TELETECH HOLDINGS INC
Form 10-Q
May 11, 2015
Table of Contents

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

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

For the quarterly period ended March 31, 2015

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.

(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 R 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 þ 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 o

Accelerated filer þ

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

Smaller reporting company o

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

Yes £ No R

As of May 4, 2015, there were 48,444,321 shares of the registrant s common stock outstanding.

Table of Contents

TELETECH HOLDINGS, INC. AND SUBSIDIARIES

MARCH 31, 2015 FORM 10-Q

TABLE OF CONTENTS

		Page No.
PART I. FINANCIAL INFORMATION		
Item 1.	Financial Statements	
	Consolidated Balance Sheets as of March 31, 2015 and December 31, 2014 (unaudited)	1
	Consolidated Statements of Comprehensive Income for the three months ended March 31, 2015 and 2014 (unaudited)	2
	Consolidated Statement of Stockholders Equity as of and for the three months ended March 31, 2015 (unaudited)	3
	Consolidated Statements of Cash Flows for the three months ended March 31, 2015 and 2014 (unaudited)	4
	Notes to the Unaudited Consolidated Financial Statements	5
Item 2.	Management s Discussion and Analysis of Financial Condition and Results of Operations	22
Item 3.	Quantitative and Qualitative Disclosures about Market Risk	31
Item 4.	Controls and Procedures	34
PART II. OTHER INFORMATION		
Item 1.	Legal Proceedings	34
Item 1A.	Risk Factors	34
Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds	35
Item 6.	Exhibits	36
SIGNATURES		37
EXHIBIT INDEX		38

Table of Contents

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

TELETECH HOLDINGS, INC. AND SUBSIDIARIES

Consolidated Balance Sheets

(Amounts in thousands, except share amounts)

(Unaudited)

	March 31, 2015	December 31, 2014
ASSETS		
Current assets		
Cash and cash equivalents	$ 65,714	$ 77,316
Accounts receivable, net	295,719	276,432
Prepaids and other current assets	66,609	64,702
Deferred tax assets, net	22,783	22,501
Income tax receivable	4,638	4,532
Total current assets	455,463	445,483
Long-term assets		
Property, plant and equipment, net	150,017	150,212
Goodwill	127,588	128,705
Deferred tax assets, net	30,035	31,512
Other intangible assets, net	56,528	59,905
Other long-term assets	44,852	36,658
Total long-term assets	409,020	406,992
Total assets	$ 864,483	$ 852,475
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities		
Accounts payable	$ 31,785	$ 37,019
Accrued employee compensation and benefits	69,492	70,069
Other accrued expenses	32,969	34,430
Income taxes payable	9,298	10,141
Deferred tax liabilities, net	34	-
Deferred revenue	29,440	29,887
Other current liabilities	17,610	17,085
Total current liabilities	190,628	198,631
Long-term liabilities		
Line of credit	126,000	100,000
Deferred tax liabilities, net	2,866	4,675
Deferred rent	9,589	8,956
Other long-term liabilities	77,248	74,149
Total long-term liabilities	215,703	187,780
Total liabilities	406,331	386,411
Commitments and contingencies (Note 10)		
Mandatorily redeemable noncontrolling interest	3,411	2,814
Stockholders equity		

Preferred stock - $0.01 par value: 10,000,000 shares authorized; zero shares outstanding as of March 31, 2015 and December 31, 2014		-		-
Common stock - $0.01 par value; 150,000,000 shares authorized; 48,366,272 and 48,452,852 shares outstanding as of March 31, 2015 and December 31, 2014, respectively		484		485
Additional paid-in capital		355,779		356,792
Treasury stock at cost: 33,685,981 and 33,599,401 shares as of March 31, 2015 and December 31, 2014, respectively		(530,818)		(527,595)
Accumulated other comprehensive income (loss)		(66,020)		(52,274)
Retained earnings		687,497		677,859
Noncontrolling interest		7,819		7,983
Total stockholders equity		454,741		463,250
Total liabilities and stockholders equity	$	864,483	$	852,475

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

1

Table of Contents

TELETECH HOLDINGS, INC. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income (Loss)

(Amounts in thousands, except per share amounts)

(Unaudited)

	Three Months Ended March 31,			
		2015		2014
Revenue	$	325,521	$	302,221
Operating expenses				
Cost of services		232,984		213,787
Selling, general and administrative		50,237		50,367
Depreciation and amortization		15,363		13,170
Restructuring charges, net		809		540
Total operating expenses		299,393		277,864
Income from operations		26,128		24,357
Other income (expense)				
Interest income		317		511
Interest expense		(1,698)		(1,690)
Other income (expense), net		(307)		1,001
Total other income (expense)		(1,688)		(178)
Income before income taxes		24,440		24,179
Provision for income taxes		(4,405)		(2,876)
Net income		20,035		21,303
Net income attributable to noncontrolling interest		(1,263)		(1,085)
Net income attributable to TeleTech stockholders	$	18,772	$	20,218
Other comprehensive income (loss)				
Net income	$	20,035	$	21,303
Foreign currency translation adjustments		(11,283)		(1,723)
Derivative valuation, gross		(1,645)		(3,917)
Derivative valuation, tax effect		1,493		1,382
Other, net of tax		(2,595)		276
Total other comprehensive income (loss)		(14,030)		(3,982)
Total comprehensive income (loss)		6,005		17,321
Less: Comprehensive income attributable to noncontrolling interest		(806)		(992)
Comprehensive income attributable to TeleTech stockholders	$	5,199	$	16,329
Weighted average shares outstanding				
Basic		48,370		50,045
Diluted		49,158		50,973
Net income per share attributable to TeleTech stockholders				
Basic	$	0.39	$	0.40
Diluted	$	0.38	$	0.40

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)

Stockholders Equity of the Company

	Preferred Stock		Common Stock				Accumulated			
	Shares	Amount	Shares	Amount	Treasury Stock	Additional Paid-in Capital	Other Comprehensive Income (Loss)	Retained Earnings	Noncontrolling interest	Total Equity
Balance as of December 31, 2014	-	$ -	48,453	$ 485	$ (527,595)	$ 356,792	$ (52,274)	$ 677,859	$ 7,983	$ 463,250
Net income	-	-	-	-	-	-	-	18,772	1,090	19,862
Dividends to shareholders	-	-	-	-	-	-	-	(8,710)	-	(8,710)
Adjustments to redemption value of mandatorily redeemable noncontrolling interest	-	-	-	-	-	-	-	(424)	-	(424)
Dividends distributed to noncontrolling interest		-	-	-	-	-	-	-	(990)	(990)
Foreign currency translation adjustments	-	-	-	-	-	-	(10,999)	-	(284)	(11,283)
Derivatives valuation, net of tax	-	-	-	-	-	-	(152)	-	-	(152)
Vesting of restricted stock units	-	-	159	2	2,456	(3,766)	-	-	-	(1,308)
Exercise of stock options	-	-	15	-	233	1	-	-	-	234
Excess tax benefit from equity-based awards	-	-	-	-	-	111	-	-	-	111
Equity-based compensation expense	-	-	-	-	-	2,641	-	-	20	2,661
Purchases of common stock	-	-	(261)	(3)	(5,912)	-	-	-	-	(5,915)
Other, net of tax	-	-	-	-	-	-	(2,595)	-	-	(2,595)
Balance as of March 31, 2015	-	$ -	48,366	$ 484	$ (530,818)	$ 355,779	$ (66,020)	$ 687,497	$ 7,819	$ 454,741

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)

	Three Months Ended March 31, 2015	2014
Cash flows from operating activities		
Net income	$ 20,035	$ 21,303
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	15,363	13,170
Amortization of contract acquisition costs	281	358
Amortization of debt issuance costs	178	170
Imputed interest expense and fair value adjustments to contingent consideration	209	200
Provision for doubtful accounts	53	113
Gain on disposal of assets	(35)	-
Impairment losses	-	-
Deferred income taxes	(1,479)	990
Excess tax benefit from equity-based awards	(409)	(788)
Equity-based compensation expense	2,690	3,160
Gain on foreign currency derivatives	87	(634)
Changes in assets and liabilities, net of acquisitions:		
Accounts receivable	(24,821)	(8,092)
Prepaids and other assets	1,849	1,618
Accounts payable and accrued expenses	(7,583)	(10,817)
Deferred revenue and other liabilities	(2,598)	(7,214)
Net cash provided by operating activities	3,820	13,537
Cash flows from investing activities		
Proceeds from sale of long lived assets	-	135
Purchases of property, plant and equipment, net of acquisitions	(13,038)	(15,095)
Investment in securities	(9,000)	-
Acquisitions, net of cash acquired of zero and $812, respectively	(102)	(8,160)
Net cash used in investing activities	(22,140)	(23,120)
Cash flows from financing activities		
Proceeds from line of credit	573,800	632,900
Payments on line of credit	(547,800)	(632,900)
Payments on other debt	(778)	(1,525)
Payments of contingent consideration related to acquisitions	(1,000)	(2,189)
Dividends paid to shareholders	(8,710)	-
Payments to noncontrolling interest	(990)	(990)
Proceeds from exercise of stock options	234	12
Excess tax benefit from equity-based awards	409	788
Purchase of treasury stock	(5,915)	(20,466)
Net cash used in financing activities	9,250	(24,370)
Effect of exchange rate changes on cash and cash equivalents	(2,532)	(3,687)
Decrease in cash and cash equivalents	(11,602)	(37,640)
Cash and cash equivalents, beginning of period	77,316	158,017
Cash and cash equivalents, end of period	$ 65,714	$ 120,377

Supplemental disclosures

Cash paid for interest	$	1,340	$	982
Cash paid for income taxes	$	2,803	$	2,834
Non-cash investing and financing activities				
Acquisition of equipment through increase in accounts payable	$	1,704	$	941
Contract acquisition costs credited to accounts receivable	$	-	$	1,000

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

Table of Contents

TELETECH HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

(1) OVERVIEW AND BASIS OF PRESENTATION

Summary of Business

TeleTech Holdings, Inc. and its subsidiaries (TeleTech or the Company) is a customer engagement management services provider, delivering integrated consulting, technology, growth and customer care solutions on a global scale. Our suite of product and service capabilities allows us to design and deliver enhanced, value-driven customer experiences across numerous communication channels. TeleTech s 44,000 employees serve clients in the automotive, communication, financial services, government, healthcare, logistics, media and entertainment, retail, technology, transportation and travel industries via operations in the U.S., Australia, Belgium, Brazil, Bulgaria, Canada, Costa Rica, Germany, Ireland, Israel, Lebanon, Macedonia, Mexico, New Zealand, the Philippines, Poland, Singapore, South Africa, Thailand, Turkey, the United Arab Emirates, and the United Kingdom.

Basis of Presentation

The Consolidated Financial Statements are comprised of the accounts of TeleTech, its wholly owned subsidiaries, its 55% equity owned subsidiary Percepta, LLC, and its 80% interest in iKnowtion, LLC. All intercompany balances and transactions have been eliminated in consolidation.

