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Genpact Ltd. (G)

Q4 2024 Earnings Call

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Maggie Nolan
Analyst, William Blair & Co. LLC

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MANAGEMENT DISCUSSION SECTION

Operator: Good day, ladies and gentlemen and welcome to Genpact Limited Fourth Quarter and Full-Year 2024 earnings call. My name is Carmen and I will be your conference moderator for today. At this time, all participants are in a 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 Krista Bessinger, Head of Investor Relations at Genpact. Please proceed.

Krista Bessinger
Head-Investor Relations, Genpact Ltd.

Thank you, Carmen. Good afternoon, everyone, and welcome to Genpact's Q4 2024 Earnings Conference Call. We hope you had a chance to read our earnings press release, which was posted on the Investor Relations section of our website genpact.com. Today, we have with us, BK Kalra, President and CEO; and Mike Weiner, Chief Financial Officer. BK will start with a high-level overview of the quarter and year, and then Mike 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. Also, 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.

And finally, this call in its entirety is being webcast from our Investor Relations website, and an audio replay and transcript will be available on our website in a few hours.

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

Balkrishan Kalra

President, Chief Executive Officer & Director, Genpact Ltd.

Thank you, Krista. Hello, everyone, and thank you for joining us today. I am pleased to report another strong quarter with better-than-expected performance. Revenue in Q4 reached \$1.25 billion, up 9% year-over-year. Importantly, Data-Tech-AI is beginning to show its potential, up 12% year-over-year, with accelerating revenue growth for the fourth quarter in a row. Digital Operations growth also accelerated, up 6% year-over-year.

Gross margin and adjusted operating income margin also exceeded expectations in Q4 as we continue to deliver operating efficiency even while investing for growth.

Taking a broader view, I am proud of what we accomplished in 2024. We built a strong foundation, significantly strengthening our execution and innovation muscle. We closed 14 large deals in line with last year, but with 10% higher booking in aggregate across this cohort.

Revenue for the year grew 6.5%, approximately 400 basis points above the midpoint of our initial guidance range. Operating cash flow grew 25% year-over-year. Adjusted diluted EPS grew 10% year-over-year, faster than revenue for the fourth year in a row. And we ended 2024 with new bookings of \$5.7 billion, up 15% year-over-year after exceptionally strong performance in 2023.

As we enter 2025, innovation is front and center at Genpact. It's clear that businesses need to move beyond generic AI to domain-specific intelligence tailored to their industry need. To meet this need, we are excited to announce the general availability of our first agentic solution for accounts payable. This is the first in a series of agentic solutions that we will bring to market in our Digital Operations business. Powered by a proprietary LLM, our solution leverages GenAI and machine-learning models to automate invoice extraction, driving superior value through this innovative approach. Our agentic solutions are built on foundation of Genpact's deep industry expertise with highly detailed domain-specific knowledge embedded in each of our agents to deliver value at scale.

We are also accelerating in Data, Tech, and AI with the launch of our AI Value Studio and the Genpact Gigafactory. The AI Value Studio helps businesses identify high-impact use cases and create custom roadmaps with seasoned Genpact AI architects, blending process, industry, and technology expertise.

And the Genpact Gigafactory is a first-of-its-kind AI accelerator designed to help enterprises rapidly scale AI solutions from pilot to full-scale production. It includes thousands of pre-built AI and generative models that combine deep industry knowledge with cutting-edge data engineering tools, all leveraging a unique port delivery model with cross-functional teams that bring together domain-specific knowledge, data engineering, and integration expertise all in one team to accelerate time-to-value with responsible AI by design. Databricks is one of our first partners as we scale this Gigafactory.

This faster pace of innovation is built on the strong foundation of 3+1 Execution Framework that we introduced in 2024, which is now firmly embedded in our DNA. It covers partnerships, Data-Tech-AI, simplification, and the +1 in our 3+1 Framework, which is establishing Genpact as our own best credential for AI-led transformation.

To close out the year, I will walk you through the final key highlights on each. First, we made meaningful progress on partnerships in 2024, with partner-related revenues up 50% year-over-year, reaching high single-digits as a percentage of revenue by year-end, with line of sight to generating significantly more in future periods. Growth was driven by investing in world-class leadership team, driving awareness, improving our go-to-market, and scaling delivery capabilities with a number of hyperscalers and other large technology partners. We believe this represents a significant ongoing opportunity for Genpact in 2025 and beyond.

