

ExlService Holdings, Inc.
Form 10-Q
July 27, 2017

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

FORM 10-Q

(Mark One)

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

FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2017

OR

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

FOR THE TRANSITION PERIOD FROM _____ TO _____
COMMISSION FILE NUMBER 001-33089

EXLSERVICE HOLDINGS, INC.
(Exact name of registrant as specified in its charter)

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

280 PARK AVENUE, 38 TH FLOOR, 10017
NEW YORK, NEW YORK
(Address of principal executive offices) (Zip code)
(212) 277-7100
(Registrant’s telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

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

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

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

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of July 25, 2017, there were 33,742,121 shares of the registrant's common stock outstanding, par value \$0.001 per share.

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PART 1. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

EXLSERVICE HOLDINGS, INC.

CONSOLIDATED BALANCE SHEETS

(In thousands, except share and per share amounts)

	As of	
	June 30,	December
	2017	31, 2016
	(Unaudited)	
Assets		
Current assets:		
Cash and cash equivalents	\$89,414	\$213,155
Short-term investments	147,915	13,491
Restricted cash	1,898	3,846
Accounts receivable, net	123,798	113,067
Prepaid expenses	9,454	7,855
Advance income tax, net	7,337	6,242
Other current assets	18,784	21,168
Total current assets	398,600	378,824
Property, plant and equipment, net	63,978	49,029
Restricted cash	3,692	3,393
Deferred taxes, net	13,959	14,799
Intangible assets, net	46,973	53,770
Goodwill	188,154	186,770
Other assets	32,075	19,943
Total assets	\$747,431	\$706,528
Liabilities and Equity		
Current liabilities:		
Accounts payable	\$11,661	\$3,288
Short-term borrowings	10,000	10,000
Deferred revenue	14,189	16,615
Accrued employee cost	39,135	50,832
Accrued expenses and other current liabilities	40,845	43,264
Current portion of capital lease obligations	203	232
Total current liabilities	116,033	124,231
Long term borrowings	35,000	35,000
Capital lease obligations, less current portion	310	300
Non-current liabilities	16,166	14,819
Total liabilities	167,509	174,350
Commitments and contingencies (See Note 21)		
Preferred stock, \$0.001 par value; 15,000,000 shares authorized, none issued	—	—
Stockholders' equity:		
Common stock, \$0.001 par value; 100,000,000 shares authorized, 36,252,428 shares issued and 33,691,731 shares outstanding as of June 30, 2017 and 35,699,819 shares issued and 33,628,109 shares outstanding as of December 31, 2016	36	36
Additional paid-in capital	303,486	284,646
Retained earnings	415,342	382,722
Accumulated other comprehensive loss	(55,451)	(75,057)

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Total including shares held in treasury	663,413	592,347
Less: 2,560,697 shares as of June 30, 2017 and 2,071,710 shares as of December 31, 2016, held in treasury, at cost	(83,694)	(60,362)
Stockholders' equity	\$579,719	\$531,985
Non-controlling interest	203	193
Total equity	\$579,922	\$532,178
Total liabilities and equity	\$747,431	\$706,528

See accompanying notes to unaudited consolidated financial statements.

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EXLSERVICE HOLDINGS, INC.
 UNAUDITED CONSOLIDATED STATEMENTS OF INCOME
 (In thousands, except share and per share amounts)