The unaudited Consolidated Financial Statements do not include all of the disclosures required by accounting principles generally accepted in the U.S. (GAAP), pursuant to the rules and regulations of the Securities and Exchange Commission (SEC). The unaudited Consolidated Financial Statements reflect all adjustments which, in the opinion of management, are necessary to present fairly the consolidated financial position of the Company and the consolidated results of operations and comprehensive income (loss) and the consolidated cash flows of the Company. Operating results for the periods presented are not necessarily indicative of the results that may be expected for the year ending December 31, 2015.

These unaudited Consolidated Financial Statements should be read in conjunction with the Company s audited Consolidated financial Statements and footnotes thereto included in the Company s Annual Report on Form 10-K for the year ended December 31, 2014.

Use of Estimates

The preparation of the Consolidated Financial Statements in conformity with GAAP requires management to make estimates and assumptions in determining the reported amounts of assets and liabilities, disclosure of contingent liabilities at the date of the Consolidated Financial Statements and the reported amounts of revenue and expenses during the reporting period. On an on-going basis, the Company evaluates its estimates including those related to derivatives and hedging activities, income taxes including the valuation allowance for deferred tax assets, self-insurance reserves, litigation reserves, restructuring reserves, allowance for doubtful accounts, contingent consideration, and valuation of goodwill, long-lived and intangible assets. The Company bases its estimates on historical experience and on various other assumptions that are believed to be reasonable, the results of which form the basis for making judgments about the carrying values of assets and liabilities. Actual results may differ materially from these estimates under different assumptions or conditions.

Recently Issued Accounting Pronouncements

In April 2015, the FASB issued ASU No. 2015-03, Simplifying the Presentation of Debt Issuance Costs . ASU 2015-03 requires all costs incurred in connection with the issuance of debt to be presented in the balance sheet as a direct deduction from the carrying value of the associated debt liability. This ASU is effective for interim and annual periods beginning on or after December 15, 2015 and early adoption is permitted. The Company is evaluating when it will adopt the standard but does not expect the adoption of this standard to have a material impact on its financial position, results of operation or related disclosures.

Table of Contents

TELETECH HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

(2) ACQUISITIONS & INVESTMENTS

rogenSi

In the third quarter of 2014, as an addition to the Customer Strategy Services (CSS) segment, the Company acquired substantially all operating assets of rogenSi Worldwide PTY, Ltd., a global leadership, change management, sales, performance training and consulting company.

The total purchase price was $34.4 million, subject to certain working capital adjustments, and consists of $18.1 million in cash at closing and an estimated $14.5 million in three earn-out payments, contingent on the acquired companies and TeleTech s CSS segment achieving certain agreed earnings before interest, taxes, depreciation and amortization (EBITDA) targets, as defined in the sale and purchase agreement. Additionally, the estimated purchase price included a $1.8 million hold-back payment for contingencies as defined in the sale and purchase agreement which will be paid in the first quarter of 2016, if required. The total contingent consideration possible per the sale and purchase agreement ranges from zero to $17.6 million and the earn-out payments are payable in early 2015, 2016 and 2017, based on July 1, 2014 through December 31, 2014, and full year 2015 and 2016 performance, respectively.

The fair value of the contingent consideration was measured by applying a probability weighted discounted cash flow model based on significant inputs not observable in the market (Level 3 inputs). Key assumptions include a discount rate of 4.6% and expected future value of payments of $15.3 million. The $15.3 million of expected future payments was calculated using a probability weighted EBITDA assessment with the highest probability associated with rogenSi achieving the targeted EBITDA for each earn-out year. As of the acquisition date, the fair value of the contingent consideration was approximately $14.5 million. During the fourth quarter of 2014, the Company recorded a fair value adjustment of the contingent consideration of $0.5 million based on revised estimates noting higher probability of exceeding the EBITDA targets (see Note 7). As of March 31, 2015, the fair value of the contingent consideration was $15.3 million, of which $11.3 million and $4.0 million were included in Other accrued expenses and Other long-term liabilities in the accompanying Consolidated Balance Sheets, respectively.

The following summarizes the preliminary estimated fair values of the identifiable assets acquired and liabilities assumed as of the acquisition date (in thousands):

	Preliminary Estimate of Acquisition Date

		Fair Value
Cash	$	2,670
Accounts receivable, net		6,417
Other assets		2,880
Property, plant and equipment		578
Deferred tax assets, net		449
Customer relationships		9,348
Goodwill		20,927
		43,269
Accounts payable		708
Accrued employee compensation and benefits		2,203
Accrued expenses		1,146
Other		4,843
		8,900
Total purchase price	$	34,369

Table of Contents

TELETECH HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

The estimates of fair value of identifiable assets acquired and liabilities assumed are preliminary, pending completion of a valuation, thus are subject to revisions that may result in adjustments to the values presented above.

The rogenSi customer relationships have been estimated based on similar acquisitions and are amortized over an estimated useful life of five years. The goodwill recognized from the rogenSi acquisition is estimated to be attributable, but not limited to, the acquired workforce and expected synergies within CSS. None of the tax basis of the acquired intangibles and goodwill will be deductible for income tax purposes. The acquired goodwill and the operating results of rogenSi are reported, as its own reporting unit, within the CSS segment from the date of acquisition.

Sofica

In the first quarter of 2014, as an addition to the Customer Management Services (CMS) segment, the Company acquired a 100% interest in Sofica Group, a Bulgarian joint stock company (Sofica). Sofica provides customer lifecycle management and other business process services across multiple channels in multiple sites in over 18 languages.

The purchase price of $14.2 million included $9.4 million in cash consideration (including working capital adjustments) and an estimated $3.8 million in earn-out payments, payable in 2015 and 2016, contingent on Sofica achieving specified EBITDA targets, as defined by the stock purchase agreement. The total contingent consideration possible per the stock purchase agreement ranges from zero to $7.5 million. Additionally, the purchase price includes a $1.0 million hold-back payment for contingencies as defined in the stock purchase agreement which will be paid in the second quarter of 2016, if required.

The fair value of the contingent consideration was measured based on significant inputs not observable in the market (Level 3 inputs). Key assumptions include a discount rate of 5.0% and expected future value of payments of $4.0 million. The $4.0 million of expected future payments was calculated using a probability weighted EBITDA assessment with the highest probability associated with Sofica achieving the targeted EBITDA for each earn-out year. As of the acquisition date, the fair value of the contingent consideration was approximately $3.8 million. During the third and fourth quarters of 2014, the Company recorded fair value adjustments of the contingent consideration of $1.8 million and $0.6 million, respectively based on revised estimates noting higher probability of exceeding the EBITDA targets (see Note 7). As of March 31, 2015, the fair value of the contingent consideration was $6.4 million, of which $3.6 million and $2.8 million were included in Other accrued expenses and Other long-term liabilities in the accompanying Consolidated Balance Sheets, respectively.

Financial Impact of Acquired Businesses

The acquired businesses purchased in 2014 noted above contributed revenues of $12.6 million and income from operations of $1.1 million, inclusive of $0.7 million of acquired intangible amortization, to the Company for the three months ended March 31, 2015.

Investments

Café X

In the first quarter of 2015, the Company invested $9.0 million in CafeX Communications, Inc. (CafeX) through the purchase of a portion of the Series B Preferred Stock of CafeX. After the transaction, the Company owns 17.3% of the total equity of CafeX. CaféX is a provider of omni-channel web-based real time communication (WebRTC) solutions that enhance mobile applications and websites with in-app video communication and screen share technology to increase customer satisfaction and enterprise efficiency. TeleTech anticipates deploying the CafeX technology as part of the TeleTech customer experience offerings within the CMS business segment and as part of its Humanify platform.

Table of Contents

TELETECH HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

(3) SEGMENT INFORMATION

The Company reports the following four segments:

- the CMS segment includes the customer experience delivery solutions which integrate innovative technology with highly-trained customer experience professionals to optimize the customer experience across all channels and all stages of the customer lifecycle from an onshore, offshore or work-from-home environment;
- the CGS segment provides technology-enabled sales and marketing solutions that support revenue generation across the customer lifecycle, including sales advisory, search engine optimization, digital demand generation, lead qualification, and acquisition sales, growth and retention services;
- the CTS segment includes operational and design consulting, systems integration, and cloud and on-premise managed services, the requirements needed to design, deliver and maintain best-in-class multichannel customer engagement platforms; and
- the CSS segment provides professional services in customer experience strategy, customer intelligence analytics, system and operational process optimization, and culture development and knowledge management.

The Company allocates to each segment its portion of corporate operating expenses. All intercompany transactions between the reported segments for the periods presented have been eliminated.

The following tables present certain financial data by segment (in thousands):

Quarter Ended March 31, 2015										
		Gross Revenue		Intersegment Sales		Net Revenue		Depreciation & Amortization		Income (Loss) from Operations
Customer Management Services	$	243,009	$	-	$	243,009	$	10,797	$	21,702
Customer Growth Services		25,956		-		25,956		1,485		26
Customer Technology Services		35,721		(7)		35,714		2,164		2,009
Customer Strategy Services		20,842		-		20,842		917		2,391
Total	$	325,528	$	(7)	$	325,521	$	15,363	$	26,128
Quarter Ended March 31, 2014										

	Gross Revenue	Intersegment Sales	Net Revenue	Depreciation & Amortization	Income (Loss) from Operations
Customer Management Services	$ 227,924	$ -	$ 227,924	$ 9,465	$ 20,823
Customer Growth Services	28,905	-	28,905	1,556	1,770
Customer Technology Services	32,779	(3)	32,776	1,715	311
Customer Strategy Services	12,616	-	12,616	434	1,453
Total	$ 302,224	$ (3)	$ 302,221	$ 13,170	$ 24,357

	Three Months Ended March 31, 2015	2014
Capital Expenditures		
Customer Management Services	$ 9,447	$ 9,912
Customer Growth Services	1,305	380
Customer Technology Services	2,282	4,631
Customer Strategy Services	4	172
Total	$ 13,038	$ 15,095

Table of Contents

TELETECH HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

	March 31, 2015	December 31, 2014
Total Assets		
Customer Management Services	$ 533,622	$ 514,957
Customer Growth Services	83,240	88,394
Customer Technology Services	158,822	159,441
Customer Strategy Services	88,799	89,683
Total	$ 864,483	$ 852,475

	March 31, 2015	December 31, 2014
Goodwill		
Customer Management Services	$ 25,410	$ 25,871
Customer Growth Services	30,395	30,395
Customer Technology Services	42,709	42,709
Customer Strategy Services	29,074	29,730
Total	$ 127,588	$ 128,705

The following table presents revenue based upon the geographic location where the services are provided (in thousands):

	Three Months Ended March 31,	
	2015	2014
United States	$ 171,653	$ 146,469
Philippines	84,987	86,666
Latin America	40,554	42,046
Europe / Middle East / Africa	19,313	19,217
Asia Pacific	7,674	6,400
Canada	1,340	1,423
Total Revenue	$ 325,521	$ 302,221

(4) SIGNIFICANT CLIENTS AND OTHER CONCENTRATIONS

The Company had one client that contributed in excess of 10% of total revenue for the three months ended March 31, 2015 and 2014. This client operates in the communications industry and is included in the Customer Management Services segment. This client contributed 10.9% and 11.6% of total revenue for the three months ended March 31, 2015 and 2014, respectively. This client had an outstanding receivable balance of $37.6 million and $32.3 million as of March 31, 2015 and 2014, respectively.

