Genpact Reports First Quarter 2018 Results

Revenues of \$689 Million, Up 11% (~9% on a constant currency basis)[1] Global Client BPO Revenues of \$540 Million, Up 17% (~15% on a constant currency basis) Diluted EPS of \$0.33, Up 25%; Adjusted Diluted EPS[2] of \$0.39, Up 27%

NEW YORK, May 3, 2018 /PRNewswire/ -- Genpact Limited (NYSE: G), a global professional services firm focused on delivering digital transformation, today announced financial results for the first quarter ended March 31, 2018.

"We had a strong start to the year, highlighted by double-digit growth in a number of our chosen verticals and service lines, leading to mid-teen Global Client BPO revenue growth on a constant currency basis," said "Tiger" Tyagarajan, Genpact's president and CEO. "Our two highly synergistic routes to market, Transformation Services and Intelligent Operations, are unlocking many opportunities for us to win new logos as well as increase penetration with existing clients, including more sole-sourced deals."

Key Financial Results – First Quarter 2018

- Total revenue was \$689 million, up 11% year-over-year (up ~9% on a constant currency basis).
- Income from operations was \$64 million, down 19% year-over-year, with a corresponding margin of 9.3%. Adjusted income from operations was \$97 million, up 11% year-over-year, with a corresponding margin of 14.1%.³
- Diluted earnings per share were \$0.33, up 25% year-over-year, and adjusted diluted earnings per share were \$0.39, up 27% year-over-year. The current quarter diluted earnings per share includes a \$0.02 foreign currency gain resulting from balance sheet re-measurement.
- Genpact repurchased approximately 3.2 million of its common shares during the quarter for total consideration of \$100 million at an average price per share of \$31.44.

Revenue Details - First Quarter 2018

- Revenue from Global Clients was \$631 million, up 14% year-over-year (up ~12% on a constant currency basis), representing approximately 92% of total revenues.
- Revenue from GE was \$58 million, down 16% year-over-year, representing approximately 8% of total revenues.
- Total BPO revenue was \$574 million, up 12% year-over-year, representing approximately 83% of total revenues.
- Global Client BPO revenue was \$540 million, up 17% year-over-year (up ~15% on a constant currency basis).
- GE BPO revenue was \$34 million, down 31% year-over-year.
- Total IT revenue was \$115 million, up 3% year-over-year, representing approximately 17% of total revenues.
- Global Client IT revenue was \$91 million, down 1% year-over-year.
- GE IT revenue was \$24 million, up 19% year-over-year.

Cash Flow from Operations

• Genpact utilized \$27 million of cash in operations in the first quarter of 2018, compared to generating \$31 million in cash from operations during the first quarter of 2017.

2018 Outlook

Genpact continues to expect:

- Total revenue for the full year 2018 of \$2.93 to \$3.0 billion.
- Global Client revenue growth in the range of 9% to 11%, both on an as-reported and constant currency basis.
- Adjusted income from operations margin⁴ of approximately 15.8%.
- · Genpact now expects:
- Adjusted diluted EPS⁵ to increase to \$1.72 to \$1.76, from our prior outlook of \$1.70 to \$1.74.

Conference Call to Discuss Financial Results

Genpact's management will host an hour-long conference call beginning at 4:30 p.m. ET on May 3, 2018 to discuss the company's performance for the first quarter ended March 31, 2018. To participate, callers can dial +1 (877) 654-0173 from within the U.S. or +1 (281) 973-6289 from any other country. Thereafter, callers will be prompted to enter the conference ID, 8895845.

A live webcast of the call will also be made available on the Genpact Investor Relations website at http://investors.genpact.com. For those who cannot join the call live, a replay will be archived on the Genpact website after the end of the call. A transcript of the call will also be made available on the website.

