THOMSON REUTERS

EDITED TRANSCRIPT

Q2 2019 Genpact Ltd Earnings Call

EVENT DATE/TIME: AUGUST 07, 2019 / 8:30PM GMT

CORPORATE PARTICIPANTS

Edward J. Fitzpatrick *Genpact Limited - Senior VP & CFO*
Nallicheri Vaidyanathan Tyagarajan *Genpact Limited - President, CEO & Director*
Roger Sachs *Genpact Limited - Head of IR*

CONFERENCE CALL PARTICIPANTS

Ashwin Vassant Shirvaikar *Citigroup Inc, Research Division - Director and U.S. Computer and Business Services Analyst*
Bryan C. Bergin *Cowen and Company, LLC, Research Division - Director*
Edward Stephen Caso *Wells Fargo Securities, LLC, Research Division - MD and Senior Analyst*
Margaret Marie Niesen Nolan *William Blair & Company L.L.C., Research Division - Analyst*
Mayank Tandon *Needham & Company, LLC, Research Division - Senior Analyst*
Robert W. Bamberger *Robert W. Baird & Co. Incorporated, Research Division - Research Analyst*
Tien-Tsin Huang *JP Morgan Chase & Co, Research Division - Senior Analyst*

PRESENTATION

Operator

Good day, ladies and gentlemen, and welcome to the Second Quarter 2019 Genpact Limited Earnings Conference Call. My name is Dorinda, and I'll be your conference moderator for today. (Operator Instructions) As a reminder, this call is being recorded for replay purposes. The replay of the call will be archived and made available on the Investor Relations section of Genpact's website. I'd now like to turn the call over to Roger Sachs, head of Investor Relations at Genpact. Please proceed, sir.

Roger Sachs ***Genpact Limited - Head of IR***

Thank you, Dorinda, and good afternoon, everybody, and welcome to Genpact's second quarter earnings call to discuss our results for the quarter ended June 30, 2019. We hope you had a chance to review our earnings release, which was posted to the IR section of our website, genpact.com. Joining the call from London is Tiger Tyagarajan, our President and Chief Executive Officer; and with me in New York is Ed Fitzpatrick, our Chief Financial Officer. Our agenda for today will be as follows: Tiger will provide a high-level overview of our second quarter results and update you on our strategy; and Ed will then discuss our financial performance in greater detail and provide an update on our outlook for the year. Tiger will then come back for some closing comments, and then we'll take your questions. And as Dorinda just noted, 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 from 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. We believe these non-GAAP measures provide additional information to enhance the understanding of the way management views the operating performance of our business. You can find a reconciliation of these measures to GAAP in today's earnings release posted to the IR section of our website.

And with that, let me turn the call over to Tiger.

Nallicheri Vaidyanathan Tyagarajan ***Genpact Limited - President, CEO & Director***

Thank you, Roger. Good afternoon, everyone, and thank you for joining us today for our 2019 Second Quarter Earnings Call. I'm speaking to you from London today while I'm here attending a set of client meetings. I am very excited that the momentum we saw coming off 2018 has continued throughout the first half of 2019. Large deal ramps, ongoing Transformation Services wins and outstanding execution by our teams led to another quarter of strong performance from both Global Clients and GE. We delivered our highest year-over-year revenue growth rate since the first quarter of 2012. What is more gratifying is that we drove even stronger growth in our adjusted operating income, adjusted EPS and operating cash flow.

The need for enterprises to leverage new digital technologies is creating increased demand for our Transformation Services, which brings digital, analytics and consulting solutions together. Transformation Services drives our digitally embedded managed services operations, which we call intelligent operations, and this provides further opportunities for Transformation Services, creating a virtuous cycle. As a result, our inflows and pipeline are growing in an expanding total addressable market. We believe there are 4 clear reasons for this: one, corporate leadership teams who resisted change are increasingly looking to leverage new advanced technologies to reinvent their business models or risk being disrupted; two, companies are increasingly looking for transformation partners instead of trying do it all themselves; three, a number of clients are now wanting to engage in much larger scope given the potential benefit of transformation journeys; and four, to meet the fast pace of change, the C-suite have accelerated the speed of decision-making even in complex large transformational deals. Specifically, in the second quarter on a constant currency basis, total revenue increased 22%. Global Client revenue increased 16% and Global Client BPO revenue increased 17%. We also delivered adjusted operating income margin of 15.4%, up 40 basis points, both year-over-year and sequentially. And adjusted EPS of $0.49, up 20% year-over-year.

