

ExlService Holdings, Inc.  
Form 10-K  
February 28, 2019

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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

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FORM 10-K

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(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
FOR THE FISCAL YEAR ENDED DECEMBER 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 001-33089

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EXLSERVICE HOLDINGS, INC.

(Exact name of registrant as specified in its charter)

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|   |   |
|---|---|
| DELAWARE  | 82-0572194                              |
| (State or other jurisdiction of<br>incorporation or organization) | (I.R.S. Employer<br>Identification No.) |

|  |            |
|--|------------|
| 280 PARK AVENUE, 38 <sup>TH</sup> FLOOR,<br>NEW YORK, NEW YORK | 10017      |
| (Address of principal executive offices)                       | (Zip code) |

(212) 277-7100

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

| Title of Each Class: | Name of Each Exchange on Which Registered: |
|----------------------|--|
|----------------------|--|

|   |                             |
|---|-----------------------------|
| Common Stock, par value \$0.001 per share | NASDAQ Global Select Market |
|---|-----------------------------|

Securities registered pursuant to Section 12(g) of the Act:

None

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Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.  
Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the  
Act. Yes  No

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 every Interactive Data File required to be  
submitted 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 such files). Yes  No

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Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. "

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. (Check one):

Large accelerated filer  Accelerated filer

Non-accelerated filer  Smaller reporting 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 June 30, 2018, the aggregate market value of common stock held by non-affiliates was approximately \$1,867,374,591.

As of February 25, 2019, there were 34,323,339 shares of the registrant's common stock outstanding, par value \$0.001 per share.

**DOCUMENTS INCORPORATED BY REFERENCE**

Part III incorporates information from certain portions of the registrant's definitive proxy statement to be filed with the Securities and Exchange Commission within 120 days after the fiscal year end of December 31, 2018.

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ITEM 1. Business

ExlService Holdings, Inc. (“EXL”, “we”, “us”, “our” or the “Company”), incorporated in Delaware in 2002, is an operations management and analytics company that helps businesses enhance revenue growth and improve profitability. Using proprietary platforms, methodologies, and our full range of digital capabilities, we look deeper to help companies transform their businesses, functions and operations, to help them deliver better customer experience and business outcomes, while managing risk and compliance. We serve our customers in the insurance, healthcare, travel, transportation and logistics, banking and financial services and utilities industries, among others. Headquartered in New York, we have approximately 29,100 professionals in locations throughout the United States, Europe, Asia (primarily India and the Philippines), Latin America, Australia and South Africa.

We operate in the business process management (“BPM”) industry, and we provide operations management and analytics services. Our eight operating segments are strategic business units that align our products and services with how we manage our business, approach our key markets and interact with our clients. Six of those operating segments provide BPM or “operations management” services, which we organize into industry-focused operating segments (Insurance, Healthcare, Travel, Transportation and Logistics, Banking and Financial Services, and Utilities) and one “capability” operating segment (Finance and Accounting) that provides services to clients in our industry-focused segments as well as clients across other industries. In each of these six operating segments we provide operations management services, which typically involve transfer to the Company of business operations of a client, after which we administer and manage those operations for our client on an ongoing basis. Our remaining two operating segments are Consulting, which provides industry-specific digital transformational services related to operations management services, and our Analytics operating segment, which provides services that focus on driving improved business outcomes for clients by generating data-driven insights across all parts of their business. Together, our operations management and analytics services support our customers’ digital transformation agendas, through our differentiated strategy and approach that we call Digital Intelligence. Digital Intelligence combines our capabilities across domain and data to create context that enables us find opportunities for our clients to improve performance, enhance customer experiences and increase profitably. Our digital professionals then orchestrate domain expertise, process excellence and advanced digital technologies in the right mix to deliver significant business outcomes.

We present information for the following reportable segments:

- Insurance,
- Healthcare,
- Travel, Transportation and Logistics,
- Finance and Accounting,
- Analytics, and
- All Other (consisting of our remaining operating segments, including our Banking and Financial Services, Utilities and Consulting operating segments).

The July 2018 acquisition of SCIOinspire Holdings, Inc. (“SCIO”) is included in the Analytics reportable segment. The December 2017 acquisition of substantially all of the assets, and assumption of certain liabilities related thereto, of Health Integrated, Inc. (“Health Integrated”) is included in the Healthcare reportable segment.