About Genpact

Genpact (NYSE: G) is a global professional services firm that makes business transformation real. We drive digital-led innovation and digitally-enabled intelligent operations for our clients, guided by our experience running thousands of processes for hundreds of Global Fortune 500 companies. We think with design, dream in digital, and solve problems with data and analytics. We obsess over operations and focus on the details – all 78,000+ of us. From New York to New Delhi and more than 20 countries in between, Genpact has the end-to-end expertise to connect every dot, reimagine every process, and reinvent companies' ways of working. We know that rethinking each step from start to finish will create better business outcomes. Whatever it is, we'll be there with you – putting data and digital to work to create bold, lasting results – because transformation happens here.

Safe Harbor

This press release contains certain statements concerning our future growth prospects and forward-looking statements, as defined in the safe harbor provisions of the U.S. Private Securities Litigation Reform Act of 1995. These statements involve a number of risks, uncertainties and other factors that could cause actual results to differ materially from those in such forward-looking statements. These risks, uncertainties and other factors include but are not limited to a slowdown in the economies and sectors in which our clients operate, a slowdown in the business process outsourcing and information technology services sectors, the risks and uncertainties arising from our past and future acquisitions, our ability to convert bookings to revenues, our ability to manage growth, factors which may impact our cost advantage, wage increases, changes in tax rates and tax legislation and other laws and regulations, our ability to attract and retain skilled professionals, risks and uncertainties regarding fluctuations in our earnings, foreign currency fluctuations, general economic conditions affecting our industry as well as other risks detailed in our reports filed with the U.S. Securities and Exchange Commission, including Genpact's Annual Report on Form 10-K. These filings are available at www.sec.gov. Genpact may from time to time make additional written and oral forward-looking statements, including statements contained in our filings with the Securities and Exchange Commission and our reports to shareholders. Although Genpact believes that these forwardlooking statements are based on reasonable assumptions, you are cautioned not to put undue reliance on these forwardlooking statements, which reflect management's current analysis of future events and should not be relied upon as representing management's expectations or beliefs as of any date subsequent to the time they are made. Genpact undertakes no obligation to update any forward-looking statements that may be made from time to time by or on behalf of Genpact.

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GENPACT LIMITED AND ITS SUBSIDIARIES

Consolidated Balance Sheets (Unaudited)

(In thousands, except per share data and share count)

	As of	As of December 31, 2017		
Assets Current assets				
Cash and cash equivalents	Φ	504,468	Φ	424,226
Accounts receivable, net	\$		\$	
Prepaid expenses and other current assets		693,085		703,066
Total current assets		236,342		199,208
Property, plant and equipment, net	\$	1,433,895	\$	1,326,500
Deferred tax assets		207,030		205,035
		76,929		81,734
Investment in equity affiliates		886		919
Intangible assets, net		131,590		125,781
Goodwill		1,337,122		1,337,051
Contract cost assets		1,007,122		
Other assets		_		162,435
Total assets		262,169		157,672
10(a) a55e(5	\$	3,449,621	\$	3,397,127
Liabilities and equity				
Current liabilities				
Short-term borrowings	\$	170,000	\$	275,000
Current portion of long-term debt	·	39,226	·	39,237
Accounts payable				
Income taxes payable		15,050		13,811
Accrued expenses and other current liabilities		30,026		40,026
Total current liabilities		584,482		503,116
	\$	838,784	\$	871,190
Long-term debt, less current portion		1,006,687		996,999
Deferred tax liabilities		6,747		7,083
Other liabilities		168,609		155,858
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Total liabilities	 	
Total liabilities	\$ 2,020,827	\$ 2,031,130
Redeemable non-controlling interest	4,750	 _
Shareholders' equity		
Preferred shares, \$0.01 par value, 250,000,000 authorized, none issued		
	_	_
Common shares, \$0.01 par value, 500,000,000 authorized, 192,825,207		
and 190,613,135 issued and outstanding as of December 31, 2017 and		
March 31, 2018, respectively		
	1,924	1,903
Additional paid-in capital	1 401 000	1 400 007
Database de la contraction de	1,421,368	1,422,897
Retained earnings	355,982	321,916
Accumulated other comprehensive income (loss)	,	,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,
Accumulated ether comprehensive moome (1996)	(355,230)	(380,719)
Total equity	.	 _
• •	\$ 1,424,044	\$ 1,365,997
Total liabilities, redeemable non-controlling interest and equity	\$ 3,449,621	\$ 3,397,127

