

TTEC Holdings, Inc.
Form 10-Q
May 10, 2018
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UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF
1934

For the quarterly period ended March 31, 2018

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF
1934

For the transition period from to

Commission File Number 001-11919

TTEC Holdings, Inc.

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(Exact name of registrant as specified in its charter)

Delaware	84-1291044
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

9197 South Peoria Street

Englewood, Colorado 80112

(Address of principal executive offices)

Registrant's telephone number, including area code: (303) 397-8100

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	Accelerated filer	Non-accelerated filer	Smaller reporting company
		(Do not check if a smaller reporting	Emerging growth company

company)

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

As of April 30, 2018, there were 46,006,719 shares of the registrant's common stock outstanding.

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TTEC HOLDINGS, INC. AND SUBSIDIARIES

MARCH 31, 2018 FORM 10-Q

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

TTEC HOLDINGS, INC. AND SUBSIDIARIES

Consolidated Balance Sheets

(Amounts in thousands, except share amounts)

(unaudited)

	March 31, 2018	December 31, 2017
ASSETS		
Current assets		
Cash and cash equivalents	\$ 81,594	\$ 74,437
Accounts receivable, net	344,249	385,751
Prepays and other current assets	71,840	63,668
Deferred tax assets, net	—	—
Income tax receivable	12,569	11,099
Assets held for sale	7,412	7,835
Total current assets	517,664	542,790
Long-term assets		
Property, plant and equipment, net	157,215	163,297
Goodwill	205,632	206,694
Deferred tax assets, net	16,476	12,012
Other intangible assets, net	88,707	92,086
Other long-term assets	49,168	61,857
Total long-term assets	517,198	535,946
Total assets	\$ 1,034,862	\$ 1,078,736
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable	\$ 39,472	\$ 46,029
Accrued employee compensation and benefits	85,004	83,997
Other accrued expenses	29,442	18,993
Income tax payable	18,318	7,497
Deferred revenue	28,675	21,628
Other current liabilities	22,535	22,312
Liabilities held for sale	1,481	1,322
Total current liabilities	224,927	201,778

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Long-term liabilities		
Line of credit	302,500	344,000
Deferred tax liabilities, net	11,458	11,285
Non-current income tax payable	38,956	47,871
Deferred rent	14,677	15,714
Other long-term liabilities	97,121	95,243
Total long-term liabilities	464,712	514,113
Total liabilities	689,639	715,891
Commitments and contingencies (Note 10)		
Stockholders' equity		
Preferred stock; \$0.01 par value; 10,000,000 shares authorized; zero shares outstanding as of March 31, 2018 and December 31, 2017	—	—
Common stock; \$0.01 par value; 150,000,000 shares authorized; 45,979,290 and 45,861,959 shares outstanding as of March 31, 2018 and December 31, 2017, respectively	460	459
Additional paid-in capital	351,672	351,725
Treasury stock at cost: 36,072,963 and 36,190,294 shares as of March 31, 2018 and December 31, 2017, respectively	(613,738)	(615,677)
Accumulated other comprehensive income (loss)	(107,903)	(102,304)
Retained earnings	707,257	721,664
Noncontrolling interest	7,475	6,978
Total stockholders' equity	345,223	362,845
Total liabilities and stockholders' equity	\$ 1,034,862	\$ 1,078,736

The accompanying notes are an integral part of these consolidated financial statements.

