

TELETECH HOLDINGS INC
Form 10-Q
May 01, 2012

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, 2012

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
(State or other jurisdiction of
incorporation or organization)

84-1291044
(I.R.S. Employer
Identification No.)

OR

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9197 South Peoria Street

Englewood, Colorado 80112

(Address of principal executive offices)

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

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

Yes No

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

Yes No

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

Large accelerated filer

Accelerated filer

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

Smaller reporting company

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

As of April 26, 2012, there were 55,464,125 shares of the registrant's common stock outstanding.

TELETECH HOLDINGS, INC. AND SUBSIDIARIES

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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)

	March 31, 2012 (Unaudited)		December 31, 2011
ASSETS			
Current assets			
Cash and cash equivalents	\$ 172,761	\$	156,371
Accounts receivable, net	244,212		243,636
Prepays and other current assets	46,611		37,434
Deferred tax assets, net	19,886		22,994
Income tax receivable	5,856		17,847
Total current assets	489,326		478,282
Long-term assets			
Property, plant and equipment, net	98,645		100,321
Goodwill	74,069		70,844
Contract acquisition costs, net	2,624		2,866
Deferred tax assets, net	31,652		32,512
Other long-term assets	74,799		62,153
Total long-term assets	281,789		268,696
Total assets	\$ 771,115	\$	746,978
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current liabilities			
Accounts payable	\$ 20,793	\$	27,555
Accrued employee compensation and benefits	70,019		71,500
Other accrued expenses	29,778		33,816
Income taxes payable	8,695		10,051
Deferred tax liabilities, net	1,832		912
Deferred revenue	13,546		15,895
Other current liabilities	5,161		10,282
Total current liabilities	149,824		170,011
Long-term liabilities			
Line of credit	85,000		64,000
Negative investment in deconsolidated subsidiary	76		76
Deferred tax liabilities, net	3,242		3,020
Deferred rent	7,516		6,729
Other long-term liabilities	45,229		32,895
Total long-term liabilities	141,063		106,720
Total liabilities	290,887		276,731
Commitments and contingencies (Note 10)			
Stockholders' equity			
Preferred stock - \$0.01 par value; 10,000,000 shares authorized; zero shares outstanding as of March 31, 2012 and December 31, 2011	-		-
Common stock - \$0.01 par value; 150,000,000 shares authorized; 55,678,427 and 56,635,319 shares outstanding as of March 31, 2012 and December 31, 2011, respectively	556		566
Additional paid-in capital	342,895		350,386

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Treasury stock at cost: 26,373,826 and 25,416,934 shares as of March 31, 2012 and December 31, 2011, respectively	(373,440)	(357,267)
Accumulated other comprehensive income (loss)	10,707	(5,474)
Retained earnings	486,657	470,776
Noncontrolling interest	12,853	11,260
Total stockholders' equity	480,228	470,247
Total liabilities and stockholders' equity	\$ 771,115	\$ 746,978

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

TELETECH HOLDINGS, INC. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

(Amounts in thousands, except per share amounts)

(Unaudited)

	Three Months Ended March 31,	
	2012	2011
Revenue	\$ 292,654	\$ 280,979
Operating expenses		
Cost of services (exclusive of depreciation and amortization presented separately below)	211,895	199,121
Selling, general and administrative	48,135	47,801
Depreciation and amortization	10,116	11,598
Restructuring charges, net	1,958	739
Impairment losses	1,800	230
Total operating expenses	273,904	259,489
Income from operations	18,750	21,490
Other income (expense)		
Interest income	760	666
Interest expense	(1,098)	(1,380)
Other income, net	258	444
Total other income (expense)	(80)	(270)
Income before income taxes	18,670	21,220
Provision for income taxes	(1,853)	(9,849)
Net income	16,817	11,371
Net income attributable to noncontrolling interest	(936)	(898)
Net income attributable to TeleTech stockholders	\$ 15,881	\$ 10,473
Other comprehensive income (loss)		
Net income	\$ 16,817	\$ 11,371
Foreign currency translation adjustment	8,751	5,091
Derivative valuation, gross	11,671	(2,287)
Derivative valuation, tax effect	(4,574)	830
Other	345	110
Total other comprehensive income	16,193	3,744
Total comprehensive income	33,010	15,115
Comprehensive income attributable to noncontrolling interest	(948)	(951)
Comprehensive income attributable to TeleTech stockholders	\$ 32,062	\$ 14,164
Weighted average shares outstanding		
Basic	56,493	57,190
Diluted	57,418	58,797
Net income per share attributable to TeleTech stockholders		
Basic	\$ 0.28	\$ 0.18
Diluted	\$ 0.28	\$ 0.18

