

TELETECH HOLDINGS INC
Form 10-Q
November 09, 2015
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UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

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

For the quarterly period ended September 30, 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.

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(Exact name of registrant as specified in its charter)

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

9197 South Peoria Street

Englewood, Colorado 80112

(Address of principal executive offices)

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

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

Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes No

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

Large accelerated filer

Accelerated filer

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

Smaller reporting company

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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 November 2, 2015, there were 48,395,849 shares of the registrant's common stock outstanding.

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TELETECH HOLDINGS, INC. AND SUBSIDIARIES

SEPTEMBER 30, 2015 FORM 10-Q

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

TELETECH HOLDINGS, INC. AND SUBSIDIARIES

Consolidated Balance Sheets

(Amounts in thousands, except share amounts)

(unaudited)

	September 30, 2015	December 31, 2014
ASSETS		
Current assets		
Cash and cash equivalents	\$ 86,170	\$ 77,316
Accounts receivable, net	258,231	276,432
Prepays and other current assets	75,798	64,702
Deferred tax assets, net	27,175	22,501
Income tax receivable	3,015	4,532
Total current assets	450,389	445,483
Long-term assets		
Property, plant and equipment, net	165,795	150,212
Goodwill	118,784	128,705
Deferred tax assets, net	24,159	31,512
Other intangible assets, net	53,564	59,905
Other long-term assets	45,524	36,658
Total long-term assets	407,826	406,992
Total assets	\$ 858,215	\$ 852,475
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable	\$ 46,358	\$ 37,019
Accrued employee compensation and benefits	71,937	70,069
Other accrued expenses	40,662	34,430
Income tax payable	7,247	10,141
Deferred tax liabilities, net	358	—
Deferred revenue	30,183	29,887
Other current liabilities	27,296	17,085
Total current liabilities	224,041	198,631
Long-term liabilities		

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Line of credit	115,000	100,000
Deferred tax liabilities, net	2,351	4,675
Deferred rent	10,023	8,956
Other long-term liabilities	81,011	74,149
Total long-term liabilities	208,385	187,780
Total liabilities	432,426	386,411
Commitments and contingencies (Note 10)		
Mandatorily redeemable noncontrolling interest	3,920	2,814
Stockholders' equity		
Preferred stock; \$0.01 par value; 10,000,000 shares authorized; zero shares outstanding as of September 30, 2015 and December 31, 2014	—	—
Common stock; \$0.01 par value; 150,000,000 shares authorized; 48,404,250 and 48,452,852 shares outstanding as of September 30, 2015 and December 31, 2014, respectively	485	485
Additional paid-in capital	347,445	356,792
Treasury stock at cost: 33,648,003 and 33,599,401 shares as of September 30, 2015 and December 31, 2014, respectively	(534,680)	(527,595)
Accumulated other comprehensive income (loss)	(102,902)	(52,274)
Retained earnings	703,898	677,859
Noncontrolling interest	7,623	7,983
Total stockholders' equity	421,869	463,250
Total liabilities and stockholders' equity	\$ 858,215	\$ 852,475

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

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TELETECH HOLDINGS, INC. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income (Loss)

(Amounts in thousands, except per share amounts)

(Unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2015	2014	2015	2014
Revenue	\$ 309,195	\$ 305,900	\$ 944,939	\$ 903,611
Operating expenses				
Cost of services	225,978	220,244	682,579	646,346
Selling, general and administrative	48,418	49,847	146,031	148,016
Depreciation and amortization	15,486	13,893	46,529	41,152
Restructuring charges, net	622	593	1,629	1,750
Impairment losses	3,066	—	3,066	—
Total operating expenses	293,570	284,577	879,834	837,264
Income from operations	15,625	21,323	65,105	66,347
Other income (expense)				
Interest income	196	542	877	1,545
Interest expense	(2,337)	(1,646)	(5,711)	(5,197)
Other income (expense), net	146	248	1,133	5,498
Total other income (expense)	(1,995)	(856)	(3,701)	1,846
Income before income taxes	13,630	20,467	61,404	68,193
Provision for income taxes	(1,192)	(5,778)	(13,438)	(14,071)
Net income	12,438	14,689	47,966	54,122
Net income attributable to noncontrolling interest	(1,243)	(1,442)	(3,303)	(3,795)
Net income attributable to TeleTech stockholders	\$ 11,195	\$ 13,247	\$ 44,663	\$ 50,327
Other comprehensive income (loss)				
Net income	\$ 12,438	\$ 14,689	\$ 47,966	\$ 54,122
Foreign currency translation adjustments	(21,997)	(16,660)	(39,342)	(11,373)
Derivative valuation, gross	(11,426)	(18,908)	(17,733)	(5,044)
Derivative valuation, tax effect	4,928	7,675	8,264	2,282
Other, net of tax	223	248	(2,140)	804

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Total other comprehensive income (loss)	(28,272)	(27,645)	(50,951)	(13,331)
Total comprehensive income (loss)	(15,834)	(12,956)	(2,985)	40,791
Less: Comprehensive income attributable to noncontrolling interest	(906)	(1,053)	(2,443)	(3,212)
Comprehensive income (loss) attributable to TeleTech stockholders	\$ (16,740)	\$ (14,009)	\$ (5,428)	\$ 37,579
Weighted average shares outstanding				
Basic	48,345	49,093	48,346	49,493
Diluted	48,936	49,940	49,052	50,338
Net income per share attributable to TeleTech stockholders				
Basic	\$ 0.23	\$ 0.27	\$ 0.92	\$ 1.02
Diluted	\$ 0.23	\$ 0.27	\$ 0.91	\$ 1.00

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

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TELETECH HOLDINGS, INC. AN

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Consolidated Statement of Stockholders' Equity

(Amounts in thousands)

(Unaudited)

Stockholders' Equity of the Company

	Preferred Stock Shares	Common Stock Shares	Common Stock Amount	Treasury Stock	Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Noncontrolling interest	Total	
e as of er 31,	—	—	48,453	\$ 485	\$ (527,595)	\$ 356,792	\$ (52,274)	\$ 677,859	\$ 7,983	\$ 46
ome nds to lders	—	—	—	—	—	—	44,663	2,766	47	