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 June 30, 2023

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

TTEC 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.)

6312 South Fiddlers Green Circle, Suite 100N
Greenwood Village, Colorado 80111
(Address of principal executive offices)

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

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

Title of each Class	Trading Symbol	Name of each exchange on which registered
Common stock of TTEC Holdings, Inc., $0.01 par value per share	TTEC	NASDAQ

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☑ No ☐

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.

Large Accelerated Filer ☑ Accelerated Filer ☐ Non-accelerated Filer ☐ Smaller Reporting Company ☐
Emerging Growth Company ☐

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

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

As of July 31, 2023, there were 47,417,560 shares of the registrant's common stock outstanding.

TTEC HOLDINGS, INC. AND SUBSIDIARIES
JUNE 30, 2023 FORM 10-Q
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ITEM 1. FINANCIAL STATEMENTS

TTEC HOLDINGS, INC. AND SUBSIDIARIES
Consolidated Balance Sheets
(Amounts in thousands, except share amounts)
(Unaudited)

	June 30, 2023	December 31, 2022
ASSETS		
Current assets		
Cash and cash equivalents	$ 114,776	$ 153,435
Accounts receivable, net of allowance of $2,347 and $3,524	402,664	417,637
Prepaids and other current assets	152,472	133,365
Income and other tax receivables	51,225	45,533
Total current assets	721,137	749,970
Long-term assets		
Property, plant and equipment, net	189,049	183,360
Operating lease assets	111,764	92,431
Goodwill	808,613	807,845
Deferred tax assets, net	39,733	18,713
Other intangible assets, net	216,168	233,909
Other long-term assets	84,845	67,734
Total long-term assets	1,450,172	1,403,992
Total assets	$ 2,171,309	$ 2,153,962
LIABILITIES, STOCKHOLDERS' EQUITY AND MEZZANINE EQUITY		
Current liabilities		
Accounts payable	$ 84,335	$ 93,937
Accrued employee compensation and benefits	149,919	145,096
Other accrued expenses	73,360	34,451
Income tax payable	10,952	7,166
Deferred revenue	91,757	87,846
Current operating lease liabilities	35,620	35,271
Other current liabilities	5,295	7,597
Total current liabilities	451,238	411,364
Long-term liabilities		
Line of credit	915,000	960,000
Deferred tax liabilities, net	3,451	3,829
Non-current income tax payable	4,967	9,140
Non-current operating lease liabilities	89,388	69,575
Other long-term liabilities	65,726	66,304
Total long-term liabilities	1,078,532	1,108,848
Total liabilities	1,529,770	1,520,212
Commitments and contingencies (Note 10)		
Redeemable noncontrolling interest	3,997	55,645
Stockholders' equity		
Preferred stock; $0.01 par value; 10,000,000 shares authorized; zero shares outstanding as of June 30, 2023 and December 31, 2022	—	—
Common stock; $0.01 par value; 150,000,000 shares authorized; 47,276,039 and 47,224,074 shares outstanding as of June 30, 2023 and December 31, 2022, respectively	473	472
Additional paid-in capital	396,444	367,673
Treasury stock at cost; 34,776,214 and 34,828,179 shares as of June 30, 2023 and December 31, 2022, respectively	(592,306)	(593,164)
Accumulated other comprehensive income (loss)	(90,463)	(126,301)
Retained earnings	906,518	911,233
Noncontrolling interest	16,876	18,192
Total stockholders' equity	637,542	578,105
Total liabilities, stockholders' equity and mezzanine equity	$ 2,171,309	$ 2,153,962

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

TTEC HOLDINGS, INC. AND SUBSIDIARIES
Consolidated Statements of Comprehensive Income (Loss)
(Amounts in thousands, except per share amounts)
(Unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2023	2022	2023	2022
Revenue	$ 600,394	$ 604,250	$ 1,233,680	$ 1,192,976
Operating expenses				
Cost of services (exclusive of depreciation and amortization presented separately below)	464,686	463,510	947,364	910,725
Selling, general and administrative	75,338	66,766	149,348	131,605
Depreciation and amortization	24,946	26,314	50,773	52,944
Restructuring charges, net	1,474	2,528	3,527	3,148
Impairment losses	2,652	9,248	6,959	10,360
Total operating expenses	569,096	568,366	1,157,971	1,108,782
Income from operations	31,298	35,884	75,709	84,194
Other income (expense)				
Interest income	1,126	271	2,290	471
Interest expense	(18,991)	(6,194)	(36,382)	(9,960)
Other income (expense), net	(3,574)	6,111	(2,919)	7,371
Total other income (expense)	(21,439)	188	(37,011)	(2,118)
Income before income taxes	9,859	36,072	38,698	82,076
Provision for income taxes	(6,102)	(7,274)	(14,024)	(15,308)
Net income	3,757	28,798	24,674	66,768
Net income attributable to noncontrolling interest	(2,546)	(3,564)	(4,816)	(8,130)
Net income attributable to TTEC stockholders	$ 1,211	$ 25,234	$ 19,858	$ 58,638
Other comprehensive income (loss)				
Net income	$ 3,757	$ 28,798	$ 24,674	$ 66,768
Foreign currency translation adjustments	19,367	(23,370)	28,765	(23,074)
Derivative valuation, gross	712	(8,515)	9,573	(7,666)
Derivative valuation, tax effect	(187)	2,208	(2,497)	1,988
Other, net of tax	108	313	180	354
Total other comprehensive income (loss)	20,000	(29,364)	36,021	(28,398)
Total comprehensive income (loss)	23,757	(566)	60,695	38,370
Less: Comprehensive income attributable to noncontrolling interest	(2,560)	(2,134)	(4,385)	(5,749)
Comprehensive income (loss) attributable to TTEC stockholders	$ 21,197	$ (2,700)	$ 56,310	$ 32,621
Weighted average shares outstanding				
Basic	47,264	47,047	47,249	47,026
Diluted	47,453	47,383	47,417	47,381
Net income per share attributable to TTEC stockholders				
Basic	$ 0.03	$ 0.54	$ 0.42	$ 1.25
Diluted	$ 0.03	$ 0.53	$ 0.42	$ 1.24

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

TTEC HOLDINGS, INC. AND SUBSIDIARIES
Consolidated Statements of Stockholders’ Equity and Mezzanine Equity
(Amounts in thousands)
(Unaudited)

Three months ended June 30, 2022 and 2023

	Stockholders’ Equity of the Company								
	Common Stock								
	Shares	Amount	Treasury Stock	Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Noncontrolling interest	Total Equity	Mezzanine Equity
Balance as of March 31, 2022	47,036	$ 470	$ (596,279)	$ 362,601	$ (97,464)	$ 865,951	$ 16,547	$ 551,826	$ 56,666
Net income	—	—	—	—	—	25,234	3,512	28,746	51
Dividends to shareholders ($0.00 per common share)	—	—	—	—	—	—	—	—	—
Dividends distributed to noncontrolling interest	—	—	—	—	—	—	(2,768)	(2,768)	(965)
Foreign currency translation adjustments	—	—	—	—	(21,992)	—	(1,378)	(23,370)	—
Derivatives valuation, net of tax	—	—	—	—	(6,307)	—	—	(6,307)	—
Vesting of restricted stock units	57	1	948	(2,493)	—	—	—	(1,544)	—
Equity-based compensation expense	—	—	—	4,143	—	—	—	4,143	—
Other, net of tax	—	—	—	—	313	—	—	313	—
Balance as of June 30, 2022	47,093	$ 471	$ (595,331)	$ 364,251	$ (125,450)	$ 891,185	$ 15,913	$ 551,039	$ 55,752

	Stockholders’ Equity of the Company								
	Common Stock								
	Shares	Amount	Treasury Stock	Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Noncontrolling interest	Total Equity	Mezzanine Equity
Balance as of March 31, 2023	47,252	$ 473	$ (592,685)	$ 391,294	$ (110,389)	$ 905,309	$ 16,836	$ 610,838	$ 3,936
Net income	—	—	—	—	—	1,209	2,486	3,695	61
Dividends to shareholders ($0.00 per common share)	—	—	—	—	—	—	—	—	—
Dividends distributed to noncontrolling interest	—	—	—	—	—	—	(2,520)	(2,520)	—
Foreign currency translation adjustments	—	—	—	—	19,293	—	74	19,367	—
Derivatives valuation, net of tax	—	—	—	—	525	—	—	525	—
Vesting of restricted stock units	24	—	379	(498)	—	—	—	(119)	—
Equity-based compensation expense	—	—	—	5,648	—	—	—	5,648	—
Other, net of tax	—	—	—	—	108	—	—	108	—
Balance as of June 30, 2023	47,276	$ 473	$ (592,306)	$ 396,444	$ (90,463)	$ 906,518	$ 16,876	$ 637,542	$ 3,997

Six months ended June 30, 2022 and 2023

	Stockholders’ Equity of the Company								
	Common Stock								
	Shares	Amount	Treasury Stock	Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Noncontrolling interest	Total Equity	Mezzanine Equity
Balance as of December 31, 2021	46,990	$ 470	$ (597,031)	$ 361,135	$ (98,426)	$ 856,065	$ 15,812	$ 538,025	$ 56,316
Net income	—	—	—	—	—	58,638	7,123	65,761	1,006
Dividends to shareholders ($0.50 per common share)	—	—	—	—	—	(23,518)	—	(23,518)	—
Dividends distributed to noncontrolling interest	—	—	—	—	—	—	(5,648)	(5,648)	(1,570)
Foreign currency translation adjustments	—	—	—	—	(21,700)	—	(1,374)	(23,074)	—
Derivatives valuation, net of tax	—	—	—	—	(5,678)	—	—	(5,678)	—
Vesting of restricted stock units	103	1	1,700	(4,766)	—	—	—	(3,065)	—
Equity-based compensation expense	—	—	—	7,882	—	—	—	7,882	—
Other, net of tax	—	—	—	—	354	—	—	354	—
Balance as of June 30, 2022	47,093	$ 471	$ (595,331)	$ 364,251	$ (125,450)	$ 891,185	$ 15,913	$ 551,039	$ 55,752