Operations Management Services

Our operations management services, which we provide from our Insurance, Healthcare, Travel, Transportation and Logistics, Finance and Accounting, Banking and Financial Services, Utilities and Consulting operating segments, typically involve the transfer to EXL business operations of a client such as claims processing, clinical operations, or financial transaction processing, after which we administer and manage those operations for our client on an ongoing basis, or in case of consulting, consulting services related to transformation services, including digital transformation services. We use a focused industry vertical approach to manage our business and to provide a suite of integrated

BPM services to organizations in the insurance, healthcare, travel transportation and logistics, banking and financial services and utilities industries in addition to providing finance and accounting and consulting services across these industries as well as to clients in other industries like manufacturing and media among others.

The key differentiators and salient features of our BPM services include our agile operating and delivery model utilizing domain and data expertise and process excellence, the Digital EXLerator Framework™, our ability to deploy a Business Process-as-a-Service (“BPaaS”) delivery model, business process automation (including robotics), consulting-driven digital transformation and our industry vertical focused approach. The Digital EXLerator Framework™, is our integrated approach

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to operations management which enables us to drive better customer outcomes by using advanced automation (such as robotics, advanced analytics and artificial intelligence), process optimization (lean six-sigma), along with smart workflow, driving better orchestration of human talent and technology.

While the majority of our operations management services are provided to clients using client-owned or licensed technology platforms, we also deliver our services across clients and industries using a BPaaS delivery model. The BPaaS delivery model includes the provision of a technology platform along with process management services. The service offering typically requires lower capital outlay, is faster to implement and is priced based on the number of transactions or usage by the client. These services may use standardized and shared technology and operational delivery infrastructure enabling us to leverage technology and infrastructure investments across multiple clients.

The operating segments providing operations management services are described below:

Our Insurance operating segment serves property and casualty insurance, life insurance, disability insurance, annuity and retirement services companies. We provide BPM services related to business processes in the insurance industry such as claims processing, subrogation, premium and benefit administration, agency management, account reconciliation, policy research, underwriting support, new business processing, policy servicing, premium audit, surveys, billing and collection, commercial and residential survey, and customer service using the Digital EXLerator Framework™, robotics and advanced automation. We provide insurance policy administration & digital customer acquisition services using a BPaaS delivery model through our LifePRO® and Liss platforms in order to help clients administer life insurance, health insurance, annuities and credit life and disability insurance policies. We also provide subrogation services to property and casualty insurers using a BPaaS delivery model and our proprietary Subsource® software platform, the largest commercial end-to-end subrogation platform. Subsource® integrates with client systems, manages recovery workflow, increases recoveries and reduces costs.

Our Healthcare operating segment primarily serves U.S.-based healthcare payers, providers and life sciences organizations. We provide BPM services related to Care Management, Utilization Management, multi-chronic case management (“MCCM”), disease management, dual eligible special needs plans (D-SNP), payment integrity, revenue optimization and customer engagement directly addressing the market need for improved healthcare outcomes, reduced claims, medical and administrative costs, and improved access to the healthcare system in the healthcare market.

We offer BPaaS, software-as-a-service (“SaaS”) and platform BPM services designed to serve the healthcare industry as well as proprietary technology platforms, robotics and advanced analytics. EXL’s CareRadius® and MaxMC® applications connect payors, providers and members with critical clinical information, and automates a payor’s operations to increase efficiencies across all aspects of care management, including behavioral health.

Our Travel, Transportation and Logistics operating segment primarily serves clients in the travel & leisure and transportation and logistics industries, including less-than-truckload (LTL), truckload and intermodal logistics sectors. We provide BPM services related to business processes in corporate and leisure travel such as reservations, customer service, fulfillment and finance and accounting. In addition, we have expertise in processing transportation and logistics transactions, including supply chain management, warehousing, transportation management and international logistics services using advanced automation, including robotics process automation. For companies in the transportation and logistics sector, we provide sales, billing, collection, claims management, revenue management, accounting freight audit and payment and logistics engineering services.