GENPACT LIMITED AND ITS SUBSIDIARIES

Consolidated Statements of Income (Unaudited)

(In thousands, except per share data and share count)

	Three months ended March 31,			
	-	2017		2018
Net revenues	\$	622,995	\$	688,912
Cost of revenue		383,337		444,324
Gross profit	\$	239,658	\$	244,588
Operating expenses:				
Selling, general and administrative expenses		160,858		171,109
Amortization of acquired intangible assets		7,242		9,936
Other operating (income) expense, net		(7,538)		(218)
Income from operations	\$	79,096	\$	63,761
Foreign exchange gains (losses), net		(4,913)		4,798
Interest income (expense), net		(5,493)		(8,100)
Other income (expense), net		553		15,550
Income before equity-method investment activity, net and income tax				
expense	\$	69,243	\$	76,009
Equity-method investment activity, net		(4,558)		_
Income before income tax expense	\$	64,685	\$	76,009
Income tax expense		12,245		12,075
Net income	\$	52,440	\$	63,934
Net loss attributable to redeemable non-controlling interest		898		761
Net income attributable to Genpact Limited shareholders	\$	53,338	\$	64,695
Net income available to Genpact Limited common shareholders	\$	53,338	\$	64,695

Earnings per common share attributable to Genpact Limited common shareholders				
Basic	\$	0.27	\$	0.34
Diluted	\$	0.26	\$	0.33
Weighted average number of common shares used in computing earnings per common share attributable to Genpact Limited common shareholders				
Basic	19	99,069,528	19	92,816,626
Diluted	2	02,655,937	19	96,288,569

GENPACT LIMITED AND ITS SUBSIDIARIES

Consolidated Statements of Cash Flows (Unaudited) (In thousands)