	Stockholders’ Equity of the Company								
	Common Stock								
	Shares	Amount	Treasury Stock	Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Noncontrolling interest	Total Equity	Mezzanine Equity
Balance as of December 31, 2022	47,224	$ 472	$ (593,164)	$ 367,673	$ (126,301)	$ 911,233	$ 18,192	$ 578,105	$ 55,645
Noncontrolling interest adjustment due to buyout	—	—	—	20,457	—	—	—	20,457	(20,457)
Net income	—	—	—	—	—	19,857	4,202	24,059	614
Dividends to shareholders ($0.52 per common share)	—	—	—	—	—	(24,572)	—	(24,572)	—
Buyout of noncontrolling interest	—	—	—	—	—	—	—	—	(31,619)
Dividends distributed to noncontrolling interest	—	—	—	—	—	—	(5,701)	(5,701)	(186)
Foreign currency translation adjustments	—	—	—	—	28,582	—	183	28,765	—
Derivatives valuation, net of tax	—	—	—	—	7,076	—	—	7,076	—
Vesting of restricted stock units	52	1	858	(1,488)	—	—	—	(629)	—
Equity-based compensation expense	—	—	—	9,802	—	—	—	9,802	—
Other, net of tax	—	—	—	—	180	—	—	180	—
Balance as of June 30, 2023	47,276	$ 473	$ (592,306)	$ 396,444	$ (90,463)	$ 906,518	$ 16,876	$ 637,542	$ 3,997

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

TTEC HOLDINGS, INC. AND SUBSIDIARIES
Consolidated Statements of Cash Flows
(Amounts in thousands)
(Unaudited)

	Six Months Ended June 30, 2023	Six Months Ended June 30, 2022
Cash flows from operating activities		
Net income	$ 24,674	$ 66,768
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	50,773	52,944
Amortization of contract acquisition costs	1,158	1,063
Amortization of debt issuance costs	534	500
Imputed interest expense and fair value adjustments to contingent consideration	6,762	—
Provision for credit losses	1,704	198
Loss on disposal of assets	856	1,116
Loss on dissolution of subsidiary	301	—
Impairment losses	6,959	10,360
Deferred income taxes	(10,390)	(9,161)
Excess tax benefit from equity-based awards	243	(913)
Equity-based compensation expense	9,802	7,882
Loss on foreign currency derivatives	247	224
Changes in assets and liabilities, net of acquisitions:		
Accounts receivable	14,645	(38,271)
Prepaids and other assets	20,324	35,866
Accounts payable and accrued expenses	43,429	21,041
Deferred revenue and other liabilities	(27,072)	(58,345)
Net cash provided by operating activities	144,949	91,272
Cash flows from investing activities		
Proceeds from sale of long-lived assets	28	102
Purchases of property, plant and equipment, net of acquisitions	(32,954)	(35,790)
Acquisitions, net of cash acquired of zero and zero, respectively	—	(142,420)
Net cash used in investing activities	(32,926)	(178,108)
Cash flows from financing activities		
Net proceeds (borrowings) from line of credit	(45,000)	139,000
Payments on other debt	(1,217)	(1,877)
Payments of contingent consideration and hold back payments to acquisitions	(37,676)	(9,600)
Dividends paid to shareholders	(24,572)	(23,518)
Payments to noncontrolling interest	(5,887)	(7,219)
Tax payments related to issuance of restricted stock units	(629)	(3,065)
Net cash (used in)/provided by financing activities	(114,981)	93,721
Effect of exchange rate changes on cash, cash equivalents and restricted cash	1,275	(12,350)
(Decrease)/increase in cash, cash equivalents and restricted cash	(1,683)	(5,465)
Cash, cash equivalents and restricted cash, beginning of period	167,064	180,682
Cash, cash equivalents and restricted cash, end of period	$ 165,381	$ 175,217
Supplemental disclosures		
Cash paid for interest	$ 35,794	$ 9,394
Cash paid for income taxes	$ 23,874	$ 19,882
Non-cash investing and financing activities		
Acquisition of long-lived assets through finance leases	$ 1,560	$ 202
Acquisition of equipment through increase in accounts payable, net	$ 3,507	$ 467

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

TTEC HOLDINGS, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements
(Unaudited)

(1) OVERVIEW AND BASIS OF PRESENTATION

Summary of Business

TTEC Holdings, Inc. (“TTEC”, “the Company”; pronounced “T-TEC”) is a leading global customer experience (“CX”) as a service (“CXaaS”) partner for many of the world’s most iconic companies, disruptive hypergrowth brands, and large public sector agencies. TTEC designs, builds, orchestrates, and delivers seamless digitally-enabled customer experiences that increase brand value, customer loyalty, revenue and profitability through personalized, outcome-based interactions. The Company helps clients improve their customer satisfaction while lowering their total cost to serve by combining innovative digital solutions with service capabilities that deliver a frictionless CX across numerous real-time digital and live interaction channels and different phases of the customer lifecycle. TTEC’s 63,900 employees serve clients in the automotive, communication, financial services, national/federal and state and local governments, healthcare, logistics, media and entertainment, e-tail/retail, technology, and travel and transportation industries via operations in the United States, Australia, Belgium, Brazil, Bulgaria, Canada, Colombia, Costa Rica, Egypt, Germany, Greece, Honduras, India, Ireland, Mexico, the Netherlands, New Zealand, the Philippines, Poland, Singapore, South Africa, Thailand, and the United Kingdom.

The Company operates and reports its financial results of operation through two business segments: TTEC Digital and TTEC Engage.

- **TTEC Digital** is one of the largest pure-play CX technology service providers with expertise in CX strategy, digitization, analytics, process optimization, system integration, cloud-based technology solutions, and transformation enabled by the Company’s proprietary CX applications and technology partnerships. TTEC Digital designs, builds, and operates robust digital experiences for clients and their customers through the contextual integration and orchestration of customer relationship management (“CRM”), data, analytics, CXaaS technology, and intelligent automation to ensure high-quality, scalable CX outcomes.
- **TTEC Engage** provides the digitally enabled CX managed services to support our clients’ end-to-end customer interaction delivery at scale. The segment delivers omnichannel customer care, technology support, order fulfillment, customer acquisition, growth, and retention services with industry specialization and distinctive CX capabilities for hypergrowth brands. TTEC Engage also delivers digitally enabled back office and industry specific specialty services including artificial intelligence (“AI”) operations, and fraud management services.

TTEC Digital and TTEC Engage strategically come together under our unified offering, Humanify® CXaaS, which drives measurable customer results for clients through the delivery of personalized and seamless, omnichannel experiences. Our Humanify® cloud platform provides a fully integrated ecosystem of CX offerings including messaging, AI, machine learning, robotic process automation, analytics, cybersecurity, CRM, knowledge management, journey orchestration, and traditional voice solutions. Our end-to-end CXaaS platform differentiates us from competitors by combining design, strategic consulting, technology, data analytics, process optimization, system integration, and operational excellence along with our decades of industry know-how. This unified offering is value-oriented, outcome-based and delivered to large enterprises, hypergrowth companies and public sector agencies on a global scale.

Basis of Presentation

The Consolidated Financial Statements are comprised of the accounts of TTEC, its wholly owned subsidiaries, its 55% equity owned subsidiary Percepta, LLC, its 70% equity owned subsidiary First Call Resolution, LLC through March 31, 2023 and then 100% owned subsequently, and its 70% equity owned subsidiary Serendebyte, Inc. (see Note 2). All intercompany balances and transactions have been eliminated in consolidation.

TTEC HOLDINGS, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements
(Unaudited)

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 state 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. All such adjustments are of a normal, recurring nature. Operating results for the periods presented are not necessarily indicative of the results that may be expected for the year ending December 31, 2023.

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, 2022.

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 ongoing basis, the Company evaluates its estimates including those related to derivatives and hedging activities, income taxes including the valuation allowance for deferred tax assets, litigation reserves, restructuring reserves, allowance for credit losses, contingent consideration, redeemable noncontrolling interest, 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.

Out-of-period Adjustment

The Consolidated Financial Statements for the three months ended June 30, 2023 include an adjustment of $13.8 million to other comprehensive income and deferred tax assets, to correct for an error identified by management during the preparation of the financial statements. This adjustment is to reflect the deferred tax impact of currency translation adjustments, of which $0.5 million relates to the three months ended March 31, 2023, and the remaining $13.3 million relates to prior annual fiscal periods. Management has determined that this error was not material to the historical financial statements in any individual period or in the aggregate and did not result in the previously issued financial statements being materially misstated. The impact to the three and six month periods ended June 30, 2023 is not material. As such, management recorded the correction as an out-of-period adjustment in the three months ended June 30, 2023.

Cash, Cash Equivalents and Restricted Cash

Cash and cash equivalents consist of cash, primarily held in interest-bearing investments, and liquid short-term investments, which have original maturities of less than 90 days. Restricted cash includes cash whereby the Company's ability to use the funds at any time is contractually limited or is generally designated for specific purposes arising out of certain contractual or other obligations.

The following table provides a reconciliation of cash, cash equivalents and restricted cash reported in the Consolidated Balance Sheets that sum to the amounts reported in the Consolidated Statement of Cash Flows (in thousands):

	June 30, 2023	December 31, 2022
Cash and cash equivalents	$ 114,776	$ 153,435
Restricted cash included in "Prepaid and other current assets"	50,605	13,629
Total	$ 165,381	$ 167,064

Concentration of Credit Risk

The Company is exposed to credit risk in the normal course of business, primarily related to accounts receivable and derivative instruments. Historically, the losses related to credit risk have been immaterial. The Company regularly monitors its credit risk to mitigate the possibility of current and future exposures resulting in a loss. The Company evaluates the creditworthiness of its clients prior to entering into an agreement to provide services and as necessary through the life of the client relationship. The Company does not believe it is exposed to more than a nominal amount of credit risk in its derivative hedging activities, as the Company diversifies its activities across eight investment-grade financial institutions.

