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Genpact Ltd. (G)

Q3 2026 Earnings Call

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MANAGEMENT DISCUSSION SECTION

Operator: Good day, ladies and gentlemen. Welcome to the 2026 Third Quarter Genpact Limited earnings conference call. My name is Mark, and I'll be your Conference Moderator for today. At this time, all participants are in listen-only mode. We will conduct a question-and-answer session towards the end of this conference call. As a reminder, this call is being recorded for replay purposes. The replay of the call will be archived and made available on the IR section of Genpact's website.

I would now like to turn the call over to Kyle Vikström, Head of Investor Relations at Genpact. Please proceed.

Kyle Vikström

Head-Investor Relations, Genpact Ltd.

Good afternoon, everyone, and welcome to Genpact's Q3 2026 Earnings Conference Call. We hope you've had a chance to read our earnings press release posted on the Investor Relations section of our website, genpact.com. Today, we have with us, BK Kalra, President and CEO; and Sumita Pandit, Chief Financial Officer. BK will start with an overview of our results, and then Sumita will cover our financial performance in greater detail before we take your questions.

Please note that during this call, we will make forward-looking statements, including statements about our business outlook, strategies, and long-term goals. These comments are based on our plans, predictions, and expectations as of today, which may change over time. Actual results could differ materially due to a number of important risks and uncertainties, including the risk factors in our 10-K and 10-Q filings with the SEC.

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During this call, we will discuss certain non-GAAP financial measures. We have reconciled those to the most directly comparable GAAP financial measures in our earnings press release. These non-GAAP measures are not intended to be a substitute for our GAAP results. Supplemental investor information can also be found in our earnings press release, factsheet, and investor presentation posted to our Investor Relations website.

And finally, this call in its entirety is being webcast from our website. An audio replay and transcript will be available shortly after the call.

With that, I'd like to turn it over to BK.

Balkrishan Kalra

President, Chief Executive Officer & Director, Genpact Ltd.

Thank you, Kyle. Hello, everyone, and thank you for joining us today. Before I begin, I want to welcome Sumita to her first earnings call as our Chief Financial Officer. Sumita joins at a defining moment for Genpact, and we are incredibly excited to have her here. You will hear from her shortly.

Q3 was another strong quarter for Genpact, further underscoring our pivot as we become the Agentic Operations company. We delivered 7.3% year-over-year growth in total revenue. Advanced Technology Solutions revenue accelerated to 30.3% year-over-year, with broad-based strength across every component of the flywheel. And gross margin expanded for the 14th consecutive quarter, further enabling us to invest significantly in future growth.

As we look to the remainder of 2026, healthy and growing demand with focused execution positions us to deliver at least 7% growth, even as we transition away from work that is not aligned with our Agentic Operations strategy. With strong organic revenue growth, significant margin expansion and clear earnings leverage year-to-date, we are well-positioned to carry this momentum into 2027. Genpact is the Agentic Operations company. We are not the company you once knew. We are building a new Genpact in a fundamentally different category, where TAM is expanding, and the market is moving. And we are intentionally disrupting ourselves to lead it.

For three decades, we have specialized in running mission-critical operations for the world's leading enterprises across finance, risk, supply chain, procurement, HR, banking and insurance. That work has earned us remarkably strong client relationships. Given our Lean Six Sigma heritage, we don't just run the work. We measure it, every transaction, every exception, every control. That discipline is why our agentic work starts from real process intelligence and not a blank page.

Now, we are codifying that process intelligence into proprietary Agentic Solutions and delivering even more value across clients' end-to-end workflows, doing the foundational work to make data ready for AI, building an AI-ready workforce that brings domain-rich technical and functional expertise to our clients, and activating our partner ecosystem by delivering innovative solutions.

We have a distinct set of advantages that allow us to move quickly, execute with conviction and scale that works. We are building a team with exceptional technology and operational leaders, actively shifting us to a product and platform-led future focused on Agentic Operations. We have the power of being both big and small, big enough to invest and be chosen for global mandates, yet small enough to move fast and make every client count. And we have a bias for speed. We are willing to change our own playbooks and move from idea to scale quickly.

All of this strengthens our conviction in our strategy, and gives us confidence to double down to further accelerate the shift to Agentic Operations. Agentic Operations is our new operating model. It brings two critical changes. The

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first is moving from human-processed, human-validated to machine-processed, human-validated. AI agents do the volume processing, and our domain experts bring judgment and accountability. It is model-agnostic and responsibly governed, built for enterprise scale and clear auditability.