Operating activities 2017 2018 Net income attributable to Genpact Limited shareholders \$ 53,338 \$ 64,695 Net loss attributable to redeemable non-controlling interest (898) (761) Net income \$ 52,440 \$ 63,934 Adjustments to reconcile net income to net cash provided by (used for) operating activities: 14,139 15,836 Depreciation and amortization 14,139 15,836 Amortization of debt issuance costs 375 488 Amortization of acquired intangible assets 7,242 9,936 Reserve for doubtful receivables — (103) Unrealized loss (gain) on revaluation of foreign currency asset/liability 8,757 (8,525) Equity-method investment activity, net 4,558 — Stock-based compensation expense 4,966 7,787 Deferred income taxes (2,890) (4,625) Others, net (4,301) (28) Change in operating assets and liabilities: 19,649 (6,025) Increase in prepaid expenses, other current assets, contract cost assets and other assets (2928) (7,7734) Increase in ac		Three months ended March			March 31,
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Net income \$ 52,440 \$ 63,934 Adjustments to reconcile net income to net cash provided by (used for) operating activities: \$ 52,440 \$ 63,934 Depreciation and amortization 14,139 15,836 Amortization of debt issuance costs 375 488 Amortization of acquired intangible assets 7,242 9,936 Reserve for doubtful receivables - (103) Unrealized loss (gain) on revaluation of foreign currency asset/liability 8,757 (8,525) Equity-method investment activity, net 4,558 - Stock-based compensation expense 4,986 7,787 Deferred income taxes (2,890) (4,625) Others, net (2,890) (4,625) Change in operating assets and liabilities: 19,649 (6,025) Increase in prepaid expenses, other current assets, contract cost assets and other assets (12,025) (37,008) Decrease in accounts payable (928) (1,224) Increase in income taxes payable (89,131) (77,734) Increase in income taxes payable 8,157 9,969 Net cash provided by/(used for) operating ac	Net income attributable to Genpact Limited shareholders	\$	53,338	\$	64,695
Adjustments to reconcile net income to net cash provided by (used for) operating activities: 15,836 Depreciation and amortization 14,139 15,836 Amortization of debt issuance costs 375 488 Amortization of acquired intangible assets 7,242 9,936 Reserve for doubtful receivables — (103) Unrealized loss (gain) on revaluation of foreign currency asset/liability 8,757 (8,525) Equity-method investment activity, net 4,558 — Stock-based compensation expense 4,986 7,787 Deferred income taxes (2,890) (4,625) Others, net (4,301) (28) Change in operating assets and liabilities: 19,649 (6,025) Increase (increase) in accounts receivable 19,649 (6,025) Increase in prepaid expenses, other current assets, contract cost assets and other assets (12,025) (37,008) Decrease in accounts payable (928) (1,224) Increase in income taxes payable 8,157 9,969 Net cash provided by/(used for) operating activities 8,157 9,969	Net loss attributable to redeemable non-controlling interest		(898)		(761)
activities: Depreciation and amortization 14,139 15,836 Amortization of debt issuance costs 375 488 Amortization of acquired intangible assets 7,242 9,936 Reserve for doubtful receivables — (103) Unrealized loss (gain) on revaluation of foreign currency asset/liability 8,757 (8,525) Equity-method investment activity, net 4,558 — Stock-based compensation expense 4,986 7,787 Deferred income taxes (2,890) (4,625) Others, net (4,301) (28) Change in operating assets and liabilities: 19,649 (6,025) Increase (increase) in accounts receivable 19,649 (6,025) Increase in prepaid expenses, other current assets, contract cost assets and other assets (12,025) (37,008) Decrease in accounts payable (928) (1,224) Decrease in accrued expenses, other current liabilities and other liabilities (69,131) (77,734) Increase in income taxes payable 8,157 9,969 Net cash provided by/(used for) operating activities 8,157 </td <td>Net income</td> <td>\$</td> <td>52,440</td> <td>\$</td> <td>63,934</td>	Net income	\$	52,440	\$	63,934
Amortization of debt issuance costs 375 488 Amortization of acquired intangible assets 7,242 9,936 Reserve for doubtful receivables — (103) Unrealized loss (gain) on revaluation of foreign currency asset/liability 8,757 (8,525) Equity-method investment activity, net 4,558 — Stock-based compensation expense 4,986 7,787 Deferred income taxes (2,890) (4,625) Others, net (2,890) (4,625) Change in operating assets and liabilities: — (6,025) Increase (increase) in accounts receivable 19,649 (6,025) Increase in prepaid expenses, other current assets, contract cost assets and other assets (12,025) (37,008) Decrease in accounts payable (928) (1,224) Decrease in accounts payable (69,131) (77,734) Increase in income taxes payable 8,157 9,699 Net cash provided by/(used for) operating activities \$ 31,028 \$ (27,322) Investing activities (17,084) (18,706) Purchase of property, plant and equipment					
Amortization of acquired intangible assets 7,242 9,936 Reserve for doubtful receivables — (103) Unrealized loss (gain) on revaluation of foreign currency asset/liability 8,757 (8,525) Equity-method investment activity, net 4,558 — Stock-based compensation expense 4,986 7,787 Deferred income taxes (2,890) (4,625) Others, net (301) (28 Change in operating assets and liabilities: — 19,649 (6,025) Increase (increase) in accounts receivable 19,649 (6,025) Increase in prepaid expenses, other current assets, contract cost assets and other assets (12,025) (37,008) Decrease in accounts payable (928) (1,224) Decrease in accounts payable (69,131) (77,734) Increase in income taxes payable 8,157 9,969 Net cash provided by/(used for) operating activities \$ 31,028 \$ (27,322) Investing activities (17,084) (18,706) Payment for internally generated intangible assets (2,614) (4,365)	Depreciation and amortization		14,139		15,836