	Three months ended		Six months ended June	
	June 30,	June 30,	30,	30,
	2017	2016	2017	2016
Revenues, net	\$189,057	\$170,478	\$372,090	\$337,514
Cost of revenues (exclusive of depreciation and amortization)	125,449	112,026	245,568	220,405
Gross profit	63,608	58,452	126,522	117,109
Operating expenses:				
General and administrative expenses	24,715	21,148	48,939	41,766
Selling and marketing expenses	13,127	12,798	26,489	26,252
Depreciation and amortization	9,637	8,270	19,063	16,403
Total operating expenses	47,479	42,216	94,491	84,421
Income from operations	16,129	16,236	32,031	32,688
Foreign exchange gain, net	2,898	1,363	4,466	1,832
Interest expense	(465)	(343)	(897)	(728)
Other income, net	2,639	6,127	5,949	9,306
Income before income tax expense	21,201	23,383	41,549	43,098
Income tax expense	823	7,008	4,383	12,903
Net income	\$20,378	\$16,375	\$37,166	\$30,195
Earnings per share:				
Basic	\$0.60	\$0.49	\$1.10	\$0.90
Diluted	\$0.58	\$0.47	\$1.06	\$0.88
Weighted-average number of shares used in computing earnings per share:				
Basic	33,819,320	33,621,444	33,833,153	33,500,736
Diluted	34,993,226	34,510,400	35,051,767	34,431,028

See accompanying notes to unaudited consolidated financial statements.

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EXLSERVICE HOLDINGS, INC.

UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In thousands)

	Three months ended June 30,		Six months ended June 30,	
	2017	2016	2017	2016
Net income	\$20,378	\$16,375	\$37,166	\$30,195
Other comprehensive income:				
Unrealized (loss)/gain on effective cash flow hedges, net of taxes \$1,085, (\$376), \$3,036 and \$27, respectively	(315)	(1,508)	6,457	526
Foreign currency translation adjustment	2,200	(5,401)	13,843	(4,368)
Retirement benefits, net of taxes nil, \$15, nil and \$20, respectively	—	123	—	305
Reclassification adjustments				
Realized gain on cash flow hedges, net of taxes (\$156), (\$156), (\$347) and (\$181), respectively ⁽¹⁾	(354)	(193)	(787)	(225)
Retirement benefits, net of taxes \$40, \$1, \$47 and \$2, respectively ⁽²⁾	31	21	93	42
Total other comprehensive income/(loss)	\$1,562	\$(6,958)	\$19,606	\$(3,720)
Total comprehensive income	\$21,940	\$9,417	\$56,772	\$26,475

(1) These are reclassified to net income and are included in the foreign exchange gain in the unaudited consolidated statements of income. See Note 13 to the unaudited consolidated financial statements.

(2) These are reclassified to net income and are included in the computation of net periodic pension costs in the unaudited consolidated statements of income. See Note 16 to the unaudited consolidated financial statements.

See accompanying notes to unaudited consolidated financial statements.

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EXLSERVICE HOLDINGS, INC.
 UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS
 (In thousands)

	Six months ended June 30,	
	2017	2016
Cash flows from operating activities:		
Net income	\$37,166	\$30,195
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	19,063	16,403
Stock-based compensation expense	11,063	10,259
Unrealized gain on short term investments	(2,246)	(2,984)
Change in fair value of earn-out consideration	—	(4,060)
Unrealized foreign exchange loss/(gain)	1,643	(42)
Deferred income tax (benefit)/expense	(3,118)	3,607
Others, net	27	(67)
Change in operating assets and liabilities:		
Restricted cash	1,828	314
Accounts receivable	(9,775)	(19,621)
Prepaid expenses and other current assets	7,161	(1,177)
Accounts payable	5,295	(1,427)
Deferred revenue	(2,367)	4,996
Accrued employee costs	(11,612)	(10,282)
Accrued expenses and other liabilities	(6,074)	4,413
Advance income tax, net	(1,117)	(3,179)
Other assets	(36)	(433)
Net cash provided by operating activities	46,901	26,915
Cash flows from investing activities:		
Purchase of property, plant and equipment	(20,447)	(14,872)
Purchase of investments	(169,422)	(132,275)
Proceeds from redemption of investments	39,475	41,179
Net cash used for investing activities	(150,394)	(105,968)
Cash flows from financing activities:		
Principal payments on capital lease obligations	(94)	(240)
Repayments of borrowings	—	(25,000)
Acquisition of treasury stock	(23,332)	(9,704)
Proceeds from exercise of stock options	1,778	4,195
Net cash used for financing activities	(21,648)	(30,749)
Effect of exchange rate changes on cash and cash equivalents	1,400	(2,408)
Net decrease in cash and cash equivalents	(123,741)	(112,210)
Cash and cash equivalents, beginning of period	213,155	205,323
Cash and cash equivalents, end of period	\$89,414	\$93,113

See accompanying notes to unaudited consolidated financial statements.