Looking ahead, we are also expanding our footprint in the startup ecosystem, with a particular focus on next-generation AI orchestration and other systems specifically designed to optimize business processes and workflows with AI. We expect these partnerships with emerging technology leaders will further accelerate our technology capability development and go-to-market efforts in Data-Tech-AI.

Second, our focus on delivering comprehensive solutions drove accelerating growth in Data-Tech-AI in Q4, with revenue up 12% year-over-year. I'll give you a couple examples that speak to the kind of work we are doing and the value it is driving for clients.

We are forming a strategic relationship with Otis, the world's leading company for elevator and escalator manufacturing, installation, and service, to accelerate their transformation. As part of this, we would implement strong data architecture and new AI-powered technologies to make a number of core, high-volume, transactional, and repeatable activities more efficient. With advanced automation, we would help standardize Otis' critical business processes, making it easier for customers to do business with them and allowing Otis to continue focus on serving its customers with best-in-class service and innovative products that will propel them forward.

We are also working with NTT Data, a global technology leader, providing network solutions, cloud infrastructure, and data center services to transform their technology solutions finance operations with the help of generative AI. As part of this transformation, Genpact is deploying multiple AI-powered solutions designed to improve many finance and accounting processes, including time to bill, credit-free bill, leading to improved accuracy, shorter purchase order lead times, and better overall vendor and customer experience.

We see ongoing evidence that GenAI is significantly expanding our total addressable market. We now have more than 145 GenAI solutions in production environment with clients, either deployed or going live, with GenAI bookings accelerating to \$100 million just in Q4.

Coming back to the third element in our 3+1+ framework, which is simplification, we continue to streamline our operations to scale more efficiently. As an example, ongoing simplification to our cash collection process contributed to the significant increase in operating cash flows we delivered in 2024.

And finally, on leading with Genpact as our own best credential for AI-led transformation, we continue to make meaningful progress. I'll give you two examples. We introduced Chat with Data, and that feature is live with HR, finance, sales, integrating advanced analytics, machine-learning, generative AI to increase forecast accuracy and leverage intelligent sourcing. We also adopted AI-powered network operations, deploying AI across 120,000 endpoints in our network, implementing zero trust provisioning, and significantly reducing tickets during the year.

Now, turning to our outlook. 2025 will be a year of accelerated innovation for Genpact and we feel good about our momentum as we enter the year. As a result, we are setting full-year revenue guidance at 6.5% at the midpoint of the range on as-reported basis, which equates to approximately 7.2% at the midpoint in constant currency terms. We expect to deliver gross margin and AOI margins of 36% and 17.3% respectively,

expansion over 2024, with EPS growth of 9% at the midpoint. Consistent with our approach in 2024, our plan will be to reinvest any revenue upside we are able to generate over the course of the year back into the business to drive future revenue growth.

Finally, as we lean to the innovation in 2025, we are excited to share more details at our upcoming Analyst Day, which will be held on June 26, in New York City. Please save the date. A press release with additional details will be coming out soon.

In closing, we are incredibly excited about the future as we accelerate the pace of innovation and change at Genpact. Our commitment to scaling data, AI, and domain-driven agentic solutions is positioning us as a clear leader in AI-driven transformation and driving superior value for our clients.

I want to thank the entire Genpact team for their incredible dedication and I am excited to see what we can deliver together in 2025.

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

Michael Weiner

Chief Financial Officer, Genpact Ltd.

Good afternoon, everyone, and thank you for joining us today. I'll start with our fourth quarter results before moving on to full-year results and guidance.

Results for the fourth quarter exceeded our expectations. We were particularly pleased with our strong revenue growth, which was broad-based across all segments, with particular strength in Data, Tech, and AI. Turning to our fourth quarter income statement. On an as-reported basis, net revenue reached \$1.25 billion, a 9% year-over-year increase. Data, Tech, and AI achieved revenue of \$595 million, a 12% increase, fueled by strong demand for data and technology solutions. Data, Tech, and AI contributed 48% of total quarterly revenue. Digital Operations, which represented 52% of total revenue, grew 6% to \$654 million, supported by the successful ramp-ups of large-scale deals.