The second is in our commercials. We are driving durable, multi-year, recurring annual revenue streams no longer tied to head count. The client value is captured in three outcomes. Our clients grow faster, they operate leaner, and we help them convert more to cash. Agentic Operations is also revenue and margin accretive for Genpact, and expands our addressable market by a large factor. And because it's built on our process intelligence, value can compound with every deployment, making it very difficult to replicate.

The momentum we are seeing in Agentic Solutions proves our pivot is working. Last quarter, I said we are on track to exceed $1 billion in Agentic Solutions booking for 2026. Our momentum has only strengthened. Now, I am pleased to report that we will exceed that number by a margin. This is more than 5 times what we booked in 2025. This tremendous growth is driven by both the TAM and the wallet share we are capturing at speed.

To date, more than half of our agentic booking have come from new clients and from the clients who rotate, we continue to see both revenue and gross margin expansion. And our expanding roadmap of Agentic Solutions will help deliver even more in the future. Genpact is not just meeting clients where they are today. We are accelerating their ability to integrate AI directly into their operations by acting on one simple fact.

There is no artificial intelligence without process intelligence, and that is exactly why more clients are choosing Genpact and for bigger mandates. We start from client outcomes and bring process context, data, technology, operating model, and organizations into the same conversations to drive results. Over the past few years, we have systematically expanded our capabilities and doubled down in areas of strength. This has created a powerful flywheel that is now fueling Agentic Operations as we drive incremental value for both new and existing clients.

Our flywheel creates growth in three ways. First, rotating our base. We are shifting our existing book to Agentic Operations at speed. Client relationships now carry higher value work and for equal or longer contract durations. Next, expanding within clients. As our agents prove themselves, clients trust us with more processes, functions, and geographies. And finally, opening net new TAM, Agentic Operations lets us reach new buyers, technology budgets, and process areas that labor-based models could never address. At a macro level, the picture is consistent with what we described last quarter.

Demand remains very strong, even as AI redraws markets. The dialogue is shifting to ROI and not just embedding AI in every function. New buying centers are opening up and widening the decision beyond the traditional services buyer. And the delivery model is being rewritten.

Clients are looking for partners who can not only leverage AI, but reimagine end-to-end workflows to deliver faster, better outcomes that they can measure. We are on the right side of that line and our results show it. Advanced Technology Solutions revenue growth accelerated to more than 30% in Q3, clearly demonstrating the remarkable demand our flywheel is driving.

We had another very strong quarter across booking, backlog, and pipeline. This strength across both Core and Advanced Tech continues to underscore the healthy and growing demand of our deep domain and industry expertise. We signed another five large deals in Q3, and we have a strong pipeline of transformational deals setting us up for healthy future growth.

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Non-FTE revenue exceeded 55% of total revenue in Q3, and our revenue growth continues to decouple from head count. We are fundamentally changing the game by building a robust multi-year revenue base that is no longer tied to head count with margin leverage as we drive meaningful scale. Clients are choosing Genpact over traditional and new competitors alike, trusting us with more of their workflows and more parts of their transformation.

Woolworths Group, one of Australia's largest retailers, chose Genpact as its partner to transform finance and people operations across Australia and New Zealand, creating a scalable technology-enabled foundation for the future. Nestlé Group recently selected Genpact to establish a new global capability center in India that will act as an innovation hub, improving digital adoption, operational visibility, and consistency across Nestlé's global network. And Volkswagen Financial Services Portugal selected Genpact as a strategic partner to design, build, and operationalize an agentic trade cycle management platform on Salesforce. These are just a few examples on how clients are putting Agentic Operations to work.

The market is also recognizing the shift. HFS Research named Genpact, the Winner of Best Services Eating Software Category in their 2026 HFS Services-as-Software Awards, highlighting the strength of our Agentic Operations. The award recognizes our product and platform-enabled offerings, bringing together AI agents and human expert judgment and accountability to drive measurable outcomes. Last month, Everest Group also awarded Genpact its Growth Honor of the Year, recognizing Genpact for delivering the strongest organic constant currency revenue growth among global services providers above $5 billion in revenue.

In closing, this quarter is one more proof point that we have the right strategic positioning with a differentiated capability set in a rapidly expanding market. And we are transforming with speed. Quarter-after-quarter, we have delivered on our commitments with results that have outpaced the industry. That consistent execution gives us confidence to move even faster.