The loss of one or more of its significant clients could have a material adverse effect on the Company s business, operating results, or financial condition. The Company does not require collateral from its clients. To limit the Company s credit risk, management performs periodic credit evaluations of its clients and maintains allowances for uncollectible accounts and may require pre-payment for services. Although the Company is impacted by economic conditions in various industry segments, management does not

believe significant credit risk existed as of March 31, 2015.

Table of Contents

TELETECH HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

(5) GOODWILL

Goodwill consisted of the following (in thousands):

	December 31, 2014	Acquisitions/ Adjustments	Impairments	Effect of Foreign Currency	March 31, 2015
Customer Management Services	$ 25,871	$ -	$ -	$ (461)	$ 25,410
Customer Growth Services	30,395	-	-	-	30,395
Customer Technology Services	42,709	-	-	-	42,709
Customer Strategy Services	29,730	68	-	(724)	29,074
Total	$ 128,705	$ 68	$ -	$ (1,185)	$ 127,588

The Company performs a goodwill impairment assessment on at least an annual basis. The Company conducts its annual goodwill impairment assessment during the fourth quarter, or more frequently, if indicators of impairment exist.

The Company concluded that goodwill for all reporting units was not impaired at December 1, 2014. While no impairment indicators were identified, due to the small margin of fair value in excess of carrying value for two reporting units, Revana (approximately 6.0%) and WebMetro (approximately 11%), these reporting units remain at considerable risk for future impairment if projected operating results are not met or other inputs into the fair value measurement change.

At March 31, 2015, the Company updated its quantitative assessment of these reporting units fair value using an income based approach. The determination of fair value requires significant judgments including estimation of future cash flows, which is dependent on internal forecasts, estimation of the long-term growth rates for the businesses, the useful lives over which the cash flows will occur and determination of appropriate discount rates (based in part on the Company s weighted average cost of capital). Changes in these estimates and assumptions could materially affect the determination of fair value and/or conclusions on goodwill impairment for each reporting unit. As of March 31, 2015, the updated fair values continue to exceed the carrying values for Revana (approximately 12%) and WebMetro (approximately 17%). The Company will continue to review the calculated fair value of these reporting units until the fair value is substantially in excess of its carrying value.

Table of Contents

TELETECH HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

(6) DERIVATIVES

Cash Flow Hedges

The Company enters into foreign exchange and interest rate related derivatives. Foreign exchange derivatives entered into consist of forward and option contracts to reduce the Company s exposure to foreign currency exchange rate fluctuations that are associated with forecasted revenue earned in foreign locations. Interest rate derivatives consist of interest rate swaps to reduce the Company s exposure to interest rate fluctuations associated with its variable rate debt. Upon proper qualification, these contracts are designated as cash flow hedges. It is the Company s policy to only enter into derivative contracts with investment grade counterparty financial institutions, and correspondingly, the fair value of derivative assets consider, among other factors, the creditworthiness of these counterparties. Conversely, the fair value of derivative liabilities reflects the Company s creditworthiness. As of March 31, 2015, the Company had not experienced, nor does it anticipate, any issues related to derivative counterparty defaults. The following table summarizes the aggregate unrealized net gain or loss in Accumulated other comprehensive income (loss) for the three months ended March 31, 2015 and 2014 (in thousands and net of tax):

	Three Months Ended March 31,			
	2015		2014	
Aggregate unrealized net gain/(loss) at beginning of year	$	(18,345)	$	(8,352)
Add: Net gain/(loss) from change in fair value of cash flow hedges		(1,291)		(3,649)
Less: Net (gain)/loss reclassified to earnings from effective hedges		1,139		1,115
Aggregate unrealized net gain/(loss) at end of period	$	(18,497)	$	(10,886)

The Company s foreign exchange cash flow hedging instruments as of March 31, 2015 and December 31, 2014 are summarized as follows (in thousands). All hedging instruments are forward contracts.

As of March 31, 2015	Local Currency Notional Amount		U.S. Dollar Notional Amount	% Maturing in the Next 12 Months	Contracts Maturing Through
Canadian Dollar	750	$	719	100.0 %	June 2015
Philippine Peso	17,063,000		386,570(1)	36.8 %	February 2020
Mexican Peso	2,528,000		176,073	28.5 %	February 2020
		$	563,362		

As of December 31, 2014	Local Currency Notional Amount		U.S. Dollar Notional Amount
Canadian Dollar	1,500	$	1,441

Philippine Peso	17,428,000		398,046(1)
Mexican Peso	2,532,000		179,089
New Zealand Dollar	490		381
		$	578,957

(1) Includes contracts to purchase Philippine pesos in exchange for New Zealand dollars and Australian dollars, which are translated into equivalent U.S. dollars on March 31, 2015 and December 31, 2014.

Table of Contents

TELETECH HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

The Company s interest rate swap arrangements as of March 31, 2015 and December 31, 2014 were as follows:

		Notional Amount	Variable Rate Received	Fixed Rate Paid	Contract Commencement Date	Contract Maturity Date
As of March 31, 2015	$	25 million	1 - month LIBOR	2.55%	April 2012	April 2016
and December 31, 2014		15 million	1 - month LIBOR	3.14%	May 2012	May 2017
	$	40 million				

Fair Value Hedges

The Company enters into foreign exchange forward contracts to economically hedge against foreign currency exchange gains and losses on certain receivables and payables of the Company s foreign operations. Changes in the fair value of derivative instruments designated as fair value hedges are recognized in earnings in Other income (expense), net. As of March 31, 2015 and December 31, 2014 the total notional amount of the Company s forward contracts used as fair value hedges were $262.6 million and $242.5 million, respectively.

Derivative Valuation and Settlements

The Company s derivatives as of March 31, 2015 and December 31, 2014 were as follows (in thousands):

	March 31, 2015					
Designation:	Designated as Hedging Instruments				Not Designated as Hedging Instruments	
Derivative contract type:	Foreign Exchange		Interest Rate		Foreign Exchange	
Derivative classification:	Cash Flow		Cash Flow		Fair Value	
Fair value and location of derivative in the Consolidated Balance Sheet:						
Prepaids and other current assets	$	1,758	$	-	$	904
Other long-term assets		228		-		-
Other current liabilities		(13,394)		(971)		(197)
Other long-term liabilities		(19,534)		(339)		-
Total fair value of derivatives, net	$	(30,942)	$	(1,310)	$	707

	December 31, 2014		
Designation:	Designated as Hedging Instruments		Not Designated as Hedging Instruments
Derivative contract type:	Foreign Exchange	Interest Rate	Foreign Exchange
Derivative classification:	Cash Flow	Cash Flow	Fair Value
Fair value and location of derivative in the Consolidated Balance Sheet:			
Prepaids and other current assets	$ 192	$ -	$ 797
Other long-term assets	389	-	-
Other current liabilities	(12,680)	(988)	(5)
Other long-term liabilities	(17,070)	(452)	-
Total fair value of derivatives, net	$ (29,169)	$ (1,440)	$ 792

Table of Contents

TELETECH HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

The effects of derivative instruments on the Consolidated Statements of Comprehensive Income (Loss) for the three months ended March 31, 2015 and 2014 were as follows (in thousands):

	Three Months Ended March 31,			
	2015		**2014**	
Designation:	Designated as Hedging Instruments		Designated as Hedging Instruments	
Derivative contract type:	Foreign Exchange	Interest Rate	Foreign Exchange	Interest Rate
Derivative classification:	Cash Flow	Cash Flow	Cash Flow	Cash Flow
Amount of gain or (loss) recognized in other comprehensive income (loss) - effective portion, net of tax:	$ 1,220	$ (71)	$ (3,592)	$ (57)
Amount and location of net gain or (loss) reclassified from accumulated OCI to income - effective portion:				
Revenue	$ (1,708)	$ -	$ (1,570)	$ -
Interest Expense	-	(257)	-	(258)

	Three Months Ended March 31,			
	2015		**2014**	
Designation:	Not Designated as Hedging Instruments		Not Designated as Hedging Instruments	
Derivative contract type:	Foreign Exchange		Foreign Exchange	
Derivative classification:	Forward Contracts	Fair Value	Forward Contracts	Fair Value
Amount and location of net gain or (loss) recognized in the Consolidated Statement of Comprehensive Income:				
Costs of services	$ -	$ -	$ -	$ -
Other income (expense), net	$ -	$ 80	$ -	$ 619

(7) FAIR VALUE

The authoritative guidance for fair value measurements establishes a three-level fair value hierarchy that prioritizes the inputs used to measure fair value. This hierarchy requires that the Company maximize the use of observable inputs and minimize the use of unobservable inputs. The three levels of inputs used to measure fair value are as follows:

Level 1 Quoted prices in active markets for identical assets or liabilities.

Level 2   Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets, similar assets and liabilities in markets that are not active or can be corroborated by observable market data.

Level 3   Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. This includes certain pricing models, discounted cash flow methodologies and similar techniques that use significant unobservable inputs.

The following presents information as of March 31, 2015 and December 31, 2014 for the Company s assets and liabilities required to be measured at fair value on a recurring basis, as well as the fair value hierarchy used to determine their fair value.

Accounts Receivable and Payable - The amounts recorded in the accompanying balance sheets approximate fair value because of their short-term nature.

Table of Contents

TELETECH HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

Debt - The Company s debt consists primarily of the Company s Credit Agreement, which permits floating-rate borrowings based upon the current Prime Rate or LIBOR plus a credit spread as determined by the Company s leverage ratio calculation (as defined in the Credit Agreement). As of March 31, 2015 and December 31, 2014, the Company had $126.0 million and $100.0 million, respectively, of borrowings outstanding under the Credit Agreement. During the first quarter of 2015 outstanding borrowings accrued interest at an average rate of 1.2% per annum, excluding unused commitment fees. The amounts recorded in the accompanying Balance Sheets approximate fair value due to the variable nature of the debt.

Derivatives - Net derivative assets (liabilities) are measured at fair value on a recurring basis. The portfolio is valued using models based on market observable inputs, including both forward and spot foreign exchange rates, interest rates, implied volatility, and counterparty credit risk, including the ability of each party to execute its obligations under the contract. As of March 31, 2015, credit risk did not materially change the fair value of the Company s derivative contracts.