Revenue from priority accounts grew approximately 9% year-over-year, representing 64% of fourth quarter revenue. We delivered healthy growth in the fourth quarter across all three vertical segments. Consumer and healthcare revenue increased 11%, high-tech and manufacturing increased 9%, and financial services increased 6%. Outcome and consumption-based deals, excluding fixed fee contracts, accounted for 21% of fourth quarter revenue. Our strategic shift to these deals positions us well to capture higher-margin opportunities while delivering even greater value to our clients.

Turning to profitability, we expanded gross margin by 10 basis points year-over-year in the fourth quarter to 35.7% due to operating leverage. SG&A expenses were 20% of revenue compared to 20.7% of revenue in the prior year, reflecting our continued investments in strategic growth areas, as well as streamlined operations and enhance productivity. Adjusted operating income was \$221 million and adjusted operating income margin was 17.7%.

Our effective tax rate for the fourth quarter was 22.3% compared to our prior-year rate that was favorably impacted by a non-recurring tax benefit from an intercompany transfer of intellectual property. Net income for the quarter was \$142 million. Diluted EPS was \$0.79 and adjusted diluted EPS reached a record of \$0.91, representing 11.1% annual increase.

Now turning to the full year. Annual bookings increased 15% to \$5.7 billion, reflecting healthy growth across all deal sizes. We won 14 large deals in line with last year, but with 10% higher bookings in aggregate across that cohort. We also added 101 new logos, 10 more than prior year, with a win rate of 50%, with sole-source deals accounting for 42% of total annual bookings.

Our income for the full year is as follows on an as-reported basis. Net revenue grew 6.5% to \$4.77 billion. Data, Tech, and AI delivered revenue of \$2.23 billion, increasing 6.9% and making up 47% of total revenue. Digital Operations, which accounted for the remaining 53% of revenue, expanded by 6.1% year-over-year to \$2.53 billion, driven by large deal wins and client expansions.

Across our industry segments, we achieved balanced growth during the year, with consumer and healthcare revenue up 8%, while high-tech and manufacturing and financial services grew 6% and 5% respectively. Annual revenue from outcome and consumption-based deals, excluding fixed fee contracts, comprised 20% of total revenue for the year, while revenue from priority accounts grew approximately 6% year-over-year, contributing to 63% of total revenue.

Gross margin for the year improved 40 basis points to 35.5% as we drove operational leverage. SG&A expense as percentage of total revenue was 20.3% compared to 20.4% in the prior year, reflecting continued strategic investments net of our disciplined G&A cost management. Adjusted operating income grew 6.7% to \$814 million. Margin increased 10 basis points from the prior year to 17.1%, its highest annual level. Our effective tax rate for the year was 24.1%, which brought in net income of \$514 million. Adjusted diluted EPS was \$3.28, a 10% increase, significantly outpacing revenue growth for the fourth consecutive year. We generated strong cash flow from operations, delivering \$615 million, a 25% increase to prior year.

Turning to our balance sheet and capital allocation. We ended 2024 with a solid balance sheet, highlighted by \$648 million of cash and cash equivalents, up from \$584 million in the year-ago period. Additionally, DSOs were 86 days, two days lower than 2023. We returned \$112 million to shareholders in the fourth quarter through \$85 million in share repurchases and an average share price of \$45.41 and \$27 million in dividends. For the full year, we returned \$361 million, made up of \$253 million in share repurchases at an average price of \$38.31 and \$108 million in dividends.

Let me pause now and review our guidance for 2025. Our approach remains consistent with last year and reflects our expectations that the macro environment will be similar to that in 2024. For the full year, on an as-reported basis, we expect to deliver net revenue in the range of \$5.029 billion to \$5.125 billion, growth of 5.5% to 7.7%, representing a 6.5% growth at the midpoint. At that midpoint, Data, Tech, and AI and Digital Operations revenue growth is expected to be approximately 6.2% and 6.8% respectively. Given that estimated range, our adjusted diluted EPS is expected to be between \$3.52 and \$3.59, representing 9% growth year-over-year at the midpoint, again projected to grow faster than revenue.

In constant currency terms, net revenue grew in the range of 6.2% to 8.2%, representing 7.2% at the midpoint, which translates into Data, Tech, and AI and Digital Operations revenue growth of approximately 6.4% and 7.9% respectively.