Reserve for doubtful receivables — (103) Unrealized loss (gain) on revaluation of foreign currency asset/liability 8,757 (8,525) Equity-method investment activity, net 4,558 — Stock-based compensation expense 4,986 7,787 Deferred income taxes (2,890) (4,625) Others, net (4,301) (28) Change in operating assets and liabilities: — — Decrease (increase) in accounts receivable 19,649 (6,025) Increase in prepaid expenses, other current assets, contract cost assets and other assets (12,025) (37,008) Decrease in accounts payable (928) (1,224) Decrease in accrued expenses, other current liabilities and other liabilities (69,131) (77,734) Increase in income taxes payable 8,157 9,969 Net cash provided by/(used for) operating activities \$ 31,028 \$ (27,322) Investing activities (17,084) (18,706) Purchase of property, plant and equipment (17,084) (4,365)	Amortization of debt issuance costs		375		488
Unrealized loss (gain) on revaluation of foreign currency asset/liability 8,757 (8,525) Equity-method investment activity, net 4,558 — Stock-based compensation expense 4,986 7,787 Deferred income taxes (2,890) (4,625) Others, net (4,301) (28) Change in operating assets and liabilities: 19,649 (6,025) Increase (increase) in accounts receivable 19,649 (6,025) Increase in prepaid expenses, other current assets, contract cost assets and other assets (12,025) (37,008) Decrease in accounts payable (928) (1,224) Decrease in accrued expenses, other current liabilities and other liabilities (69,131) (77,734) Increase in income taxes payable 8,157 9,969 Net cash provided by/(used for) operating activities \$ 31,028 \$ (27,322) Investing activities (17,084) (18,706) Purchase of property, plant and equipment (17,084) (4,365) Payment for internally generated intangible assets (2,614) (4,365)	Amortization of acquired intangible assets		7,242		9,936
Equity-method investment activity, net 4,558 — Stock-based compensation expense 4,986 7,787 Deferred income taxes (2,890) (4,625) Others, net (4,301) (28) Change in operating assets and liabilities: 19,649 (6,025) Increase (increase) in accounts receivable 19,649 (6,025) Increase in prepaid expenses, other current assets, contract cost assets and other assets (12,025) (37,008) Decrease in accounts payable (928) (1,224) Decrease in accrued expenses, other current liabilities and other liabilities (69,131) (77,734) Increase in income taxes payable 8,157 9,969 Net cash provided by/(used for) operating activities \$ 31,028 \$ (27,322) Investing activities (17,084) (18,706) Purchase of property, plant and equipment (17,084) (4,365) Payment for internally generated intangible assets (2,614) (4,365)	Reserve for doubtful receivables		_		(103)
Stock-based compensation expense 4,986 7,787 Deferred income taxes (2,890) (4,625) Others, net (4,301) (28) Change in operating assets and liabilities: 19,649 (6,025) Decrease (increase) in accounts receivable 19,649 (6,025) Increase in prepaid expenses, other current assets, contract cost assets and other assets (12,025) (37,008) Decrease in accounts payable (928) (1,224) Decrease in accrued expenses, other current liabilities and other liabilities (69,131) (77,734) Increase in income taxes payable 8,157 9,969 Net cash provided by/(used for) operating activities \$ 31,028 \$ (27,322) Investing activities (17,084) (18,706) Purchase of property, plant and equipment (17,084) (4,365) Payment for internally generated intangible assets (2,614) (4,365)	Unrealized loss (gain) on revaluation of foreign currency asset/liability		8,757		(8,525)
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Change in operating assets and liabilities:Decrease (increase) in accounts receivable19,649(6,025)Increase in prepaid expenses, other current assets, contract cost assets and other assets(12,025)(37,008)Decrease in accounts payable(928)(1,224)Decrease in accrued expenses, other current liabilities and other liabilities(69,131)(77,734)Increase in income taxes payable8,1579,969Net cash provided by/(used for) operating activities\$ 31,028\$ (27,322)Investing activities10,7084)(18,706)Payment for internally generated intangible assets(2,614)(4,365)	Deferred income taxes		(2,890)		(4,625)
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Other assets (12,025) (37,008) Decrease in accounts payable (928) (1,224) Decrease in accrued expenses, other current liabilities and other liabilities (69,131) (77,734) Increase in income taxes payable 8,157 9,969 Net cash provided by/(used for) operating activities 81,028 (27,322) Investing activities Purchase of property, plant and equipment (17,084) (18,706) Payment for internally generated intangible assets (2,614) (4,365)			19,649		(6,025)
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Decrease in accrued expenses, other current liabilities and other liabilities (69,131) (77,734) Increase in income taxes payable Net cash provided by/(used for) operating activities Investing activities Purchase of property, plant and equipment Payment for internally generated intangible assets (928) (1,224) (77,734) 8,157 9,969 (17,084) (17,084) (18,706) (18,706)	Docrosco in accounte payable		(12,020)		(07,000)
Increase in income taxes payable 8,157 9,969	Decrease in accounts payable		(928)		(1,224)
Net cash provided by/(used for) operating activities Investing activities Purchase of property, plant and equipment Payment for internally generated intangible assets 8,157 9,969 (27,322) (17,084) (18,706) (18,706) (2,614)	Decrease in accrued expenses, other current liabilities and other liabilities		(69,131)		(77,734)
Net cash provided by/(used for) operating activities\$ 31,028\$ (27,322)Investing activitiesInvesting activitiesPurchase of property, plant and equipment(17,084)(18,706)Payment for internally generated intangible assets(2,614)(4,365)	Increase in income taxes payable		8 157		9 969
Investing activities Purchase of property, plant and equipment (17,084) (18,706) Payment for internally generated intangible assets (2,614) (4,365)	Net cash provided by/(used for) operating activities	•		\$	
Purchase of property, plant and equipment (17,084) (18,706) Payment for internally generated intangible assets (2,614) (4,365)		Ψ	31,020	<u> </u>	(=1,0==)
Payment for internally generated intangible assets (2,614) (4,365)	_		(17 084)		(18 706)
	Proceeds from sale of property, plant and equipment		389		144