The following is a summary of the Company s fair value measurements for its net derivative assets (liabilities) as of March 31, 2015 and December 31, 2014 (in thousands):

As of March 31, 2015

	Fair Value Measurements Using			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**	**At Fair Value**
Cash flow hedges	$ -	$ (30,942)	$ -	$ (30,942)
Interest rate swaps	-	(1,310)	-	(1,310)
Fair value hedges	-	707	-	707
Total net derivative asset (liability)	$ -	$ (31,545)	$ -	$ (31,545)

As of December 31, 2014

	Fair Value Measurements Using			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**	**At Fair Value**
Cash flow hedges	$ -	$ (29,169)	$ -	$ (29,169)
Interest rate swaps	-	(1,440)	-	(1,440)
Fair value hedges	-	792	-	792
Total net derivative asset (liability)	$ -	$ (29,817)	$ -	$ (29,817)

Table of Contents

TELETECH HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

The following is a summary of the Company s fair value measurements as of March 31, 2015 and December 31, 2014 (in thousands):

As of March 31, 2015

	Fair Value Measurements Using		
	Quoted Prices in Active Markets for Identical Assets (Level 1)	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Assets			
Derivative instruments, net	$ -	$ -	$ -
Total assets	$ -	$ -	$ -
Liabilities			
Deferred compensation plan liability	$ -	$ (9,272)	$ -
Derivative instruments, net	-	(31,545)	-
Contingent consideration	-	-	(23,953)
Total liabilities	$ -	$ (40,817)	$ (23,953)

As of December 31, 2014

	Fair Value Measurements Using		
	Quoted Prices in Active Markets for Identical Assets (Level 1)	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Assets			
Derivative instruments, net	$ -	$ -	$ -
Total assets	$ -	$ -	$ -
Liabilities			
Deferred compensation plan liability	$ -	$ (8,478)	$ -
Derivative instruments, net	-	(29,817)	-
Contingent consideration	-	-	(24,744)
Total liabilities	$ -	$ (38,295)	$ (24,744)

Deferred Compensation Plan The Company maintains a non-qualified deferred compensation plan structured as a Rabbi trust for certain eligible employees. Participants in the deferred compensation plan select from a menu of phantom investment options for their deferral dollars offered by the Company each year, which are based upon changes in value of complementary, defined market investments. The deferred compensation liability represents the combined values of market investments against which participant accounts are tracked.

Contingent Consideration The Company recorded contingent consideration related to the acquisitions of iKnowtion, Guidon, TSG, WebMetro, Sofica and rogenSi. These contingent payables were recognized at fair value using a discounted cash flow approach and a discount rate of 21.0%, 21.0%, 4.6%, 5.3%, 5.0% or 4.6%, respectively. The discount rates vary dependant on the specific risks of each acquisition including the country of operation, the nature of services and complexity of the acquired business, and other similar factors. These measurements were based on significant inputs not observable in the market. The Company will accrete interest expense each period using the effective interest method until the future value of these contingent payables reaches their expected future value of $24.7 million. Interest expense related to all recorded purchase price payables is included in Interest expense in the Consolidated Statements of Comprehensive Income (Loss).

Table of Contents

TELETECH HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

During the second and fourth quarters of 2014, the Company recorded fair value adjustments of the contingent consideration associated with the TSG reporting unit within the CTS segment based on revised estimates noting achievement of the targeted 2014 and 2015 EBITDA was remote. Accordingly, a $4.0 million and $3.9 million, respectively, reductions in the payable were recorded as of June 30, 2014 and December 31, 2014 and were included in Other income (expense) in the Consolidated Statements of Comprehensive Income (Loss).

During the third and fourth quarters of 2014, the Company recorded fair value adjustments of the contingent consideration associated with the Sofica reporting unit within the CMS segment of $1.8 million and $0.6 million, respectively, as the Company s revised estimates reflected Sofica exceeding its EBITDA targets for both 2014 and 2015. Accordingly, the $1.8 million and $0.6 million increases in the payable were recorded as of September 30, 2014 and December 31, 2014 and were included in Other income (expense) in the Consolidated Statements of Comprehensive Income (Loss).

During the third quarter of 2014, the Company recorded a fair value adjustment of the contingent consideration associated with the WebMetro reporting unit within the CGS segment based on revised estimates noting achievement of the targeted 2014 EBITDA was remote. Accordingly, a $1.7 million reduction in the payable was recorded as of September 30, 2014 and was included in Other income (expense) in the Consolidated Statements of Comprehensive Income (Loss).

During the fourth quarter of 2014, the Company recorded a fair value adjustment of the contingent consideration associated with the rogenSi reporting unit within the CSS segment based on revised estimates reflecting rogenSi exceeding its EBITDA targets for 2014. Accordingly a $0.5 million increase in the payable was recorded as of December 31, 2014 and was included in Other income (expense) in the Consolidated Statements of Comprehensive Income (Loss).

During the first quarter of 2015, the Company assessed the contingent payables associated with all of the acquisitions and determined that no material adjustments were necessary.

A rollforward of the activity in the Company s fair value of the contingent consideration payable is as follows (in thousands):

	December 31, 2014	Acquisitions	Payments	Imputed Interest / Adjustments	March 31, 2015
iKnowtion	$ 2,265	$ -	$ -	$ 15	$ 2,280
Guidon	1,000	-	(1,000)	-	-

TSG	-	-	-	-	-
WebMetro	-	-	-	-	-
Sofica	6,317	-	-	80	6,397
rogenSi	15,162	-	-	114	15,276
Total	$ 24,744	$ -	$ (1,000)	$ 209	$ 23,953

Subsequent to March 31, 2015, an additional $8.1 million of payments were completed in accordance with the acquisition agreements.

(8) INCOME TAXES

The Company accounts for income taxes in accordance with the accounting literature for income taxes, which requires recognition of deferred tax assets and liabilities for the expected future income tax consequences of transactions that have been included in the Consolidated Financial Statements. Under this method, deferred tax assets and liabilities are determined based on the difference between the financial statement and tax basis of assets and liabilities using tax rates in effect for the year in which the differences are expected to reverse. Quarterly, the Company assesses the likelihood that its net deferred tax assets will be recovered. Based on the weight of all available evidence, both positive and negative, the Company records a valuation allowance against deferred tax assets when it is more-likely-than-not that a future tax benefit will not be realized.

Table of Contents

TELETECH HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

During the first quarter of 2014, a benefit of $1.2 million was recorded due to the closing of statutes of limitations in Canada.

As of March 31, 2015, the Company had $52.8 million of gross deferred tax assets (after a $10.4 million valuation allowance) and net deferred tax assets (after deferred tax liabilities) of $49.9 million related to the U.S. and international tax jurisdictions whose recoverability is dependent upon future profitability.

The effective tax rate for the three months ended March 31, 2015 and 2014 was 18.0% and 11.9%, respectively.

The Company s U.S. income tax returns filed for the tax years ending December 31, 2011 to present remain open tax years. The Company has been notified of the intent to audit, or is currently under audit, of income taxes in the U.S. specifically for the acquired entity Technology Solutions Group for the tax year 2012 (prior to acquisition) and Canada for tax years 2009 and 2010. Although the outcome of examinations by taxing authorities are always uncertain, it is the opinion of management that the resolution of these audits will not have a material effect on the Company s Consolidated Financial Statements.

(9) RESTRUCTURING CHARGES AND IMPAIRMENT LOSSES

Restructuring Charges

During the three months ended March 31, 2015 and 2014, the Company undertook a number of restructuring activities primarily associated with reductions in the Company s capacity and workforce in several of its segments to better align the capacity and workforce with current business needs.

A summary of the expenses recorded in Restructuring, net in the accompanying Consolidated Statements of Comprehensive Income (Loss) for the three months ended March 31, 2015 and 2014, respectively, is as follows (in thousands):

	Three Months Ended March 31,	
	2015	**2014**
Reduction in force		

Customer Management Services	$	776	$	511
Customer Growth Services		-		29
Customer Technology Services		-		-
Customer Strategy Services		33		-
Total	$	809	$	540

A rollforward of the activity in the Company s restructuring accruals is as follows (in thousands):

		Closure of Delivery Centers		Reduction in Force		Total
Balance as of December 31, 2014	$	-	$	2,071	$	2,071
Expense		-		809		809
Payments		-		(1,208)		(1,208)
Changes in estimates		-		-		-
Balance as of March 31, 2015	$	-	$	1,672	$	1,672

The remaining restructuring accruals are expected to be paid or extinguished during 2015 and are all classified as current liabilities within Other accrued expenses in the Consolidated Balance Sheets.

TELETECH HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

Impairment Losses

During each of the periods presented, the Company evaluated the recoverability of its leasehold improvement assets at certain delivery centers. An asset is considered to be impaired when the anticipated undiscounted future cash flows of its asset group are estimated to be less than the asset group s carrying value. The amount of impairment recognized is the difference between the carrying value of the asset group and its fair value. To determine fair value, the Company used Level 3 inputs in its discounted cash flows analysis. Assumptions included the amount and timing of estimated future cash flows and assumed discount rates. During the three months ended March 31, 2015 and 2014, the Company recognized no losses related to leasehold improvement assets.

(10) COMMITMENTS AND CONTINGENCIES

Credit Facility

In the second quarter of 2013, the Company entered into a $700.0 million, five-year, multi-currency revolving credit facility (the Credit Agreement) with a syndicate of lenders which includes an accordion feature that permits the Company to request an increase in total commitments up to $1.0 billion, under certain conditions. Wells Fargo Securities, LLC, KeyBank National Association, Bank of America Merrill Lynch, BBVA Compass and HSBC Bank USA, National Association served as Joint Lead Arrangers. The Credit Agreement amends and restates in its entirety the Company s prior credit facility entered into during 2010 and amended in 2012.

The Credit Agreement provides for a secured revolving credit facility that matures on June 3, 2018 with an initial maximum aggregate commitment of $700.0 million. At the Company s discretion, direct borrowing options under the Credit Agreement include (i) Eurodollar loans with one, two, three, and six month terms, and/or (ii) overnight base rate loans. The Credit Agreement also provides for a sub-limit for loans or letters of credit in both U.S. dollars and certain foreign currencies, with direct foreign subsidiary borrowing capabilities up to 50% of the total commitment amount. The Company may increase the maximum aggregate commitment under the Credit Agreement to $1.0 billion if certain conditions are satisfied, including that the Company is not in default under the Credit Agreement at the time of the increase and that the Company obtains the commitment of the lenders participating in the increase.

The Company primarily utilizes its Credit Agreement to fund working capital, general operations, stock repurchases and other strategic activities, such as the acquisitions described in Note 2. As of March 31, 2015 and December 31, 2014, the Company had borrowings of $126.0 million and $100.0 million, respectively, under its Credit Agreement, and its average daily utilization was $297.0 million and $270.9 million for the three months ended March 31, 2015 and 2014, respectively. After consideration for issued

letters of credit under the Credit Agreement, totaling $3.2 million, the Company s remaining borrowing capacity was $570.8 million as of March 31, 2015. As of March 31, 2015, the Company was in compliance with all covenants and conditions under its Credit Agreement.

