Genpact Reports Second Quarter 2021 Results

Total Revenue of \$988 million, Up 10% (7% on a constant currency basis)[1] Global Client Revenue of \$893 million, Up 14% (11% on a constant currency basis)[1],[2] Diluted EPS of \$0.53, Up 66%; Adjusted Diluted EPS[3] of \$0.66, Up 27% Raises Outlook for Revenue, Adjusted Operating Income Margin and Adjusted Diluted EPS

NEW YORK, Aug. 5, 2021 /PRNewswire/ -- Genpact Limited (NYSE: G), a global professional services firm focused on delivering digital transformation, today announced financial results for the second quarter ended June 30, 2021.

"Our second quarter performance saw Global Client revenue return to double-digit growth earlier than we anticipated. Driven by accelerated momentum in Transformation Services, particularly in Analytics, and the strength of our Intelligent Operations business, we exceeded our expectations on the top line, bottom line, and cash flow," said "Tiger" Tyagarajan, Genpact's president and CEO. "Our strategic investments in services such as supply chain, sales & commercial, and financial crimes & risk are proving to be extremely relevant for our clients, opening many new opportunities to create value in areas beyond just cost and productivity."

Key Financial Results - Second Quarter 2021

- Total revenue was \$988 million, up 10% year-over-year (7% on a constant currency basis)¹.
- Revenue from Global Clients was \$893 million, up 14%² year-over-year (11% on a constant currency basis)^{1,2} representing 90% of total revenue, including \$10 million of revenue from certain GE-divested businesses that is now included in Global Client revenue. Excluding the revenue from such GE-divested businesses, revenue from Global Clients increased 13% year over year (10% on a constant currency basis)¹.
- Revenue from GE was \$95 million, down 19% year-over-year, representing 10% of total revenue. This
 excludes \$10 million of revenue from certain GE-divested businesses that is now included as Global Client
 revenue. If the revenue from these GE-divested businesses had been counted as GE revenue in the second
 quarter of 2021, revenue from GE would have decreased 10% year-over-year.
- Net income was \$103 million, up 65% year-over-year, with a corresponding margin of 10.4%.
- Income from operations was \$137 million, up 52% year-over-year, with a corresponding margin of 13.9%. Adjusted income from operations was \$177 million, up 22% year-over-year, with a corresponding margin of 17.9%.
- Diluted earnings per share was \$0.53, up 66% year-over-year, and adjusted diluted earnings per share³ was \$0.66, up 27% year-over-year.
- Cash generated from operations was \$161 million, compared to \$192 million during the second quarter of 2020.

Full Year 2021 Outlook

Genpact now expects:

- Total revenue for the full year of \$3.96 to \$4.0 billion, up 7.0% to 8.0%, or 5.5% to 6.5% on a constant currency basis,¹ increased from the prior full-year outlook of \$3.93 to \$3.99 billion, up 6.0% to 7.5%, or 5.0% to 6.5% on a constant currency basis.¹
- Global Client revenue growth in the range of 10.5% to 11.5%, or 9% to 10% on a constant currency basis, 1

increased from the prior outlook of 9.0% to 11.0%, or 8.0% to 10.0% on a constant currency basis.¹

- Adjusted income from operations margin⁵ of approximately 16.5%, increased from the prior outlook of approximately 16.0%.
- Adjusted diluted EPS⁶ of \$2.36 to \$2.39, increased from the prior outlook of \$2.27 to \$2.30.