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EXLSERVICE HOLDINGS, INC.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2017

(In thousands, except share and per share amounts)

1. Organization

ExlService Holdings, Inc. (“ExlService Holdings”) is organized as a corporation under the laws of the state of Delaware. ExlService Holdings, together with its subsidiaries (collectively, the “Company”), operates in the Business Process Management (“BPM”) industry providing operations management services and analytics services that help businesses enhance growth and profitability. Using its proprietary platforms, methodologies and tools, the Company looks deeper to help its clients improve global operations, enhance data-driven insights, increase customer satisfaction, and manage risk and compliance. The Company’s clients are located principally in the U.S. and the U.K.

2. Summary of Significant Accounting Policies

(a) Basis of Preparation and Principles of Consolidation

The unaudited interim consolidated financial statements have been prepared in accordance with United States generally accepted accounting principles (“US GAAP”) for interim financial information, the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by US GAAP for annual financial statements and therefore should be read in conjunction with the audited consolidated financial statements and footnotes thereto included in the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2016.

The unaudited interim consolidated financial statements reflect all adjustments (of a normal and recurring nature) that management considers necessary for a fair presentation of such statements for the interim periods presented. The unaudited consolidated statements of income for the interim periods presented are not necessarily indicative of the results for the full year or for any subsequent period.

The accompanying unaudited consolidated financial statements include the financial statements of ExlService Holdings and all of its subsidiaries. All intercompany balances and transactions have been eliminated in consolidation. Non-controlling interest is the equity in a subsidiary not attributable, directly or indirectly, to the parent and it represents the minority partner’s interest in the operations of ExlService Colombia S.A.S. Non-controlling interest consists of the amount of such interest at the date of obtaining control over the subsidiary, and the non-controlling interest's share of changes in equity since that date. The non-controlling interest in the operations for all the periods presented were insignificant and are included under general and administrative expenses in the unaudited consolidated statements of income.

(b) Use of Estimates

The preparation of the unaudited consolidated financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the unaudited consolidated financial statements and the unaudited consolidated statements of income during the reporting period. Although these estimates are based on management’s best assessment of the current business environment, actual results may be different from those estimates. The significant estimates and assumptions that affect the financial statements include, but are not limited to, allowance for doubtful receivables, recoverability of service tax receivables, assets and obligations related to employee benefit plans, deferred tax valuation allowances, income-tax uncertainties and other contingencies, valuation of derivative financial instruments, assumptions used to calculate stock-based compensation expense, depreciation and amortization periods, purchase price allocation, recoverability of long-term assets including goodwill and intangibles, and estimates to complete fixed price contracts.

(c) Share-Based Compensation

In March 2016, the FASB issued ASU No. 2016-09, Compensation - Stock Compensation (Topic 718). ASU No. 2016-09 identifies areas for simplification involving several aspects of accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, an option

to recognize gross stock compensation expense with actual forfeitures recognized as they occur, as well as certain classifications on the Statement of Cash Flows. The amendments are effective for all entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2016. The Company adopted this ASU effective January 1, 2017. The following summarizes the effects of the adoption on the Company's unaudited consolidated financial statements:

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EXLSERVICE HOLDINGS, INC.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS—(continued)

June 30, 2017

(In thousands, except share and per share amounts)

Income taxes - Upon adoption of this standard, all excess tax benefits and tax deficiencies are recognized as income tax expense or benefit in the income statement. The tax effects of exercised or vested awards are treated as discrete items in the reporting period in which they occur. The Company also recognizes excess tax benefits regardless of whether the benefit reduces taxes payable in the current period. As a result, the Company recognized discrete adjustments to income tax expense for the three months ended June 30, 2017 in the amount of \$1,624 and for the six months ended June 30, 2017 in the amount of \$3,681 related to excess tax benefits. No adjustment is recorded for any windfall benefits previously recorded in APIC.