Investment in equity affiliates	(467)	_
Payment for business acquisitions, net of cash acquired	(9,237)	_
Payment for purchase of redeemable non-controlling interest	_	(4,730)
Net cash used for investing activities	\$ (29,013)	\$ (27,657)
Financing activities	 	
Repayment of capital lease obligations	(494)	(537)
Payment of debt issuance costs	(1,481)	_
Proceeds from long-term debt	350,000	_
Repayment of long-term debt	(10,000)	(10,000)
Proceeds from short-term borrowings	40,000	105,000
Repayment of short-term borrowings	(185,000)	_
Proceeds from issuance of common shares under stock-based compensation plans	7,761	4,202
Payment for net settlement of stock-based awards	(9,939)	(13,284)
Payment of earn-out/deferred consideration	(1,097)	(1,476)
Dividend paid	(11,957)	(14,408)
Payment for stock purchased and retired	(219,784)	(95,984)
Payment for expenses related to stock purchase	(16)	(60)
Net cash used for financing activities	\$ (42,007)	\$ (26,547)
Effect of exchange rate changes	 5,555	 1,284
Net increase (decrease) in cash and cash equivalents	(39,992)	(81,526)
Cash and cash equivalents at the beginning of the period	422,623	504,468
Cash and cash equivalents at the end of the period	\$ 388,186	\$ 424,226
Supplementary information		
Cash paid during the period for interest	\$ 5,324	\$ 13,194
Cash paid during the period for income taxes	\$ 16,426	\$ 24,157
Property, plant and equipment acquired under capital lease obligations	\$ 576	\$ 297