Conference Call to Discuss Financial Results

Genpact's management will host an hour-long conference call beginning at 4:30 p.m. ET on August 5, 2021 to discuss the company's performance for the second quarter ended June 30, 2021. To participate, callers can dial +1 (877) 654-0173 from within the U.S. or +1 (281) 973-6289 from any other country. Callers will be prompted to enter the conference ID, 7257488. A live webcast of the call will also be made available on the Genpact Investor Relations website at https://www.genpact.com/investors. 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. Led by our purpose -- the relentless pursuit of a world that works better for people -- we drive digital-led innovation and digitally enabled intelligent operations for our clients. Guided by our experience reinventing and running thousands of processes for hundreds of clients, many of them Global Fortune 500 companies, we drive real-world transformation at scale. We think with design, dream in digital, and solve problems with data and analytics. Combining our expertise in end-to-end operations and our Al-based platform, Genpact Cora, we focus on the details – all 90,000+ of us. From New York to New Delhi, and more than 30 countries in between, we connect every dot, reimagine every process, and reinvent the ways companies work. We know that reimagining each step from start to finish creates better business outcomes. Whatever it is, we'll be there with you – accelerating digital transformation to create bold, lasting results – because transformation happens here.

Safe Harbor

This press release contains certain statements concerning our future growth prospects, including our outlook for 2021, financial results and other 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 the impact of the COVID-19 pandemic on our business, the health and safety of our employees, clients, partners and suppliers, as well as the physical and economic impacts of the various recommendations, orders and protocols issued by local and national governmental agencies in light of the evolving situation, a slowdown in the economies and sectors in which our clients operate, a slowdown in the business process outsourcing or information technology services sectors, our ability to develop and successfully execute our business strategies, 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, political, economic or business conditions in countries in which we operate, including the withdrawal of the United Kingdom from the European Union, commonly known as Brexit, 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 and Quarterly

Reports on Form 10-Q. 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)

	As of December 31, 2020		As of	June 30, 2021
Assets				
Current assets				
Cash and cash equivalents	\$	680,440	\$	752,580
Accounts receivable, net of allowance for credit				
losses of \$27,707 and \$29,458 as of December 31,				
2020 and June 30, 2021, respectively		881,020		916,366
Prepaid expenses and other current assets		187,408		213,163
Total current assets	\$	1,748,868	\$	1,882,109
Property, plant and equipment, net		231,122		205,361
Operating lease right-of-use assets		304,714		290,770
Deferred tax assets		106,674		107,529
Intangible assets, net		236,732		196,099
Goodwill		1,695,688		1,687,363
Contract cost assets		225,897		242,306
Other assets, net of allowance for credit losses of \$3,134 and				
\$2,593 as of December 31, 2020 and June 30, 2021, respectively		323,818		287,054
Total assets	\$	4,873,513	\$	4,898,591

Liabilities and equity

Current liabilities

Total liabilities and equity	\$ 4,873,513	\$ 4,898,591
Total equity	\$ 1,834,229	\$ 1,838,969
Accumulated other comprehensive income (loss)	 (545,340)	 (568,855)
Retained earnings	741,658	748,199
Additional paid-in capital	1,636,026	1,657,756
189,045,661 and 187,350,298 issued and outstanding as of December 31, 2020 and June 30, 2021, respectively	1,885	1,869
Common shares, \$0.01 par value, 500,000,000 authorized,	_	_
Shareholders' equity Preferred shares, \$0.01 par value, 250,000,000 authorized, none issued		
Total liabilities	\$ 3,039,284	\$ 3,059,622
Other liabilities	 238,398	 255,317
Deferred tax liabilities	1,516	1,349
Operating leases liability	289,363	273,581
Long-term debt, less current portion	1,307,371	1,288,663
Total current liabilities	\$ 1,202,636	\$ 1,240,712
Operating leases liability	56,479	58,337
Accrued expenses and other current liabilities	806,769	688,502
Income taxes payable	41,941	85,525
Accounts payable	13,910	25,194
Current portion of long-term debt	33,537	383,154
Short-term borrowings	\$ 250,000	\$ _

GENPACT LIMITED AND ITS SUBSIDIARIES

Consolidated Statements of Income (Unaudited)