Forfeitures - Prior to adoption, share-based compensation expense was recognized on a straight line basis, net of estimated forfeitures, such that expense was recognized only for share-based awards that are expected to vest. A forfeiture rate was estimated annually and revised, if necessary, in subsequent periods if actual forfeitures differed from initial estimates. Upon adoption, the Company will no longer apply a forfeiture rate and instead will account for forfeitures as they occur. The Company has applied the modified retrospective adoption approach as of January 1, 2017 and has recognized a cumulative-effect adjustment to reduce additional paid-in-capital of \$5,999 and retained earnings of \$4,546 (net of deferred tax effect of \$1,453).

Statements of Cash Flows - The Company historically accounted for excess tax benefits on the Statement of Cash Flows as a financing activity. Upon adoption of this standard, excess tax benefits are classified along with other income tax cash flows as an operating activity. The Company has elected to adopt this portion of the standard on a prospective basis beginning in 2017 and accordingly prior periods have not been adjusted.

Earnings Per Share - The Company uses the treasury stock method to compute diluted earnings per share, unless the effect would be anti-dilutive. The Company excluded the excess tax benefits from the assumed proceeds available to repurchase shares in the computation of diluted earnings per share.

Upon adoption, no other aspects of ASU 2016-09 had an effect on the Company's unaudited consolidated financial statements or related footnote disclosures.

(d) Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-09, "Revenue from Contracts with Customers". The new standard is effective for reporting periods beginning after December 15, 2017 and early adoption is not permitted. The comprehensive new standard will supersede existing revenue recognition guidance and require revenue to be recognized when promised goods or services are transferred to customers in amounts that reflect the consideration to which the Company expects to be entitled in exchange for those goods or services. Adoption of the new rules could affect the timing of revenue recognition for certain transactions of the Company. ASU 2014-09 is effective for the Company in the first quarter of fiscal 2018 using either one of two methods: (i) retrospectively to each prior reporting period presented with the option to elect certain practical expedients as defined within ASU 2014-09; or (ii) retrospectively with the cumulative effect of initially applying ASU 2014-09 recognized at the date of initial application and providing certain additional disclosures as defined per ASU 2014-09.

The Company is evaluating the impact of the new standard. The ultimate impact on revenue resulting from the application of the new standard will be subject to assessments that are dependent on many variables, including, but not limited to, the terms of the contractual arrangements and the mix of business. Upon adoption, we expect there to be a change in the manner that variable consideration in certain revenue arrangements is recognized from the current

practice of recognizing such revenue as the services are performed and the variable consideration is earned to estimating the achievability of the variable conditions when we begin delivering services and recognizing that amount over the contractual period. The Company also expects a change in the manner that it recognizes certain incremental and fulfillment costs from expensing them as incurred to deferring and recognizing them over the contractual period.

The Company continues to evaluate the available transition methods and its contractual arrangements. The Company's considerations include, but are not limited to, the comparability of its financial statements and the comparability within its industry from application of the new standard to its contractual arrangements. The Company plans to select a transition method by the second half of 2017. The Company has established an implementation team to implement the standard update related to the recognition of revenue from contracts with customers and continues to evaluate the changes to accounting system and processes, and additional disclosure requirements that may be necessary.