We have been saying for some time that we expect Global Client revenue to grow at a double-digit pace over the long term. We also expect our Global Client BPO revenue to grow at a low double-digit to mid-teen rate. Our results over the last several years demonstrate our ability to consistently generate these types of growth rates. We are seeing our inflows and pipeline benefit from our strategic decision to focus on a set of chosen verticals, service lines and geographic markets as well as a pivot to Transformation Services. Investments in digital and analytics domain and process along with experienced client-facing leaders all concentrated on our focused choices has enabled us to compete really well in our large and highly underpenetrated market. We are winning more deals than ever before, resulting in a revenue growth rate that we believe is outpacing that of expanding overall market. The 3 most important reasons why clients choose us over competition are: one, our demonstrated leadership as a transformational partner for complex change journeys on the back of end-to-end digital and analytics solutions that deliver superior outcomes; two, our deep understanding of industry vertical domain combined with our granular understanding of processes using Lean Six Sigma principles. This, coupled with leveraging advanced digital technologies, such as AI, machine learning, user and customer experience design thinking as well as RPA, drives tangible value for our clients; and three, our maniacal client focus with great attention to details, top-tier execution and exceptional client service which is all reflects very high Net Promoter Scores.

The success of our strategy and execution is reflected in ongoing strong momentum we are seeing in the business. Transformation Services is embedded in approximately 75% of new deals, up from the 50% range during the first half of 2018. Sole-source deals continue to account for roughly half of our bookings. Our strong second quarter Global Client performance was led by growth in our consumer good retail, high-tech and banking capital markets verticals. Transformation Services had another impressive quarter with year-over-year growth in excess of 35%. Analytics within Transformation Services was a key contributor, led by engineering, bundled with domain-specific AI and machine learning capabilities to produce predictive insights that then drive actions and outcomes for clients.

GE continues to perform very well against expectations, driven by the large deal win late last year and continued new services and project work that began last quarter. At the same time, our total IT business, with sharper strategic clarity once again delivered solid quarterly performance. Our solutions continue to leverage advanced digital technologies resulting in changes to commercial models away from traditional FTE based pricing. New commercial model now represent more than 40% of total revenue, increasing from the low 30% range just over 2 years ago. The capabilities we have added over the last 3 years through (technical difficulty) acquisitions in AI machine learning, cloud-based workflow technologies and consulting in user and customer experience journeys are all fueling our deal wins. The integration of all our acquired companies within our teams have been successful, enabling us to go to market with full end to end transformative solutions. This has aligned us to compete better and to win larger and more complex deals, reflected in even higher win rates than the very strong levels we've been experiencing. Incorporating these capabilities into Genpact Cora, our automation to AI platform, we are delivering significant value to the market by offering completely redesigned and disruptive solutions that appeal to both new and existing clients. For example, leveraging enhanced cloud-based workflow capabilities from our acquisition of PNMsoft, which we now call Cora SeQuence, allowed us to develop a solution for a leading health care information services company, which automates and standardizes many manually intensive processes used to request and fulfill orders for health care information from thousands of health care providers and payers. This Cora implementation that manages more than a quarter of a billion transactions a year can now be leveraged for cutting edge analytics that is hugely value creating in the health care industry. In another example using natural language understanding technology from our Rage Frameworks acquisition, helps us develop our unique Cora trade based solution for CPG retail clients to better manage end-to-end trade promotions, a major problem area in that industry. And finally, for a leading global financial institution, we jointly designed a world-class new age operations for their retail credit card business, leveraging design thinking concepts and customer journey mapping capabilities from our TandemSeven acquisition. Our objective was to provide industry-leading customer experience, driving new card members and higher coverage. Our acquisition of the supply chain consulting firm Barkawi late last year has led to a fivefold increase in the pipeline for supply chain services and it positioned for a huge multi-year growth trajectory.

Over the last 18 months, we had wins with iconic companies in each of our chosen industry verticals that have elevated our brand. Three good examples include our strategic partnerships with GE, Walmart and Bridgewater. These relationships are leading to a heightened level of inbound C suite and boardroom calls as more and more companies want to explore engaging with us to transform their business operations.

The ramp of our recent marquis deals are on target, which is especially satisfying given these are highly complex engagements. This performance positions us well for growth. As an example, given our strong execution and co-innovation that is helping Walmart transform its finance and accounting operations in Bentonville, we are expanding our partnership. Yesterday, we announced the exciting news that we will now manage and help transform the Latin America end-to-end finance and accounting operations with a new delivery center opening in Costa Rica as well as a new analytics focused digital innovation hub in Guadalajara, Mexico. We are increasing our footprint in Latin America where we see me many opportunities to serve our Global Clients. As a result of strong inflows, our robust pipeline continues to expand to record levels. Moving forward, we will continue to reallocate our resources to focus our investments in the areas we see the biggest opportunities to deliver attractive profitable growth over the long term. This is even more important in today's world of digital that requires us to be more agile and nimble.