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

TELETECH HOLDINGS, INC. AND SUBSIDIARIES

Consolidated Statement of Stockholders Equity

(Amounts in thousands)

(Unaudited)

	Preferred Stock		Common Stock		Treasury Stock	Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Noncontrolling interest	Total Equity
	Shares	Amount	Shares	Amount						
Balance as of December 31, 2011	-	\$ -	56,635	\$ 566	\$ (357,267)	\$ 350,386	\$ (5,474)	\$ 470,776	\$ 11,260	\$ 470,247
Net income	-	-	-	-	-	-	-	15,881	936	16,817
Acquisition of noncontrolling interest	-	-	-	-	-	-	-	-	1,365	1,365
Dividends distributed to noncontrolling interest	-	-	-	-	-	-	-	-	(720)	(720)
Foreign currency translation adjustments	-	-	-	-	-	-	8,739	-	12	8,751
Derivatives valuation, net of tax	-	-	-	-	-	-	7,097	-	-	7,097
Vesting of restricted stock units	-	-	436	4	6,079	(9,814)	-	-	-	(3,731)
Exercise of stock options	-	-	28	-	390	(48)	-	-	-	342
Excess tax benefit from equity-based awards	-	-	-	-	-	(1,017)	-	-	-	(1,017)
Equity-based compensation expense	-	-	-	-	-	3,388	-	-	-	3,388
Purchases of common stock	-	-	(1,421)	(14)	(22,642)	-	-	-	-	(22,656)
Other	-	-	-	-	-	-	345	-	-	345
Balance as of March 31, 2012	-	\$ -	55,678	\$ 556	\$ (373,440)	\$ 342,895	\$ 10,707	\$ 486,657	\$ 12,853	\$ 480,228

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

TELETECH HOLDINGS, INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

(Amounts in thousands)

(Unaudited)

	Three Months Ended March 31,	
	2012	2011
Cash flows from operating activities		
Net income	\$ 16,817	\$ 11,371
Adjustment to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	10,116	11,598
Amortization of contract acquisition costs	256	635
Amortization of debt issuance costs	153	228
Accretion expense	64	196
Provision for doubtful accounts	40	(208)
Loss (gain) on disposal of assets	110	-
Impairment losses	1,800	230
Deferred income taxes	(1,222)	5,361
Excess tax benefit from equity-based awards	(462)	(2,066)
Equity-based compensation expense	3,388	3,760
(Gain) loss on foreign currency derivatives	(299)	(35)
Changes in assets and liabilities, net of acquisitions:		
Accounts receivable	3,031	11,627
Prepays and other assets	(7,826)	(386)
Accounts payable and accrued expenses	(15,526)	(23,665)
Deferred revenue and other liabilities	4,224	5,962
Net cash provided by operating activities	14,664	24,608
Cash flows from investing activities		
Proceeds from grant for property, plant and equipment	110	-
Purchases of property, plant and equipment	(6,484)	(3,870)
Acquisitions, net of cash acquired of \$1,373 and zero, respectively	(4,627)	-
Net cash used in investing activities	(11,001)	(3,870)
Cash flows from financing activities		
Proceeds from line of credit	248,550	258,900
Payments on line of credit	(227,550)	(179,400)
Proceeds from other debt	6,821	-
Payments on other debt	(655)	(537)
Dividends distributed to noncontrolling interest	(720)	(990)
Proceeds from exercise of stock options	342	1,750
Excess tax benefit from equity-based awards	462	2,066
Purchase of treasury stock	(22,656)	