We are taking advantage of this moment and leading the way in Agentic Operations by doubling down on our more strategic priorities to accelerate the flywheel, rotating our base, and expanding new buying centers into high-quality, durable revenue that compounds, and is harder to replicate, driving structurally richer margins and widening the gap between Genpact and the rest of the market. We are building a fundamentally new Genpact, and the best is yet to come.

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

Sumita Pandit

Chief Financial Officer, Genpact Ltd.

Good afternoon, everyone, and thank you for joining us today. Thanks, BK, for the warm welcome. I'm delighted to join you all for my first earnings call as the CFO of Genpact. We delivered a strong third quarter. Total revenue grew 7.3% year-over-year. Margins expanded again, with gross margin expanding to 38%, and adjusted operating income margin increasing to 17.8%. Adjusted diluted earnings per share was $1.07, up 10.3% year-over-year.

Let's discuss the drivers of revenue. We delivered $1.385 billion in total revenue for the third quarter. This 7.3% year-over-year total revenue growth was delivered despite roughly 2 points of impact from our transition away from work not aligned with our Agentic Operation strategy.

As clients seek a wide range of solutions with different levels of readiness, decades of client trust and our deep domain and industry experience continue to be key differentiators. Even as we rotate our existing book and drive

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new opportunities with Advanced Technology Solutions, we continue to add clients through our Core Business Services.

Core Business Services revenue, which includes digital operations, decision support services and technology services, remained flat year-over-year at $980 million, including nearly 3 points of impact from the work we transitioned away. At the same time, Advanced Technology Solutions revenue, which includes data and AI, digital technologies, advisory and agentic, reached $405 million this quarter, growing 30.3% year-over-year. The rate of growth increased from 24.1% in the second quarter, and was driven by broad-based strength across our capabilities.

A few highlights for Advanced Technology Solutions, which now accounts for 29% of total company revenue. Revenue growth and revenue per head count for Advanced Technology Solutions were both well over 2 times the total company. Over 70% of revenues were derived from non-FTE commercial agreements, and over 70% of revenue was annuitized, underscoring the long-term duration of these agreements. Specifically, demand for our proprietary Agentic Solutions, which is part of Advanced Technology Solutions and include our productized AI offerings built with Genpact IP continues to grow.

As BK mentioned, by the end of this year, we will deliver over $1 billion in agentic bookings, more than 5 times what we booked in 2025. With our Agentic Solutions, we are unlocking new sources of demand, meaningfully opening different work and buying centers across new and existing clients. To date, more than half of our agentic cumulative awarded contract value is coming from new clients, and we continue to see both revenue and gross margin expansion as existing clients who already trust us with running their mission-critical operations are choosing to shift to Agentic Operations with expanded scope, volume, or both.

Our differentiation is showing up in our overall deal momentum across the company. This quarter, we signed five large deals, bringing us to 17 year-to-date, more than all of 2025, with a healthy pipeline of additional large deals. Year-to-date, our bookings, backlog, and pipeline are at record levels. Contract duration across both Advanced Technology Solutions and Core Business Services is healthy and increasing, with clients continuing to sign long-term commitments.

And this quarter, non-FTE revenue surpassed 55% of total revenue. We are deliberately building a meaningful recurring annual revenue base that is decoupled from FTEs. At a segment level, on a year-over-year basis, Consumer and Healthcare grew 10.7%, Financial Services grew 7.4%, And High Tech and Manufacturing grew 4.4%.

Let's now discuss our profitability metrics for the quarter. Gross margin expanded approximately 160 basis points year-over-year. Our Q3 gross margin of 38% was higher than expected due to revenue mix in the quarter. Our margin profile continues to reflect clear operating and pricing discipline. Importantly, with average head count down again sequentially this quarter, we continue to see revenue growth decoupling from head count.

Moving down the P&L, SG&A expense as a percentage of revenue was 22.6%, up roughly 2 points year-over-year as we continue to invest strategically in our future opportunities with Agentic Operations. Adjusted operating income was $247 million, up 7.7% year-over-year and adjusted operating income margin was 17.8% as we continue to self-fund our significant strategic investments. GAAP net income was $152 million, and diluted EPS was $0.89. Adjusted diluted EPS, which increased 10.3% to $1.07 per share, continues to grow faster than revenue.