With that, I'll turn the call over to Ed.

Edward J. Fitzpatrick ***Genpact Limited - Senior VP & CFO***

Thanks, Tiger, and good afternoon, everyone. It seems that we had some audible issues with Tiger's microphone there. So we'll make sure after the call that we review the script and get you to words that may have been muted during that certain time.

Turning to my prepared remarks. Today, I'll review our second quarter results as well as provide an update on our full year financial outlook for 2019. During the quarter, we generated total revenue of $882 million, an increase of 21% year-over-year or 22% on a constant currency basis. Overall business process outsourcing revenues, which represent approximately 84% of our total revenues, increased 23% year-over-year. Total IT services revenue grew 13%.

Global Client revenues were $760 million, approximately 86% of total revenue and increased 15% -- or 16% on a constant currency basis. Within Global Clients, BPO revenue grew 16% or 17% on a constant currency basis, largely driven by recent large deal ramps and growth in Transformation Services. For the second consecutive quarter, Transformation Services grew north of 35% and was approximately 27% of total Global Client revenue. It should be noted that some portion of this growth was expected to occur a bit later in the year. Global Client IT services revenue was up 7% year-over-year.

Revenue from GE was $121 million, up 86% year-over-year, driven by incremental scope of work and a faster-than-expected ramp related to the new large deal, we signed late last year as well as Transformation Services work related to supply chain services.

Adjusted income from operations for the quarter grew 24% to $136 million, and our adjusted operating margin expanded to 15.4%, a 40 basis point improvement versus the prior year. This performance was driven by strong top line growth, and our continued focus on SG&A leverage, which more than offset the $10 million decline in export subsidy income this quarter versus the prior year.

Gross margin for the quarter was 35.2% compared to 36.5% during the same period last year, and 35.8% in the first quarter, largely due to dilution from recent large deals with significant onshore delivery. This dilution is aligned with our full year outlook as we forecasted a quarterly phase in of these deals. We continue to expect gross margin for the full year to be relatively flat with the level reported in 2018. Total SG&A expenses were $196 million compared to $176 million in the same quarter of last year. As a percentage of revenue, SG&A expenses declined year-over-year by almost 200 basis points despite absorbing approximately 70 basis points related to incremental stock-based compensation. This performance was driven by significant operating leverage as well as expected savings from functional efficiency initiatives.

Adjusted EPS for the first quarter was $0.49 compared to $0.41 last year. The $0.08 increase, which is higher operating income of $0.11, offset by $0.01 each related to lower foreign exchange balance sheet remeasurement gains, a higher effective tax rate and higher net interest expense.

Our effective tax rate during the second quarter was approximately 22% compared to 21% last year. The increase is primarily due to the expiration of special economic zone benefits in India and aligns with our full year outlook.

During the quarter, we returned approximately $16 million to shareholders via our quarterly dividend of $0.085 per share.

Now let me turn to our cash flows and balance sheet. During the second quarter, we generated $126 million of cash from operations compared to $77 million last year. The incremental cash flows were driven by higher operating income and expected payments related to India export subsidy. DSOs improved to 87 days from 93 during the first quarter. We continue to expect our DSOs to improve throughout the balance of the year ending in the low 80-day range by the fourth quarter. Our cash and cash equivalents were $378 million compared to $334 million at the end of the second quarter of 2018. Our net debt-to-EBITDA ratio for the last 4 rolling quarters was 1.70. With undrawn debt capacity of $208 million and existing cash balances, we continue to have ample liquidity to pursue growth opportunities and execute in our capital allocation strategy. Capital expenditures as a percentage of revenue was 3.3% in the second quarter of 2019 compared to 3.9% during the second quarter of last year.

Let me know update you on our full year 2019 outlook. Given our strong year-to-date top line performance and better visibility into the balance of the year, we now expect total revenue to be between $3.46 billion and $3.5 billion, representing year-over-year growth of 15% to 17% or 16% to 18% on a constant currency basis, up from our prior outlook of 11% to 13% or 12% to 14% constant currency. For Global Clients, we now expect full year revenue growth to be in the range of 10.5% to 12% on a constant currency basis from our prior 10% to 11.5% range. We now expect Global Client BPO to grow 11.5% to 13% constant currency, up from the prior 11% to 12.5% range. With strong bookings growth in 2018, record pipeline levels and an increase in total addressable market, we remain optimistic in our ability to generate double-digit global client growth over the long term. Given our strong year-to-date GE performance and the incremental scope of work-related to new large deal we signed late last year, we now expect full year revenue from GE to grow approximately 70% year-over-year compared to our prior outlook of 35% growth. We continue to expect adjusted operating margins to be approximately 16% for the full year with continued margin improvement during the second half of the year. We now expect full year adjusted earnings per share in the range of $2 to $2.02, up from the prior range of $1.96 to $2 range. With that, let me turn the call back over to Tiger for his closing comments.