From time-to-time, the Company has unsecured, uncommitted lines of credit to support working capital for a few foreign subsidiaries. As of March 31, 2015 and 2014, no foreign loans were outstanding.

Letters of Credit

As of March 31, 2015, outstanding letters of credit under the Credit Agreement totaled $3.2 million and primarily guaranteed workers compensation and other insurance related obligations. As of March 31, 2015, letters of credit and contract performance guarantees issued outside of the Credit Agreement totaled $4.6 million.

Table of Contents

TELETECH HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

Legal Proceedings

From time to time, the Company has been involved in legal actions, both as plaintiff and defendant, which arise in the ordinary course of business. The Company accrues for exposures associated with such legal actions to the extent that losses are deemed both probable and estimable. To the extent specific reserves have not been made for certain legal proceedings, their ultimate outcome, and consequently, an estimate of possible loss, if any, cannot reasonably be determined at this time.

Based on currently available information and advice received from counsel, the Company believes that the disposition or ultimate resolution of any current legal proceedings, except as otherwise specifically reserved for in its financial statements, will not have a material adverse effect on the Company s financial position, cash flows or results of operations.

(11) NONCONTROLLING INTEREST

The following table reconciles equity attributable to noncontrolling interest (in thousands):

	Three Months Ended March 31,			
	2015		2014	
Noncontrolling interest, January 1	$	7,983	$	8,081
Net income attributable to noncontrolling interest		1,090		957
Dividends distributed to noncontrolling interest		(990)		(990)
Foreign currency translation adjustments		(284)		35
Equity based compensation expense		20		8
Noncontrolling interest, March 31	$	7,819	$	8,091

(12) MANDATORILY REDEEMABLE NONCONTROLLING INTEREST

The Company holds an 80% interest in iKnowtion. In the event iKnowtion meets certain EBITDA targets for calendar year 2015, the purchase and sale agreement requires TeleTech to purchase the remaining 20% interest in iKnowtion in 2016 for an amount equal to a multiple of iKnowtion s 2015 EBITDA as defined in the purchase and sale agreement. These terms represent a contingent redemption feature which the Company determined is probable of being achieved.

The Company has recorded the mandatorily redeemable noncontrolling interest at the redemption value based on the corresponding EBITDA multiples as prescribed in the purchase and sale agreement at the end of each reporting period. At the end of each reporting period the changes in the redemption value are recorded in retained earnings. Since the EBITDA multiples as defined in the purchase and sale agreement are below the current market multiple, the Company has determined that there is no preferential treatment to the noncontrolling interest shareholders resulting in no impact to earnings per share.

A rollforward of the mandatorily redeemable noncontrolling interest is as follows (in thousands):

	Three months ended March 31,			
	2015		**2014**	
Mandatorily redeemable noncontrolling interest, January 1	$	2,814	$	2,509
Net income attributable to mandatorily redeemable noncontrolling interest		173		128
Dividends distributed to mandatorily redeemable noncontrolling interest		-		-
Change in redemption value		424		(175)
Mandatorily redeemable noncontrolling interest, March 31	$	3,411	$	2,462

Table of Contents

TELETECH HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

(13) ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

The following table presents changes in the accumulated balance for each component of other comprehensive income (loss), including current period other comprehensive income (loss) and reclassifications out of accumulated other comprehensive income (loss) (in thousands):

	Foreign Currency Translation Adjustment	Derivative Valuation, Net of Tax	Other, Net of Tax	Totals
Accumulated other comprehensive income (loss) at December 31, 2014	$ (33,352)	$ (18,345)	$ (577)	$ (52,274)
Other comprehensive income (loss) before reclassifications	(10,999)	(1,291)	(2,841)	(15,131)
Amounts reclassified from accumulated other comprehensive income (loss)	-	1,139	246	1,385
Net current period other comprehensive income (loss)	(10,999)	(152)	(2,595)	(13,746)
Accumulated other comprehensive income (loss) at March 31, 2015	$ (44,351)	$ (18,497)	$ (3,172)	$ (66,020)
Accumulated other comprehensive income (loss) at December 31, 2013	$ (10,581)	$ (8,352)	$ (1,653)	$ (20,586)
Other comprehensive income (loss) before reclassifications	(1,758)	(3,649)	187	(5,220)
Amounts reclassified from accumulated other comprehensive income (loss)	-	1,115	89	1,204
Net current period other comprehensive income (loss)	(1,758)	(2,534)	276	(4,016)
Accumulated other comprehensive income (loss) at March 31, 2014	$ (12,339)	$ (10,886)	$ (1,377)	$ (24,602)

The following table presents the classification and amount of the reclassifications from accumulated other comprehensive income (loss) to the statement of comprehensive income (in thousands):

	For the Three Months Ended		Statement of Comprehensive Income Classification
	March 31, 2015	March 31, 2014	

Derivative valuation					
Gain (loss) on foreign currency forward exchange contracts	$	(1,708)	$	(1,570)	Revenue
Loss on interest rate swaps		(257)		(258)	Interest expense
Tax effect		826		713	Provision for income taxes
	$	(1,139)	$	(1,115)	Net income (loss)
Other					
Actuarial loss on defined benefit plan	$	(274)	$	(95)	Cost of services
Tax effect		28		6	Provision for income taxes
	$	(246)	$	(89)	Net income (loss)

Table of Contents

TELETECH HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

(14) NET INCOME PER SHARE

The following table sets forth the computation of basic and diluted shares for the periods indicated (in thousands):

	Three Months Ended March 31,	
	2015	**2014**
Shares used in basic earnings per share calculation	48,370	50,045
Effect of dilutive securities:		
Stock options	384	411
Restricted stock units	401	517
Performance-based restricted stock units	3	-
Total effects of dilutive securities	788	928
Shares used in dilutive earnings per share calculation	49,158	50,973

For the three months ended March 31, 2015 and 2014, options to purchase 0.1 million and 0.1 million shares of common stock, respectively, were outstanding, but not included in the computation of diluted net income per share because the exercise price exceeded the value of the shares and the effect would have been anti dilutive. For the three months ended March 31, 2015 and 2014, restricted stock units (RSUs) of 0.5 million and 0.3 million, respectively, were outstanding, but not included in the computation of diluted net income per share because the effect would have been anti-dilutive.

(15) EQUITY-BASED COMPENSATION PLANS

All equity based awards to employees are recognized in the Consolidated Statements of Comprehensive Income (Loss) at the fair value of the award on the grant date. During the three months ended March 31, 2015 and 2014, the Company recognized total compensation expense of $2.7 million and $3.2 million, respectively. Of the total compensation expense, $0.6 million and $0.6 million was recognized in Cost of services and $2.1 million and $2.6 million was recognized in Selling, general and administrative.

Restricted Stock Unit Grants

During the three months ended March 31, 2015 and 2014, the Company granted 80,000 and 164,000 RSUs, respectively, to new and existing employees, which vest in equal installments over four or five years. The Company recognized compensation expense related to RSUs of $2.6 million and $3.0 million for the three months ended March 31, 2015 and 2014, respectively. As of

March 31, 2015, there was approximately $24.2 million of total unrecognized compensation cost (including the impact of expected forfeitures) related to RSUs granted under the Company s equity plans.

Table of Contents

CAUTIONARY NOTE REGARDING FORWARD LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 (Litigation Reform Act), relating to our future operations, expected financial condition and prospects, results of operation, and other business matters that are based on our current expectations, assumptions, business strategy, and projections with respect to the future, and are not a guarantee of performance. Forward-looking statements may appear throughout this report, including without limitation, the following sections: Part I, Item 2, Management s Discussion and Analysis of Financial Condition and Results of Operations and Part II, Item 1A, Risk Factors. Forward-looking statements generally can be identified by words such as anticipates, believes, estimates, expects, intends, plans, predicts, projects, will be, will continue, will likely result, expressions. When we discuss our strategy, plans, goals, initiatives, or objectives, we are making forward-looking statements. For those statements, we claim the protection of the safe harbor for forward-looking statements contained in the Litigation Reform Act.

We caution you not to rely unduly on any forward-looking statements. Actual results may differ materially from what is expressed in the forward-looking statements, and you should review and consider carefully the risks, uncertainties and other factors that affect our business and may cause such differences, as outlined but are not limited to factors discussed in the Risk Factors section of our 2014 Annual Report on Form 10-K.

The forward-looking statements are based on information available as of the date that this Form 10-Q is filed with the United States Securities and Exchange Commission (SEC) and we undertake no obligation to update them, except as may be required by applicable laws. They are based on numerous assumptions and developments that are not within our control. Although we believe these forward-looking statements are reasonable, we cannot assure you they will turn out to be correct.

ITEM 2. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Executive Summary

TeleTech Holdings, Inc. (TeleTech , the Company , we , our or us) is a customer engagement management service provider that delivers integrated consulting, technology, growth and customer care solutions on a global scale. Our suite of product and service capabilities allows us to design and deliver enhanced, value-driven customer experiences across numerous communication channels. Our solutions are supported by 44,000 employees delivering services in 24 countries from 61 delivery centers on six continents. Our revenue for the quarter ended March 31, 2015 was $326 million.

Since our establishment in 1982, we have helped clients strengthen their customer relationships, brand recognition and loyalty through customer engagement solutions. We deliver thought leadership, technology and innovation that create customer strategies designed to differentiate our clients from their competition; data analytics that personalize interactions and increase customer value; and integration services that connect clients customer relationship management (CRM) system to a cloud-based collaboration platform, leading to customer interactions that are seamless and relevant.

Our services are value-oriented, outcome-based, and delivered on a global scale across all of our business segments: Customer Management Services (CMS), Customer Growth Services (CGS), Customer Technology Services (CTS) and Customer Strategy Services (CSS). Our integrated customer experience platform differentiates the Company by combining strategic consulting, data analytics, process optimization, system design and integration, operational excellence, and technology solutions and services.

We have developed tailored expertise in the automotive, communications, financial services, government, healthcare, logistics, media and entertainment, retail, technology, travel and transportation industries. We target customer-focused industry leaders in the Global 1000 and serve more than 250 global clients.

Table of Contents

To improve our competitive position in a rapidly changing market and stay strategically relevant to our clients, we continue to invest in innovation and growth businesses, diversifying our traditional business process outsourcing services of our CMS segment into higher-value consulting, data analytics, digital marketing and technology-enabled services. Of the $326 million in revenue we reported in the current period, approximately 25% or $82.5 million came from the CGS, CTS and CSS segments (our Emerging Segments), focused on customer-centric strategy, growth or technology-based services, with the remainder of our revenue coming from the traditional business process outsourcing focused CMS segment.