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Shifting to cash, we ended the quarter roughly $500 million in cash and cash equivalents. Our operating cash flow of $93 million this quarter was impacted by our recent ERP implementation, which delayed invoicing and collections as we transferred our processes to a new system.

Through October, we are already on track to return to our pre-ERP implementation collection space. Credit quality remains high, and we expect these impacts to normalize by early next year. We returned $62 million to shareholders in Q3, bringing our year-to-date capital return to $246 million. We do not expect any meaningful change to our capital allocation strategy.

Now, turning to the outlook. We are executing on our strategy. We are seeing strong demand, and we continue to focus our resources behind Agentic Operations and driving long-term value and growth. As a result, our momentum is meaningful and positions us for continued strength.

For the full year 2026, we expect at least 7% revenue growth on an as-reported basis given our strong backlog pipeline and ability to execute. This includes nearly 2 points of impact from the work we are transitioning away. For Advanced Technology Solutions, we expect revenue growth to be at least 25% for 2026, and we still expect Core Business Services revenue to grow despite the impact from the transition away from work.

As a reminder, as we work closely with clients to transition away from this work, timing will remain a factor for both 2026 and 2027. For 2027, we currently expect the dollar impact to be modestly larger than 2026. Given our year-to-date performance, we are increasing our full year outlook for gross margin to 36.9%, up roughly 90 basis points year-over-year. This margin expansion continues to provide leverage for significant investments to drive future growth. Adjusted operating income margin is expected to increase to 17.7%, and we now expect adjusted diluted EPS growth of at least 13% for the full year.

Now turning to the fourth quarter. We expect to deliver total revenue growth of approximately 7% on an as-reported basis, including over 3 points of impact from work transitioning away. We expect Advanced Technology Solutions revenue growth to be similar to Q3, and Core Business Services is expected to be down slightly, including the impact from the work transitioning away. We expect gross margin and adjusted operating income margin to expand again. And we expect Q4 adjusted diluted EPS to again grow double-digits and faster than revenue.

Before we close, I'd like to make a few short comments on 2027. Healthy and growing demand, consistent execution, and clear focus set us up to deliver similar total revenue growth in 2027, even as we intentionally disrupt ourselves and transition away from work not aligned with our Agentic Operations strategy. We will continue to stay focused on expanding margins, while investing significantly for long-term growth, and we expect to drive continued growth in adjusted diluted EPS.

With that, let me close where BK started. Genpact is the Agentic Operations company and our vision, our focus, and our results all stack up to this. We are helping clients grow faster, operate leaner, and convert more to cash. Every step of our execution strengthens our position in the market.

We are expanding our addressable market and our share of client spend, building high-quality, durable revenue that compounds through differentiated value and driving structurally richer margins. Together, these drive double-digit adjusted diluted EPS growth, while creating lasting value for clients. I'm incredibly excited to join at this pivotal moment and help lead in defining the next era for Genpact.

With that said, let me turn the call back over to Kyle.

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Kyle Vikström
Head-Investor Relations, Genpact Ltd.

Thank you, Sumita. Operator, we're ready to go ahead and take questions.

QUESTION AND ANSWER SECTION

Operator: We will now begin the question-and-answer session. [Operator Instructions] And your first question comes from the line of Bryan Bergin with TD Cowen. Bryan, please go ahead.

Bryan C. Bergin
Analyst, TD Cowen

Q

Appreciate the question here. I wanted to start on some of the segment dynamics, so appreciate all the moving parts you gave there. And it sounds like CBS actually accelerates, like, if we give back that 3 points that shifted back to clients. When we think more broadly about the work that may be going between CBS to ATS, is there any way to frame that magnitude? Obviously, modernization is important for clients. As we just think about the numbers in these segments, is there any way to just kind of say, okay, ex the migration, CBS would have been this, instead of the low-single-digits that we see today?

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

A

Yeah. Bryan, I'll take that. So, incredibly excited how our Agentic Operations strategy is stacking up, and how we are showing up in a very differentiated way in front of our clients, and not just running now end-to-end mission-critical processes, but also transforming them speed and leveraging our flywheel of data system operating models all put together.

To the specific question that you asked, look, I would say two or three comments. Point number one, overall, we see this as a broad-based momentum across the board, across all the sectors that we work with. To the point that you are making on, hey, point number two is moving from Core to Advanced Tech? I would say it is minimal at this stage though our bookings are stacking up, but over a period of time, these annuitized recurring revenues will convert into the GAAP revenues, but today, it is minimal. And the growth, I would say last point is more broad-based both across Core as you noted as well as Advanced Tech.

