

TELETECH HOLDINGS INC

Form 10-Q

October 30, 2013

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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 September 30, 2013

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

TeleTech Holdings, Inc.

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(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

84-1291044
(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, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company)

Smaller reporting company

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 October 24, 2013, there were 50,424,066 shares of the registrant's common stock outstanding.

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TELETECH HOLDINGS, INC. AND SUBSIDIARIES

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(Amounts in thousands, except share amounts)

	September 30, 2013 (Unaudited)	December 31, 2012
ASSETS		
Current assets		
Cash and cash equivalents	\$ 144,903	\$ 164,485
Accounts receivable, net	245,080	251,206
Prepays and other current assets	58,987	58,702
Deferred tax assets, net	8,672	14,169
Income tax receivable	9,367	14,982
Total current assets	467,009	503,544
Long-term assets		
Property, plant and equipment, net	120,111	112,276
Goodwill	98,695	94,679
Contract acquisition costs, net	2,077	1,860
Deferred tax assets, net	46,720	35,429
Other long-term assets	103,757	99,385
Total long-term assets	371,360	343,629
Total assets	\$ 838,369	\$ 847,173
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities		
Accounts payable	\$ 35,719	\$ 23,494
Accrued employee compensation and benefits	67,982	71,621
Other accrued expenses	26,365	29,056
Income taxes payable	4,504	12,650
Deferred tax liabilities, net	300	341
Deferred revenue	33,609	26,892
Other current liabilities	10,519	7,351
Total current liabilities	178,998	171,405
Long-term liabilities		
Line of credit	118,000	108,000
Deferred tax liabilities, net	2,277	3,029
Deferred rent	9,826	8,589
Other long-term liabilities	57,897	55,813
Total long-term liabilities	188,000	175,431
Total liabilities	366,998	346,836
Commitments and contingencies (Note 10)		

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Stockholders equity

Preferred stock - \$0.01 par value; 10,000,000 shares authorized; zero shares outstanding as of September 30, 2013 and December 31, 2012

Common stock - \$0.01 par value; 150,000,000 shares authorized; 50,496,816 and 52,288,567 shares outstanding as of September 30, 2013 and December 31, 2012, respectively

	504	522
Additional paid-in capital	354,501	350,714
Treasury stock at cost: 31,555,437 and 29,763,686 shares as of September 30, 2013 and December 31, 2012, respectively	(473,318)	(428,716)
Accumulated other comprehensive income (loss)	(7,886)	22,981
Retained earnings	588,710	540,791
Noncontrolling interest	8,860	14,045
Total stockholders equity	471,371	500,337
Total liabilities and stockholders equity	\$ 838,369	\$ 847,173

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

Table of Contents**TELETECH HOLDINGS, INC. AND SUBSIDIARIES****Consolidated Statements of Comprehensive Income**

(Amounts in thousands, except per share amounts)

(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
Revenue	\$ 296,995	\$ 286,268	\$ 875,070	\$ 867,720
Operating expenses				
Cost of services (exclusive of depreciation and amortization presented separately below)	208,648	201,766	625,689	622,782
Selling, general and administrative	50,165	43,845	142,080	137,689
Depreciation and amortization	11,463	10,695	33,281	31,040
Restructuring charges, net	758	2,440	4,181	20,694
Impairment losses		161	1,205	2,958
Total operating expenses	271,034	258,907	806,436	815,163
Income from operations	25,961	27,361	68,634	52,557
Other income (expense)				
Interest income	938	780	2,182	2,235
Interest expense	(1,799)	(2,129)	(5,567)	(4,810)
Loss on deconsolidation of subsidiary			(3,655)	
Other income (expense), net	427	97	1,503	(227)
Total other income (expense)	(434)	(1,252)	(5,537)	(2,802)
Income before income taxes	25,527	26,109	63,097	49,755
(Provision for) benefit from income taxes	(6,358)	3,611	(12,603)	3,030
Net income	19,169	29,720	50,494	52,785
Net income attributable to noncontrolling interest	(1,526)	(1,291)	(2,575)	(3,152)
Net income attributable to TeleTech stockholders	\$ 17,643	\$ 28,429	\$ 47,919	\$ 49,633
Other comprehensive income (loss)				
Net income	\$ 19,169	\$ 29,720	\$ 50,494	\$ 52,785
Foreign currency translation adjustment	(1,708)	7,358	(18,191)	10,607
Derivative valuation, gross	(1,440)	7,260	(21,851)	21,650
Derivative valuation, tax effect	412	(2,906)	8,620	(8,480)
Other, net of tax	152	298	451	933
Total other comprehensive income (loss)	(2,584)	12,010	(30,971)	24,710
Total comprehensive income	16,585	41,730	19,523	77,495

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Comprehensive income attributable to noncontrolling interest	(1,642)	(1,357)	(2,471)	(3,265)
Comprehensive income attributable to TeleTech stockholders	\$ 14,943	\$ 40,373	\$ 17,052	\$ 74,230
Weighted average shares outstanding				
Basic	50,732	54,093	51,643	55,233
Diluted	51,678	54,905	52,499	55,991
Net income per share attributable to TeleTech stockholders				
Basic	\$ 0.35	\$ 0.53	\$ 0.93	\$ 0.90
Diluted	\$ 0.34	\$ 0.52	\$ 0.91	\$ 0.89

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

Table of Contents**TELETECH HOLDINGS, INC. AND SUBSIDIARIES****Consolidated Statement of Stockholders Equity**

(Amounts in thousands)

(Unaudited)

	Preferred Stock		Common Stock		Treasury Stock	Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Noncontrolling interest	Total Equity
	Shares	Amount	Shares	Amount						
Balance as of December 31, 2012		\$	52,288	\$ 522	\$ (428,716)	\$ 350,714	\$ 22,981	\$ 540,791	\$ 14,045	\$ 500,337
Net income								47,919	2,575	50,494
Dividends distributed to noncontrolling interest									(3,420)	(3,420)
Purchases of outstanding noncontrolling interest						3,715			(4,140)	(425)
Deconsolidation of a subsidiary									(121)	(121)
Foreign currency translation adjustments							(18,087)		(104)	(18,191)
Derivatives valuation, net of tax							(13,231)			(13,231)
Vesting of restricted stock units			400	4	5,717	(9,866)				(4,145)
Exercise of stock options			90	1	1,285	(430)				856
Excess tax benefit from equity-based awards						644				644
Equity-based compensation expense						9,724			25	9,749
Purchases of common stock			(2,281)	(23)	(51,604)					(51,627)
Other							451			451
Balance as of September 30, 2013		\$	50,497	\$ 504	\$ (473,318)	\$ 354,501	\$ (7,886)	\$ 588,710	\$ 8,860	\$ 471,371

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

Table of Contents**TELETECH HOLDINGS, INC. AND SUBSIDIARIES****Consolidated Statements of Cash Flows****(Amounts in thousands)****(Unaudited)**

	Nine Months Ended September 30,	
	2013	2012
Cash flows from operating activities		
Net income	\$ 50,494	\$ 52,785
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	33,281	31,040
Amortization of contract acquisition costs	753	763
Amortization of debt issuance costs	488	531
Imputed interest expense	933	600
Provision for doubtful accounts	412	490
(Gain) loss on disposal of assets	(94)	180
Impairment losses	1,205	2,958
Deferred income taxes	5,467	2,134
Excess tax benefit from equity-based awards	(1,074)	