Moving on, full-year gross margin is expected to expand to 36%, an increase of 50 basis points year-over-year, supported by operating leverage. Operating cash flow is expected to be approximately \$590 million.

On capital allocation, as in the past, we aim to return at least 50% of cash flow to investors through a combination of share repurchases and dividends while maintaining flexibility for strategic investments. Accordingly, our board

of directors approved 11% increase in our regular quarterly dividend to \$0.17 per quarter and \$0.68 on an annual basis. In addition, our board also approved a \$500-million increase to our existing share repurchase authorization.

Looking at the first quarter now, on an as-reported basis, we expect to deliver net revenue between \$1.202 billion and \$1.213 billion, growing at 6.2% to 7.2%, representing 6.7% at the midpoint. This translates into Data-Tech-AI as well as Digital Operations revenue of approximately 9.8% and 4.1% respectively. In constant currency terms, net revenue growth is in the range of 7.1% to 8.1%, representing 7.6% at the midpoint, which translates into Data-Tech-AI and Digital Operations revenue growth of approximately 10% and 5.4% respectively.

We anticipate gross margin of 35% and adjusted operating income margin of 16.5%. Lastly, we are projecting our adjusted diluted EPS of \$0.79 to \$0.80, an increase of approximately 9% at the midpoint compared to last year.

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

Krista Bessinger

Head-Investor Relations, Genpact Ltd.

Thank you, Mike. Carmen, we're ready to take questions. Thank you.

QUESTION AND ANSWER SECTION

Operator: Thank you so much. [Operator Instructions] And it's from the line of Puneet Jain with JPMorgan. Please proceed.

Puneet Jain

Analyst, JPMorgan Securities LLC

Hey, thanks for taking my question and a great quarter. I wanted to ask on the guidance, specifically as it relates to Data-Tech-AI and Digital Operations. It seems like from the guidance, Data-Tech-AI, you expect it to slow down beyond Q1, part of it could be tough comps, but I'd like to ask if there is anything else going on. And the same question on Digital Operations. But like the growth is expected to accelerate, so what drives that acceleration rest of the year beyond Q1 in that business?

Michael Weiner

Chief Financial Officer, Genpact Ltd.

Yeah. So, let me kick this off and hand over to you, BK, if you want to put some additional comments to it. So, Puneet, as you know, approximately 75% of our business, we call annuitized, that's business that we have that's converted to bookings, that where it's convert to revenue that we have very good line of sight to and confidence in. The other 25% of revenue, we have to convert that pipeline to bookings and to revenue in the immediate quarter. So, obviously, as you go out later in the year, you have less visibility into it.

So, I'd say that when we came up with our guide for the full year on a quarterly basis, and we gave you the first quarter already, is it reflects a prudent approach, takes into account that annuitized book of the business as well as the non-annuitized book of the business which has disproportionately affected our results in Data, Tech, and AI. In addition to it, as you alluded to, it's a little bit tougher comps in the second half of the year. So, we're committed to providing guidance on a quarterly basis and see how it goes from there.

Puneet Jain

Analyst, JPMorgan Securities LLC

Q

Understood. Understood. And then on GenAI , BK, you talked about like implementing some solutions, some of them are live for clients. Are you seeing like an increase in size of some of those contracts as it relates to revenue you can generate from those engagements?

Balkrishan Kalra

President, Chief Executive Officer & Director, Genpact Ltd.

A

So, what we are seeing, Puneet, that as we implement these GenAI solutions, there are many follow-on conversations and contracts that we are getting, be it with our existing customers or new customers, because we are seeing the benefit and the value that we are able to drive. And that has been also the genesis of the Gigafactory that we recently launched, where it is helping clients to move from proof of concept or pilots to getting to large-scale production enterprise-wide at a faster pace. So, short answer, as we always say, been saying it actually all through last year, that we see GenAI as a total addressable market enhancer for us and we continue to see that play out in our pipeline, in our conversations, and in our revenues.

Puneet Jain

Analyst, JPMorgan Securities LLC

Q

Got it. Thank you.

Operator: Thank you. Our next question comes from the line of Maggie Nolan with William Blair. Please proceed.