Bryan C. Bergin
Analyst, TD Cowen

Q

Okay. That's helpful. And then, Sumita, welcome here. Good to have you. I'd like to get your perspective, your view here on Genpact in the first several weeks being on board, where you expect to spend most of your focus and energy here early on. And maybe I will leave with a financial question. Just on free cash flow, just comment on the performance there and understanding there was a bit of a pull forward last year on some conversion of cash flow. Do you see an improving path to that going forward?

Sumita Pandit
Chief Financial Officer, Genpact Ltd.

A

Thanks, Bryan. And yeah, I'm incredibly excited to be here. It's great to join for the first earnings call. I would say to your first question on where I expect to spend more time, I would say there is a lot happening in Genpact. One

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of the reasons why I joined this company is because I saw the incredible energy in the company and the people that I met with. And I would say that we are hands down working across our strategy, working towards making Genpact the Agentic Operations company.

And I think that requires us to operate at multiple levels both for our clients, as well as making sure we have the capabilities to deliver the right outcomes for our clients. So, I'm going to be focused primarily, I would say, making sure that our capital allocation, our investments are in the right place, making sure that we are choosing the right metrics to describe our company, and making sure that we have the right ability to continue to serve our clients.

On your question on cash specifically, Bryan, so, I think in my prepared remarks, I'd mentioned that we had some, I would say, ERP implementation issues in the last few weeks and quarters. And what we feel good about is the fact that we are already back to our collection space that we were at pre-implementation, pre the ERP implementation.

We think of this as typical implementation frictions, which is what we experienced, not a credit quality challenge at all. And we think that the ERP implementation actually positions Genpact really well for the future as we continue to scale for growth. Our cash and cash equivalent balance at the end of the quarter was about $500 million, which we believe is a really healthy level.

Bryan C. Bergin
Analyst, TD Cowen

Q

Understood. Thank you.

Operator: Your next question comes from the line of Maggie Nolan with William Blair. Maggie, please go ahead.

Maggie Nolan
Analyst, William Blair & Co. LLC

Q

Hi. Thank you. Of the large deals so far this year, are you able to quantify how many were agentic-led versus maybe new or just kind of typical renewals of existing work?

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

A

So, maybe I'll take that, Maggie. Whenever we call any of these large deals, point number one, they are all net new, they could be with our existing customers, but that they are renewals, as you know, be it from booking or if we do a large deal of a renewal that is not counted, but these are all net new large deals. And I would say all of the large deals have a significant portion coming in from an Agentic Operations standpoint, and it is all depending upon what all of the products that we have already developed or what is on the roadmap.

And there are, in a typical large deal, there are also portions where it is more custom agents that we will develop that is not counted in agentic booking. But most of the large deals have agentic component, which are proprietary IP solutions or be it in finance or supply chain or in banking or for KYC. And a number of them are represented certainly this quarter or the previous quarters in the total 17 large deals that we have done.

Maggie Nolan
Analyst, William Blair & Co. LLC

Q

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Okay. Thank you. And then, when you are signing the agentic deal, can you compare for us what the ramp-up of that looks like versus your historical typical deals, just in terms of when you hit sort of the peak or steady state profitability and revenue?

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

A

Yeah, it's, I think, early days is what I would call it, Maggie. We are super excited that we are ramping up fast on all of these bookings, which as I mentioned in my prepared remarks that we'll beat $1 billion by a margin by the time we end the year. And all of these are annuitized recurring revenue, so that, again, positions us for our durable, much richer revenues as we go along.

Now, implementation to the specific question you are asking, many of these are implemented, but we are in early phases of building with existing as well as new clients, the entire implementation roadmap. And we are learning through including handholding clients in their technology roadmaps, with their CTOs, how it fits into their technology architecture when we are implementing it. So, we are in early stages of that, and I think we will talk more as we go along.

Maggie Nolan
Analyst, William Blair & Co. LLC

Q

Thank you.

Operator: Your next question comes from the line of Surinder Thind with Jefferies. Surinder. Please go ahead.

Surinder Thind
Analyst, Jefferies LLC

Q

So, BK, when I think about the Core Business Services versus ATS, and as we move forward or further into an agentic future, Agentic Operations, what happens to the Core Business? Is there a point where it kind of moves, it's stable the way it is now, but then, there is kind of a ramp where it accelerate, the revenues decelerate or growth becomes negative at some period of time. Like, how do we think about that business where ultimately everything needs to be kind of shifted over to the ATS side?