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

	Three months	s ended June 30,	Six months ended June 30,			
	2020	2021	2020	2021		
Net revenues	\$ 900,094	\$ 988,126	\$ 1,823,286	\$ 1,934,197		
Cost of revenue	593,892	632,982	1,198,663	1,233,910		
Gross profit	\$ 306,202	\$ 355,144	\$ 624,623	\$ 700,287		

Operating expenses:

Selling, general and								
administrative expenses								
·		186,312		204,168		383,654		404,900
Amortization of acquired								
intangible assets		10,697		14,550		21,438		30,726
Other operating (income)								
expense, net		18,829		(477)		18,509		(124)
Income from operations	\$	90,364	- \$	136,903	\$	201,022	\$	264,785
Foreign exchange gains (losses), net		(518)		5,503		14,013		8,796
Interest income (expense), net		(13,619)		(13,091)		(25,315)		(25,433)
Other income (expense), net		2,920		6,094		(14)		7,486
Income before income tax expense	\$	79,147	\$	135,409	\$	189,706	\$	255,634
Income tax expense		16,986		32,705		41,847		61,657
Net income	\$	62,161	\$	102,704	\$	147,859	\$	193,977
Earnings per common share								
Basic	\$	0.33	\$	0.55	\$	0.78	\$	1.03
Diluted	\$	0.32	\$	0.53	\$	0.76	\$	1.01
Weighted average number of common shares used in computing earnings per common share								
Basic								
24010	190),541,148	18	7,329,564	19	0,583,953	18	37,989,838
Diluted	195	5,112,549	19	2,282,570	19	5,822,531	19	92,747,914

GENPACT LIMITED AND ITS SUBSIDIARIES

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

	Six months ended June 30,						
		2020	2021				
Operating activities	-						
Net income	\$	147,859	\$	193,977			
Adjustments to reconcile net income to net cash provided by operating activities:							
Depreciation and amortization		58,165		55,824			
Amortization of debt issuance costs		1,121		1,260			
Amortization of acquired intangible assets		21,438		30,726			
Write-down of intangible assets and property, plant and equipment		9,973		915			
Allowance for credit losses		1,055		2,208			
Unrealized loss (gain) on revaluation of foreign currency asset/liability		4,085		(5,614)			
Stock-based compensation expense		36,331		37,119			
Deferred tax benefit		(3,416)		(2,792)			
Write-down of operating lease right-of-use assets and other assets		10,244		_			
Others, net		(1,297)		346			

Change in operating assets and liabilities:				
(Increase) decrease in accounts receivable		38,783		(40,746)
(Increase) decrease in prepaid expenses, other current assets, contract		33,733		(10,7 10)
cost assets, operating lease right-of-use assets and other assets		(137,605)		11,055
Increase (decrease) in accounts payable		(101,000)		,
mercaco (aconoaco) in acoco no payacio		(4,418)		11,365
(Decrease) in accrued expenses, other current liabilities, operating lease				
liabilities and other liabilities				
		(32,371)		(102,273)
Increase in income taxes payable		23,112		44,395
Net cash provided by operating activities	\$	173,059	\$	237,765
Investing activities	Ψ	170,000	Ψ	
Purchase of property, plant and equipment		(33,127)		(19,305)
Payment for internally generated intangible assets (including intangibles under		(00,121)		(10,000)
development)		(6,449)		(3,775)
Proceeds from sale of property, plant and equipment		388		690
Payment for business acquisitions, net of cash acquired		_		(6,613)
Net cash (used for) investing activities	\$	(39,188)	\$	(29,003)
Financing activities				
Repayment of finance lease obligations		(4,065)		(5,739)
Payment of debt issuance costs		(620)		(2,053)
Proceeds from long-term debt		_		350,000
Repayment of long-term debt		(17,000)		(17,000)
Proceeds from short-term borrowings		455,000		_
Repayment of short-term borrowings		(30,000)		(250,000)
Proceeds from issuance of common shares under stock-based compensation plans		12,420		14,757
Payment for net settlement of stock-based awards		(29,414)		(30,401)
Payment of earn-out consideration				(2,556)
Dividend paid		(37,138)		(40,248)
Payment for stock repurchased and retired (including expenses related to stock				
repurchase)		(45,021)		(147,224)
Net cash provided by (used for) financing activities	\$	304,162	\$	(130,464)
Effect of exchange rate changes		(37,766)		(6,158)
Net increase in cash and cash equivalents		438,033		78,298
Cash and cash equivalents at the beginning of the period		467,096		680,440
Cash and cash equivalents at the end of the period	\$	867,363	\$	752,580
Supplementary information	*	,	•	
Cash paid during the period for interest	\$	24,397	\$	21,522
Cash paid during the period for income taxes, net of refund	\$	95,834	\$	40,643