Maggie Nolan

Analyst, William Blair & Co. LLC

Q

Hi. Thank you. On topic of agentic solutions, as we think about the guidance that you just gave, revenue guidance for 2025, what pace of hiring should we expect to be associated with that revenue guidance given the rollout of these types of solutions?

Balkrishan Kalra

President, Chief Executive Officer & Director, Genpact Ltd.

A

Thanks, Maggie. I'll take it, I'll take that question. Look, I think, first, we are thrilled with the innovation posture that is taking hold in the market and a little bit of the first-mover advantage that we are in the early days, early stages beginning to harness. And long-term, medium to long-term, we will see a cadence of revenue higher than the typical hiring that has happened over the last, say, four or five years. In short-term, we are needing more of data, technology, AI kind of skills that we are ramping to hire. So, I don't think each quarter-on-quarter you will see a massive shift, but there is a massive shift that is getting driven inside the company higher skilled, as well as we are repainting and re-architecting our current skill base through internal build programs, through Genome programs to the world that – for the skills that are needed in the coming world.

Michael Weiner

Chief Financial Officer, Genpact Ltd.

A

Yeah. And then I would say the cost structure associated with all of that that we're doing is represented in the plan that we laid out in our guide.

Balkrishan Kalra

President, Chief Executive Officer & Director, Genpact Ltd.

Yes.

A

Maggie Nolan

Analyst, William Blair & Co. LLC

Got it. And then as we think about your business overall and how you might apply these new technologies going forward, what's kind of the balance between maybe more horizontal type solutions, like the accounts payable solution or just accounts payable type work, horizontal work that you're doing versus a domain-specific work that you're doing? And how do you view applicability of the emerging technology across those two buckets?

Q

Balkrishan Kalra

President, Chief Executive Officer & Director, Genpact Ltd.

So, I think as we look at our business, Maggie, it is combination of horizontal and vertical domain-specific solutions. So, the example that you're taking is in accounts payable. Yeah, it is more horizontal or certain pieces from a supply chain standpoint are more horizontal. But similar posture, we are increasing, in insurance business, which is more around claims or underwriting, or in our banking operation, or for example, trade promotion and CPG. So, the posture is similar and I think we are – it is both into the industry verticals that we play in, as well as intersection of the horizontals of finance or supply chain or procurement or others.

A

Maggie Nolan

Analyst, William Blair & Co. LLC

Thank you. [ph] And nice guidance (30:10).

Q

Operator: Thank you. One moment for our next question. That comes from Sean Kennedy with Mizuho. Please proceed.

Sean Kennedy

Analyst, Mizuho Securities USA LLC

Good evening and thank you for taking my question. Congrats on the results. So, I was wondering how GenAI is affecting the company's trust and safety business, specifically content moderation, in terms of potential opportunities and challenges for the business. And also, could policy changes like the ones Meta recently made have an effect on it? Thank you.

Q

Balkrishan Kalra

President, Chief Executive Officer & Director, Genpact Ltd.

So, I'll take that, Sean. Thanks. So, just as a reminder, content moderation or similar processes represent less than 10% of Genpact revenue. So, it is not a significant portion of Genpact revenue, point number one. Point number two, to the specifics that you are asking or many other such initiatives, we stay in constant touch with our clients and we are only seeing increased intimacy with our clients. And thee specific as in a fact check, those are the kind of work that we do not do, so we don't see that impact.

A

But more importantly, we stay in a very active touch with all of our clients and we see a continued progression towards what our goals are and what our clients' goals are. But we don't see any threat that you are – if you are alluding to any.

Sean Kennedy

Analyst, Mizuho Securities USA LLC

Q

But is there an opportunity to use AI to kind of combat some of the kind of malicious content, AI is kind of a threat in terms of the content moderation? Is like, is there an opportunity there as well?

Balkrishan Kalra

President, Chief Executive Officer & Director, Genpact Ltd.

A

So, there is, short answer is yes. However, as you are dealing with the large technology players, they obviously have their solution sets as well, Sean, that they are actively engaging. And we are integral part of the solution and we bring all those innovations to their doorstep as well. So, it's a combination of factors where these large technology companies deploy their toolset, or in certain cases, we deploy the tool sets for them.

Sean Kennedy

Analyst, Mizuho Securities USA LLC

Q

Great. Appreciate The color. Congrats again on the quarter.