Consistent with our growth and diversification strategy, we continue to invest in technology differentiation, analytics, cloud computing and digital marketing. We also invest in businesses that accelerate our strategy: in 2014, we acquired Sofica Group, a Bulgarian customer management services company which provides our clients with the capabilities of 18 additional languages while contributing to the geographic and time zone diversity of our footprint; and rogenSi, a global leadership, change management and sales consulting company that further diversifies our consulting offerings.

Our strong balance sheet, cash flows from operations and access to debt and capital markets have historically provided us the financial flexibility to effectively fund our organic growth, capital expenditures, strategic acquisitions and incremental investments. Additionally, we continue to return capital to our shareholders via an ongoing stock repurchase program. As of March 31, 2015, our cumulative authorized repurchase allowance was $662.3 million, of which we repurchased 42.3 million shares for $631.4 million. For the period from March 31, 2015 through May 4, 2015, we repurchased no additional shares. The stock repurchase program does not have an expiration date. Effective February 28, 2015, the Board of Directors authorized an additional $25 million for stock repurchases.

On February 24, 2015, our Board of Directors adopted a dividend policy, with the intent to distribute a periodic cash dividend to stockholders of our common stock, after consideration of, among other things, TeleTech s performance, cash flows, capital needs and liquidity factors. Given our cash flow generation and balance sheet strength, we believe cash dividends and early returns to shareholders through share repurchases, in balance with our investments in innovation and strategic acquisitions, align shareholder interests with the needs of the Company. The initial dividend of $0.18 per common share was paid on March 16, 2015 to shareholders of record as of March 6, 2015.

Our Integrated Service Offerings and Business Segments

We operate our business utilizing four operating and reportable segments, which provide an integrated set of services offering through design, technology enablement, management and growth:

Customer Strategy Services

We typically begin by engaging our clients at a strategic level. Through our strategy, change management and analytics-driven consulting expertise, we help our clients design, build and execute their customer engagement strategies. We help our clients to better understand and predict their customers behaviors and preferences along with their current and future economic value. Using proprietary analytic models, we provide the insight clients need to build the business case for customer centricity, to better optimize

their marketing spend and then work alongside them to help implement our recommendations. A key component of this segment involves instilling a high performance culture through management and leadership alignment and process optimization.

Table of Contents

Customer Technology Services

Once the design of the customer engagement is completed, our ability to architect, deploy and host or manage the client s customer management environments becomes a key enabler to achieving and sustaining the client s customer engagement vision. Given the proliferation of mobile communication technologies and devices, we enable our clients operations to interact with their customers across the growing array of channels including email, social networks, mobile, web, SMS text, voice and chat. We design, implement and manage cloud, on-premise or hybrid customer management environments to deliver a consistent and superior experience across all touch points on a global scale that we believe result in higher quality, lower costs and reduced risk for our clients. Through our proprietary Humanify technology, we also provide data-driven context aware SaaS-based solutions that link customers seamlessly and directly to appropriate resources, any time and across any channel.

Customer Management Services

We design and manage clients front-to-back office processes to deliver just-in-time, personalized, multi-channel interactions. Our front-office solutions seamlessly integrate voice, chat, email, e-commerce and social media to optimize the customer experience for our clients. In addition, we manage certain client back-office processes to enhance their customer-centric view of relationships and maximize operating efficiencies. Our delivery of integrated business processes via our onshore, offshore or work-from-home associates reduces operating costs and allows customer needs to be met more quickly and efficiently, resulting in higher satisfaction, brand loyalty and a stronger competitive position for our clients.

Customer Growth Services

We offer integrated sales and marketing solutions to help our clients boost revenue in new, fragmented or underpenetrated business-to-consumer or business-to-business markets. We deliver approximately $1 billion in client revenue annually via the acquisition, growth and retention of customers through a combination of our highly trained, client-dedicated sales professionals and our proprietary Revana Analytic Multichannel PlatformTM. This platform continuously aggregates individual customer information across all channels into one holistic view so as to ensure more relevant and personalized communications. As a result of our acquisition of the digital agency Web Metro, we have developed an integrated marketing-to-sales platform that links online searches to live sales through a closed loop, multichannel interface. This platform uses proprietary tools and methodology to capture and use more than 400 marketing and sales data points to engage with customers in relevant conversations.

Based on our clients requirements, we provide our services on an integrated cross-business segment and on a discrete basis.

We are currently providing services to clients in the following verticals for each segment:

Operating Segments and Industry Verticals			
CMS	**CGS**	**CTS**	**CSS**

Automotive Communication Financial Services Government Healthcare Media and Entertainment Retail Travel and Transportation Technology	Automotive Communication Financial Services Healthcare Logistics Media and Entertainment Technology	Communication Financial Services Government Healthcare Media and Entertainment Retail Technology	Automotive Communication Financial Services Healthcare Media and Entertainment Technology

Table of Contents

Business Overview

In the first quarter of 2015, our revenue increased 7.7% to $325.5 million over the same period in 2014 despite a decrease of 3.2% or $9.5 million due to foreign currency fluctuations, primarily the Australian dollar and the Brazilian Real. Revenue, adjusted for the $9.5 million decrease related to foreign exchange, increased by $32.8 million, or 10.9%, over the prior year. This increase in revenue is comprised of growth in the CMS, CTS and CSS segments with a slight decline in the CGS segment.

Our first quarter 2015 income from operations increased 7.3% to $26.1 million or 8.0% of revenue, from $24.4 million or 8.1% of revenue in the first quarter of 2014. This increase is due to organic revenue growth and income from the recent acquisitions. These were partially offset by $0.4 million additional amortization of intangibles related to the acquisitions, and investments in sales and research and development. Income from operations in the first quarter of 2015 and 2014 included $0.8 million and $0.5 million of restructuring charges and asset impairments, respectively.

Our offshore delivery centers serve clients based in the U.S. and in other countries and spans five countries with 20,200 workstations and representing 63% of our global delivery capability. Revenue for our CMS and CGS segments that is provided in these offshore locations was $113 million and represented 42% of our revenue for the first quarter of 2015, as compared to $114 million and 44% of our revenue for 2014.

Our cash flow from operations and available credit allowed us to finance a significant portion of our capital needs and stock repurchases through internally generated cash flows. At March 31, 2015, we had $65.7 million of cash and cash equivalents, total debt of $131.2 million, and a total debt to total capitalization ratio of 22.4%.

We internally target capacity utilization in our delivery centers at 80% to 90% of our available workstations. As of March 31, 2015, the overall capacity utilization in our multi-client centers was 82%. The table below presents workstation data for our multi-client centers as of March 31, 2015 and 2014. Dedicated and Managed Centers (5,348 and 5,056 workstations, at March 31, 2015 and 2014, respectively) are excluded from the workstation data as unused workstations in these facilities are not available for sale. Our utilization percentage is defined as the total number of utilized production workstations compared to the total number of available production workstations. We may change the designation of shared or dedicated centers based on the normal changes in our business environment and client needs.

	March 31, 2015			March 31, 2014		
	Total Production Workstations	In Use	% In Use	Total Production Workstations	In Use	% In Use
Multi-client centers						
Sites open <1 year	1,307	1,121	86%	2,166	1,793	83%
Sites open >1 year	25,614	21,075	82%	22,040	18,142	82%
Total multi-client centers	26,921	22,196	82%	24,206	19,935	82%

We continue to see demand from all geographic regions to utilize our offshore delivery capabilities and expect this trend to continue with our clients. In light of this trend, we plan to continue to selectively retain and grow capacity and expand into new offshore markets. As we grow our offshore delivery capabilities and our exposure to foreign currency fluctuations increases, we continue to actively manage this risk via a multi-currency hedging program designed to minimize operating margin volatility.

Recently Issued Accounting Pronouncements

Refer to Part I, Item I, Financial Statements, Note 1 to the Consolidated Financial Statements for a discussion of recently issued accounting pronouncements.

Table of Contents

Critical Accounting Policies and Estimates

Management s Discussion and Analysis of our financial condition and results of operations are based upon our Consolidated Financial Statements, which have been prepared in accordance with GAAP. The preparation of these financial statements requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses as well as the disclosure of contingent assets and liabilities. We regularly review our estimates and assumptions. These estimates and assumptions, which are based upon historical experience and on various other factors believed to be reasonable under the circumstances, form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Reported amounts and disclosures may have been different had management used different estimates and assumptions or if different conditions had occurred in the periods presented. For further information, please refer to the discussion of all critical accounting policies in Note 1 of the Notes to the Consolidated Financial Statements in our Annual Report on Form 10-K for the year ended December 31, 2014.

Results of Operations

Three months ended March 31, 2015 compared to three months ended March 31, 2014

The tables included in the following sections are presented to facilitate an understanding of Management s Discussion and Analysis of Financial Condition and Results of Operations and present certain information by segment for the three months ended March 31, 2015 and 2014 (amounts in thousands). All inter-company transactions between the reported segments for the periods presented have been eliminated.

Customer Management Services

	Three Months Ended March 31,			
	2015	2014	$ Change	% Change
Revenue	$ 243,009	$ 227,924	$ 15,085	6.6%
Operating Income	21,702	20,823	879	4.2%
Operating Margin	8.9%	9.1%		

The increase in revenue for the Customer Management Services segment was attributable to a $29.5 million net increase in client programs and acquisitions offset by program completions of $6.6 million. Revenue was further impacted by a $7.8 million reduction due to foreign currency fluctuations, primarily the Australian dollar and the Brazilian Real.

The operating income as a percentage of revenue decreased to 8.9% in the first quarter of 2015 as compared to 9.1% in the prior period. The operating income margin decreased due to additional costs as new delivery centers are being opened, investments in sales and research and development, and the geographic mix of the revenue growth. Included in the operating income was amortization related to acquired intangibles of $0.2 million and $0.1 million for the quarters ended March 31, 2015 and 2014, respectively.

Customer Growth Services

	Three Months Ended March 31, 2015	2014	$ Change	% Change
Revenue	$ 25,956	$ 28,905	$ (2,949)	(10.2)%
Operating Income	26	1,770	(1,744)	(98.5)%
Operating Margin	0.1%	6.1%		

The change in revenue for the Customer Growth Services segment was due to a $0.3 million increase in client programs offset by program completions of $2.4 million, and a $0.8 million reduction due to foreign currency fluctuations.

Table of Contents

The operating income as a percentage of revenue decreased to 0.1% in the first quarter of 2015 as compared to 6.1% in the prior period. This decrease was primarily driven by the completion of established programs and the ramp of new programs sold in late 2014. Included in the operating income was amortization related to acquired intangibles of $0.7 million and $0.7 million for the quarters ended March 31, 2015 and 2014, respectively.

Customer Technology Services

	Three Months Ended March 31,			
	2015	2014	$ Change	% Change
Revenue	$ 35,714	$ 32,776	$ 2,938	9.0%
Operating Income	2,009	311	1,698	546.0%
Operating Margin	5.6%	0.9%		

The increase in revenue for the Customer Technology Services segment was related to increases in both the Cisco and Avaya product offerings.