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TTEC HOLDINGS, INC. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income (Loss)

(Amounts in thousands, except per share amounts)

(Unaudited)

	Three months ended March 31,	
	2018	2017
Revenue	\$ 375,249	\$ 338,277
Operating expenses		
Cost of services (exclusive of depreciation and amortization presented separately below)	283,370	253,898
Selling, general and administrative	47,045	43,220
Depreciation and amortization	17,924	14,500
Restructuring and integration charges, net	849	169
Impairment losses	1,120	—
Total operating expenses	350,308	311,787
Income from operations	24,941	26,490
Other income (expense)		
Interest income	1,068	426
Interest expense	(6,459)	(2,318)
Other income (expense), net	(11,516)	960
Total other income (expense)	(16,907)	(932)
Income before income taxes	8,034	25,558
Provision for income taxes	(2,102)	(5,391)
Net income	5,932	20,167
Net income attributable to noncontrolling interest	(1,341)	(922)
Net income attributable to TTEC stockholders	\$ 4,591	\$ 19,245
Other comprehensive income (loss)		
Net income	\$ 5,932	\$ 20,167
Foreign currency translation adjustments	(5,599)	6,228
Derivative valuation, gross	1,235	13,975
Derivative valuation, tax effect	(1,242)	(5,791)
Other, net of tax	108	129
Total other comprehensive income (loss)	(5,498)	14,541

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Total comprehensive income (loss)	434	34,708
Less: Comprehensive income attributable to noncontrolling interest	(1,442)	(1,014)
Comprehensive (loss) income attributable to TTEC stockholders	\$ (1,008)	\$ 33,694
Weighted average shares outstanding		
Basic	45,871	45,950
Diluted	46,452	46,315
Net income per share attributable to TTEC stockholders		
Basic	\$ 0.10	\$ 0.42
Diluted	\$ 0.10	\$ 0.42
Dividends declared per share outstanding	\$ 0.27	\$ 0.22

The accompanying notes are an integral part of these consolidated financial statements.

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TTEC HOLDINGS, INC. AND SUBSIDIARIES

Consolidated Statement of Stockholders' Equity

(Amounts in thousands)

(Unaudited)

Stockholders' Equity of the Company

	Preferred Stock Shares	Common Stock Shares	Common Stock Amount	Treasury Stock	Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Noncontrolling interest	Tot	
of 31,	—	\$ —	45,862	\$ 459	\$ (615,677)	\$ 351,725	\$ (102,304)	\$ 721,664	\$ 6,978	\$
e	—	—	—	—	—	—	(6,584)	—	—	—
to rs	—	—	—	—	—	—	4,591	1,341	—	—
are)	—	—	—	—	—	—	(12,414)	—	—	—
to ing	—	—	—	—	—	—	—	(945)	—	—
s s	—	—	—	—	—	(5,700)	—	101	—	—
net	—	—	—	—	—	(7)	—	—	—	—
stock	—	—	117	1	1,939	(3,662)	—	—	—	—
ns ed on	—	—	—	—	—	—	—	—	—	—
	—	—	—	—	—	3,609	—	—	—	—

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—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	108	—	—	—
—	\$ —	45,979	\$ 460	\$ (613,738)	\$ 351,672	\$ (107,903)	\$ 707,257	\$ 7,475	\$

The accompanying notes are an integral part of these consolidated financial statements.

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TTEC HOLDINGS, INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

(Amounts in thousands)

(Unaudited)

	Three Months Ended March 31,	
	2018	2017
Cash flows from operating activities		
Net income	\$ 5,932	\$ 20,167
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	17,924	14,500
Amortization of contract acquisition costs	362	406
Amortization of debt issuance costs	247	171
Imputed interest expense and fair value adjustments to contingent consideration	2,011	20
Provision for doubtful accounts	124	61
(Gain) loss on disposal of assets	18	23
Impairment losses	1,120	—
Impairment on equity investment	15,632	—
Gain (adjustment) on bargain purchase of a business	(685)	—
Deferred income taxes	(972)	(918)
Excess tax benefit from equity-based awards	(227)	(284)
Equity-based compensation expense	3,609	2,041
(Gain) loss on foreign currency derivatives	725	(1,205)
Changes in assets and liabilities, net of acquisitions:		
Accounts receivable	41,197	28,610
Prepays and other assets	2,337	(7,187)
Accounts payable and accrued expenses	2,720	10,456
Deferred revenue and other liabilities	(24,687)	8,071
Net cash provided by operating activities	67,387	74,932