

Genpact Reports Third Quarter 2018 Results

Revenues of \$748 Million, Up 6% (~6% on a constant currency basis)(1)

Global Client BPO Revenues of \$586 Million, Up 8% (~9% on a constant currency basis)

Diluted EPS of \$0.38; Adjusted Diluted EPS(2) of \$0.48

NEW YORK, Nov. 6, 2018 /PRNewswire/ -- Genpact Limited (NYSE: G), a global professional services firm focused on delivering digital transformation, today announced financial results for the third quarter ended September 30, 2018.

"Overall, Genpact delivered solid third quarter results and we are on track to meet our 2018 full-year outlook. More importantly, the momentum we continue to see in our pipeline and bookings sets us up on a trajectory to drive strong top line growth in our Global Client BPO and GE businesses in 2019 and beyond," said **"Tiger" Tyagarajan, Genpact's president and CEO**. "It is very clear that our deep domain and process depth coupled with our expertise in digital and data analytics is differentiating us in the marketplace and is the key reason why clients are increasingly choosing Genpact as their strategic transformation partner."

Key Financial Results – Third Quarter 2018

- Total revenue was \$748 million, up 6% year-over-year (up ~6% on a constant currency basis).
- Income from operations was \$94 million, down 4% year-over-year, with a corresponding margin of 12.6%. Adjusted income from operations was \$124 million, up 7% year-over-year, with a corresponding margin of 16.6%.³
- Diluted earnings per share were \$0.38, flat year-over-year, and adjusted diluted earnings per share were \$0.48, up 5% year-over-year.

Revenue Details – Third Quarter 2018

Total Company

- Total BPO revenue was \$623 million, up 7% year-over-year, representing approximately 83% of total revenues.
- Total IT revenue was \$125 million, flat year-over-year, representing approximately 17% of total revenues.

Global Clients

- Revenue from Global Clients was \$683 million, up 7% year-over-year (up ~8% on a constant currency basis), representing approximately 91% of total revenues.
- Global Client BPO revenue was \$586 million, up 8% year-over-year (up ~9% on a constant currency basis).
- Global Client IT revenue was \$98 million, up 2% year-over-year.

GE

- Revenue from GE was \$65 million, down 11% year-over-year, representing approximately 9% of total revenues. GE revenue was flat sequentially.
- GE BPO revenue was \$37 million, down 13% year-over-year.
- GE IT revenue was \$27 million, down 7% year-over-year.

Cash Flow from Operations

- Cash generated from operations was \$153 million in the third quarter of 2018, compared to \$148 million in the third quarter of 2017.

2018 Outlook

Genpact continues to expect:

- Total revenue for the full-year 2018 of \$2.95 to \$3.01 billion, representing growth of 8% to 10% both on an as-reported and constant currency basis.
- Global Client revenue growth in the range of 9.5% to 11.5%, 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 be at the high end of the prior \$1.72 to \$1.76 range.

Conference Call to Discuss Financial Results

Genpact's management will host an hour-long conference call beginning at 4:30 p.m. ET on November 6, 2018 to discuss the company's performance for the third quarter ended September 30, 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, 4276952.

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 80,000+ 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 forward-looking statements are based on reasonable assumptions, you are cautioned not to put undue reliance on these forward-looking 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)

	<u>As of December 31, 2017</u>	<u>As of September 30, 2018</u>
Assets		
<i>Current assets</i>		
Cash and cash equivalents	\$ 504,468	\$ 401,230
Accounts receivable, net	693,085	710,045
Prepaid expenses and other current assets	236,342	210,006
Total current assets	\$ 1,433,895	\$ 1,321,281
Property, plant and equipment, net	207,030	211,382
Deferred tax assets	76,929	94,212
Investment in equity affiliates	886	825
Intangible assets, net	131,590	135,028
Goodwill	1,337,122	1,386,408
Contract cost assets	—	160,110
Other assets	262,169	147,383
Total assets	\$ 3,449,621	\$ 3,456,629
Liabilities and equity		
<i>Current liabilities</i>		
Short-term borrowings	\$ 170,000	\$ 330,000
Current portion of long-term debt	39,226	33,476
Accounts payable	15,050	14,436
Income taxes payable	30,026	73,567
Accrued expenses and other current liabilities	584,482	554,708
Total current liabilities	\$ 838,784	\$ 1,006,187
Long-term debt, less current portion	1,006,687	983,884
Deferred tax liabilities	6,747	6,512
Other liabilities	168,609	175,028
Total liabilities	\$ 2,020,827	\$ 2,171,611
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 190,053,249 issued and outstanding as of
December 31, 2017 and September 30, 2018, respectively