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EXLSERVICE HOLDINGS, INC.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS—(continued)

June 30, 2017

(In thousands, except share and per share amounts)

In March 2016, the FASB issued ASU 2016-08, Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations (Reporting Revenue Gross versus Net). ASU 2016-08 clarifies the implementation guidance on principal versus agent considerations. The guidance includes indicators to assist an entity in determining whether it controls a specified good or service before it is transferred to the customers. The amendments are effective for all entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2017. The Company is currently evaluating the impact that the adoption of this guidance will have on its consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842). ASU 2016-02 requires the identification of arrangements that should be accounted for as leases by lessees. In general, for lease arrangements exceeding a twelve month term, these arrangements must now be recognized as assets and liabilities on the balance sheet of the lessee. Under ASU 2016-02, a right-of-use asset and lease obligation will be recorded for all leases, whether operating or financing, while the income statement will reflect lease expense for operating leases and amortization/interest expense for financing leases. The balance sheet amount recorded for existing leases at the date of adoption of ASU 2016-02 must be calculated using the applicable incremental borrowing rate at the date of adoption. In addition, ASU 2016-02 requires the use of the modified retrospective method, which will require adjustment to all comparative periods presented in the consolidated financial statements. The new guidance is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. The Company is currently evaluating the impact that the adoption of this guidance will have on its consolidated financial statements and the implementation approach to be used.

In June 2016, FASB issued ASU 2016-13, Financial Instruments - Credit Losses, which require a financial asset (or a group of financial assets) measured at amortized cost basis to be presented at the net amount expected to be collected. The allowance for credit losses is a valuation account that is to be deducted from the amortized cost basis of the financial asset(s) to present the net carrying value at the amount expected to be collected on the financial asset. The new guidance is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. The amendment should be applied through a modified retrospective approach. Early adoption as of the fiscal years beginning after December 15, 2018 is permitted. The adoption of ASU 2016-13 is not expected to have a material effect on the Company's consolidated financial statements.

In August 2016, FASB issued ASU 2016-15, Classification of Certain Cash Receipts and Cash Payments. The amendments apply to all entities that are required to present a Statement of Cash Flows under Topic 230. The amendments are an improvement to GAAP because they provide guidance for each of eight issues identified therein, thereby reducing the current and potential future diversity in practice. The amendments are effective for fiscal years beginning after December 15, 2017 and interim periods within those annual periods and should be applied using a retrospective transition method to each period presented. The Company does not expect the adoption of this ASU to have a material effect on its financial position or results of operations.

In November 2016, FASB issued ASU 2016-18, Statement of Cash Flows - Restricted cash. The amendments apply to all entities that have restricted cash or restricted cash equivalents and are required to present a Statement of Cash Flows under Topic 230. The amendments in this update require that a Statement of Cash Flows should explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. The amendments are effective for fiscal years beginning after December 15, 2017 and interim periods within those annual periods. Early adoption is permitted with an adjustment reflected as of the beginning of the fiscal year in which the amendment is adoption. The Company does not expect the adoption of this

ASU to have a material effect on its financial position or results of operations.

In January 2017, the FASB issued ASU 2017-04, Simplifying the Test for Goodwill Impairment (Topic 350), which eliminates Step 2 from the goodwill impairment test. A goodwill impairment will now be the amount by which a reporting unit's carrying value exceeds its fair value, however, the loss recognized should not exceed the total amount of goodwill allocated to that reporting unit. ASU 2017-04 is effective for annual and interim periods in fiscal years beginning after December 15, 2019. Early adoption is permitted for interim or annual goodwill impairment tests performed after January 1, 2017 and should be applied prospectively. The Company is currently evaluating the impact that the adoption of this standard will have on its consolidated financial statements.

In March, 2017, FASB issued ASU 2017-07, Improving the Presentation of Net Periodic Pension Cost and Net Periodic Post-retirement Benefit Cost. The ASU amends ASC 715, Compensation — Retirement Benefits, to require employers that present a measure of operating income in their statement of income to include only the service cost component of net periodic pension cost and net periodic post-retirement benefit cost in operating expenses (together with other employee compensation costs). The

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EXLSERVICE HOLDINGS, INC.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS—(continued)

June 30, 2017

(In thousands, except share and per share amounts)

other components of net benefit cost, including amortization of prior service cost/credit, and settlement and curtailment effects, are to be included in non-operating expenses. The update also stipulates that only the service cost component of net benefit cost is eligible for capitalization. The amendments are effective for fiscal years beginning after December 15, 2017 and interim periods within those annual periods. Early adoption is permitted as of the beginning of an annual period. The Company is currently evaluating the impact that the adoption of this guidance will have on its consolidated financial statements.