The operating income as a percentage of revenue increased to 5.6% in the first quarter of 2015 as compared to 0.9% in the prior period. The improvement in operating income margin is attributable to increased revenue in combination with lower selling, general and administrative expenses and an improving depreciation expense to revenue in our cloud business. Included in the operating income was amortization related to acquired intangibles of $1.0 million and $1.2 million for the quarters ended March 31, 2015 and 2014, respectively.

Customer Strategy Services

	Three Months Ended March 31,			
	2015	2014	$ Change	% Change
Revenue	$ 20,842	$ 12,616	$ 8,226	65.2%
Operating Income	2,391	1,453	938	64.6%
Operating Margin	11.5%	11.5%		

The increase in revenue for the Customer Strategy Services segment was related to organic growth across several of our geographies and practices including our analytics and operations and technology practices and the acquisition of rogenSi in August 2014 offset by a $0.7 million reduction due to foreign exchange fluctuations.

The operating income as a percentage of revenue remained flat at 11.5% in the first quarter of 2015 as compared to 11.5% in the prior period. The absolute dollar operating income increase related to the organic revenue growth of our operations and technology practice and the acquisition of rogenSi. Included in the operating income was amortization expense of $0.8 million and $0.4 million for the quarters ended March 31, 2015 and 2014, respectively.

Interest Income (Expense)

For the three months ended March 31, 2015, interest income decreased to $0.3 million from $0.5 million in the comparable period in 2014. Interest expense remained consistent at $1.7 million during 2015 and 2014.

Income Taxes

The effective tax rate for the three months ended March 31, 2015 was 18.0%. This compares to an effective tax rate of 11.9% for the comparable period of 2014. The effective tax rate for the three months ended March 31, 2015 was influenced by earnings in international jurisdictions currently under an income tax holiday and the distribution of income between the U.S. and international tax jurisdictions. Without a $0.3 million benefit related to changes in the valuation allowance, a $0.3 million benefit related to restructuring charges, and $0.3 million of benefit related to other discrete items recognized during the quarter, the Company s effective tax rate for the first quarter would have been 21.0%.

Liquidity and Capital Resources

Our principal sources of liquidity are our cash generated from operations, our cash and cash equivalents, and borrowings under our Credit Agreement, dated June 3, 2013 (the Credit Agreement). During the quarter ended March 31, 2015, we generated positive operating cash flows of $3.8 million. We believe that our cash generated from operations, existing cash and cash equivalents, and available credit will be sufficient to meet expected operating and capital expenditure requirements for the next 12 months.

We manage a centralized global treasury function in the United States with a focus on concentrating and safeguarding our global cash and cash equivalents. While the majority of our cash is held outside the U.S., we prefer to hold U.S. Dollars in addition to the local currencies of our foreign subsidiaries. We expect to use our offshore cash to support working capital and growth of our foreign operations. While there are no assurances, we believe our global cash is protected given our cash management practices, banking partners and utilization of diversified, high quality investments.

We have global operations that expose us to foreign currency exchange rate fluctuations that may positively or negatively impact our liquidity. We are also exposed to higher interest rates associated with our variable rate debt. To mitigate these risks, we enter into foreign exchange forward and option contracts and interest rate swaps through our cash flow hedging program. Please refer to Item 3. Quantitative and Qualitative Disclosures About Market Risk, Foreign Currency Risk, for further discussion.

The following discussion highlights our cash flow activities during the three months ended March 31, 2015 and 2014.

Cash and Cash Equivalents

We consider all liquid investments purchased within 90 days of their original maturity to be cash equivalents. Our cash and cash equivalents totaled $65.7 million and $77.3 million as of March 31, 2015 and December 31, 2014, respectively. We diversify the holdings of such cash and cash equivalents considering the financial condition and stability of the counterparty institutions.

We reinvest our cash flows to grow our client base, expand our infrastructure, for investment in research and development, for strategic acquisitions and the purchase of our outstanding stock.

Cash Flows from Operating Activities

For the three months ended March 31, 2015 and 2014, net cash flows provided by operating activities was $3.8 million and $13.5 million, respectively. The decrease was primarily due to a $16.7 million decrease in cash collected from accounts receivable offset by a $3.2 million decrease in payments made for operating expenses and a $4.6 million decrease in cash spent on prepaids and other assets.

Cash Flows from Investing Activities

For the three months ended March 31, 2015 and 2014, we reported net cash flows used in investing activities of $22.1 million and $23.1 million, respectively. The slight decrease was due to a decreased spending on acquisitions of $8.1 million along with a $2.0 million decrease in capital expenditures offset by a $9.0 million investment during the first three months of 2015.

Table of Contents

Cash Flows from Financing Activities

For the three months ended March 31, 2015 and 2014, we reported net cash flows provided by (used in) financing activities of $9.3 million and ($24.4) million, respectively. The change in net cash flows from 2014 to 2015 was primarily due to a $26.0 million increase in net borrowings from our line of credit, a $14.5 million decrease in purchases of our outstanding common stock offset by $8.7 million of dividends paid during the first three months of 2015.

Free Cash Flow

Free cash flow (see Presentation of Non-GAAP Measurements below for the definition of free cash flow) decreased for the three months ended March 31, 2015 compared to the three months ended March 31, 2014 due to the decrease in cash flows provided by operating activities offset partially by a decrease in capital expenditures. Free cash flow was $(9.2) million and $(1.6) million for the three months ended March 31, 2015 and 2014, respectively.

Presentation of Non-GAAP Measurements

Free Cash Flow

Free cash flow is a non-GAAP liquidity measurement. We believe that free cash flow is useful to our investors because it measures, during a given period, the amount of cash generated that is available for debt obligations and investments other than purchases of property, plant and equipment. Free cash flow is not a measure determined by GAAP and should not be considered a substitute for income from operations, net income, net cash provided by operating activities, or any other measure determined in accordance with GAAP. We believe this non-GAAP liquidity measure is useful, in addition to the most directly comparable GAAP measure of net cash provided by operating activities, because free cash flow includes investments in operational assets. Free cash flow does not represent residual cash available for discretionary expenditures, since it includes cash required for debt service. Free cash flow also includes cash that may be necessary for acquisitions, investments and other needs that may arise.

The following table reconciles net cash provided by operating activities to free cash flow for our consolidated results (in thousands):

	Three Months Ended March 31,	
	2015	2014
Net cash provided by operating activities	$ 3,820	$ 13,537
Less: Purchases of property, plant and equipment	13,038	15,095
Free cash flow	$ (9,218)	$ (1,558)

Table of Contents

Obligations and Future Capital Requirements

Future maturities of our outstanding debt and contractual obligations as of March 31, 2015 are summarized as follows (in thousands):

	Less than 1 Year	1 to 3 Years	3 to 5 Years	Over 5 Years	Total
Credit Facility(1)	$ 2,860	$ 4,760	$ 126,395	$ -	$ 134,015
Equipment financing arrangements	-	-	-	-	-
Contingent consideration	10,991	13,737	-	-	24,728
Purchase obligations	28,927	22,041	-	-	50,968
Operating lease commitments	31,296	74,587	38,856	5,141	149,880
Other debt	2,879	1,905	156	-	4,940
Total	$ 76,953	$ 117,030	$ 165,407	$ 5,141	$ 364,531

(1) Includes estimated interest payments based on the weighted-average interest rate, unused commitment fees, current interest rate swap arrangements, and outstanding debt as of March 31, 2015.

- Contractual obligations to be paid in a foreign currency are translated at the period end exchange rate.

- Purchase obligations primarily consist of outstanding purchase orders for goods or services not yet received, which are not recognized as liabilities in our Consolidated Balance Sheets until such goods and/or services are received.

- The contractual obligation table excludes our liabilities of $1.9 million related to uncertain tax positions because we cannot reliably estimate the timing of cash payments.

Our outstanding debt is primarily associated with the use of funds under our Credit Agreement to fund working capital, repurchase our common stock, and other cash flow needs across our global operations.

Future Capital Requirements

We expect total capital expenditures in 2015 to be within the range of $70 to 80 million. Approximately 70% of these expected capital expenditures are to support growth in our business and 30% relate to the maintenance for existing assets. The anticipated level of 2015 capital expenditures is primarily driven by new client contracts and the corresponding requirements for additional

delivery center capacity as well as enhancements to our technological infrastructure.

The amount of capital required over the next 12 months will depend on our levels of investment in infrastructure necessary to maintain, upgrade or replace existing assets. Our working capital and capital expenditure requirements could also increase materially in the event of acquisitions or joint ventures, among other factors. These factors could require that we raise additional capital through future debt or equity financing. We can provide no assurance that we will be able to raise additional capital upon commercially reasonable terms acceptable to us.

Table of Contents

Client Concentration

During the three months ended March 31, 2015, one of our clients represented 10.9% of our total revenue. Our five largest clients accounted for 38.2% and 37.6% of our consolidated revenue for the three months ended March 31, 2015 and 2014, respectively. We have experienced long-term relationships with our top five clients, ranging from two to 19 years, with the majority of these clients having completed multiple contract renewals with us. The relative contribution of any single client to consolidated earnings is not always proportional to the relative revenue contribution on a consolidated basis and varies greatly based upon specific contract terms. In addition, clients may adjust business volumes served by us based on their business requirements. We believe the risk of this concentration is mitigated, in part, by the long-term contracts we have with our largest clients. Although certain client contracts may be terminated for convenience by either party, we believe this risk is mitigated, in part, by the service level disruptions and transition/migration costs that would arise for our clients.

The contracts with our five largest clients expire between 2016 and 2017. Several contracts expiring in 2016 are currently under renewal negotiations or are subject to evergreen provisions, pursuant to which the contract renews automatically unless notice is provided to the contrary. Additionally, a particular client may have multiple contracts with different expiration dates. We have historically renewed most of our contracts with our largest clients. However, there is no assurance that future contracts will be renewed, or if renewed, will be on terms as favorable as the existing contracts.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market risk represents the risk of loss that may impact our consolidated financial position, consolidated results of operations, or consolidated cash flows due to adverse changes in financial and commodity market prices and rates. Market risk also includes credit and non-performance risk by counterparties to our various financial instruments. We are exposed to market risk due to changes in interest rates and foreign currency exchange rates (as measured against the U.S. dollar); as well as credit risk associated with potential non-performance of our counterparty banks. These exposures are directly related to our normal operating and funding activities. We enter into derivative instruments to manage and reduce the impact of currency exchange rate changes, primarily between the U.S. dollar/Canadian dollar, the U.S. dollar/Philippine peso, the U.S. dollar/Mexican peso, and the Australian dollar/Philippine peso. We enter into interest rate derivative instruments to reduce our exposure to interest rate fluctuations associated with our variable rate debt. To mitigate against credit and non-performance risk, it is our policy to only enter into derivative contracts and other financial instruments with investment grade counterparty financial institutions and, correspondingly, our derivative valuations reflect the creditworthiness of our counterparties. As of the date of this report, we have not experienced, nor do we anticipate, any issues related to derivative counterparty defaults.