Nallicheri Vaidyanathan Tyagarajan ***Genpact Limited - President, CEO & Director***

Thank you, Ed. These are exciting times for Genpact. Our strategic choices, our investments and capabilities, our strength in the front end, our pivot to Transformation Services and our traction in replicable digital and analytics solutions are all paying off. In addition, the iconic clients we have recently added are significantly elevating our profile in the market. All of this is driving strong profitable growth for both Global Client and GE and has earned us the right to compete for and win megadeals. At the heart of our ability to serve clients with excellence and the dedication of 90,000-plus global team members and one of the best leadership teams in the industry. We also have just added David Edelheit to the leadership team as our new transformation Services leader. It is our culture of continuous learning that we believe is our differentiated winning secret sauce. We are now in the tenth month of a new program called Genome, designed specifically to excite our work force to keep learning by providing the right tools and methods to upskill them with relevant digital transformation and other professional skills at scale. This rescaling will help Genpact in many ways in the future. So as an organization, we are always ready to meet the changing needs of our clients. With that, let me turn the call back over to Roger.

Roger Sachs ***Genpact Limited - Head of IR***

Thank you, Tiger. We now like to open our call for your questions. Dolinda, can you please provide the instructions?

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Our first question is from Bryan Bergin from Cowen.

Bryan C. Bergin ***Cowen and Company, LLC, Research Division - Director***

I wanted to ask on the large client you had great success with here, Walmart seems like you have multiple expansions of the account and such quick traction of that account is impressive. Is there something different in this relationship or is, Tiger, I heard your commentary about faster decision-making in large deals. But can you replicate the success that you're seeing at Walmart? What are your thoughts on that?

Nallicheri Vaidyanathan Tyagarajan ***Genpact Limited - President, CEO & Director***

So just to expand, Brian, the question to be beyond the 1 client. I think there are 3 things that are very clear: one, decision-making is much faster even though scope and complexity is much larger in many, many of these journeys, number one; number two, is the ability to drive value faster is better. Just because now we are leveraging digital technologies, analytical tools and that delivers value in faster cycles; and third, I think, we still have to practice on our execution capabilities, be it operating execution or digital execution. That strength has been the bulwark of our strength for a long, long time. But the first 2, I think our differences in the marketplace that clearly is playing out.

Bryan C. Bergin ***Cowen and Company, LLC, Research Division - Director***

Okay. Makes sense. And then I wanted to dig on gross margin. You had comments there on the large deal ramps the investments there. Can you give us a sense on some of the moving parts within gross margin whether you can quantify the large deal ramps, whether FX was a large factor. And you mentioned year-on-year is going to be flat. How should we be thinking about gross margin potentially beyond '19, any other impediments to driving it higher from here?

Edward J. Fitzpatrick ***Genpact Limited - Senior VP & CFO***

Brian, largely aligned with what we thought, we knew it would be a bit below the 36 in the first half and our expectations to be slightly above the math would tell you to be flat year-over-year, you probably need to be about 36.5 for the second half of the year, which is what we had planned. So as we ramp, we are expecting it to be a bit better second half such that the full year ought to be roughly flat. And a dilution in the quarter really relates to the large deal ramps and the one that we talked about executed at the end of the second -- sorry, first quarter ramp with just 2 months versus just 1 in the first quarter. So that was the majority of that differential.

Nallicheri Vaidyanathan Tyagarajan ***Genpact Limited - President, CEO & Director***

And Brian, just to add to what Ed said. We do run the company from an adjusted operating income and EPS perspective. And you must understand that as we drive this growth, as lot of that growth includes onshore and offshore delivery, as lot of that has digital and transformation agendas built into them. I would say our overarching objectives to drive profitable growth, the adjusted operating income and EPS level. And then all the puts and takes that Ed explained on the gross margin side plays out.

Operator

Our next question comes from Mayank Tandon from Needham & Company.