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

A

Yeah, how I would say that Surinder is that like I've always mentioned in past, that customers don't come to us to buy either Core or ATS. It is the revenue disaggregation that we share with our investor community. They come into run and transform their operations. They come in to see how AI can deliver more ROI to them for the investments that they have already made. They come to us as to because of our new operating model that we have set up from an Agentic Operation standpoint and how we bind all of their legacy tech, legacy processes into a new age at a much faster pace. That's what they come in for us.

So, therefore, if you think of that context, Core continues to be, in any of these large deals that I was talking about, continues to be an integral part. Because take an example, if we have signed a particular large deal today, we start operating on it tomorrow, certainly, the work that they were doing that we are doing right now, certainly hasn't become Advanced Tech. And for a period of time, it will stay Core, and then, we will transition that into Advanced Tech.

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But fundamentally, we are opening a very large TAM for us, Surinder and team, and that's what we are super excited with this strategy, and it is showing up in our numbers. The operating model is showing up in the financial model in a significant way as you see it. Richer margins, 14 consecutive quarters of gross margin expansion, so, it is just demonstrating in a significant way.

Sumita Pandit
Chief Financial Officer, Genpact Ltd.
A

And the only thing I would add, Surinder, is, as we mentioned in our prepared remarks, we expect Core Business Services to grow year-over-year for the full year. And we think that that business continues to have extremely bright prospects.

Surinder Thind
Analyst, Jefferies LLC
Q

Got it. So, I guess, the clarification there would be that the idea is that with Core Business Services, it's a long tail, and in the meantime, you're building ATS on top of it. And so, what I guess the sense I'm getting at is that that should theoretically imply an overall accelerating growth rate for the firm over, if we look over like multiple periods of years, I'm not talking about specifically guidance, but like as we think about the business model because if that long tail sits there and then you continue to see strong demand on the ATS side.

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

Yeah, I would say, look, I think 2026 or even previous years have clearly shown how we are building a strong momentum and the similar strength we expect to show up in 2027 even as we transition away from some of the non-strategic parts. We see that in our pipeline, we see that in our booking, we see that in our backlog and client conversations.

And this strength has afforded us the ability to double-down on Agentic Operations. And I think as we cycle through 2026, 2027, we are set to deliver even higher growth with tremendous opportunity in Agentic Operations, and we really are setting the company for a long-term growth at even higher pace and a better gross margin.

Surinder Thind
Analyst, Jefferies LLC
Q

Got it. And then as a follow-up, Sumita, can you maybe talk about the gross margins? It sounds like it's predominantly a revenue mix benefit that you're getting at this point. Is that the right way to characterize what you're seeing currently? And then, should we just continue that trend net of any investments that you choose to make, or are there maybe some other efficiencies that you can think about as AI capabilities continue to advance from an internal delivery perspective?

Sumita Pandit
Chief Financial Officer, Genpact Ltd.
A

Yeah, I think what I would point to is the fact that we have consistently improved our margin. I think BK mentioned it, I said it in my prepared remarks. I think we have 14 consecutive quarters now of gross margin expansion. And this specific quarter, I would say, the 38% gross margin, definitely, I think our revenue mix helped. But I think there is a more deep structural change in our business that's really allowing us to deliver this kind of consecutive quarter, I would say, outcome for us, and that's coming from multiple areas.

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It's a portfolio business, as the Agentic Operations company, I think we are seeing this in our operational discipline. We are seeing in the contract terms we are signing, we are seeing it in our pricing. And so, I think that you're seeing something deeper than just a typical revenue mix for this quarter. Of course, that helped us a lot in this quarter, and we are really happy that we were able to deliver 160 basis points year-over-year improvement.

On your second part of the question on how to think about investment, I would say at this point, we have such a large opportunity to execute on what I would call is an organic TAM for us that we think it is appropriate for us to invest, invest behind our business, our capabilities, our people. And that's where are focusing right now. We are preparing Genpact to be, I would say, ready for that long-term growth pattern that we think we are on the path to achieve. Whether we will have a different bottom line margin outcome, I think we would like to keep that flexibility with ourselves as we decide where we want to invest, given that our gross margin performance has been extremely strong.

Surinder Thind
Analyst, Jefferies LLC

Q

That's helpful. Thank you.

Operator: Your next question comes from the line of David Koning with Baird. David, please go ahead.