Balkrishan Kalra

President, Chief Executive Officer & Director, Genpact Ltd.

A

Thank you.

Operator: Thank you. Our next question comes from the line of Bryan Bergin with at TD Cowen. Please proceed.

Bryan C. Bergin

Analyst, TD Cowen

Q

Hey, guys. Good afternoon. Thank you. BK, one year in the role now. As you kind of look back on 2024, where would you say you've made the most progress and where now are you going to be most focused in 2025? I'm curious, is it about just merely scaling and executing upon the initiatives that have been installed over the past year? Or are there additional actions you're aiming to lean into?

Balkrishan Kalra

President, Chief Executive Officer & Director, Genpact Ltd.

A

So, thanks, Bryan. Look, I think where I would say the most impact has been in the execution agility and the execution framework that I spoke all of in 2024, be it the 3+1 or other elements. And what I am really thrilled about is how innovation is also taking hold. So, it is not just scaling up what we did in 2024, that is table stakes. And you'll see some reflections of innovation already taking hold in terms of Gigafactory, in terms of AI Value Studio, in terms of Service-as-Agent-Solution, they are all new postures of Genpact, and I think those are truly exciting as to how it is getting embraced within our all of the global employee base, but more importantly also with our clients. So, truly, innovation is where our focus is and execution agility is the table stakes for that.

Michael Weiner

Chief Financial Officer, Genpact Ltd.

A

Right. If I may just add on, one thing BK has done, and we've seen it quarter after quarter and that's really going to be a big focus of ours in 2025, is speed, right? So, we are – we absolutely understand how fast the outside

world is moving, right, and we are committed to keeping up, if not exceeding, that speed in terms of our own execution and changes in the organization. I think that's a key focus for us in 2025.

Bryan C. Bergin

Analyst, TD Cowen

Q

Okay. Okay, that's helpful. My follow-up is on bookings. So, 15% growth here is solid off of already solid bookings the prior year. I see there is some definitional change. It looks like it's duration based. Like can you just clarify on that? And then can you give any sense on how ACV has trended here over the last year?

Michael Weiner

Chief Financial Officer, Genpact Ltd.

A

Yeah. So, let me quickly take that. So, yeah, we have changed some of the definition of our bookings. So, previously, we had capped our bookings in aggregate to five years, and again, didn't really make that much of a difference. But we have seen over the last couple of years greater-than-five-year aggregated bookings, and to be in line with the industry, we've moved to an uncapped level of bookings. So, again, previously, if we did, I'm making this up, a seven-year booking, we would reflect five of the seven years, right? So, we're moving to more of an industry standard.

Also, if you think about it, it really wasn't a material number for us. But again, over the last couple of years, we've seen the duration of those things expanding.

~~[indiscernible] (35:57)~~

Michael Weiner

Chief Financial Officer, Genpact Ltd.

A

...yeah. So, I think what you're alluding to in ACV is when you think about our deals. Yeah, the mixture of our deals continues to change, right? So, if you think about when we had a little over 26% bookings in the prior year, those deals tended to be on a larger side, longer-tenured deals, right, so you would reflect less ACV in the next year. Obviously, this year, it's a little bit more even-keeled in what represents that 15% number. So, it's not really comparable when you think about it from that perspective in terms of the duration of the deals.

Bryan C. Bergin

Analyst, TD Cowen

Q

Okay. Understood. Thank you.

Operator: Thank you. Our next question comes from the line of Surinder Thind with Jefferies. Please proceed.

Surinder Thind

Analyst, Jefferies LLC

Q

Thank you. BK, I'd like to start with a big-picture question around just the talent, the need for what I would call more technical talent at this point. How are you thinking about that in terms of it seems like as you accelerate innovation, you're looking for more software type skills. Is that a fair characterization that the build-out is more of those? And then ultimately, how do you answer if someone was to say, well, you guys are IT services firms, whereas you're not a software development firm? And so, is AI partly a software solution that maybe should be

the expertise of those outside or is it more of a domain-specific solution? Because there's a lot of money being thrown at software companies trying to build for better business processes.

Balkrishan Kalra

President, Chief Executive Officer & Director, Genpact Ltd.