Mayank Tandon ***Needham & Company, LLC, Research Division - Senior Analyst***

Congrats, Tiger and Ed. Just a few questions from my side. First, could you comment on -- I mean, you talked about the transformation side but could you talk about maybe automation specifically? What is the percentage of deals that are impacted by automation and do you see this as a threat or opportunity going forward? What is the economic profile of such deals versus your core BPM offerings?

Nallicheri Vaidyanathan Tyagarajan ***Genpact Limited - President, CEO & Director***

I think it's pretty clear that automation is a benefit that we are leveraging to the hilt. 75% of our deals have digital and analytics and Transformation Services embedded in them. So obviously, 75% of them have automation embedded in them. And the differentiation for the customer, the differentiation in terms of driving value, driving that value faster, all comes from these digital technologies and bringing them to life. So we clearly have always seen it as an opportunity. We've never seen it is a threat. And we've embraced it through a combination of building our own capabilities as well as acquisitions and bringing in a whole set of new leaders who brought new thinking and new capabilities to the table. And that's what is playing out. So we think very clearly that that's the way it will continue to play out. And our total addressable market had also, we believe gone up, because more clients at the table, more saying I want to partner and more saying I want a bigger scope faster. Every one of those play to opportunity increasing.

Mayank Tandon ***Needham & Company, LLC, Research Division - Senior Analyst***

Got it. And then just related, Tiger. In terms of obviously given the shift of the type of work. What is the gating factor, I mean, I would imagine it's probably hiring the talent to be able to work on these type of digital/analytics engagements. So maybe if you could comment on just the war for talent out there in the market. How you are competing with your peers in that regard?

Nallicheri Vaidyanathan Tyagarajan ***Genpact Limited - President, CEO & Director***

That is a great question. I would start by saying it's always been a war for talent. Our business is about talent. That never changed. And it's not just Digital and analytics and that talent. Our secret sauce is marrying that talent with a deep understanding of the customer, the domain and the process, the Lean and Six Sigma skills. It's the combination that makes us very different. The ability to drive the conversation and combination. So the war for talent continues, and I think we are really well positioned in that war for talent, both in our global delivery locations as well as in our market locations such as I'm in London or in the U.S. or in Japan or in Australia, just picking those 4 markets or some of the most recent wins we've had in Canada. One of the reasons why I think we are able to attract that talent we are finding is the ability to actually build solutions that can be deployed and that generate value rather than being a solution that remains in a conference room. And that's what understanding domain and industry brings to the table. And of course, wining iconic brands helps. These are brand names that people are attracted by. So we feel very good about our ability to attract talent and have them join the team and combine with the talent we already have.

Operator

Our next question comes from Ashwin Shirvaikar from Citi.

Ashwin Vassant Shirvaikar ***Citigroup Inc, Research Division - Director and U.S. Computer and Business Services Analyst***

Congratulations on the quarter. I wanted to start by kind of pulling together a few of the comments made, faster decision making, ramping more deals, they have a greater transformation component, more analytics. So as you pull this together, how does your approach to delivery change, broadly speaking. If you can comment on that.

Nallicheri Vaidyanathan Tyagarajan ***Genpact Limited - President, CEO & Director***

Actually, it's a great question, Ashwin. I'll start by saying one change, many changes. One of them would be the combination of onshore and offshore is pretty there in every one of these large transformational deals. So that's 1 change. So it's not just global offshore delivery. Number two, is the criticality and the complexity of some of the work is 1, 2, 3 notches higher. So, obviously, the talent and capability that you need and the depth of skills needed and knowledge needed is higher. The third is implementations have fast cycle and have component to them. So in the world of just operations, it was just deliver what was promised and deliver it 100% of the time accurately to experimenting whether it's AI for example where sometimes you can start with 60% accuracy and 40% exceptions. And overtime, AI learns and you move towards a 90% mark. How quickly can you get there determines success for the client and obviously by definition success for us. So at the core, it still comes back to focus on the customer. Always doing what's right for the customer. Measuring and metrics at a granular level. All of which is not new for us. That's our strength. It's always been.

Ashwin Vassant Shirvaikar ***Citigroup Inc, Research Division - Director and U.S. Computer and Business Services Analyst***

Got it. Understood. One thing -- I mean this is the second quarter in a row obviously you guys have delivered results like this. Based on what you're saying, it seems as though strong results are to continue and then I can look at you haven't done a buy back in the first half. Can you explain that? I mean, all else equal, I would expect you guys would be doing a buy back, would be investing in the stock itself if possible. So what would -- is there something you could comment on this?