	1,924	1,896
Additional paid-in capital	1,421,368	1,453,674
Retained earnings	355,982	397,470
Accumulated other comprehensive income (loss)	(355,230)	(568,022)
Total equity	\$ 1,424,044	\$ 1,285,018
Total liabilities, redeemable non-controlling interest and equity	\$ 3,449,621	\$ 3,456,629

GENPACT LIMITED AND ITS SUBSIDIARIES

Consolidated Statements of Income
(Unaudited)

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

	Three months ended September 30,		Nine months ended September 30,	
	2017 ⁶	2018	2017 ⁶	2018
Net revenues	\$ 708,824	\$ 747,978	\$ 2,002,516	\$ 2,165,451
Cost of revenue	428,790	481,412	1,226,635	1,388,634
Gross profit	\$ 280,034	\$ 266,566	\$ 775,881	\$ 776,817
<i>Operating expenses:</i>				
Selling, general and administrative expenses	172,028	168,010	500,644	515,285
Amortization of acquired intangible assets	10,151	9,372	25,780	29,134
Other operating (income) expense, net	(64)	(4,844)	(8,517)	(4,913)
Income from operations	\$ 97,919	\$ 94,028	\$ 257,974	\$ 237,311
Foreign exchange gains (losses), net	5,045	7,450	2,045	15,053
Interest income (expense), net	(8,724)	(9,139)	(24,067)	(27,646)
Other income (expense), net	(4,498)	5,385	7,615	30,683
Income before equity-method investment activity, net and income tax expense	\$ 89,742	\$ 97,724	\$ 243,567	\$ 255,401
Equity-method investment activity, net	—	(7)	(4,567)	(22)
Income before income tax expense	\$ 89,742	\$ 97,717	\$ 239,000	\$ 255,379
Income tax expense	16,581	24,114	44,297	53,268
Net income	\$ 73,161	\$ 73,603	\$ 194,703	\$ 202,111
Net loss attributable to redeemable non-controlling interest	584	—	1,326	761
Net income attributable to Genpact Limited shareholders	\$ 73,745	\$ 73,603	\$ 196,029	\$ 202,872
Net income available to Genpact Limited common shareholders	\$ 73,745	\$ 73,603	\$ 196,029	\$ 202,872

Earnings per common share attributable to Genpact Limited common shareholders				
Basic	\$	0.38	\$	0.39
			\$	1.01
	\$		\$	1.06
Diluted	\$	0.38	\$	0.38
			\$	0.99
	\$		\$	1.04
Weighted average number of common shares used in computing earnings per common share attributable to Genpact Limited common shareholders				
Basic		192,124,366		190,024,924
				194,221,162
				190,991,405
Diluted		194,947,699		193,115,769
				197,112,014
				194,256,771

6 Cost of revenue, selling, general and administrative expenses, other income (expense) and income from operations for the three and nine months ended September 30, 2017 have been restated due to the adoption of ASU No. 2017-07 with effect from January 1, 2018.

GENPACT LIMITED AND ITS SUBSIDIARIES

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

	Nine months ended September 30,	
	2017	2018
Operating activities		
Net income attributable to Genpact Limited shareholders	\$ 196,029	\$ 202,872
Net loss attributable to redeemable non-controlling interest	(1,326)	(761)
Net income	\$ 194,703	\$ 202,111
<i>Adjustments to reconcile net income to net cash provided by (used for) operating activities:</i>		
Depreciation and amortization	42,271	47,612
Amortization of debt issuance costs (including loss on extinguishment of debt)	1,382	3,546
Amortization of acquired intangible assets	25,780	29,134
Write-down of intangible assets and property, plant and equipment	—	1,538
Reserve for doubtful receivables	4,871	1,705
Unrealized loss (gain) on revaluation of foreign currency asset/liability	(9,296)	(4,544)
Equity-method investment activity, net	4,567	22
Stock-based compensation expense	22,402	32,158
Deferred income taxes	(4,589)	(1,768)
Provision for expected loss on divestiture	5,195	—
Others, net	(5,261)	255
<i>Change in operating assets and liabilities:</i>		
Increase in accounts receivable	(30,687)	(12,946)
Increase in prepaid expenses, other current assets, contract cost assets and other assets	(56,230)	(96,300)
Decrease in accounts payable	(462)	(913)