Our Finance and Accounting (“F&A”) operating segment provides finance and accounting BPM and Digital Transformation services across an array of F&A processes, including procure-to-pay, order-to-cash, hire-to-retain, record-to-report, regulatory reporting, financial planning and analysis, audit and assurance, reconciliations, treasury and tax processes. This operating segment provides services across the five industry verticals within operations management as well as to clients in other industries like manufacturing, business services, media and retail among

others. We partner with our clients to provide digital transformation services to help them simplify and scale their F&A processes, drive customer centricity, improve controls and compliance, reduce operating costs and deliver rich data driven insights to their businesses. We do this by meaningfully combining our deep capabilities in finance transformation, risk management, advanced analytics and intelligent automation, including artificial intelligence and machine learning.

Our Banking and Financial Services operating segment offers a comprehensive range of BPM services across the spectrum of the banking and financial services industry, including residential mortgage lending, retail banking and credit cards, commercial banking and investment management. Our operating models encompass process re-engineering with improved customer experience and cost reduction. We integrate front-, middle- and back-office operations as one seamless experience with a digitally enabled customer journey and experience framework. EXL uses robotics process automation and proprietary business intelligence tools to innovate workflow management, transaction monitoring, and management

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information and reporting to enhance transparency in regulatory and management reporting. EXL works with financial technology companies to supplement their marketing and sales operations, support their processing and underwriting as well as enhance their servicing and collections efforts.

Our Utilities operating segment services offers BPM services related to enhancing operating models, improving customer experience, reducing costs, shortening turnaround time and simplifying compliance for our clients. By leveraging our “Model Office” framework, we combine domain expertise, customer-centric operations management practices, robotics and advanced analytics capabilities with cloud-based billing and customer relationship management platform, digital services, industry-specific products, business process automation and robotics.

Our Consulting operating segment provides industry-specific digital transformational services, targeting select industries and functions across Insurance, Healthcare, Travel, Transportation and Logistics, Banking and Financial Services and Finance and Accounting. Our services are designed to address contemporary problems across the aforementioned domains, embracing the digital and analytics revolution, to deliver business models that help our clients realize their business and innovation goals and improve their strategic competitive position. Our digital consulting offerings include leveraging design thinking to help improve customer experience, using lean models to drive process excellence and using agile delivery models to implement digital technologies and interventions like customer experience transformation, advanced automation and robotics and enterprise architecture. Our approach to consulting is focused on delivering goals across growth and scalability, customer experience improvement cost and efficiency.

We also offer a full range of finance transformation services to the CFO suite, including finance platform modernization and implementation, finance process transformation and digitization as well as governance, risk and compliance support.

### Analytics

Our Analytics services focus on driving improved business outcomes for our customers by generating data-driven insights across all parts of our customers’ businesses. Our teams deliver predictive and prescriptive analytics in the areas of customer acquisition and lifecycle management, risk underwriting and pricing, operational effectiveness, credit and operational risk monitoring and governance, regulatory reporting, and data management. We use a spectrum of advanced analytical tools and techniques, including our in-house Machine Learning (“ML”) and Artificial Intelligence (“AI”) capabilities. We leverage and deploy our proprietary ML and AI solutions to help deliver improved business outcomes throughout our clients value chain and to address a range of complex industry-wide problems including:

- Advanced natural language understanding and deep learning models to address unstructured text and data,
- Computer-assisted vision and deep learning-based image analytics to analyze photos and videos, and
- Advanced pattern recognition techniques to identify consumer behavior triggers embedded in multiple formats of data.

Our Analytics team comprises over 4,300 professionals, including data scientists, data architects, business analysts, statisticians, modelers, industry domain specialists and data experts.

We help our customers leverage internal and external data sources, enhance their data assets, identify and visualize data patterns, and utilize data-driven insights to improve their effectiveness. Our Analytics services for our customers include:

- Identification, cleansing, matching and use of structured, semi-structured and unstructured data available both internally to our customer’s organization and externally;
- Deployment of analytics professionals and data scientists who utilize analytics tools, cutting edge statistical techniques and methodologies in ways designed to help customers better understand their data to generate actionable business insights;



- Design and implementation of services enabling data visualization and management reporting enabling business users to segment, drill-down, and filter data; and
- Integration of data insights and predictive models in the real-time decision making processes to drive measurable business impact.

Our Analytics engagements span both project work and longer-term arrangements where EXL provides ongoing analytics modeling and services for a year or more. We utilize domain and industry knowledge related to the business problem being considered to support these Analytics engagements.