Recently Adopted Accounting Pronouncements

None

Other Accounting Pronouncements

In March 2020, the FASB issued ASU 2020-04, "Reference Rate Reform" (Topic 848), which provides optional expedients and exceptions for contracts, hedging relationships, and other transactions affected by reference rate reform due to the anticipated cessation of the London Interbank Offered Rate ("LIBOR"). The ASU is effective from March 12, 2020, may be applied prospectively and could impact the accounting for LIBOR provisions in the Company's credit facility agreement. In addition, in January 2021, the FASB issued ASU 2021-01, "Reference Rate Reform – Scope," which clarified the scope of ASC 848 relating to contract modifications. The Company has adopted the standard effective April 1, 2023 and the adoption of this guidance did not have a material impact on the Company's financial position, results of operations or cash flows.

(2) ACQUISITIONS AND DIVESTITURES

FCR

Pursuant to the Membership Interest Purchase Agreement of October 26, 2019 between Ortana Holdings, Inc. and TTEC Services Corporation for the acquisition by TTEC of 70% interest in First Call Resolution, LLC ("FCR" and "FCR MIPA", respectively), Ortana Holdings exercised its put rights in January 2023, which required TTEC to acquire Ortana Holdings' remaining 30% interest in FCR. The purchase price for the remaining 30% interest was determined based on the express provisions of the FCR MIPA and was based on FCR's performance during 2022. The buyout agreement was signed on April 4, 2023 and reflected a buyout purchase of $22.4 million.

In connection with the triggering of the option, as of March 31, 2023, the $22.4 million purchase price was reclassified from Redeemable noncontrolling interest to Accrued expenses and the remaining balance of $20.5 million was reclassified to Additional paid in capital. In February 2023, a $9.2 million payment related to excess cash distribution was completed and in April 2023 the final payment of $22.4 million was completed.

Certain Assets of Faneuil

On April 1, 2022, the Company completed an asset acquisition through its subsidiary TTEC Government Solutions LLC, of certain public sector citizen experience contracts in the transportation infrastructure and healthcare exchange industries from Faneuil, Inc., a subsidiary of ALJ Regional Holdings, Inc. ("the Faneuil Transaction"). The acquired business is operated as part of the TTEC Engage segment and was fully consolidated into the financial statements of TTEC. The Faneuil Transaction was recorded as a business combination under ASC 805, Business Combinations, with identifiable assets acquired and liabilities assumed recorded at their estimated fair values as of the acquisition date.

Total cash paid at the time of acquisition was $142.4 million. In addition, Faneuil granted to TTEC Government Solutions LLC a three-year call right and right of first offer to purchase certain other assets of Faneuil in its utilities and commercial healthcare verticals as well as certain proprietary technology. The Faneuil Transaction includes two contingent payments which were anticipated to be paid in early 2024 which are based on the revenue and EBITDA performance of one contract and one potential contract.

The fair value of the two contingent payments was estimated using a Monte Carlo model. The model was based on current expected EBITDA performance for the two specific client programs, a discount rate of 7.6% related to revenue and a discount rate of 19.3% related to EBITDA, a volatility rate of 20%, and an adjusted risk-free rate of 1.7%. The potential payments ranged from a minimum of zero to an unlimited maximum. Based on the model, a combined $8.8 million expected future payment was calculated and recorded as of the acquisition date. During the third quarter of 2022, a $2.4 million net gain was recorded related to fair value adjustments for the estimated contingent payments based on the timing of cash flows and market interest rates which resulted in an updated discount factor for one contract, and a complete reduction for the second contract as it was not awarded to the Company. During the fourth quarter of 2022, a $0.5 million net gain was recorded related to a fair value adjustment for the estimated contingent payment based on changes in estimated EBITDA and the timing of cash flows. During the first quarter of 2023, a $0.6 million net expense was recorded related to a fair value adjustment for the estimated contingent payment based on the timing of cash flows and market interest rate changes. During the second quarter of 2023, an amendment to the agreement was signed which modified the contingent payment for a minimum payment of $7.4 million and a maximum payment of $10.4 million. Based on this modification, an updated estimated EBITDA and the revised timing of cash flows, a $1.7 million expense was recorded as of June 30, 2023. An initial payment of $7.4 million was completed in May 2023. These benefits (expenses) were included in Other income (expense) in the Consolidated Statements of Comprehensive Income (Loss). As of June 30, 2023, the contingent payment is accrued at $0.8 million and is included in Other long-term liabilities in the accompanying Consolidated Balance Sheets.

The Faneuil Transaction included a call option providing the right but not the obligation to purchase additional assets in the utilities and commercial healthcare verticals based on trailing twelve-month revenue plus an additional earn-out payment based on newly added contracts. A second call option provided the right to purchase a software intangible asset and related support functions based on trailing twelve-month revenue. These call options were valued based on information including the call right and the exclusivity period and a $270 thousand asset was recorded as of the acquisition date which is included in Other long-term assets in the accompanying Consolidated Balance Sheets. During the fourth quarter of 2022 and the first quarter of 2023, reductions in fair value of $52 thousand and $140 thousand, respectively, were recorded due to changes in estimated revenue, which were included in Other income (expense) in the Consolidated Statements of Comprehensive Income (Loss). During the second quarter of 2023, an amendment to the agreement was signed which cancelled the option to purchase the additional assets in certain verticals, and thus the remaining $78 thousand accrual was removed and included in Other income. As of June 30, 2023, the fair value is zero.

The Faneuil Transaction included an indemnity escrow which was disbursed as a holdback payment on the acquisition date. The indemnity payments relate to real estate and technology funds that will be spent post-close related to various IT upgrades and real estate expenses, and indemnity related to potential future employee wage increases. The indemnity payments were valued based on a weighted average of several current scenarios and a receivable of $10.4 million was recorded as of the acquisition date. During the third and fourth quarters of 2022 and the first quarter of 2023, reductions in the fair value were calculated and a $4.4 million expense, a $0.2 million expense and a $2.5 million expense, respectively, were recorded related to fair value adjustments for the receivable based on current information reflecting a better outcome with the contract negotiations and lower anticipated IT and facilities spending. During the second quarter of 2023, the payout value related to the IT and Facilities reimbursement was finalized at $1.3 million, and an expense of $1.9 million was recorded. The payment was received by TTEC in May 2023 and as of June 30, 2023, the receivables have been reduced to zero on the Consolidated Balance Sheet. The reductions in fair value related expenses were included in Other income (expense) in the Consolidated Statements of Comprehensive Income (Loss).

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A multi-period excess earnings method under the income approach was used to estimate the fair value of the customer relationships intangible assets. The significant assumptions utilized in calculating the fair value of the customer relationships intangible assets were the customer attrition rate, revenue growth rates, forecasted EBITDA, contributory asset charge, and the discount rate.

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

	Acquisition Date Fair Value
Cash	$ —
Accounts receivable, net	704
Prepaid and other assets	8,420
Net fixed assets	5,622
Right of use lease assets	17,778
Other assets	2,572
Customer relationships	61,310
Goodwill	75,902
	$ 172,308
Accrued employee compensation	$ 202
Accrued expenses	2,763
Right of use lease liability - current	3,129
Right of use lease liability - non-current	14,092
Deferred income	811
Other liabilities	8,891
	$ 29,888
Total purchase price	$ 142,420

In the first quarter of 2023, the Company finalized the valuation of Faneuil for the acquisition date assets acquired and liabilities assumed and determined that no material adjustments to any of the balances were required.

The Faneuil customer relationships are being amortized over a useful life of 10 years. The goodwill recognized from the Faneuil acquisition is attributable to, but not limited to, the acquired workforce and expected synergies with the TTEC Engage segment. The tax basis of the acquired intangibles and goodwill will be materially deductible for income tax purposes. The acquired goodwill and intangibles and operating results of Faneuil are reported within the TTEC Engage segment from the date of acquisition.

Financial Impact of Acquired Businesses

The acquired business purchased in 2022 noted above contributed revenues of $46.7 million and net income of $2.8 million to the Company for the three months ended June 30, 2023 and revenues of $92.9 million and net income of $3.9 million to the Company for the six months ended June 30, 2023, respectively.

The unaudited proforma financial results for the three and six months ended June 30, 2022 combines the consolidated results of the Company and Faneuil assuming the acquisition had been completed on January 1, 2021. The reported revenue and net income of $604.3 million and $25.2 million would have been $646.3 million and $28.6 million for the three months ended June 30, 2022, respectively, on an unaudited proforma basis. The reported revenue and net income of $1,193.0 million and $58.6 million would have been $1,235.0 million and $62.0 million for the six months ended June 30, 2022, respectively, on an unaudited proforma basis.

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The Company did not have any material, nonrecurring proforma adjustments directly attributable to the business combination included in the reported proforma revenue earnings. These proforma amounts have been calculated after applying the Company's accounting policies and adjusting the acquired business results to reflect the additional depreciation and amortization that would have been charged assuming the fair value adjustments to property, plant and equipment, and intangible assets had been applied from the date indicated, with the consequential tax effects.

The unaudited proforma consolidated results are not to be considered indicative of the results if the acquisition occurred in the periods mentioned above, or indicative of future operations or results. Additionally, the proforma consolidated results do not reflect any anticipated synergies expected as a result of the acquisition.

(3) SEGMENT INFORMATION

The Company reports the following two segments:

TTEC Digital is one of the largest pure-play CX technology service providers with expertise in CX strategy, digitization, analytics, process optimization, systems integration, cloud-based technology solutions, and transformation enabled by the Company's proprietary CX applications and technology partnerships. TTEC Digital designs, builds, and operates robust digital experiences for clients and their customers through the contextual integration and orchestration of CRM, data, analytics, CXaaS technology, and intelligent automation to ensure high-quality, scalable CX outcomes.