Interest Rate Risk

We entered into interest rate derivative instruments to reduce our exposure to interest rate fluctuations associated with our variable rate debt. The interest rate on our Credit Agreement is variable based upon the Prime Rate and LIBOR and, therefore, is affected by changes in market interest rates. As of March 31, 2015, we had $126.0 million of outstanding borrowings under the Credit Agreement. Based upon average outstanding borrowings during the three months ended March 31, 2015, interest accrued at a rate of approximately 1.2% per annum. If the Prime Rate or LIBOR increased by 100 basis points during the quarter, there would not have been a material impact to our consolidated financial position or results of operations.

Table of Contents

The Company s interest rate swap arrangements as of March 31, 2015 and December 31, 2014 were as follows:

		Notional Amount	Variable Rate Received	Fixed Rate Paid		Contract Commencement Date	Contract Maturity Date
As of March 31, 2015	$	25 million	1 - month LIBOR	2.55	%	April 2012	April 2016
and December 31, 2014		15 million	1 - month LIBOR	3.14	%	May 2012	May 2017
	$	40 million					

Foreign Currency Risk

Our subsidiaries in Bulgaria, Canada, Costa Rica, Mexico, and the Philippines use the local currency as their functional currency for paying labor and other operating costs. Conversely, revenue for these foreign subsidiaries is derived principally from client contracts that are invoiced and collected in U.S. dollars or other foreign currencies. As a result, we may experience foreign currency gains or losses, which may positively or negatively affect our results of operations attributed to these subsidiaries. For the three months ended March 31, 2015 and 2014, revenue associated with this foreign exchange risk was 30% and 32% of our consolidated revenue, respectively.

In order to mitigate the risk of these non-functional foreign currencies weakening against the functional currencies of the servicing subsidiaries, which thereby decreases the economic benefit of performing work in these countries, we may hedge a portion, though not 100%, of the projected foreign currency exposure related to client programs served from these foreign countries through our cash flow hedging program. While our hedging strategy can protect us from adverse changes in foreign currency rates in the short term, an overall weakening of the non-functional foreign currencies would adversely impact margins in the segments of the servicing subsidiary over the long term.

Cash Flow Hedging Program

To reduce our exposure to foreign currency exchange rate fluctuations associated with forecasted revenue in non-functional currencies, we purchase forward and/or option contracts to acquire the functional currency of the foreign subsidiary at a fixed exchange rate at specific dates in the future. We have designated and account for these derivative instruments as cash flow hedges for forecasted revenue in non-functional currencies.

While we have implemented certain strategies to mitigate risks related to the impact of fluctuations in currency exchange rates, we cannot ensure that we will not recognize gains or losses from international transactions, as this is part of transacting business in an international environment. Not every exposure is or can be hedged and, where hedges are put in place based on expected foreign exchange exposure, they are based on forecasts for which actual results may differ from the original estimate. Failure to successfully hedge or anticipate currency risks properly could adversely affect our consolidated operating results.

Our cash flow hedging instruments as of March 31, 2015 and December 31, 2014 are summarized as follows (in thousands). All hedging instruments are forward contracts.

As of March 31, 2015	Local Currency Notional Amount		U.S. Dollar Notional Amount	% Maturing in the Next 12 Months	Contracts Maturing Through
Canadian Dollar	750	$	719	100.0%	June 2015
Philippine Peso	17,063,000		386,570(1)	36.8%	February 2020
Mexican Peso	2,528,000		176,073	28.5%	February 2020
		$	563,362		

Table of Contents

As of December 31, 2014	Local Currency Notional Amount		U.S. Dollar Notional Amount
Canadian Dollar	1,500	$	1,441
Philippine Peso	17,428,000		398,046(1)
Mexican Peso	2,532,000		179,089
New Zealand Dollar	490		381
		$	578,957

(1) Includes contracts to purchase Philippine pesos in exchange for New Zealand dollars and Australian dollars, which are translated into equivalent U.S. dollars on March 31, 2015 and December 31, 2014.

The fair value of our cash flow hedges at March 31, 2015 was assets/(liabilities) (in thousands):

		March 31, 2015		Maturing in the Next 12 Months
Canadian Dollar	$	(129)	$	(129)
Philippine Peso		(13,038)		(5,210)
Mexican Peso		(17,775)		(6,298)
New Zealand Dollar		-		-
	$	(30,942)	$	(11,637)

Our cash flow hedges are valued using models based on market observable inputs, including both forward and spot foreign exchange rates, implied volatility, and counterparty credit risk. The decrease in fair value from December 31, 2014 largely reflects a broad strengthening in the U.S. dollar.

We recorded net losses of $1.7 million and $1.6 million for settled cash flow hedge contracts for the three months ended March 31, 2015 and 2014, respectively. These losses were reflected in Revenue in the accompanying Consolidated Statements of Comprehensive Income. If the exchange rates between our various currency pairs were to increase or decrease by 10% from current period-end levels, we would incur a material gain or loss on the contracts. However, any gain or loss would be mitigated by corresponding increases or decreases in our underlying exposures.

Other than the transactions hedged as discussed above and in Part I, Item I. Financial Statements, Note 6 to the Consolidated Financial Statements, the majority of the transactions of our U.S. and foreign operations are denominated in their respective local currency. However, transactions are denominated in other currencies from time-to-time. We do not currently engage in hedging activities related to these types of foreign currency risks because we believe them to be insignificant as we endeavor to settle these accounts on a timely basis. For the three months ended March 31, 2015 and 2014, approximately 22% and 23%, respectively, of revenue was derived from contracts denominated in currencies other than the U.S. Dollar. Our results from operations and revenue could be adversely affected if the U.S. Dollar strengthens significantly against foreign currencies.

Fair Value of Debt and Equity Securities

We did not have any investments in debt or equity securities as of March 31, 2015 or December 31, 2014.

Table of Contents

ITEM 4. CONTROLS AND PROCEDURES

This Report includes the certifications of our Chief Executive Officer (CEO) and Chief Financial Officer (CFO) required by Rule 13a-14 of the Securities Exchange Act of 1934 (the Exchange Act). See Exhibits 31.1 and 31.2. This Item 4 includes information concerning the controls and control evaluations referred to in those certifications.

Evaluation of Disclosure Controls and Procedures

Disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) are designed to reasonably assure that information required to be disclosed in reports filed or submitted under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in SEC rules and forms and that such information is accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosures.

Our management, including the CEO and CFO, believes that any disclosure controls and procedures or internal controls and procedures, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must consider the benefits of controls relative to their costs. Inherent limitations within a control system include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by unauthorized override of the control. Over time, controls may become inadequate because of changes in conditions or deterioration in the degree of compliance with associated policies or procedures. While the design of any system of controls is to provide reasonable assurance of the effectiveness of disclosure controls, such design is also based in part upon certain assumptions about the likelihood of future events, and such assumptions, while reasonable, may not take into account all potential future conditions. Accordingly, because of the inherent limitations in a cost effective control system, misstatements due to error or fraud may occur and may not be prevented or detected.

In connection with the preparation of this Quarterly Report on Form 10-Q, our management, under the supervision and with the participation of the Chief Executive Officer and Chief Financial Officer, conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures as of March 31, 2015. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures were effective as of March 31, 2015 to provide such reasonable assurance.

Changes in Internal Control over Financial Reporting

There was no change in our internal control over financial reporting during the quarter ended March 31, 2015 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Part I, Item 1. Financial statement, Note 10 to the Consolidated Financial Statement of this Form 10-Q is hereby incorporated by reference.

ITEM 1A. RISK FACTORS

There were no material changes to the risk factors described in Item 1A. Risk Factors described in our Annual Report on Form 10-K for the year ended December 31, 2014.

Table of Contents

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Issuer Purchases of Equity Securities

Following is the detail of the issuer purchases made during the quarter ended March 31, 2015:

Period	Total Number of Shares Purchased	Average Price Paid per Share (or Unit)	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs (in thousands)1
December 31, 2014				$ 11,822
January 1, 2015 - January 31, 2015	113,600	$ 22.35	113,600	$ 9,283
February 1, 2015 - February 28, 2015	98,500	$ 22.46	98,500	$ 32,071
March 1, 2015 - March 31, 2015	48,777	$ 23.86	48,777	$ 30,907
Total	260,877		260,877	

(1) In November 2001, our Board of Directors (Board) authorized a stock repurchase program with the objective of increasing stockholder returns. The Board periodically authorizes additional increases to the program. The most recent Board authorization to purchase additional common stock occurred in February 2015, whereby the Board increased the program allowance by $25.0 million. Since inception of the program through March 31, 2015, the Board has authorized the repurchase of shares up to a total value of $662.3 million, of which we have purchased 42.3 million shares on the open market for $631.4 million. As of March 31, 2015 the remaining amount authorized for repurchases under the program was approximately $30.9 million. The stock repurchase program does not have an expiration date.

Table of Contents

ITEM 6. EXHIBITS

Exhibit No.	Exhibit Description
10.81*	Employment agreement between Robert N. Jimenez and TeleTech Services Corporation effective as of April 20, 2015 (material compensation agreement)
31.1*	Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. Section 1350)
31.2*	Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. Section 1350)
32.1*	Certification of Chief Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. Section 1350)
32.2*	Certification of Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. Section 1350)
101.INS**	XBRL Instance Document
101.SCH**	XBRL Taxonomy Extension Schema Document
101.CAL**	XBRL Taxonomy Extension Calculation Linkbase Document
101.LAB**	XBRL Taxonomy Extension Label Linkbase Document
101.PRE**	XBRL Taxonomy Extension Presentation Linkbase Document
101.DEF**	XBRL Taxonomy Extension Definition Linkbase Document

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* Filed herewith.

** Attached as Exhibit 101 to this report are the following documents formatted in XBRL (Extensible Business Reporting Language): (i) Notes to the Consolidated Financial Statements, (ii) Consolidated Balance Sheets as of March 31, 2015 and December 31, 2014 (unaudited), (iii) Consolidated Statements of Comprehensive Income (Loss) for the three months ended March 31, 2015 and 2014 (unaudited), (iv) Consolidated Statements of Stockholders Equity as of and for the three months ended March 31, 2015 (unaudited), and (v) Consolidated Statements of Cash Flows for the three months ended March 31, 2015 and 2014 (unaudited).

Table of Contents

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

		TELETECH HOLDINGS, INC. (Registrant)
Date: May 11, 2015	By:	/s/ Kenneth D. Tuchman Kenneth D. Tuchman Chairman and Chief Executive Officer
Date: May 11, 2015	By:	/s/ Regina M. Paolillo Regina M. Paolillo Chief Financial Officer

Table of Contents

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