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Our Analytics services support: (1) retail banking, commercial banking and investment banking and management for the banking and financial services industry; (2) actuarial, claims, informatics, CRM and marketing analysis, medical cost and care management, payment integrity and operational effectiveness in the healthcare industry; (3) marketing and agency management, actuarial, servicing and operations, customer management, and claims and money movement in the insurance industry; and (4) marketing analytics in the retail and media industries.

On July 1, 2018, we completed the acquisition of SCIO pursuant to an Agreement of Merger dated April 28, 2018 (the "Merger Agreement"). SCIO is a health analytics solution and services company serving over 100 healthcare organizations representing over 130 million covered lives across the continuum, including providers, health plans, pharmacy benefit managers, employers, health services and global life sciences companies. SCIO provides Program Integrity services mainly in the area of claims overpayment and abuse and waste related to healthcare spending. The acquisition of SCIO broadened our spectrum of healthcare capabilities to deliver more complex reimbursement optimization, subrogation as well care and risk and quality management to the healthcare industry. SCIO provides scalable predictive analytic solutions and services that transform data into actionable insights, helping healthcare organizations identify opportunities and prescribe actions to drive operational performance and address the healthcare waste epidemic while improving care quality industry.

### Business Strategy

We are a business process management company providing operations management and analytics services that help businesses enhance revenue growth and enhance profitability. Specific elements of our strategy include:

#### Deploying our Digital EXLerator Framework™ in Operations Management

In servicing our operations management clients, we differentiate ourselves by using our proprietary Digital EXLerator Framework™, described above. Digital EXLerator™ has helped EXL win new clients as well as increase satisfaction with existing clients. Advanced automation is another key element where we leverage proprietary and partner technologies to drive operational efficiencies and provide a step-change in the degrees of automation (such as robotics) embedded within the process.

#### Developing Business Process-as-a-Service ("BPaaS") Solutions to distinguish our BPM Solutions

We continue to invest and focus in developing BPaaS and technology-enabled product solutions, including updated and enhanced LifePRO®, Auditstream and Express Survey products. We are shifting part of our servicing model in niche operations management services from our current model to a BPaaS servicing model that offers an integrated technology platform with operations management services. BPaaS services are typically delivered using a transaction-based or outcome-based pricing model and can minimize a client's initial capital investment on technology. In addition to existing solutions, we intend to enter into additional partnerships to develop and take-to-market new BPaaS solutions.

#### Building Industry Solutions

Our focus is to develop industry solutions that will help solve a particular industry problem leveraging our existing operations management capabilities, domain expertise, advanced digital technologies and analytics capabilities. We are building proprietary solutions internally and are also co-creating new solutions with our industry partners and clients. In 2018, we announced two such solutions: (1) a Digital Know Your Customer solution in collaboration with HSBC Holdings, PLC that delivers cost efficiencies for banks and large financial services firms and (2) a Current Expected Credit Loss solution with TransUnion to help banks, saving associations and credit unions to comply with the new regulations of the Financial Accounting Standards Board ("FASB"). Further, in December 2017 we acquired preferred stock in Corridor Platforms Inc., a company in the process of launching a big data credit risk management solution to support real-time credit decisions throughout the customer lifecycle.

#### Building Additional Analytics Capabilities and Solution Offerings

We continue to invest in our Analytics capabilities by expanding our digital solution offerings, enhancing the skill sets and training of our team, and developing reusable intellectual property that can be incorporated into our analytics services. We intend to further increase our investment in our proprietary methodologies and algorithms that help us improve our ability to predict outcomes for our clients to help them capture data signals in a more efficient manner. In

order to optimize the way in which we deliver analytics services to clients and source the highest quality global talent, we intend to continue expanding our multi-shore delivery capabilities by adding to our team of professionals in the United States, United Kingdom, Europe, India, the Philippines, South Africa and Colombia. In addition to hiring directly from educational institutions, we actively look to hire additional experienced senior team members in order to deepen our industry expertise and thought leadership.