- Technology Services: The technology services design, build, and operate highly scalable, digital omnichannel technology solutions in the cloud, on premise, or hybrid environment, including journey orchestration, automation and AI, knowledge management, and workforce productivity, among others.
- Professional Services: The management consulting practices deliver customer experience strategy, analytics, process optimization, and system integration, among others.

TTEC Engage provides the digitally enabled CX managed services to support our clients' end-to-end customer interaction delivery at scale. The segment delivers omnichannel customer care, technology support, order fulfillment, customer acquisition, growth, and retention services with industry specialization and distinctive CX capabilities for hypergrowth brands. TTEC Engage also delivers digitally enabled back office and industry specific specialty services including AI operations, and fraud management services.

- Customer Acquisition, Growth, and Retention Services: The customer growth and acquisition services optimize the buying journeys for acquiring new customers by leveraging technology and analytics to deliver personal experiences that we believe increase the quantity and quality of leads and customers.
- Customer Care, Technology Support, and Order Fulfillment Services: The customer care, technology support, and order fulfillment services provide turnkey contact center solutions, including digital omnichannel technologies, associate recruiting and training, facilities, and operational expertise to create exceptional customer experiences across all touchpoints.
- Digitally Enabled Back Office and Specialty Services: The digital AI operations and fraud detection and prevention services provide clients with data tagging and annotation capabilities to train and enable AI platforms, community content moderation, and compliance to meet client content standards, and proactive fraud solutions to assist our clients in the detection and prevention of fraud.

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.

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Effective January 1, 2023, the Company completed a small reorganization of the internal reporting structure and one component from the TTEC Digital segment was reclassified and will now be included in the TTEC Engage segment. All balances have been recast for 2022 to conform to the updated segment presentation.

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

Three Months Ended June 30, 2023

	Gross Revenue	Intersegment Sales	Net Revenue	Depreciation & Amortization	Income from Operations
TTEC Digital	$ 117,585	$ —	$ 117,585	$ 6,722	$ 7,154
TTEC Engage	482,809	—	482,809	18,224	24,144
Total	$ 600,394	$ —	$ 600,394	$ 24,946	$ 31,298

Three Months Ended June 30, 2022

	Gross Revenue	Intersegment Sales	Net Revenue	Depreciation & Amortization	Income from Operations
TTEC Digital	$ 114,433	$ —	$ 114,433	$ 7,545	$ 10,751
TTEC Engage	489,817	—	489,817	18,769	25,133
Total	$ 604,250	$ —	$ 604,250	$ 26,314	$ 35,884

Six months Ended June 30, 2023

	Gross Revenue	Intersegment Sales	Net Revenue	Depreciation & Amortization	Income from Operations
TTEC Digital	$ 234,512	$ —	$ 234,512	$ 13,583	$ 7,939
TTEC Engage	999,168	—	999,168	37,190	67,770
Total	$ 1,233,680	$ —	$ 1,233,680	$ 50,773	$ 75,709

Six Months Ended June 30, 2022

	Gross Revenue	Intersegment Sales	Net Revenue	Depreciation & Amortization	Income from Operations
TTEC Digital	$ 225,847	$ —	$ 225,847	$ 16,682	$ 16,956
TTEC Engage	967,129	—	967,129	36,262	67,238
Total	$ 1,192,976	$ —	$ 1,192,976	$ 52,944	$ 84,194

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Capital Expenditures				
TTEC Digital	$ 2,352	$ 2,476	$ 4,626	$ 3,473
TTEC Engage	16,933	16,623	28,328	32,317
Total	$ 19,285	$ 19,099	$ 32,954	$ 35,790

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	June 30, 2023		December 31, 2022	
Total Assets				
TTEC Digital	$	787,492	$	807,247
TTEC Engage		1,383,817		1,346,715
Total	$	2,171,309	$	2,153,962

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

	Three Months Ended June 30,				Six Months Ended June 30,			
	2023		2022		2023		2022	
Revenue								
United States / Canada	$	414,854	$	433,495	$	858,890	$	845,747
Philippines / Asia Pacific / India		115,740		108,750		237,779		226,278
Europe / Middle East / Africa		36,023		34,233		70,477		65,797
Latin America		33,777		27,772		66,534		55,154
Total	$	600,394	$	604,250	$	1,233,680	$	1,192,976

(4) SIGNIFICANT CLIENTS AND OTHER CONCENTRATIONS

The Company had one client that contributed in excess of 10% of total revenue for the six months ended June 30, 2023; this client operates in the automotive industry and is included in the TTEC Engage segment. This client contributed 10.1% and 10.5% of total revenue for the six months ended June 30, 2023 and 2022, respectively. In addition, the Company has other clients with aggregate revenue exceeding $100 million annually and the loss of one or more of these clients could have a material adverse effect on the Company's business, operating results, or financial condition. To mitigate this risk, the Company's business arrangements with these larger clients are structured as multiple contracts with different statements of work that are specific to a different line of business or service; each of these contracts have different durations and renewal dates and a revenue opportunity below the $100 million aggregate.

To limit the Company's credit risk with its clients, management performs periodic credit evaluations, maintains allowances for credit losses and may require pre-payment for services from certain clients whose financial stability or payment practices raise concern. Based on currently available information, management does not believe significant credit risk existed as of June 30, 2023.

Activity in the Company's Allowance for credit losses consists of the following (in thousands):

	Three Months Ended June 30,				Six Months Ended June 30,			
	2023		2022		2023		2022	
Balance, beginning of period	$	5,078	$	5,032	$	3,524	$	5,409
Provision for credit losses		(558)		383		1,704		198
Uncollectible receivables written-off		(2,180)		(6)		(2,889)		(218)
Effect of foreign currency		7		(3)		8		17
Balance, end of period	$	2,347	$	5,406	$	2,347	$	5,406

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Accounts Receivable Factoring Agreement

The Company is party to an Uncommitted Receivables Purchase Agreement (“Agreement”) with Bank of the West (“Bank”), whereby from time-to-time the Company may elect to sell, on a revolving basis, U.S. accounts receivables of certain clients at a discount to the Bank for cash on a limited recourse basis. The maximum amount of receivables that the Company may sell to the Bank at any given time shall not exceed $100 million. The sales of accounts receivable in accordance with the Agreement are reflected as a reduction of Accounts Receivable, net on the Consolidated Balance Sheets. The Company has retained no interest in the sold receivables but retains all collection responsibilities on behalf of the Bank. The discount on the accounts receivable sold will be recorded within Other expense, net in the Consolidated Statements of Comprehensive Income (Loss). The cash proceeds from this Agreement are included in the change in accounts receivable within the operating activities section of the Consolidated Statements of Cash Flow.

The balances related to the Agreement are as follows (in thousands):

	June 30, 2023	December 31, 2022
Total accounts receivable factored	$ 99,911	$ 99,503
Total amounts collected from clients not yet remitted to Bank	$ 50,509	$ 13,602

The unremitted cash is restricted cash and is included within Prepaid and other current assets with the corresponding liability included in Accrued expenses on the Consolidated Balance Sheet. The Company has not recorded any servicing assets or liabilities as of June 30, 2023 as the fair value of the servicing arrangement as well as the fees earned were not material to the financial statements.

Effective November 1, 2022, the Company amended the arrangement to modify the list of eligible clients whose accounts receivable may be sold pursuant to the Agreement, and to memorialize the transition from LIBOR to SOFR for discount calculation purposes.

On July 21, 2023, BMO Financial Group completed its acquisition of the Bank from PNB Bank Paribas. The Agreement transitioned with the acquisition and TTEC has no reason to believe that the new owner of the Bank would not wish to continue its business arrangements with the Company.

(5) GOODWILL

Goodwill consisted of the following (in thousands):

	December 31, 2022	Acquisitions / Adjustments	Impairments	Effect of Foreign Currency	June 30, 2023
TTEC Digital	$ 502,806	$ (2,763)	$ —	$ (55)	$ 499,988
TTEC Engage	305,039	2,763	—	823	308,625
Total	$ 807,845	$ —	$ —	$ 768	$ 808,613

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. During the quarter ended June 30, 2023, the Company assessed whether any such indicators of impairment existed and concluded there were none.

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Effective January 1, 2023, the Company completed a small reorganization of the internal reporting structure and one component from the TTEC Digital segment was reclassified and will now be included in the TTEC Engage segment. Given the modification in reporting units, the Company conducted an impairment test before and after the change, and it was concluded that the fair value of the reporting units exceeded the carrying value on both testing dates. With the change in reporting units, the Company performed a relative fair value valuation calculation to allocate a portion of the Company's historical goodwill to this specific component, which was then reallocated from the TTEC Digital segment to the TTEC Engage segment.

(6) DERIVATIVES

Cash Flow Hedges

The Company enters into foreign exchange 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. 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 considers, among other factors, the creditworthiness of these counterparties. Conversely, the fair value of derivative liabilities reflects the Company's creditworthiness. As of June 30, 2023, the Company has 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 and six months ended June 30, 2023 and 2022 (in thousands and net of tax):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Aggregate unrealized net gain/(loss) at beginning of period	$ 6,640	$ 589	$ 89	$ (40)
Add: Net gain/(loss) from change in fair value of cash flow hedges	(115)	(6,160)	6,052	(5,770)
Less: Net (gain)/loss reclassified to earnings from effective hedges	639	(147)	1,023	92
Aggregate unrealized net gain/(loss) at end of period	$ 7,164	$ (5,718)	$ 7,164	$ (5,718)

The Company's foreign exchange cash flow hedging instruments as of June 30, 2023 and December 31, 2022 are summarized as follows (amounts in thousands). All hedging instruments are forward contracts.