Non-GAAP Financial 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;
- Adjusted income from operations margin;
- 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 recorded 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 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. As a result of the COVID-19 pandemic, during the second guarter of 2020 the Company initiated several restructuring measures. In connection with the restructuring, the Company recorded non-recurring charges related to the following: i) right-ofuse lease assets and other assets related to certain abandoned leased office properties in the second quarter of 2020, and ii) employee severance costs related to a focused reduction in Genpact's workforce in the second quarter of 2020. Genpact's management believes that excluding such charges provides useful information to both management and investors regarding the Company's financial performance and underlying business trends. Additionally, in its calculations of non-GAAP financial measures, Genpact's management has adjusted foreign exchange gains and losses, interest income and expense and income tax expenses from GAAP net income, and other income and expenses, and certain gains, losses and impairment charges attributable to equity-method investments from GAAP income from operations, because management believes that the Company's results after taking into account these adjustments more accurately reflect the Company's ongoing operations. In its calculations of adjusted diluted earnings per share, Genpact's management adds back adjusted stock-based compensation expense, amortization and impairment of acquired intangible assets, acquisition-related expenses and restructuring expenses and the related tax impact of such adjustments from GAAP diluted earnings per share. 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 compared to prior fiscal periods, 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, income from operations margin, net income and net income 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 expense and amortization and impairment of acquired intangible assets.

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 to the most directly comparable GAAP measures for the three and six months ended June 30, 2020 and 2021:

Reconciliation of Net income/Margin to Adjusted Income from Operations/Margin (In thousands)

	Three months ended June 30,				Six months	s ende	ended June 30,		
		2020 2021			2020		2021		
Net income	\$ 62,161		\$ 102,704		\$ 147,859		\$	193,977	
Foreign exchange (gains) losses, net		518		(5,503)		(14,013)		(8,796)	
Interest (income) expense, net		13,619		13,091		25,315		25,433	
Income tax expense		16,986		32,705		41,847		61,657	
Stock-based compensation expense		18,844		19,689		36,331		37,119	
Amortization and impairment of									
acquired intangible assets		11,709		14,337		22,223		30,289	
Restructuring expenses		21,658		_		21,658		_	
Adjusted income from operations	\$	145,495	\$	177,023	\$	281,220	\$	339,679	
Net income margin		6.9%		10.4%		8.1%		10.0%	
Adjusted income from operations margin		16.2%	17.9%			15.4%		17.6%	

Reconciliation of Income from Operations/Margin to Adjusted Income from Operations/Margin (In thousands)

	Three months ended June 30,				Six months ended June 30,				
		2020		2021		2020		2021	
Income from operations	\$	90,364	\$	136,903	\$	201,022	\$	264,785	

Stock-based compensation	10.044	10.000	00 001	07.110
Amortization and impairment of	18,844	19,689	36,331	37,119
acquired intangible assets	11,709	14,337	22,223	30,289
Other income (expense), net	2,920	6,094	(14)	7,486
Restructuring expenses	21,658	_	21,658	_
Adjusted income from operations	\$ 145,495	\$ 177,023	\$ 281,220	\$ 339,679
Income from operations margin	10.0%	13.9%	11.0%	13.7%
Adjusted income from operations margin	16.2%	17.9%	15.4%	17.6%