David John Koning
Analyst, Robert W. Baird & Co., Inc.

Q

Yeah. Hey, guys. Thank you and nice Job. When you were answering Bryan's question, just about kind of movement from CBS to ATS, it sounds like not a lot really is moving, but yet CBS is pretty flat. Is that just because clients and incremental like spending, they're saying, hey, we don't want to add to those types of deals anymore. We want all incremental to go to ATS. Is that really underlying what's happening?

Sumita Pandit
Chief Financial Officer, Genpact Ltd.

A

I think maybe I'll start this one, BK, and you jump in. I mean, I think what we are seeing and I think what BK mentioned is that when clients come to us, it's not as much, hey, we want Core, hey we want Advanced Technology Solutions. That's really our way of disaggregating how we think about the outcomes here. I think when clients come to us, it's really looking for solutions. And our job is to meet our client where they are, in their environment, in their ability to, I would say, embrace technology that we can deliver to them.

And so, for us, I would say we are seeing tremendous growth in Advanced Technology Solutions 30% year-over-year, but Core remains reasonably steady. And going forward, I think that you would continue to see a similar trend and both businesses are doing well for us, and we are not emptying our CBS funnel to replace our Advanced Technology funnel, if that makes sense. Both funnels have their own paths, clients find us and we deliver the outcomes that we want to do them.

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

A

And the singular add that I'll have Sumita, very well put is, how you should think about this, David, is the top line growth and the gross margin growth. Finally, it translates there and there, we are continuing to perform in a more industry-leading organic growth that we've been consistently demonstrating with the margin expansion that is structural that Sumita talked about, and that's what we are truly excited about.

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David John Koning
Analyst, Robert W. Baird & Co., Inc.

Q

Yeah. Thank you for that. And just as a follow-up, when we look at the bookings, agentic bookings being over a $1 billion of value, do those come on any differently than the bookings? Like, the historical bookings they've been $5 billion to $5.7 billion the last few years. Do the agentic bookings come on in a different way, either because they're shorter duration or anything different to think about as they hit revenue in the next year or two?

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

A

They are equally long duration or some commitments are even longer and surprised us as well. But no, from a duration standpoint, they are equal or longer David. And obviously, all of those agentic bookings are, none of that is tied to any head count or time and material or they are all annuitized recurring revenues. And that's the core thesis of becoming as an Agentic Operations company because we are bringing this new operating model for all of our clients, existing and new.

David John Koning
Analyst, Robert W. Baird & Co., Inc.

Q

Got you. Thank you. Good job.

Sumita Pandit
Chief Financial Officer, Genpact Ltd.

A

Sorry, maybe just a quick addition to BK's response would be that, and I think BK mentioned it in his last answer, but I'll repeat, which is there is typically, a slightly, I would say, longer implementation time, foundational work that our clients are doing as we convert that booking into GAAP revenue. And so, the bookings that you're seeing currently will translate into future revenue in the coming quarters. And it's a really good leading indicator of where we are in our business.

David John Koning
Analyst, Robert W. Baird & Co., Inc.

Q

Got you. Thank you.

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

A

Thank you, David.

Operator: Your next question comes from the line of Sean Kennedy with Mizuho. Sean, please go ahead.

Sean Kennedy
Analyst, Mizuho Securities USA LLC

Q

Hi. Good evening. Thanks for taking my questions. So, I had a similar question to Maggie's. I was wondering if you could discuss a bit more about any early customer learnings as your agentic services ramp?

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

A

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There are lot of learnings, Sean, and again, we are invited into more and more conversations, conversations that we were typically not invited earlier. And politically, I think I would say if I was to pass the learnings, it is about we nearly almost becoming a forcing function to bring business and technology together at clients' end. And that's also even a little bit of a surprise because for them, for our clients as well, global clients, because a lot of times functional people have their budgets, IT company, IT functional owners have their budgets, CTOs or CDOs have their budgets. And we are the forcing function to kind of bring it all together.

And there are many, many examples as we have brought agents in KYC space or in supply chain space, obviously finance or procurement space. But there are this recognition that not only technology, but it is a total operating model transformation thinking from people, process, technology, all of that bringing in together including data is kind of a big aha moment for our clients too.

Sean Kennedy
Analyst, Mizuho Securities USA LLC
Q

Got it. Appreciate the color. As a follow-up, how's Genpact's agentic roadmap shaping up, and what are you hearing from customers in terms of demand for other solutions down the road?