As of June 30, 2023	Local Currency Notional Amount	U.S. Dollar Notional Amount	% Maturing in the next 12 months	Contracts Maturing Through
Canadian Dollar	6,000	$ 4,443	100.0 %	December 2023
Philippine Peso	8,312,000	149,621 (1)	56.3 %	April 2026
Mexican Peso	1,011,500	45,270	54.7 %	April 2026
		$ 199,334		

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As of December 31, 2022	Local Currency Notional Amount	U.S. Dollar Notional Amount
Canadian Dollar	12,000	$ 9,177
Philippine Peso	8,617,000	157,855 (1)
Mexican Peso	1,024,500	44,690
		$ 211,722

(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 June 30, 2023 and December 31, 2022.

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 June 30, 2023 and December 31, 2022 the total notional amounts of the Company's forward contracts used as fair value hedges were $66.3 million and $80.8 million, respectively.

Derivative Valuation and Settlements

The Company's derivatives as of June 30, 2023 and December 31, 2022 were as follows (in thousands):

	June 30, 2023	
Designation:	**Designated as Hedging Instruments**	**Not Designated as Hedging Instruments**
Derivative contract type:	**Foreign Exchange**	**Foreign Exchange**
Derivative classification:	**Cash Flow**	**Fair Value**
Fair value and location of derivative in the Consolidated Balance Sheet:		
Prepaids and other current assets	$ 8,198	$ 86
Other long-term assets	4,588	—
Other current liabilities	(2,700)	(129)
Other long-term liabilities	(397)	—
Total fair value of derivatives, net	$ 9,689	$ (43)

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	December 31, 2022	
Designation:	**Designated as Hedging Instruments**	**Not Designated as Hedging Instruments**
Derivative contract type:	**Foreign Exchange**	**Foreign Exchange**
Derivative classification:	**Cash Flow**	**Fair Value**
Fair value and location of derivative in the Consolidated Balance Sheet:		
Prepaids and other current assets	$ 4,001	$ 281
Other long-term assets	3,019	—
Other current liabilities	(5,157)	(76)
Other long-term liabilities	(1,748)	—
Total fair value of derivatives, net	$ 115	$ 205

The effects of derivative instruments on the Consolidated Statements of Comprehensive Income (Loss) for the three months ended June 30, 2023 and 2022 were as follows (in thousands):

	Three Months Ended June 30,	
	2023	**2022**
Designation:	**Designated as Hedging Instruments**	
Derivative contract type:	**Foreign Exchange**	
Derivative classification:	**Cash Flow**	
Amount of gain or (loss) recognized in Other comprehensive income (loss) - effective portion, net of tax	$ 639	$ (146)
Amount and location of net gain or (loss) reclassified from Accumulated OCI to income - effective portion:		
Revenue	$ 864	$ (197)

	Three Months Ended June 30,	
	2023	**2022**
Designation:	**Not Designated as Hedging Instruments**	
Derivative contract type:	**Foreign Exchange**	
Derivative classification:	**Fair Value**	
Amount and location of net gain or (loss) recognized in the Consolidated Statement of Comprehensive Income (Loss):		
Other income (expense), net	$ (14)	$ (41)

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The effects of derivative instruments on the Consolidated Statements of Comprehensive Income (Loss) for the six months ended June 30, 2023 and 2022 were as follows (in thousands):

	Six Months Ended June 30,	
	2023	2022
Designation:	**Designated as Hedging Instruments**	
Derivative contract type:	**Foreign Exchange**	
Derivative classification:	**Cash Flow**	
Amount of gain or (loss) recognized in Other comprehensive income (loss) - effective portion, net of tax	$ 1,023	$ 93
Amount and location of net gain or (loss) reclassified from Accumulated OCI to income - effective portion:		
Revenue	$ 1,383	$ 126

	Six Months Ended June 30,	
	2023	2022
Designation:	**Not Designated as Hedging Instruments**	
Derivative contract type:	**Foreign Exchange**	
Derivative classification:	**Fair Value**	
Amount and location of net gain or (loss) recognized in the Consolidated Statement of Comprehensive Income (Loss):		
Other income (expense), net	$ 1,386	$ 259

(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 June 30, 2023 and December 31, 2022 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.

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Investments – The Company measures investments, including cost and equity method investments, at fair value on a nonrecurring basis when they are deemed to be other-than-temporarily impaired. The fair values of these investments are determined based on valuation techniques using the best information available, and may include market observable inputs, and discounted cash flow projections. An impairment charge is recorded when the cost of the investment exceeds its fair value and this condition is determined to be other-than-temporary.

Debt - The Company's debt consists primarily of the Company's Credit Facility, which permits floating-rate borrowings based upon the current Prime Rate or SOFR plus a credit spread as determined by the Company's leverage ratio calculation (as defined in the Credit Agreement). As of June 30, 2023 and December 31, 2022, the Company had $915.0 million and $960.0 million, respectively, of borrowings outstanding under the Credit Facility. During the second quarter of 2023 outstanding borrowings accrued interest at an average rate of 6.6% 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 based on Level 2 inputs.

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 June 30, 2023, 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 June 30, 2023 and December 31, 2022 (in thousands):

As of June 30, 2023

	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	$ —	$ 9,689	$ —	$ 9,689
Fair value hedges	—	(43)	—	(43)
Total net derivative asset (liability)	$ —	$ 9,646	$ —	$ 9,646

As of December 31, 2022

	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	$ —	$ 115	$ —	$ 115
Fair value hedges	—	205	—	205
Total net derivative asset (liability)	$ —	$ 320	$ —	$ 320

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The following is a summary of the Company's fair value measurements as of June 30, 2023 and December 31, 2022 (in thousands):

As of June 30, 2023

	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	$ —	$ —	$ —
Deferred compensation plan asset	29,302	—	—
Contingent consideration	—	—	—
Total assets	$ 29,302	$ —	$ —
Liabilities			
Derivative instruments, net	$ —	$ 9,646	$ —
Contingent consideration	—	—	(778)
Total liabilities	$ —	$ 9,646	$ (778)
Redeemable noncontrolling interest	$ —	$ —	$ (3,997)

As of December 31, 2022

	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	$ —	$ 320	$ —
Deferred compensation plan asset	25,046	—	—
Contingent consideration	—	—	5,724
Total assets	$ 25,046	$ 320	$ 5,724
Liabilities			
Derivative instruments, net	$ —	$ —	$ —
Contingent consideration	—	—	(5,916)
Total liabilities	$ —	$ —	$ (5,916)
Redeemable noncontrolling interest	$ —	$ —	$ (55,645)

Deferred Compensation Plan — The Company maintains a non-qualified deferred compensation plan structured as a Rabbi trust for certain eligible employees. The plan assets are invested in a variety of equity and bond mutual funds. The deferred compensation asset represents the combined fair value of all the funds based on quoted values and market observable inputs.

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Contingent Consideration - The Company recorded contingent consideration payable related to the acquisition of Faneuil that closed in 2022. The contingent payables for Faneuil were calculated using a Monte Carlo simulation including a discount rate of 19.3%. The measurements were based on significant inputs not observable in the market. The Company records interest expense each period using the effective interest method until the future value of these contingent payments reaches the expected total future value.

During the third and fourth quarters of 2022, and the first and second quarters of 2023, fair value adjustments of a $2.4 million benefit, a $0.5 million benefit, a $0.6 million expense and $1.7 million expense, respectively, were recorded related to fair value adjustments of the estimated contingent payments associated with the Faneuil acquisition based on updated discount factors, the passage of time, updated EBITDA estimates and a modification to the agreement (see Note 2) for one contract, and a complete reduction for the second contract as it was not awarded to the Company. The fair value adjustment benefits(expenses) were included in Other income (expense) in the Consolidated Statements of Comprehensive Income (Loss).

Contingent Receivables – The Company recorded a contingent receivable related to the Faneuil acquisition. During the third and fourth quarters of 2022, and the first and second quarters of 2023, the Company recorded fair value adjustments for the receivable based on current information which caused the receivable to decrease, and a $4.4 million expense, a $0.2 million expense, a $2.5 million expense, and a $1.9 million expense, respectively, were included in Other income (expense), net in the Consolidated Statements of Comprehensive Income (Loss).

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

	December 31, 2022	Acquisitions	Payments	Imputed Interest / Adjustments	June 30, 2023
Faneuil	$ (5,916)	$ —	$ 7,400	$ (2,262)	$ (778)
Total	$ (5,916)	$ —	$ 7,400	$ (2,262)	$ (778)

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

	December 31, 2022	Acquisitions	Payments	Imputed Interest / Adjustments	June 30, 2023
Faneuil	$ 5,724	$ —	$ (1,343)	$ (4,381)	$ —
Total	$ 5,724	$ —	$ (1,343)	$ (4,381)	$ —

(8) IMPAIRMENT OF ASSETS

During each of the periods presented, the Company evaluated the recoverability of its leasehold improvement assets at certain customer engagement centers, building and land assets, as well as all internally developed software projects. An asset group is considered to be impaired when the anticipated undiscounted future cash flows of its asset group is 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 and six months ended June 30, 2023, the Company recognized impairment losses, net related to leasehold improvements assets, right of use lease assets, internally developed software and certain computer equipment of $2.7 million and $7.0 million, respectively, across the TTEC Digital and TTEC Engage segments.

(9) 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. The Company's selection of an accounting policy with respect to both the global intangible low taxed foreign income ("GILTI") and base erosion and anti-abuse tax ("BEAT") rules is to compute the related taxes in the period the entity becomes subject to either GILTI or BEAT.

As of June 30, 2023, the Company had $39.7 million of net deferred tax assets (after a $31.0 million valuation allowance) and a net deferred tax asset of $36.3 million (after deferred tax liabilities of $3.5 million) related to the United States and international tax jurisdictions whose recoverability is dependent upon future profitability.

The effective tax rate for the three and six months ended June 30, 2023 was 61.9% and 36.2%, respectively. The effective tax rate for the three and six months ended June 30, 2022 was 20.2% and 18.7%, respectively.