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### Extending Our Industry Expertise

We intend to further extend our knowledge and capabilities in the industry verticals we serve in order to enhance our reputation as a provider of business process services. By focusing on transitioning, managing and digitizing more complex and value-enhancing services, we augment our capability to serve our clients, including helping our clients evolve their digital transformation efforts. In order to market our base of experience externally, we intend to continue to produce additional primary research and technical papers in order to enhance our reputation as industry thought leaders.

### Recruiting, Training, and Retaining the Most Talented Professionals

We have instituted an integrated talent management framework through active collaboration between our recruitment, capability development and business human resource functions. We deploy innovative methods to recruit, train and retain our skilled employees. We intend to focus on recruiting the right talent and develop them further on relevant competencies through our learning academies, rigorous promotion standards, client and industry specific training and competitive compensation packages that include incentive-based compensation. We are able to leverage shared resources across our services, particularly those in operations management, including as a result of our personnel having skillsets applicable to a wide variety of BPM services. We supplement our scope of operations experience with several industry-specific domain academies to enhance the specialization quotient of our employees.

### Cultivating Long-term Relationships and Expanding our Client Base

We continue to maintain our focus on cultivating long-term client relationships as well as attracting new clients. We believe there are significant opportunities for additional growth within our existing clients, and we seek to expand these relationships by:

- Increasing the depth and breadth of the services we provide across new client business, functions and geographies;
- Offering the full suite of EXL services that includes operations management (including consulting; digital transformation) and analytics; and
- Supporting our clients' geographic expansion leveraging our global footprint.

We intend to continue building a portfolio of Fortune 500 and Global 2000 companies in our focus industries that have the most complex and diverse processes and, accordingly, stand to benefit significantly from our services. We also intend to cultivate long-term relationships with medium-sized companies in our focus industries leveraging our BPaaS and technology offerings.

### Expanding our Global Delivery Footprint and Operational Infrastructure

We intend to further expand and invest in our network of delivery centers to service our clients. In 2018, we expanded our operations centers in India and in the United States, including an operating facility in Connecticut in the United States and Chennai in India as a result of our acquisition of SCIO. In 2017, our acquisition of the Health Integrated business added an operating facility in Tampa, Florida.

### Pursuing Strategic Relationships and Acquisitions

We intend to continue making selective acquisitions in our focus industry verticals as well as to add to our capabilities. We consider selective strategic relationships with industry leaders that add new long-term client relationships, enhance the depth and breadth of our services and complement our business strategy. We also pursue select partnerships, alliances or investments that will expand the scope and effectiveness of our services by adding proprietary technology assets and intellectual property, adding new clients or allowing us to enter new geographic markets. In 2018, we launched our Connected Intelligence Partnership programs to expand our technology and innovation ecosystem to accelerate client business outcomes from digital transformation. The Connected Intelligence program has enhanced go-to-market opportunities with new programs for emerging innovators and startups, digital technology partners, industry solution partners and alliances and associations to deliver leading digital solutions and services to its clients.

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### Our Industry

#### Operations Management

BPM service providers work with clients to transfer their key business processes to reduce costs, improve process quality, handle increased transaction volumes and reduce redundancy. BPM providers can enable organizations to enhance profitability and increase efficiency and reliability, permitting them to concentrate on their core areas of competence. BPM is a long-term strategic commitment for a company that, once implemented, is generally not subject to cyclical spending or information technology budget fluctuations. Increased global demand, cost improvements in international communications and the automation of many business services have created a significant opportunity for BPM providers with offshore delivery capabilities, and many companies are moving select office processes to providers with the capacity to perform these functions from overseas locations. We believe the demand for BPM services will be primarily led by industries that are transaction-driven and that require significant customer interactions.

According to India's National Association of Software and Service Companies, an industry trade organization, exports from India in the information technology and BPM industry are expected to grow 7%-9% year over year in the fiscal year ending March 31, 2019.

#### Analytics

Companies are increasingly looking to BPM service providers to provide a suite of analytics services, including statistical tools, models and techniques to clean, organize and examine structured and unstructured corporate data. This data is then used by companies to generate specific business-related analysis and insights into their business and prospects. The enhanced generation of business data across multiple formats, substantial reduction in data storage costs, growing enterprise demand for data-driven and real-time decision making and availability of sophisticated analytics tools have enabled companies to overcome a local shortage of specialized analytics talent and benefit from global labor markets. BPM service providers who can develop industry-specific analytics expertise are especially well poised to benefit from this global trend.