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

Demand that we cannot keep up with, and that's where the investments come in. We have a pretty strong roadmap of solutions that we are bringing at pace. And this is really also acting as a compounding factor for us, because wherever we have implemented and we have done many, many, many implementations already.

Therefore, through those implementations, we are getting newer workloads getting opened up. Even some of the custom agents that we now need to build for our clients, that is enabling our platform to come to be, and how that connects with a GCP or AWS or other platforms. So, I think there are lot of learnings and a lot of excitement that I can also pass on behalf of many Genpacters to all of you.

Sean Kennedy
Analyst, Mizuho Securities USA LLC
Q

Great. Congrats on the quarter. Thank you.

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

Thank you.

Operator: Your next question comes from the line of James Friedman with Susquehanna. James, please go ahead.

James E. Friedman
Analyst, Susquehanna Financial Group LLLP
Q

Looks like things are really coming together for you guys, BK, and Sumita. It's Jamie Friedman at Susquehanna. I had two questions on the ATS from both sides, delivery and sales. I'll just ask them upfront. So, in terms of delivery, is there any shift on-premise, on-site, offshore in an ATS engagement? That's the first thing, delivery side. And then, in the sales motion, is ATS typically more consultative? Does it require more forward or sales

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engineering? And how should we be thinking about the sales motion? So, one on delivery, one on sales. Thank you.

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

Yeah, yeah. Maybe I'll take the sales first and then I'll go to delivery. So, in the sales, how I'll put it James is, the effect of the entire flywheel. So, when we are talking to a client on an Agentic Operations model, what would that operating model look like? How do you think about data? Actually, we posted the investor deck today, I hope, and you see that we have also shared nearly the operating model and the capabilities that we are enabling for our clients ranging from process to data to how agents and human experts work together at our end, at our clients' end. How partner ecosystem comes to life. So, it is truly the flywheel effect from a sales standpoint that our teams are really taking that execution to our clients.

And on the delivery side, apart from, yes, far more advisory-led at client end, it's also what you hear as FTE and we call it by a different name. So, a lot of that activation is happening. We call it agentic activation teams. So, that's a newer muscle that we are enabling for our clients and also enabling our clients to kind of their talent to become more AI builder, AI practitioner. So, a lot of change and even at our clients' side.

James E. Friedman
Analyst, Susquehanna Financial Group LLLP
Q

Thank you for that, BK. I'll drop it back in the queue.

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

Thank you, James.

Operator: Our final question comes from the line of Bradley Clark with BMO Capital Markets. Bradley, please go ahead.

Bradley Clark
Analyst, BMO Capital Markets Corp.
Q

Hey, thanks for taking my question. I just want to ask about the agentic contract value greater than 50% new client. Can you elaborate what is drawing new clients into Genpact for these offerings? Like, what has been resonating the most in the market that are open to doing business with Genpact where they hadn't been before?

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

Yeah, Bradley, what is resonating more is the new model. New model is resonating more. I'll give you a quick client example of a athleisure category company. They are one of the most iconic brands globally, and this is a newly awarded contract. And there, they were very clear that they want AI-native, AI-ready processes to deploy Agentic Solution. Then, they did a proper RFP, and again, we were chosen hands down against best and the brightest, because we brought in this new operating model, and we brought in also a partner ecosystem in play, and how it can enable them.

And all of our conversation starts from clients. And we always focus on three clients' outcome. How do they grow faster? How do they operate leaner? And how we convert more to cash for them? And I think we link all of our

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Agentic Operations to that. So, I think that is what is intriguing to them. And this is exactly true for all of our existing clients too, who are rotating at pace. And it's how you see it in the bookings.

Bradley Clark
Analyst, BMO Capital Markets Corp.

Q

Right. Congrats on the results. That's it for me.

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

A

Thank you, Bradley.

Operator: We have reached the end of the Q&A session. I will now turn the call back to the management for any closing remarks.

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

Thank you, Mark, and thank you, all, for joining us today. And my heartfelt thanks to all the employees all around the world, and your discipline, your innovation is counting a lot, and how we are building the future, building the future of Agentic Operations, a new category and to our clients, I do want to thank you for all the trust that you are putting into Genpact and leading you through the Agentic transformation. And yes, to our shareholders, thanks for your continued confidence. This is our moment, and the best is still ahead of us. Thank you.

Operator: This concludes today's call. Thank you for attending. You may now disconnect.

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