The Company's U.S. income tax returns filed for the tax years ending December 31, 2017 to present, remain open tax years. The Company has been notified of the intent to audit or is currently under audit of income taxes for the United States for tax year 2017 and 2018, the Philippines for tax year 2020, the state of California in the United States for tax years 2017 and 2018, the State of Illinois in the United States for tax year 2020, Canada for tax year 2021, and India for tax years 2017 through 2021. 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.

When there is a change in judgment concerning the recovery of deferred tax assets in future periods, a valuation allowance is recorded into earnings during the quarter in which the change in judgment occurred. In the first, second and third quarters of 2022, $1.3 million, $0.6 million and $2.5 million, respectively, were released from the valuation allowance for assets that are expected to be recognized in the future. During the first and second quarters of 2023, a $1.3 million and a $3.1 million valuation allowance were recorded, respectively, for assets that are not expected to be recovered in future periods.

The Company has been granted "Tax Holidays" as an incentive to attract foreign investment by the governments of the Philippines and Costa Rica. Generally, a Tax Holiday is an agreement between the Company and a foreign government under which the Company receives certain tax benefits in that country, such as exemption from taxation on profits derived from export-related activities. In the Philippines, the Company has been granted multiple agreements under local laws which result in an overall reduced tax rate. These incentives have varying benefit year over year and expire at various times beginning in 2030. The aggregate benefit to income tax expense for the three months ended June 30, 2023 and 2022 was approximately $0.4 million and $0.0 million, respectively, which had an impact on diluted net income per share of $0.01 and $0.00, respectively. The aggregate benefit to income tax expense for the six months ended June 30, 2023 and 2022 was approximately $1.1 million and $1.0 million, respectively, which had an impact on diluted net income per share of $0.02 and $0.02, respectively.

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(10) COMMITMENTS AND CONTINGENCIES

Credit Facility

On November 23, 2021, the Company entered into a Sixth Amendment to the Amended and Restated Credit Agreement (the "Credit Agreement") originally dated June 3, 2013, (collectively, the "Credit Facility") to convert the $300 million term loan included in the total Credit Facility commitments, that was previously agreed on March 25, 2021 as part of the Fifth Amendment to the Credit Agreement, into a $1.5 billion senior secured revolving Credit Facility with a syndicate of lenders led by Wells Fargo, National Association, as agent, swingline and fronting lender. The Credit Facility matures on November 23, 2026.

On April 3, 2023, the Company entered into a Seventh Amendment to the Credit Agreement which replaces the use of LIBOR with SOFR as of the date of the amendment, thus will affect the interest rates paid for a portion of the Credit Facility starting in the second quarter of 2023.

The maximum commitment under the Credit Facility is $1.5 billion in the aggregate, if certain conditions are satisfied. The Credit Facility commitment fees are payable to the lenders in an amount equal to the unused portion of the Credit Facility multiplied by a rate per annum as determined by reference to the Company's net leverage ratio. The Credit Agreement contains customary affirmative, negative, and financial covenants. The Credit Agreement permits accounts receivable factoring up to the greater of $100 million or 25 percent of the average book value of all accounts receivable over the most recent twelve-month period. The Credit Agreement also permits the utilization of up to $100 million of limits within the Credit Facility for letters of credit to be used in the business.

As defined in the Credit Agreement, base rate loans bear interest at a rate equal to the highest of (a) the prime rate, (b) the federal funds rate plus 0.50%, or (c) SOFR in effect on such day plus 1.0%. Base rate loans shall be based on the base rate, plus the applicable credit margin which ranges from 0% to 0.875% based on the Company's net leverage ratio. SOFR loans bear interest at a rate equal to the applicable spread adjusted SOFR plus applicable credit margin which ranges from 1.0% to 1.875% based on the Company's net leverage ratio. Alternative currency loans (not denominated in U.S. Dollars) bear interest at rates applicable to their respective currencies.

Letter of credit fees are one eighth of 1% of the stated amount of the letter of credit on the date of issuance, renewal or amendment, plus an annual fee equal to the borrowing margin for SOFR loans.

The Company primarily utilizes its Credit Facility to fund working capital, general operations, dividends and other strategic activities, such as the acquisitions described in Note 2. As of June 30, 2023 and December 31, 2022, the Company had borrowings of $915.0 million and $960.0 million, respectively, under its Credit Facility, and its average daily utilization was $1,057.7 million and $966.3 million for the six months ended June 30, 2023 and 2022, respectively. Based on the current level of availability based on the covenant calculations, the Company's remaining borrowing capacity was approximately $265 million as of June 30, 2023. As of June 30, 2023, the Company was in compliance with all covenants and conditions under its Credit Agreement.

Letters of Credit

As of June 30, 2023, outstanding letters of credit under the Credit Facility totaled $0.2 million and primarily guaranteed workers' compensation and other insurance related obligations. As of June 30, 2023, letters of credit and contract performance guarantees issued outside of the Credit Agreement totaled $0.3 million.

Guarantees

Indebtedness under the Credit Agreement is guaranteed by certain of the Company's present and future domestic subsidiaries.

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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 reasonably 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) DEFERRED REVENUE AND REMAINING PERFORMANCE OBLIGATIONS

Revenue recognized for the six months ended June 30, 2023 from amounts included in deferred revenue as of December 31, 2022 was $56.1 million. Revenue recognized for the six months ended June 30, 2022 from amounts included in deferred revenue as of December 31, 2021 was $134.8 million.

Remaining performance obligations (RPO) represent the amount of contracted future revenue that has not yet been recognized, including both deferred revenue and non-cancelable contracted amounts that will be invoiced and recognized as revenue in future periods. The Company's RPO excludes performance obligations from on-demand arrangements as there are no minimum purchase commitments associated with these arrangements, and certain time and materials contracts that are billed in arrears.

As of June 30, 2023, the Company's RPO was $326.5 million, which will be delivered and recognized within the next five years. However, the amount and timing of revenue recognition are generally driven by customer consumption, which can extend beyond the original contract term in cases where customers are permitted to roll over unused capacity to future periods, generally upon the purchase of additional capacity at renewal.

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(12) 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, 2021	$ (95,547)	$ (40)	$ (2,839)	$ (98,426)
Other comprehensive income (loss) before reclassifications	(21,700)	(5,770)	490	(26,980)
Amounts reclassified from accumulated other comprehensive income (loss)	—	92	(136)	(44)
Net current period other comprehensive income (loss)	(21,700)	(5,678)	354	(27,024)
Accumulated other comprehensive income (loss) at June 30, 2022	$ (117,247)	$ (5,718)	$ (2,485)	$ (125,450)
Accumulated other comprehensive income (loss) at December 31, 2022	$ (123,734)	$ 89	$ (2,656)	$ (126,301)
Other comprehensive income (loss) before reclassifications	28,281	6,052	56	34,389
Amounts reclassified from accumulated other comprehensive income (loss)	301	1,024	124	1,449
Net current period other comprehensive income (loss)	28,582	7,076	180	35,838
Accumulated other comprehensive income (loss) at June 30, 2023	$ (95,152)	$ 7,165	$ (2,476)	$ (90,463)

The following table presents the classification and amount of the reclassifications from Accumulated other comprehensive income (loss) to the Statement of Comprehensive Income (Loss) (in thousands):

	For the Three Months Ended June 30,		Statement of Comprehensive Income (Loss) Classification
	2023	2022	
Derivative valuation			
Gain on foreign currency forward exchange contracts	$ 864	$ (197)	Revenue
Tax effect	(225)	50	Provision for income taxes
	$ 639	$ (147)	Net income (loss)
Other			
Actuarial loss on defined benefit plan	$ (69)	$ (75)	Cost of services
Tax effect	7	8	Provision for income taxes
	$ (62)	$ (67)	Net income (loss)

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	For the Six Months Ended June 30, 2023	For the Six Months Ended June 30, 2022	Statement of Comprehensive Income (Loss) Classification
Derivative valuation			
Gain on foreign currency forward exchange contracts	$ 1,383	$ 126	Revenue
Tax effect	(359)	(34)	Provision for income taxes
	$ 1,024	$ 92	Net income (loss)
Other			
Actuarial loss on defined benefit plan	$ (138)	$ (151)	Cost of services
Tax effect	14	15	Provision for income taxes
	$ (124)	$ (136)	Net income (loss)

(13) WEIGHTED AVERAGE SHARE COUNTS

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

	Three Months Ended June 30, 2023	Three Months Ended June 30, 2022	Six Months Ended June 30, 2023	Six Months Ended June 30, 2022
Shares used in basic earnings per share calculation	47,264	47,047	47,249	47,026
Effect of dilutive securities:				
Restricted stock units	186	336	156	342
Performance-based restricted stock units	3	—	12	13
Total effects of dilutive securities	189	336	168	355
Shares used in dilutive earnings per share calculation	47,453	47,383	47,417	47,381

For the three months ended June 30, 2023 and 2022, there were Restricted Stock Units ("RSUs") of 958 thousand and 281 thousand, respectively, outstanding which were excluded from the computation of diluted net income per share because the effect would have been anti-dilutive. For the six months ended June 30, 2023 and 2022, there were RSUs of 902 thousand and 239 thousand, respectively, outstanding which were excluded from the computation of diluted net income per share because the effect would have been anti-dilutive.

(14) 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.