#### Sales, Marketing and Client Management

We market our services to our existing and prospective clients through our sales and client management teams, which are aligned by industry verticals and cross-industry domains such as finance and accounting and consulting. Our sales and client management teams operate from the U.S., Europe, Australia and South Africa are supported by our business development teams.

Our sales, marketing and business development teams are responsible for new client acquisitions, public relations, relations with outsourcing advisory companies, analyst relations and rankings, lead generation, knowledge management, content development, campaign management, digital or web presence, brand awareness and participation in industry forums and conferences. As of December 31, 2018, we employed approximately 150 sales, marketing, business development and client management professionals with the majority of them based in either the U.S. or Europe. Our professionals generally have significant experience in business process services, technology, operations, analytics and consulting.

#### Clients

EXL generated revenues from approximately 480 clients and 420 clients in 2018 and 2017, respectively (with annual revenue exceeding \$50,000 per client). We have won 50 and 42 new clients during 2018 and 2017, respectively. Our top three, five and ten clients generated 16.4%, 23.7% and 37.2% of our revenues, respectively, in 2018. Our top three, five and ten clients generated 17.1%, 24.6% and 38.6% of our revenues, respectively, in 2017. No client accounted for more than 10% of our total revenues in 2018 or 2017. Our revenue concentration with our top clients remains consistent year-over-year and we continue to develop relationships with new clients to diversify our client base. We believe that the loss of any of our ten largest clients could have a material adverse effect on our financial performance. See "Item 1A. Risk Factors-Risks Related to Our Business-We derive a substantial portion of our revenues from a limited number of clients."

Our long-term relationships with our clients typically evolve from providing a single, discrete service or process into providing a series of complex, integrated processes across multiple business lines. For operations management

services other than consulting, we enter into long-term agreements with our clients with typical initial terms of between three to five years. Consulting engagements have typical terms of six to twelve months. Agreements for Analytics services are either project based or having shorter initial terms, which are typically between one to three years. However, each agreement is individually negotiated with the client.

#### Competition

Competition in the BPM services industry is intense and growing. See “Item 1A. Risk Factors-Risks Related to Our Business-We face significant competition from U.S.-based and non-U.S.-based BPM and information technology (“IT”)

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companies and from our clients, who may build shared services centers to perform these services themselves, either in-house, in the U.S. or through offshore groups or other arrangements.” Many companies, including certain of our clients, choose to perform some or all of their customer-facing and back-office processes internally, utilizing their own employees to provide these services as part of their regular business operations. Some companies have moved portions of their in-house customer management functions offshore, including to offshore affiliates. We believe our key advantage over in-house business processes management is that we provide companies the opportunity to focus on their core products and markets while we focus on service delivery and operational excellence. We compete primarily against:

- BPM service companies with delivery capability in offshore locations, particularly India, such as Genpact Limited and WNS (Holdings) Limited;

- BPM divisions of large global IT service companies, such as Accenture, Cognizant Technology Solutions, Infosys and Tata Consultancy Services;

- Niche providers that provide services in a specific geographic market, industry or service area such as analytics or healthcare; and

- Leading accounting and management consulting firms.

We compete against these entities by working to establish ourselves as a service provider with deep industry expertise, strong client relationships, leading industry talent, superior operational and process capabilities, differentiated technology and BPaaS solutions, and sophisticated analytic and consulting capabilities, which enable us to respond rapidly to market trends and the evolving needs of our clients.

### Intellectual Property

Our intellectual property consists of proprietary and licensed platforms, software and databases, trade secrets, methodologies and know-how, trademarks, copyrighted software, operating procedures and other materials and patents and pending patent applications. We have several registered trademarks and logos, three issued patents and several pending patent and trademark applications with the U.S. Patent and Trademark Office and certain foreign jurisdictions. We consider many of our business processes and implementation methodologies to be trade secrets or proprietary know-how and confidential information. To provide our services, in addition to our own proprietary tools, we use software and data licensed by us or our clients from third parties. We also use SaaS services from third parties pursuant to contracts with us or our clients. In particular, we have developed several strategic partnerships with robotics and process automation software companies to facilitate our offering of automation to our clients.