Nallicheri Vaidyanathan Tyagarajan ***Genpact Limited - President, CEO & Director***

I'll let Ed talk about capital allocation. But let me first talk about our -- the last couple of quarters and the acceleration we've seen. We actually started seeing the acceleration towards the latter part of last year. Ashwin, if you remember, I used the phrase 'tipping point' in the February earnings call, referring to the fourth quarter of last year. And that tipping point was in reference to the iconic brands that we had started journeys with. The big deals that we had won. The coming together of our choices, our investments and our front-end team and the way the market was changing in terms of the decision-making cycle as well as people who would not otherwise but now wanting to partner at size, scale and scope. We started seeing that tipping point. I think what's playing up is that tipping point. So by definition, therefore, we feel that this is a journey that the world is going to undertake for quite some time and we are well-positioned to be part of that journey and capture that value. Ed, do you want to talk about capital allocation, the 2 are 3 different operating questions, by the way.

Edward J. Fitzpatrick ***Genpact Limited - Senior VP & CFO***

Just to complete the thought. Really, no surprise there, Ashwin. As you know, we talked about the investment grade being important to us. The net debt to EBITDA levels were a bit elevated levels for the last few quarters because of the acquisition that we had done late in the third quarter of last year. So that's really the rationale. We're now down to a -- back to a point where the dry powder, if you will, at 1.7 turns and you heard me say in my prepared remarks that we have the capital to do what we need to do going forward whether that's M&A, share repurchase or others. So I think we're back to a point where we feel comfortable of this dry powder to do what we want to do.

Operator

Our next question comes from Edward Caso from Wells Fargo.

Edward Stephen Caso ***Wells Fargo Securities, LLC, Research Division - MD and Senior Analyst***

Just trying to get a sense if you are gaining share. I think clearly the market has shifted you're positioned to capture what appears to be a strongly improving market. But do you have any sense whether you are gaining share, and may be generically what kind of firms you might be gaining it from?

Nallicheri Vaidyanathan Tyagarajan ***Genpact Limited - President, CEO & Director***

Ed, that is a great question. I wish I could answer it with specificity and preciseness that we all would like. We think we are gaining share. We believe we are. And that believe comes from really 2 high-level data points: one, is industry growth rates. We seem to be above industry growth rates; and second, we seem to be above growth rates of a number of the firms that we typically compete with. So put those 2 together, we would think that we are gaining share in the chosen areas and only in those chosen areas. We have chosen verticals, chosen geographies and chosen services. We do not deviate from those. If there are growth happening outside of those, then we don't touch those at all. So that -- I would say in our chosen areas, I think, we are getting share. We tend to compete with the same competitor set. So I don't think the competitor set has changed. I would argue in the last 3 or 4 years, it has remained pretty much the same depending on the service and depending on the industry vertical.

Edward Stephen Caso ***Wells Fargo Securities, LLC, Research Division - MD and Senior Analyst***

So my other question is around the growth rate in Global Clients. Very strong first half, but given the full year guide, it assumes a deceleration in the Global Client. Is that the math with the IT piece? Is that the math on how the large contracts roll in? Sort of help me why there's a sort of a softer growth outlook in H2.

Nallicheri Vaidyanathan Tyagarajan ***Genpact Limited - President, CEO & Director***

Yes. So Ed, I'll start by saying that we -- it's actually all 3 of the above that you named. One is we've had an acceleration in Transformation Services. Some of that is acceleration of some of the big deals that got accelerated into the first half, which had embedded Transformation Services. We got the benefit of that. Some of that will not happen in the second half. The second is if you do a year-to-year comparison on the second half, we have a higher comparison point in the third and fourth quarter of last year. And of course, the ramps have been very, very clear in the first half. And some of that benefit we've already got in the first half. Ed, do you want to add more color to that?

Edward J. Fitzpatrick ***Genpact Limited - Senior VP & CFO***

No. I think that's good, Tiger. The year-over-year comparisons get tougher as you go through last year, right? So Q3 got better and Q4 was much better, right? So Q4 is probably the toughest compare of all the quarters last year. But at the end of the day we've gotten to a different level in terms of total revenues. We're up $75 million from Q1 to Q2 and then in our worst-case scenario our outlook were up slightly or flattish, which is still pretty nice growth year-over-year for the second half and obviously for the full year.

Operator

Our next question comes from Tien-Tsin Huang from JP Morgan.

Tien-Tsin Huang ***JP Morgan Chase & Co, Research Division - Senior Analyst***

Obviously happy to see really big upside on the revenue. So I guess I was curious your ability to staff up to service this burst in revenue. I was kind of surprised how quickly you're able to do that. Anything to mention or call out in this regard.