Non-GAAP Financial Measures to GAAP Measures

To supplement the consolidated financial statements presented in accordance with GAAP, this press release includes the following measures defined by the Securities and Exchange Commission as non-GAAP financial measures:

- Adjusted income from operations attributable to shareholders of Genpact Limited, or adjusted income from operations;
- Adjusted income from operations margin;
- Adjusted diluted earnings per share attributable to shareholders of Genpact Limited, or adjusted diluted earnings per share; and
- Revenue growth on a constant currency basis.

These non-GAAP financial measures are not based on any comprehensive set of accounting rules or principles and should not be considered a substitute for, or superior to, financial measures calculated in accordance with GAAP, and may be different from non-GAAP financial measures used by other companies. Accordingly, these non-GAAP financial measures, the financial statements prepared in accordance with GAAP and the reconciliations of Genpact's GAAP financial statements to such non-GAAP financial measures should be carefully evaluated.

Prior to July 2012, Genpact's management used financial statements that excluded significant acquisition-related expenses, amortization of related acquired intangibles, and amortization of acquired intangibles at the company's formation in 2004 for its internal management reporting, budgeting and decision making purposes, including comparing Genpact's operating results to that of its competitors. However, considering Genpact's frequent acquisitions of varying scale and size, and the difficulty in predicting expenses relating to acquisitions and the amortization of acquired intangibles thereof, since July 2012 Genpact's management has used financial statements that exclude all acquisition-related expenses and amortization of acquired intangibles for its internal management reporting, budgeting and decision-making purposes, including comparing

Genpact's operating results to those of its competitors. For the same reasons, since April 2016 Genpact's management has excluded the impairment of acquired intangible assets from the financial statements it uses for internal management purposes. Acquisition-related expenses are excluded in the period in which an acquisition is consummated.

Genpact's management also uses financial statements that exclude stock-based compensation expense. Because of varying available valuation methodologies, subjective assumptions and the variety of award types that companies can use when adopting ASC 718 "Compensation-Stock Compensation," Genpact's management believes that providing non-GAAP financial measures that exclude such expenses allows investors to make additional comparisons between Genpact's operating results and those of other companies. Additionally, in its calculations of such non-GAAP financial measures, Genpact's management has adjusted other income and expenses, certain gains, losses and impairment charges attributable to equity-method investments, and gains or losses attributable to non-controlling interests because management believes that the Company's results after taking into account these adjustments more accurately reflect the Company's ongoing operations. For the purpose of calculating adjusted diluted earnings per share, the combined current and deferred tax effect is determined by multiplying each pre-tax adjustment by the applicable statutory income tax rate.

Genpact's management provides information about revenues on a constant currency basis so that the revenues may be viewed without the impact of foreign currency exchange rate fluctuations, thereby facilitating period-to-period comparisons of our true business performance. Revenue growth on a constant currency basis is calculated by restating current-period activity using the prior fiscal period's foreign currency exchange rates adjusted for hedging gains/losses in such period.

Accordingly, Genpact believes that the presentation of adjusted income from operations, adjusted income from operations margin, adjusted diluted earnings per share and revenue growth on a constant currency basis, when read in conjunction with the Company's reported results, can provide useful supplemental information to investors and management regarding financial and business trends relating to its financial condition and results of operations.

A limitation of using adjusted income from operations and adjusted income from operations margin versus income from operations and income from operations margin calculated in accordance with GAAP is that these non-GAAP financial measures exclude certain recurring costs and certain other charges, namely stock-based compensation and amortization and impairment of acquired intangibles. Management compensates for this limitation by providing specific information on the GAAP amounts excluded from adjusted income from operations and adjusted income from operations margin.