In May 2017, FASB issued ASU 2017-09, Compensation - Stock Compensation (Topic 718): Scope of Modification Accounting. This ASU provides guidance on the types of changes to the terms or conditions of share-based payment awards to which an entity would be required to apply modification accounting. Modification accounting is required only if the fair value, the vesting conditions, or the classification of the award changes as a result of the change in terms or conditions. The amendments in this ASU are effective for all entities for annual periods, and interim periods within those annual periods, beginning after December 15, 2017. Early adoption is permitted, including adoption in any interim period, for public business entities for reporting periods for which financial statements have not yet been issued. The amendments in this ASU should be applied prospectively to an award modified on or after the adoption date. The Company is currently evaluating the impact that the adoption of this guidance will have on its consolidated financial statements.

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EXLSERVICE HOLDINGS, INC.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS—(continued)

June 30, 2017

(In thousands, except share and per share amounts)

3. Segment and Geographical Information

The Company operates in the BPM industry and is a provider of operations management and analytics services. The Company has eight operating segments, which are strategic business units that align its products and services with how it manages its business, approaches its key markets and interacts with its clients. Six of those operating segments provide BPM or “operations management” services, which the Company organizes into industry-focused operating segments (Insurance, Healthcare, Travel, Transportation and Logistics, Banking and Financial Services, and Utilities) and one “capability” operating segment (Finance and Accounting) that provides services to clients in industry-focused segments as well as clients across other industries. In each of these six operating segments, the Company provides operations management services, which typically involve transfer to the Company of select business operations of a client, after which it administers and manages those operations for its client on an ongoing basis. The remaining two operating segments are Consulting, which provides industry-specific transformational services related to operations management services, and the Analytics operating segment, which provides services that focus on driving improved business outcomes for clients by generating data-driven insights across all parts of their business.

In prior periods the Company presented two reportable segments: Operations Management (which included its Insurance, Healthcare, Travel, Transportation and Logistics, Finance and Accounting, Banking and Financial services, Utilities and Consulting operating segments) and Analytics. Effective for the quarter and year ended December 31, 2016, the Company presents information for the following reportable segments:

- Insurance
- Healthcare
- Travel, Transportation and Logistics (“TT&L”)
- Finance and Accounting (“F&A”), and
- Analytics

The remaining operating segments, which includes the banking and financial services, utilities and consulting operating segments have been included in a category called “All Other”. Segment information for all prior periods presented herein has been changed to conform to the current presentation. This change in segment presentation does not affect the Company's unaudited consolidated statements of income and comprehensive income, balance sheets or statements of cash flows.

The chief operating decision maker (“CODM”) generally reviews financial information such as revenues, cost of revenues and gross profit, disaggregated by the operating segments to allocate an overall budget among the operating segments.

The Company does not allocate and therefore the CODM does not evaluate other operating expenses, interest expense or income taxes by segment. Many of the Company’s assets are shared by multiple operating segments. The Company manages these assets on a total Company basis, not by operating segment, and therefore asset information and capital expenditures by operating segment are not presented.

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EXLSERVICE HOLDINGS, INC.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS—(continued)

June 30, 2017

(In thousands, except share and per share amounts)

Revenues and cost of revenues for the three months ended June 30, 2017 and 2016, respectively, for each of the reportable segments, are as follows:

	Three months ended June 30, 2017						Total
	Insurance	Healthcare	TT&L	F&A	All Other	Analytics	
Revenues, net	\$58,255	\$ 18,923	\$17,835	\$21,038	\$21,447	\$ 51,559	\$189,057
Cost of revenues (exclusive of depreciation and amortization)	40,976	12,250	10,473	12,955	14,697	34,098	125,449
Gross profit	\$17,279	\$ 6,673	\$7,362	\$8,083	\$6,750	\$ 17,461	\$63,608
Operating expenses							47,479
Foreign exchange gain, interest expense and other income, net							5,072
Income tax expense							823
Net income							\$20,378
	Three months ended June 30, 2016						
	Insurance	Healthcare	TT&L	F&A	All Other	Analytics	Total
Revenues, net	\$50,597	\$ 17,442	\$17,545	\$19,284	\$26,001	\$ 39,609	\$170,478
Cost of revenues (exclusive of depreciation and amortization)	36,451	11,008	10,801	11,929	16,293	25,544	112,026
Gross profit	\$14,146	\$ 6,434	\$6,744	\$7,355	\$9,708	\$ 14,065	\$58,452
Operating expenses							42,216
Foreign exchange gain, interest expense and other income, net							7,147
Income tax expense							7,008
Net income							\$16,375

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EXLSERVICE HOLDINGS, INC.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS—(continued)

June 30, 2017

(In thousands, except share and per share amounts)

Revenues and cost of revenues for the six months ended June 30, 2017 and 2016, respectively, for each of the reportable segments, are as follows:

	Six months ended June 30, 2017						Total
	Insurance	Healthcare	TT&L	F&A	All Other	Analytics	
Revenues, net	\$ 114,176	\$ 37,855	\$ 34,878	\$ 42,052	\$ 42,563	\$ 100,566	\$ 372,090
Cost of revenues (exclusive of depreciation and amortization)	79,305	24,436	20,697	25,853	29,141	66,136	245,568
Gross profit	\$ 34,871	\$ 13,419	\$ 14,181	\$ 16,199	\$ 13,422	\$ 34,430	\$ 126,522
Operating expenses							94,491
Foreign exchange gain, interest expense and other income, net							9,518
Income tax expense							4,383
Net income							\$ 37,166

	Six months ended June 30, 2016						Total
	Insurance	Healthcare	TT&L	F&A	All Other	Analytics	
Revenues, net	\$ 98,895	\$ 33,830	\$ 35,104	\$ 39,103	\$ 52,007	\$ 78,575	\$ 337,514
Cost of revenues (exclusive of depreciation and amortization)	70,719	21,553	21,264	23,373	33,181	50,315	220,405
Gross profit	\$ 28,176	\$ 12,277	\$ 13,840	\$ 15,730	\$ 18,826	\$ 28,260	\$ 117,109
Operating expenses							84,421
Foreign exchange gain, interest expense and other income, net							10,410
Income tax expense							12,903
Net income							\$ 30,195

Net revenues of the Company by service type, were as follows:

	Three months ended		Six months ended	
	June 30, 2017	June 30, 2016	June 30, 2017	June 30, 2016
BPM and related services ⁽¹⁾	\$ 137,498	\$ 130,869	\$ 271,524	\$ 258,939
Analytics services	51,559	39,609	100,566	78,575
Total	\$ 189,057	\$ 170,478	\$ 372,090	\$ 337,514

(1) BPM and related services include revenues of the Company's five industry-focused operating segments, one capability operating segment and consulting operating segment, which provides services related to operations management services. See reportable segment disclosure above.

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EXLSERVICE HOLDINGS, INC.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS—(continued)

June 30, 2017

(In thousands, except share and per share amounts)

The Company attributes the revenues to regions based upon the location of its customers.

	Three months ended		Six months ended	
	June 30, 2017	2016	June 30, 2017	2016
Revenues, net				
United States	\$ 153,894	\$ 136,151	\$ 304,175	\$ 270,225
Non-United States				
United Kingdom	28,951	28,863	55,033	56,291
Rest of World	6,212	5,464	12,882	10,998
Total Non-United States	35,163	34,327	67,915	67,289
	\$ 189,057	\$ 170,478	\$ 372,090	\$ 337,514

Property, plant and equipment by geographic area, were as follows:

	As of	
	June 30, 2017	December 31, 2016
Property, plant and equipment, net		
India	\$ 38,576	\$ 23,362
United States	12,890	10,809
Philippines	9,736	