Nallicheri Vaidyanathan Tyagarajan ***Genpact Limited - President, CEO & Director***

Your point is absolutely valid. Obviously, we have the benefit of a pretty good visibility in while a speedy decision-making cycle, it's still has visibility because it's still a long cycle business. We do have some visibility. That visibility helps. Two, we have always prided ourselves in our ability to attract the right talent. We now have a global delivery footprint that is 20-plus countries. These are not concentrated in 1 place. And third is, in some of these deals, not all of them, but in some of them, we've actually taken over the operations of our client that allows us to create some step functions in talent. And by the way, this talent is actually one of the reasons why we actually went and did that because these are some of the best talent that you can find. A little bit connected to the earlier question on how do you get great talent. When you get great talent from a Bridgewater or a Walmart or a GE, I think, that's a great opportunity that we leverage. So I would say all of that is helping us.

Edward J. Fitzpatrick ***Genpact Limited - Senior VP & CFO***

Yes, to add that -- when you had the question last time that the beauty of this is that we're getting terrific talent here as we even double down it, right? So it was already mentioned here.

Tien-Tsin Huang ***JP Morgan Chase & Co, Research Division - Senior Analyst***

Yes. So from a business that all makes sense and with the rebadging. So I'm just curious from -- obviously we get the guidance and what it implies in the second half as Ed asked. But I'm just curious from a business development standpoint having these reference wins as you've called out in your press there and saying the -- using the tipping point words. I'm curious as we roll into '20 with GE and these other dynamics, has your thinking changed here in terms of your ability to replenish the pipeline and the backlog and visibility and all that good stuff, if you follow my question, Tiger?

Nallicheri Vaidyanathan Tyagarajan ***Genpact Limited - President, CEO & Director***

Yes. So I'll say our pipeline is strong as I said, actually one of the strongest we've had. Our inflows are strong, which is in spite of the growth we've had in revenue this year as well as the bookings momentum we had at the end of last year. And we reiterated the fact that first half in Global Client growth exactly matches and is just around the points for Global Client as well as Global Client BPO of our long-term growth trajectory. We think that's still valid because the under penetration is so real, the total addressable market has, in fact, grown. And our position around Transformation Services allows to enter that market. So I would say all of that augurs well for the future. Obviously, I think it's still too early to talk about exactly the numbers for 2020. But we feel very good about the strength of the pipeline and the strength of the inflows.

Edward J. Fitzpatrick ***Genpact Limited - Senior VP & CFO***

And I think it's not talking about acceleration of growth, which can happen, but I think it's the total addressable market that is not only shrinking. We think it's expanding based upon what we're seeing. And now it's -- that's what we said. For the long term, we see this Global Client growth rate being in that double-digit range. So that's encouraging.

Operator

Our next question comes from Maggie Nolan from William Blair.

Margaret Marie Niesen Nolan ***William Blair & Company L.L.C., Research Division - Analyst***

So I wanted to ask about some of the digital hubs that you've been creating as you announced some of these large deals and the expansion of these deals. At this point in time, I know they are a little bit newer. But at this point in time, have you been able to start to see any traction in terms of servicing other clients or even new clients out of those hubs? And I'm just wondering what we're seeing at some of the accounts that may not be these big brand names that we're hearing so much about on the calls and in the press releases.

Nallicheri Vaidyanathan Tyagarajan ***Genpact Limited - President, CEO & Director***

No. Great question, Maggie. Thanks. So a lot of the digital analytics hubs that we talked about are those that are intersection of a set of digital technologies in an industry. So if you take Stamford in Connecticut where we announced the Bridgewater financial services digital hub, that is a great attraction for similar clients to actually say why wouldn't we leverage out that talent base, those solutions for themselves? If we look at Bentonville as an example of the consumer goods retail space in finance, supply chain, auto management and that area and some of the digital technologies and co-innovation that happens there, particularly as we continue to refresh the talent, invest in new talent in our partnership with NorthWest Arkansas University and then for other consumer goods companies and other retailers to take a look at it and say that they like to leverage those same places. So we've been very precise in our digital hubs and innovation centers being those which create specific solutions that are relevant for a specific industry in a specific service arena. The most recent one we announced yesterday in Guadalajara, Mexico is pretty interesting around digital and analytics, again, at the intersection of retail consumer good space that can serve a number of those industries in that space. So we feel very good about those being attractive for other people who then land there. Obviously the decision cycles, they have to come there. They take a look at it, and then they have to decide their own decision cycles. But that's one of the reasons we are very excited about these iconic brands.