The following tables show the reconciliation of these Non-GAAP financial measures from GAAP for the three months ended March 31, 2017 and 2018:

Reconciliation of Adjusted Income from Operations and Adjusted Income from Operations Margin

(Unaudited)
(In thousands)

	Three months ended March 31,					
		2017			2018	-
Income from operations	\$	79,096	-	\$	63,761	-
Add: Stock-based compensation		4,986			7,787	
Add: Amortization of acquired intangible assets		6,709			9,540	
Add: Acquisition-related expenses		422			_	
Add: Other income (expense), net		553			15,550	
Less: Equity-method investment activity, net		(4,558)			_	
Add: Net loss attributable to redeemable non-controlling interest		898			761	
Adjusted income from operations	\$	88,106	-	\$	97,399	-
Adjusted income from operations margin		14.1	%		14.1	%

Reconciliation of Adjusted Diluted EPS⁶

(Unaudited) (Per share data)

Three months ended March

		JI,
	2017	2018
Diluted EPS	\$ 0.26	\$ 0.33
Add: Stock-based compensation	0.02	0.04
Add: Amortization of acquired intangible assets	0.03	0.05
Add: Acquisition-related expenses	_	_
Less: Tax impact on stock-based compensation	(0.01)	(0.02)
Less: Tax impact on amortization of acquired		
intangibles	(0.01)	(0.01)
Less: Tax impact on acquisition-related expenses	_	_
Adjusted diluted EPS	\$ 0.31	\$ 0.39

The following tables show the reconciliation of forward-looking non-GAAP financial measures from GAAP for the year ending December 31, 2018:

Reconciliation of Outlook for Adjusted Income from Operations Margin (Unaudited)

	Year ending December 31,	
	2018	
Income from operations margin	12.2	%
Add: Estimated stock-based compensation	1.6	%
Add: Estimated amortization of acquired intangible		
assets	1.2	%
Add: Estimated acquisition-related expenses	0.1	%
Add: Estimated other income (expense), net		
	0.7	%
Less: Estimated equity-method investment activity, net	_	
Adjusted income from operations margin	15.8	%

Reconciliation of Outlook for Adjusted Diluted EPS⁷

(Unaudited) (Per share data)

Year ending Decemb	oer 31,
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	20	18
	Lower	Upper
Diluted EPS	\$ 1.41	\$ 1.45
Add: Estimated stock-based compensation	0.24	0.24

Add: Estimated amortization of acquired intangible assets	0.19	0.19
Add: Estimated acquisition-related expenses	0.01	0.01
Less: Estimated tax impact on stock-based compensation	(80.0)	(80.0)
Less: Estimated tax impact on amortization of acquired		
intangibles	(0.06)	(0.06)
Less: Estimated tax impact on acquisition-related expenses	_	_
Adjusted diluted EPS	\$ 1.72	\$ 1.76

- 1 Revenue growth on a constant currency basis is a non-GAAP measure and is calculated by restating current-period activity using the prior fiscal period's foreign currency exchange rates adjusted for hedging gains/losses in such period.
- 2 Adjusted diluted earnings per share is a non-GAAP measure. A reconciliation of GAAP diluted earnings per share and adjusted diluted earnings per share is attached to this release.
- 3 Adjusted income from operations and adjusted income from operations margin are non-GAAP measures. A reconciliation of GAAP income from operations and adjusted income from operations and a reconciliation of GAAP income from operations margin and adjusted income from operations margin are attached to this release.
- 4 Adjusted income from operations margin is a non-GAAP measure. A reconciliation of the outlook for GAAP income from operations margin and adjusted income from operations margin is attached to this release.
- 5 Adjusted diluted earnings per share is a non-GAAP measure. A reconciliation of the outlook for GAAP diluted earnings per share and adjusted diluted earnings per share is attached to this release.
- 6 Due to rounding, the numbers presented in this table may not add up precisely to the totals provided.
- 7 Due to rounding, the numbers presented in this table may not add up precisely to the totals provided.

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