The following tables present the total equity-based compensation expense (stock options and RSUs) for the three and six months ended June 30, 2023 and 2022 (in thousands):

	Three Months Ended June 30, 2023	Three Months Ended June 30, 2022
Equity-based compensation expense recognized in Cost of services	$ 2,536	$ 1,613
Equity-based compensation expense recognized in Selling, general and administrative	3,113	2,530
Total equity-based compensation expense	$ 5,649	$ 4,143

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	Six Months Ended June 30, 2023	Six Months Ended June 30, 2022
Equity-based compensation expense recognized in Cost of services	$ 4,398	$ 3,235
Equity-based compensation expense recognized in Selling, general and administrative	5,404	4,647
Total equity-based compensation expense	$ 9,802	$ 7,882

Restricted Stock Unit Grants

During the six months ended June 30, 2023 and 2022, the Company granted 547,254 and 155,897 RSUs, respectively, to new and existing employees, which vest over four to five years. The Company recognized compensation expense related to RSUs of $5.5 million and $9.3 million for the three and six months ended June 30, 2023, respectively. The Company recognized compensation expense related to RSUs of $3.8 million and $7.4 million for the three and six months ended June 30, 2022, respectively. As of June 30, 2023, there was approximately $46.3 million of total unrecognized compensation cost (including the impact of expected forfeitures) related to RSUs granted under the Company's equity plans.

Performance Based Restricted Stock Unit Grants

During 2020, the Company awarded Performance Restricted Stock Units ("PRSUs") that are subject to service and performance vesting conditions. If defined minimum targets are met, the annual value of the PRSUs issued will be between $0.2 million and $2.0 million and vest immediately. If the defined minimum targets are not met, then no shares will be issued. The number of shares awarded are based on the Company's annual revenue and adjusted operating income for the fiscal years 2021 and 2022. Each fiscal year's revenue and adjusted operating income will determine the award amount. The Company recognized compensation expense related to the 2020 PRSUs of $0.0 million and $0.1 million, respectively, for the three and six months ended June 30, 2023. The Company recognized compensation expense related to the 2020 PRSUs of $0.4 million and $0.5 million, respectively, for the three and six months ended June 30, 2022.

During 2021, the Company awarded PRSUs that are subject to service and performance vesting conditions. If defined minimum targets are met, the annual value of the PRSUs issued will be between $1.2 million and $4.9 million and vest immediately in 2024. If the defined minimum targets are not met, then no shares will be issued. The number of shares that will be awarded will be based on the Company's annual revenue and adjusted operating income for the fiscal year 2023. The Company recognized compensation expense related to the 2021 PRSUs of $0.2 million and $0.4 million for the three and six months ended June 30, 2023.

During 2022, the Company made awards of two different PRSU programs that are subject to service and performance vesting conditions: ordinary course annual PRSUs and one-time stretch financial goals PRSUs. For the ordinary course annual PRSUs, if defined minimum targets are met, the annual value of the PRSUs issued will be between $0.9 million and $3.5 million and vest immediately in March 2025. If the defined minimum targets are not met, then no shares will be issued. The number of shares that will be awarded will be based on the Company's annual revenue and adjusted EBITDA for the fiscal year 2024. For the one-time stretch financial goals PRSUs, if defined minimum targets at TTEC Engage and TTEC Digital business segments' levels are met, the number of shares of PRSUs issued will be between 0.0 million shares and 0.5 million shares and will vest immediately in March 2026. If the defined minimum targets are not met, then no shares will be issued. The number of shares to be awarded will be based on the TTEC Engage and TTEC Digital business segments' annual revenue and adjusted EBITDA for the fiscal year 2025. Expense for these awards will begin at the start of the requisite service period, beginning January 1, 2024 and January 1, 2025, respectively.

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During 2023, the Company awarded PRSUs that are subject to service and performance vesting conditions. If defined minimum targets are met, the annual value of the PRSUs issued will be between zero and $8.9 million and vest immediately. If the defined minimum targets are not met, then no shares will be issued. The number of shares that will be awarded will be based on the Company's annual revenue and adjusted EBITDA for the fiscal year 2025. Expense for these awards will begin at the start of the requisite service period, beginning January 1, 2025.

(15) RELATED PARTY TRANSACTIONS

The Company entered into an agreement under which Avion, LLC ("Avion") and Airmax LLC ("Airmax") provide certain aviation flight services as requested by the Company. Such services include the use of an aircraft and flight crew. Kenneth D. Tuchman, Chairman and Chief Executive Officer of the Company, has an indirect 100% beneficial ownership interest in Avion and Airmax. During the six months ended June 30, 2023 and 2022, the Company expensed $0.7 million and $0.3 million, respectively, to Avion and Airmax for services provided to the Company. There was $276 thousand in payments due and outstanding to Avion and Airmax as of June 30, 2023.

Ms. Michelle Swanback, President of the Company, is a member of the board of directors of WTW (NYSE: WTW) (fka "Willis Towers Watson"), that provides compensation consulting and insurance brokerage services to the Company. During the six months ended June 30, 2023 and 2022, the Company expensed $1.8 million and $1.5 million, respectively, for these services.

CAUTIONARY NOTE REGARDING FORWARD LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, Section 21E of the Securities Exchange Act of 1934, and the Private Securities Litigation Reform Act of 1995, relating to our operations, expected financial position, results of operation, and other business matters that are based on our current expectations, assumptions, and projections with respect to the future, and are not a guarantee of performance. In this report, when we use words such as “may,” “believe,” “plan,” “will,” “anticipate,” “estimate,” “expect,” “intend,” “project,” “would,” “could,” “target,” or similar expressions, or when we discuss our strategy, plans, goals, initiatives, or objectives, we are making forward-looking statements.

We caution you not to rely unduly on any forward-looking statements. Actual results may differ materially from those 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 in Part II. Item 1A Risk Factors of this report and Item 1A. Risk Factors in our Annual Report on Form 10-K for the year ended December 31, 2022. Important factors that could cause our actual results to differ materially from those indicated in the forward looking statements include, among others: the risks related to our business operations and strategy in a competitive market; our ability to innovate and introduce disruptive technologies that would allow us to maintain and grow our market share (e.g., effective adoption of artificial intelligence into our solutions); risks that may arise in connection with events outside of our control (macroeconomic conditions, geopolitical tensions, outbreaks of infectious diseases); risks inherent in a disruption and cybersecurity of our information technology systems, including cybersecurity criminal activity, which can impact our ability to consistently deliver uninterrupted service to our clients or unauthorized access to data, any of which may result in government investigations and enforcement actions, and private legal actions; risks inherent in the delivery of services by employees working from home; our ability to attract and retain qualified personnel at a price point that we can afford and our clients are willing to pay; our M&A activity, including our ability to properly integrate acquired businesses; our reliance on a relatively small number of TTEC Engage clients to generate the majority of our revenue and our reliance on technology partners to generate a large portion of TTEC Digital’s revenue; the changes in laws and regulations that impact our and our clients’ businesses, including the rapidly changing data privacy and data protection laws, healthcare business regulations, financial and public sector specific regulations; the cost of labor and data privacy litigation and other class action litigation; the risks related to our international operations including the stress that geographic expansion may have on our business, the impact if we are unable to expand geographically to meet our clients’ demand; and risks inherent in our equity structure including our controlling shareholder risk, and Delaware choice of dispute resolution risks.

Our forward-looking statements speak only as of the date that this report is filed with the United States Securities and Exchange Commission (“SEC”). We undertake no obligation to update them, except as may be required by applicable law. Although we believe that our forward-looking statements are reasonable, they depend on many factors outside of our control and we can provide no assurance that they will prove to be correct.

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

Executive Summary

TTEC Holdings, Inc. ("TTEC", "the Company", "we", "our" or "us"; pronounced "T-TEC") is a leading global customer experience ("CX") as a service ("CXaaS") partner for many of the world's most iconic companies, disruptive hypergrowth brands, and large public sector agencies. TTEC designs, builds, orchestrates, and delivers seamless digitally enabled customer experiences that increase brand value, customer loyalty, revenue, and profitability through personalized, outcome-based interactions. We help clients improve their customer satisfaction while lowering their total cost to serve by combining innovative digital solutions with service capabilities that deliver a frictionless CX across numerous real-time digital and live interaction channels and different phases of the customer lifecycle.

The Company operates and reports its financial results of operation through two business segments: TTEC Digital and TTEC Engage.

- **TTEC Digital** is one of the largest pure-play CX technology service providers with expertise in CX strategy, digitization, analytics, process optimization, system integration, cloud-based technology solutions, and transformation enabled by our proprietary CX applications and technology partnerships. TTEC Digital designs, builds, and operates robust digital experiences for clients and their customers through the contextual integration and orchestration of customer relationship management ("CRM"), data, analytics, CXaaS technology, and intelligent automation to ensure high-quality, scalable CX outcomes.
- **TTEC Engage** provides the digitally enabled CX managed services to support our clients' end-to-end customer interaction delivery at scale. The segment delivers omnichannel customer care, technology support, order fulfillment, customer acquisition, growth, and retention services with industry specialization and distinctive CX capabilities for hypergrowth brands. TTEC Engage also delivers digitally enabled back office and industry specific specialty services including artificial intelligence ("AI") operations, and fraud management services.

TTEC Digital and TTEC Engage strategically come together under our unified offering, Humanify® CXaaS, which drives measurable customer results for clients through the delivery of personalized and seamless omnichannel experiences. Our Humanify® cloud platform provides a fully integrated ecosystem of CX offerings including messaging, AI, machine learning, robotic process automation, analytics, cybersecurity, CRM, knowledge management, journey orchestration, and traditional voice solutions. Our end-to-end CXaaS platform differentiates us from competitors by combining design, strategic consulting, technology, data analytics, process optimization, system integration, and operational excellence along with our decades of industry know-how. This unified offering is value-oriented, outcome-based and delivered to large enterprises, hypergrowth companies and public sector agencies on a global scale.

During 2023, the TTEC global operating platform delivered onshore, nearshore, and offshore services in 23 countries on six continents -- the United States, Australia, Belgium, Brazil, Bulgaria, Canada, Colombia, Costa Rica, Egypt, Germany, Greece, Honduras, India, Ireland, Mexico, the Netherlands, New Zealand, the Philippines, Poland, Singapore, South Africa, Thailand, and the United Kingdom with the help of 63,900 consultants, technologists, and CX professionals.