Margaret Marie Niesen Nolan ***William Blair & Company L.L.C., Research Division - Analyst***

Very good. And then you talked a little bit in the prepared remarks about seeing more deal wins than ever before. Is there any additional information that you can give us there in terms of quantifying it, breaking out additional detail, whether it's large deals or however you like to break out? And then also interested in kind of understanding how much of it is inbound? You did mention in the prepared remarks that you're seeing more in the way of inbound just due to some of the brand awareness that these large clients has brought.

Nallicheri Vaidyanathan Tyagarajan ***Genpact Limited - President, CEO & Director***

Yes. So Maggie, in terms of inbound, I don't think we'd be able to give any specific metrics. It's just way, way more than it's ever been. And remember, we compete in the marketplace where some of our competitors have been around much longer and are much bigger than us, and they are much more well-known. And these are -- the reason to create a wins allows us to be known more. As it relates to your question Maggie, just remind me was...

Edward J. Fitzpatrick ***Genpact Limited - Senior VP & CFO***

Anymore color on the new deal wins. Maggie, we've talked about the other thing, I'll add color too and, Tiger, you can add, and I think it was a question before about market share. The other data point we're seeing we don't give the number, but we've always been happy with our win rate in those numbers in the past 2 or 3 quarters have even been better, right? So just another indication that we're -- have good traction and gaining traction, if you will. So we feel good about that.

Operator

(Operator Instructions) We do have a question from Robby Bamberger from Baird.

Robert W. Bamberger ***Robert W. Baird & Co. Incorporated, Research Division - Research Analyst***

Regarding transformation revenues in Q2, how much did you expect and how much of this beat by? And then how much should we expect for the rest of the year?

Nallicheri Vaidyanathan Tyagarajan ***Genpact Limited - President, CEO & Director***

Ed?

Edward J. Fitzpatrick ***Genpact Limited - Senior VP & CFO***

So on Transformation Services revenue, as I said in my prepared remarks, there were some of that, that we did expect to happen in the second half of the year that got pulled forward. In the quarter, of that $70-plus million incremental that we saw sequentially, we probably got somewhere in the $10 million to $15 million range. And a big chunk of that in the large deals that we've talked about and a big chunk of that in Global Client. So that's part of the phenomenon that yielded a bit better Q2 than even we expected, which is great. And for the balance of the year, TS will still be growing at a faster clip than total company growth, so we feel good about that. But again, remember, as we talked earlier, the year-over-year compares get a bit harder in Q3, in particular in Q4, but, again, still be growing at that clip. Probably as I look back at it, around a 20%-plus growth rate in the second half. That's still pretty robust.

Robert W. Bamberger ***Robert W. Baird & Co. Incorporated, Research Division - Research Analyst***

Yes. And then with regarding acquisitions, what was the contribution in the quarter? And then I guess what's expected for the year for Commonwealth, Barkawi and then riskCanvas?

Edward J. Fitzpatrick ***Genpact Limited - Senior VP & CFO***

I think -- we don't talk quarters. But for the full year, it's a little over 1% for total revenue. I think we talked about that earlier in the year. No change.

Robert W. Bamberger ***Robert W. Baird & Co. Incorporated, Research Division - Research Analyst***

Okay. perfect. And then -- oh, yes. With regards the revenue beat as well, I guess why aren't we seeing more margin expansion? And is it all being, I guess, spent away in marketing and G&A, I guess, to keep the growth engine going or and then ramp up cost as well and then essentially you would just flex the margins in slower years? Or how is the margin progression going?

Edward J. Fitzpatrick ***Genpact Limited - Senior VP & CFO***

Really no change there in our outlook. The 16% operating margin is kind of the number we targeted. And again, it's been that delivered improvement that we've been driving for the past several years. So no change in strategy. We will continue to invest in the business to drive that profitable growth. So we like the delivered progression there. And so far so good halfway through the year. Tiger, anything else on that?

Nallicheri Vaidyanathan Tyagarajan ***Genpact Limited - President, CEO & Director***

No. And our business, we've always said, when you ramp, you start at a lower margin and then you climb margin through the cycle of -- the life cycle of the relationship. That ramp in these complex deals probably takes longer than a normal ramp and has more fuel consumption in the early days. So this is exactly what we expected. So there is nothing here that is unexpected in the margin profile as we go through this.

Edward J. Fitzpatrick ***Genpact Limited - Senior VP & CFO***

And with that said, flowing through the income to operating margin dollars obviously shown through and why you saw a pick up in the EPS numbers.

Operator

I'm showing no further questions at this time. I would now like to turn the call back over to Roger Sachs for closing remarks.

Roger Sachs ***Genpact Limited - Head of IR***

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, thank you for participating in today's conference. This concludes the program. You may disconnect, and have a wonderful day.