tyagarajan** - *Genpact Limited - President & CEO*

Great question, actually, Bryan. The more complex, it does take longer. We've seen that before and it's been the way it is. There probably are one or two instances where you will find someone in the middle of, oh, what does Brexit mean for me question, saying, here, I'm going to push this out by another 30 days. So one would say episodic complexity driven, scale and size driven, decision-making and change management driven. And sometimes an event like Brexit driven, changes that elongate some of the decision cycles. Nothing that is material that actually changes any of our view on the BPO side of the house.

**Bryan Bergin** - *Cowen and Company - Analyst*

Okay. And then on the partnerships that you have, KYC in particular, can you talk about how the performance on that has compared to your expectations and how should we be thinking about that business and other partnerships for the balance of this year and for the future?

**Ed Fitzpatrick** - *Genpact Limited - CFO*

I'll speak to the financial piece of it. I'll let Tiger chat about on the business end, the progress that we've made. On the financial side, it's largely aligned. We're in investment mode right now in terms of the finance, how it's playing out in our financials, something to the tune of $8 million to $9 million loss is what we had last year and it's we forecasted for this year, as well. So that's all coming in line with what we expected, no change.

**Tiger Tyagarajan** - *Genpact Limited - President & CEO*

On the business side, it continues to be, that describe investment mode, we have 12 banks that are signed up. We have, I think, thousands of, what are they called, buy side -- are they called buy side or sell side -- the other side of the equation firms. The nature of utility, which is what the solution is, the KYC platform is, means that it is a very slow buy-in and ramp, and that's what we are going through. So far, so good. All the key players are part of the inside the tent, so to speak.

**Bryan Bergin** - *Cowen and Company - Analyst*

All right. Great. Thanks, guys.

**Operator**

Thank you. We have no questions at this time. I will now turn the call back over to Mr. Sachs for any closing remarks.

**Roger Sachs** - *Genpact Limited - IR*

Great. Thank you, Tamara, and thank you, everybody, for joining us on the call today. And we look forward to speaking with you again next quarter.

**Operator**

Ladies and gentlemen, that concludes today's conference. Thank you for your participation. You may now disconnect. Have a great day.