Reconciliation of Diluted EPS to Adjusted Diluted EPS

(Per share data)

	Three months ended June 30,			Six months ended June 30,				
	2020		2	2021	2020		20	021
Diluted EPS	\$	0.32	\$	0.53	\$	0.76	\$	1.01
Stock-based compensation		0.10		0.10		0.19		0.19
Amortization and impairment of acquired								
intangible assets		0.06		0.07		0.11		0.16
Restructuring expenses		0.11		_		0.11		_
Tax impact on stock-based compensation		(0.02)		(0.03)		(0.06)		(0.06)
Tax impact on amortization and impairment of								
acquired intangibles		(0.02)		(0.02)		(0.03)		(0.04)
Tax impact on restructuring expenses		(0.03)		_		(0.03)		_
Adjusted diluted EPS	\$	0.52	\$	0.66	\$	1.05	\$	1.26

The following tables show the reconciliation of forward-looking non-GAAP financial measures to the most directly comparable GAAP measures for the year ending December 31, 2021:

Reconciliation of Outlook for Net income Margin to Adjusted Income from Operations Margiff

	Year ending December 31, 2021
Net income margin	9.1 %
Estimated foreign exchange (gains) losses, net Estimated interest (income) expense, net	(0.2) %
	1.2 %
Estimated income tax expense	3.0 %

Adjusted income from operations margin	16.5	%
Estimated amortization and impairment of acquired intangible assets	1.4	%
Estimated stock-based compensation expense	2.0	%

Reconciliation of Outlook for Income from Operations Margin to Adjusted Income from Operations Margin⁸

	Year ending December 31, 2021	
Income from operations margin	12.9	%
Estimated stock-based compensation expense	2.0	%
Estimated amortization and impairment of acquired intangible assets	1.4	%
Estimated other income (expense), net	0.2	%
Adjusted income from operations margin	16.5	%

Reconciliation of Outlook for Diluted EPS to Adjusted Diluted EPS (Per share data)

	Year ending December 31, 2021			
		ower	Upper	
Diluted EPS	\$	1.85	1.88	
Estimated stock-based compensation expense		0.41	0.41	
Estimated amortization and impairment of acquired intangible assets		0.30	0.30	
Estimated tax impact on stock-based compensation expense		(0.12)	(0.12)	
Estimated tax impact on amortization and impairment of acquired				
intangible assets		(0.08)	(0.08)	
Adjusted diluted EPS	\$	2.36	2.39	

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 Global Client revenue for the second quarter of 2021 includes revenue from certain businesses divested by GE that we continue to serve as Global Clients. Revenue from such businesses has been counted as Global Client revenue beginning January 1, 2021.

³ Adjusted diluted earnings per share is a non-GAAP measure. A reconciliation of GAAP diluted earnings per share to adjusted diluted earnings per share is attached to this release.

- ⁴ Adjusted income from operations and adjusted income from operations margin are non-GAAP measures. Reconciliations of each of GAAP income from operations and GAAP net income to adjusted income from operations and GAAP income from operations margin and GAAP net income margin to adjusted income from operations margin are attached to this release.
- ⁵ Adjusted income from operations margin is a non-GAAP measure. A reconciliation of the outlook for each of GAAP income from operations margin and GAAP net income margin to adjusted income from operations margin is attached to this release.
- ⁶ Adjusted diluted earnings per share is a non-GAAP measure. A reconciliation of the outlook for GAAP diluted earnings per share to adjusted diluted earnings per share is attached to this release.
- ⁷ Due to rounding, the numbers presented in this table may not add up precisely to the totals provided.
- ⁸ Due to rounding, the numbers presented in this table may not add up precisely to the totals provided.

SOURCE Genpact

https://media.genpact.com/2021-08-05-Genpact-Reports-Second-Quarter-2021-Results