Increase (decrease) in accrued expenses, other current liabilities and other liabilities	27,723	(44,602)
Increase in income taxes payable	41,324	45,798
Net cash provided by operating activities	\$ 263,693	\$ 202,806
Investing activities		
Purchase of property, plant and equipment	(47,510)	(68,027)
Payment for internally generated intangible assets (including intangibles under development)	(8,950)	(19,397)
Proceeds from sale of property, plant and equipment	1,648	499
Investment in equity affiliates	(496)	—
Payment for business acquisitions, net of cash acquired	(277,549)	(108,105)
Payment for purchase of redeemable non-controlling interest	—	(4,730)
Net cash used for investing activities	\$ (332,857)	\$ (199,760)
Financing activities		
Repayment of capital lease obligations	(2,199)	(1,954)
Payment of debt issuance costs	(1,481)	(4,293)
Proceeds from long term debt	350,000	129,186
Repayment of long-term debt	(30,000)	(157,686)
Proceeds from short-term borrowings	275,000	225,000
Repayment of short-term borrowings	(275,000)	(65,000)
Proceeds from issuance of common shares under stock-based compensation plans	12,834	12,275
Payment for net settlement of stock-based awards	(10,296)	(14,947)
Payment of earn-out/deferred consideration	(6,219)	(1,559)
Dividend paid	(35,096)	(42,901)
Payment for stock repurchased and retired	(219,784)	(130,103)
Payment for expenses related to stock purchase	(16)	(82)
Net cash provided by (used for) financing activities	\$ 57,743	\$ (52,064)
Effect of exchange rate changes	28,853	(54,220)
Net increase (decrease) in cash and cash equivalents	(11,421)	(49,018)
Cash and cash equivalents at the beginning of the period	422,623	504,468
Cash and cash equivalents at the end of the period	\$ 440,055	\$ 401,230
Supplementary information		
Cash paid during the period for interest	\$ 23,414	\$ 35,082
Cash paid during the period for income taxes	\$ 46,935	\$ 54,920
Property, plant and equipment acquired under capital lease obligations	\$ 1,944	\$ 1,832

Non-GAAP Financial Measures to GAAP Measures

To supplement the consolidated financial statements presented in accordance with GAAP, this press release includes the following 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 the Company's 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 and nine months ended September 30, 2017 and 2018:

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

(Unaudited)

(In thousands)

	Three months ended September 30,		Nine months ended September 30,	
	2017	2018	2017	2018
Income from operations	\$ 97,919	\$ 94,028	\$ 257,974	\$ 237,311
Add: Stock-based compensation	10,051	13,434	22,402	32,158
Add: Amortization of acquired intangible assets	9,520	8,988	24,077	27,959
Add: Acquisition-related expenses	2,364	2,362	5,755	2,362

Add: Other income (expense), net	(4,498)	5,385	7,615	30,683
Less: Equity-method investment activity, net	—	(7)	(4,567)	(22)
Add: Net loss (income) attributable to redeemable non-controlling interest	584	—	1,326	761
Adjusted income from operations	\$ 115,940	\$ 124,190	\$ 314,582	\$ 331,212
Income from operations margin	13.8 %	12.6 %	12.9 %	11.0 %
Adjusted income from operations margin	16.4 %	16.6 %	15.7 %	15.3 %

Reconciliation of Adjusted Diluted EPS⁷

(Unaudited)
(Per share data)

	Three months ended September 30,		Nine months ended September 30,	
	2017	2018	2017	2018
Diluted EPS	\$ 0.38	\$ 0.38	\$ 0.99	\$ 1.04
Add: Stock-based compensation	0.05	0.07	0.11	0.17
Add: Amortization of acquired intangible assets	0.05	0.05	0.12	0.14
Add: Acquisition-related expenses	0.01	0.01	0.03	0.01
Less: Tax impact on stock-based compensation	(0.02)	(0.02)	(0.03)	(0.05)
Less: Tax impact on amortization of acquired intangibles	(0.02)	(0.01)	(0.04)	(0.04)
Less: Tax impact on acquisition-related expenses	—	—	—	—
Adjusted diluted EPS	\$ 0.46	\$ 0.48	\$ 1.19	\$ 1.28

⁷Due to rounding, the numbers presented in this table may not add up precisely to the totals provided.

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	11.7 %
Add: Estimated stock-based compensation	1.5 %
Add: Estimated amortization of acquired intangible assets	1.3 %
Add: Estimated acquisition-related expenses	0.1 %
Add: Estimated other income (expense), net	1.2 %
Less: Estimated equity-method investment activity, net	—
Adjusted income from operations margin	15.8 %

Reconciliation of Outlook for Adjusted Diluted EPS⁸

(Unaudited)
(Per share data)

	Year ending December 31, 2018	
	Lower	Upper
Diluted EPS	\$ 1.39	\$ 1.43
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	(0.07)	(0.07)
Less: Estimated tax impact on amortization of acquired intangibles	(0.05)	(0.05)
Less: Estimated tax impact on acquisition-related expenses	—	—
Adjusted diluted EPS	\$ 1.72	\$ 1.76

⁸Due to rounding, the numbers presented in this table may not add up precisely to the totals provided.

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.

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