A

So, let me take possibly your second question first, Surinder, and then I'll tie it up with the – your first question, if that's okay. So, look, we are a solutions – you see, we have a solutions firm that brings in not just services, but also software or other elements of accelerator together to solve business problems at scale for our clients. And what I would say that fundamentally many of these softwares, be it the ERPs, more recently SaaS, all of those existed, we know that SaaS came in for last almost 8, 10 years, yet at the keystroke level, there is a lot that needs to happen at scale.

What we are doing is that intersection of domain, intersection of function with the industry expertise, building solutions, including software, that solves the problem at the keystroke level at scale. And what I would say that yeah, you can throw a lot of money at it, but you need to have a body of experience that is documented at scale over a period of time to understand the exceptions across industries, to truly build that knowledge and build into software.

And to service that is how we are hiring, point number – your question number one, talent around data, technology, AI at scale. And one of the key value proposition for this talent is seeing in action the sandbox that doesn't exist, generally available in software companies. And I think we are that last mile that enable a lot of these generic AI, also to the foundation models or tools or SaaS, and truly convert business value and creation of business value for our clients. And I think our progress on talent has been terrific. We continue to fuel that more, and it is – we are seeing various channels to accelerate that technology talent journey and really thrilled as to where we are at the end of 2024 and continue to make progress as we enter 2025.

Surinder Thind

Analyst, Jefferies LLC

Q

That's helpful. And then as a follow-up related to that, how do you think about M&A at this point? Is that something that can be used to bring in additional capabilities, accelerate development? Or does the innovation, because of it is so domain-specific, have to be done much more organically?

Balkrishan Kalra

President, Chief Executive Officer & Director, Genpact Ltd.

A

So, our capital allocation methodology and principle stay the same. We constantly are evaluating, Surinder, M&A opportunities. And through our very disciplined financial approach and strategic thesis that where we cannot build organic capabilities at the speed that we need, we will deploy the M&A posture in there. And it is also integral to building the technology talent as well, but again, with a very, very disciplined approach. And if something [indiscernible] (41:39), obviously you will always get to know, but it is integral part of the strategic posture.

Surinder Thind

Analyst, Jefferies LLC

Q

Thank you.

Operator: Thank you. [Operator Instructions] We have a question from the line of Bradley Clark with BMO Capital Markets. Please proceed.

Bradley Clark

Analyst, BMO Capital Markets Corp.

Q

Hi. Thanks for taking my question and nice results. I want to go back to generative AI, you've been consistent in expressing that this is a TAM expander for Genpact. And I want to understand, in the project that you're working on, and sort of guidance and conversation with customers in 2025, is generative AI being funded [indiscernible] (42:33) with net new dollars? Or is it in part coming at the expense of some more legacy products? Trying to understand is the spend in generative AI solutions that you'll be deploying net new spend, because I understand it could be net new to the market, but I'm trying to understand near-term where that spend is coming from. Thank you.

Balkrishan Kalra

President, Chief Executive Officer & Director, Genpact Ltd.

A

Sure, Bradley. Look, I think what we observed in 2024, Bradley, it was more shift of the dollars than net new incremental dollars. And it could be combination of factors, and I speak to clients all the time, from where they are, including experimenting, because I do not know if a client who did not experiment into AI in 2024, whether with us or with other partners. And therefore, what we saw in our book with our clients, a lot of those successful journeys gave them confidence to continue to build in that momentum. But to your specific question, it was more shift of the dollars. Now, we will see how 2025 pans out. But at a broad macro level, what we saw was more shift of the dollars than incremental dollars, Brad.

Bradley Clark

Analyst, BMO Capital Markets Corp.

Q

Appreciate the insight and congrats again.

Balkrishan Kalra

President, Chief Executive Officer & Director, Genpact Ltd.

A

Thank you.

Operator: Thank you. And this concludes the Q&A and I will pass it back to management for closing comments.

Balkrishan Kalra

President, Chief Executive Officer & Director, Genpact Ltd.

Thank you. And before we go, I just want to say thanks to all of our clients for choosing Genpact and to all of our shareholders for their ongoing support. We are excited to keep innovating and we look forward to talking to you again next quarter and hosting many of you at our Analyst Day in June. Thank you.

Operator: And with that, we conclude today's conference call. Thank you all for participating and you may now disconnect.

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