Clients and business partners sign nondisclosure agreements requiring confidential treatment of our information. Our employees are required to sign work-for-hire and confidentiality covenants as a condition to their employment.

Our technology group and various business lines develop proprietary tools that we deploy to support services for our clients. We typically retain ownership of any pre-existing tools. While working on client engagements, we also often develop new tools or methodologies, including robotics and process automation software or “bots,” and we endeavor to negotiate contracts that give us ownership or licenses to use or demonstrate such tools for other clients.

### Information Security and Data Privacy

We have a strong focus on information security, cyber security, data privacy and the protection of our clients’ and their customers’ confidential personal and sensitive information. We have made significant investments to strengthen our information security and cyber security posture and protocols to ensure compliance with our contractual obligations and the laws and regulations governing our activities. These investments include people, processes and technology intended to protect information throughout its life cycle.

EXL places significant focus on implementing and maintaining cyber security capabilities to identify, protect, detect, respond and recover from cyber threats, incidents and attacks; reduce vulnerabilities and minimize the impact of cyber incidents. We have a culture of compliance and institutional governance built upon and supported by policies and processes, tools and technologies, and regular knowledge and awareness training. EXL takes into account guidance from the Cyber Security Framework of the National Institute of Standards and Technology of the U.S. Department of Commerce in designing controls and policies regarding security for client and business data. EXL has undertaken measures designed to comply with new European privacy regulations, including the General Data Protection

Regulation (EU) 2016/679 (“GDPR”) and/or any corresponding or equivalent national laws or regulations.

According to the needs of our clients as well as the regulatory requirements of the geographies in which we operate, many of our delivery centers are certified in regard to quality, information security and employee safety, such as the ISO 9001:2008 standard for quality management system, the ISO 27001:2013 standard for our information security management system and the OHSAS 18001:2007 standard for our occupational health and safety management system. Some of our centers in the Philippines and South Africa and certain client processes in other operation centers in India are compliant with the Payment Card Industry Data Security Standard (PCI-DSS) version 3.2 or higher requirements. We engage independent firms

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to conduct General Controls and business process specific SSAE 16 (SOC I - Type II) assessments EXL offers managed hosting environments for our BPaaS solutions in our Insurance and Healthcare verticals. The technology applications designed to meet disaster recover requirements are hosted in ISO 27001 certified, SSAE18 SOC1 Compliant Tier 4 data centers that are proactively monitored and managed 24 hours a day to meet the client's business requirements.

We have a robust, wide area network and international telecommunications capacity to support our global business operations. Our infrastructure is built to industry standards, leveraging leading technology providers and partners. Our business continuity management includes plans to mitigate and manage operational risks by building resilience and redundancy in our telecommunications and network infrastructure, applications and IT infrastructure, utilities and power, and trained talent across our service delivery locations.

### Employees

As of December 31, 2018, we had a headcount of approximately 29,100 employees, with approximately 20,200 employees based in India and approximately 5,100 employees in the Philippines. We have approximately 2,700 employees in the U.S, 200 employees in the U.K., 200 employees in Colombia, and 400 employees in the Czech Republic, Bulgaria, Romania, and 300 in South Africa and other geographies. None of our employees are unionized. We have never experienced any work stoppages and believe that we enjoy good employee relations.

### Hiring and Recruiting

Our employees are critical to the success of our business. Accordingly, we focus on recruiting, training and retaining our professionals. We have developed effective strategies that enable an efficient recruitment process. We have over 110 employees dedicated to recruitment. Some of the strategies we have adopted to increase efficiency in our hiring practices include the utilization of online voice assessments and a centralized hiring center. Our hiring policies focus on identifying high quality employees who demonstrate a propensity for learning, contribution to client services and growth. Candidates must undergo numerous tests and interviews before we extend offers for employment. We also conduct background checks on candidates, including criminal background checks, where permitted and as required by clients or on a sample basis. In addition, where permitted and required for client services, we perform random drug testing on the workforce on a regular basis.

We offer our employees competitive compensation packages that include incentive-based compensation and offer a variety of benefits that vary by facility, including free transport to and from home in certain circumstances, subsidized meals and free access to recreational facilities that are located within some of our operations centers. Our attrition rate for employees who had been with EXL for more than 180 days was 31.8% and 32.0% for the years ended December 31, 2018 and 201