Our revenue for second quarter 2023 was $600.4 million, approximately $117.6 million, or 20% which came from our TTEC Digital segment and $482.8 million, or 80%, which came from our TTEC Engage segment.

To improve our competitive position in a rapidly changing market and to lead our clients with emerging CX methodologies, we continue to invest in innovation and service offerings for both mainstream and high-growth disruptive businesses, diversifying and strengthening our core customer care services with technology-enabled, outcomes-focused services, data analytics, insights and consulting.

We also invest to broaden our product and service capabilities, increase our global client base and industry expertise, tailor our geographic footprint to the needs of our clients, and further scale our end-to-end integrated solutions platform. To this end we were highly acquisitive in the last several years, including our acquisition in April 2022 of certain public sector assets of Faneuil, Inc. that included healthcare exchange and transportation services contracts. The acquisition expanded our capabilities in the growing public sector market by adding the building and operating of technology-enabled citizen engagement solutions to our offerings. We also completed an acquisition early in the second quarter of 2021 of a provider of Genesys and Microsoft cloud contact center services.

We have extensive expertise in the healthcare, automotive, national/federal and state and local government, financial services, communications, technology, travel, logistics, media and entertainment, e-tail/retail, and transportation industries. We serve more than 740 diverse clients globally, including many of the world’s iconic brands, Fortune 1000 companies, government agencies, and disruptive growth companies.

Our Integrated Service Offerings and Business Segments

We provide strategic value and differentiation through our two business segments: TTEC Digital and TTEC Engage.

TTEC Digital is one of the largest pure-play CX technology service providers with expertise in CX strategy, digitization, analytics, process optimization, system integration, cloud-based technology solutions, and transformation enabled by our proprietary CX applications and technology partnerships. TTEC Digital designs, builds, and operates robust digital experiences for clients and their customers through the contextual integration and orchestration of CRM, data, analytics, CXaaS technology, and intelligent automation to ensure high-quality, scalable CX outcomes.

- Technology Services: Our technology services design, build, and operate highly scalable, digital omnichannel technology solutions in the cloud, on premise, or hybrid environment, including journey orchestration, automation and AI, knowledge management, and workforce productivity, among others.
- Professional Services: Our management consulting practices deliver customer experience strategy, analytics, process optimization, and system integration, among others.

TTEC Engage provides the digitally enabled CX managed services to support our clients’ end-to-end customer interaction delivery at scale. The segment delivers omnichannel customer care, technology support, order fulfillment, customer acquisition, growth, and retention services with industry specialization and distinctive CX capabilities for hypergrowth brands. TTEC Engage also delivers digitally enabled back office and industry specific specialty services including AI operations, and fraud management services.

- Customer Acquisition, Growth, and Retention Services: Our customer growth and acquisition services optimize the buying journeys for acquiring new customers by leveraging technology and analytics to deliver personal experiences that we believe increase the quantity and quality of leads and customers.
- Customer Care, Technology Support, and Order Fulfillment Services: Our customer care, technology support, and order fulfillment services provide turnkey contact center solutions, including digital omnichannel technologies, associate recruiting and training, facilities, and operational expertise to create exceptional customer experiences across all touchpoints.
- Digitally enabled back office and specialty services: Our digital AI operations, and fraud detection and prevention services provide clients with data tagging and annotation capabilities to train and enable AI platforms, community content moderation, and compliance to meet client content standards, and proactive fraud solutions to assist our clients in the detection and prevention of fraud.

Based on our clients’ preference, we provide our services on an integrated cross-business segment and/or on a discrete basis.

Additional information with respect to our segments and geographic footprint is included in Part I, Item 1. Financial Statements, Note 3 to the Consolidated Financial Statements.

Financial Highlights

In the second quarter of 2023, our revenue decreased $3.9 million, or 0.6%, to $600.4 million over the same period in 2022 including a decrease of $1.2 million, or 0.2%, due to foreign currency fluctuations. The decrease in revenue was comprised of a $3.2 million, or 2.8%, increase for TTEC Digital and a decrease of $7.0 million, or 1.4%, for TTEC Engage.

Our second quarter 2023 income from operations decreased $4.6 million, or 12.8%, to $31.3 million or 5.2% of revenue, compared to $35.9 million or 5.9% of revenue in the second quarter of 2022. The decrease in operating income is comprised of a number of factors across the segments. The TTEC Digital operating income decreased 33.5%. The revenue mix contributed to a healthier margin percentage but was more than offset by the incremental investment in CX leadership and engineering talent, sales and marketing and technology developments. The TTEC Engage operating income decreased 3.9% over the same period last year primarily driven by the lower revenue, the ramp of several new programs, geographic expansion, and the impairment of real estate leases.

Income from operations in the second quarter of 2023 and 2022 included $4.1 million and $11.8 million of restructuring charges and asset impairments, respectively.

Our offshore customer experience centers spanning six countries serve clients based in the U.S. and in other countries with 21,200 workstations, representing 64% of our global delivery capability. Revenue for our TTEC Engage segment provided in these offshore locations represented 32% of our revenue for the second quarter of 2023, as compared to 29% of our revenue for the corresponding period in 2022.

Our seat utilization is defined as the total number of utilized workstations compared to the total number of available production workstations. As of June 30, 2023, the total production workstations for our TTEC Engage segment was 32,900, a net decrease of 3,900 workstations over the same period last year, with an overall capacity utilization of 74% versus 69% in the prior year period. This significant improvement was driven by the Company’s site optimization strategy as more and more clients are adopting the @Home operational platform on a permanent basis and a gradual return to sites in certain locations.

Post COVID-19 we expect our clients to leverage a more diversified geographic footprint and an increased mix of work from home versus brick and mortar seats in comparison to pre-COVID. We will continue to refine our site strategy and capacity as we finalize plans with our clients and prospects.

We plan to continue to selectively retain and grow capacity and expand into new offshore markets, while maintaining appropriate capacity onshore. As we grow our offshore delivery capabilities and our exposure to foreign currency fluctuation increases, we will 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 adopted and issued accounting pronouncements.

Critical Accounting Policies and Estimates

Management's Discussion and Analysis of our Financial Condition and Results of Operations is 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, 2022.

Results of Operations

Three months ended June 30, 2023 compared to three months ended June 30, 2022

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 June 30, 2023 and 2022 (amounts in thousands). All inter-company transactions between the reported segments for the periods presented have been eliminated.

TTEC Digital

	Three Months Ended June 30,			
	2023	2022	$ Change	% Change
Revenue	$ 117,585	$ 114,433	$ 3,152	2.8 %
Operating Income	7,154	10,751	(3,597)	(33.5)%
Operating Margin	6.1 %	9.4 %		

The increase in revenue for the TTEC Digital segment was driven by an increase in professional services and recurring revenue offerings.

The operating income decrease is primarily attributable to continued investments in CX leadership, engineering talent, sales and marketing, product engineering, and $0.7 million in restructuring charges. These additional expenses more than offset the favorable revenue mix over the prior year which benefited from a higher percentage of offshore delivery, and decreased amortization expense. Operating income as a percentage of revenue decreased to 6.1% in the second quarter of 2023 as compared to 9.4% in the prior period. Included in operating income was amortization expense related to acquired intangibles of $4.3 million and $4.8 million for the quarters ended June 30, 2023 and 2022, respectively.

TTEC Engage

	Three Months Ended June 30,			
	2023	2022	$ Change	% Change
Revenue	$ 482,809	$ 489,817	$ (7,008)	(1.4)%
Operating Income	24,144	25,133	(989)	(3.9)%
Operating Margin	5.0 %	5.1 %		

The decrease in revenue for the TTEC Engage segment was due to a net increase of $20.7 million in client programs offset by a decrease for program completions of $26.9 million and a $0.8 million decrease due to foreign currency fluctuations.

The operating income decreased primarily due to decreased revenue, the ramp costs for the new programs, incremental growth-oriented investments, geographic expansion, and $3.5 million of restructuring and impairment charges. These were offset by a net reimbursement from insurance of $2.1 million from the cybersecurity incident. As a result, operating income as a percentage of revenue decreased slightly to 5.0% in the second quarter of 2023 as compared to 5.1% in the prior period. Included in operating income was amortization expense related to acquired intangibles of $4.7 million and $4.8 million for the quarters ended June 30, 2023 and 2022, respectively.

Interest Income (Expense)

For the three months ended June 30, 2023 interest income increased to $1.1 million from $0.3 million in the same period in 2022. Interest expense increased to $19.0 million during 2023 from $6.2 million during 2022 due to higher utilization of the line of credit and higher interest rates.

Other Income (Expense)

For the three months ended June 30, 2023 Other income (expense), net decreased to expense of $3.6 million from income of $6.1 million during the prior year quarter.

Included in the three months ended June 30, 2023 was a $3.6 million expense related to the fair value adjustments of contingent consideration for the Faneuil acquisition (see Part I. Item 1. Financial Statements, Note 2 to the Consolidated Financial Statements).

Included in the three months ended June 30, 2022 was a gain of $2.1 million due to insurance recovery related to property damages.

Income Taxes

The effective tax rate for the three months ended June 30, 2023 was 61.9%. This compares to an effective tax rate of 20.2% for the comparable period of 2022. The effective tax rate for the three months ended June 30, 2023 was influenced by earnings in international jurisdictions currently under an income tax holiday, the distribution of income between the U.S. and international tax jurisdictions and the associated U.S. tax impacts of foreign earnings. After a $1.4 million of Non-GAAP adjustments, the Company’s normalized tax rate for the second quarter of 2023 was 22.3%.

Results of Operations

Six months ended June 30, 2023 compared to six months ended June 30, 2022

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 six months ended June 30, 2023 and 2022 (in thousands). All intercompany transactions between the reported segments for the periods presented have been eliminated.

TTEC Digital

	Six Months Ended June 30,			
	2023	**2022**	**$ Change**	**% Change**
Revenue	$ 234,512	$ 225,847	$ 8,665	3.8 %
Operating Income	7,939	16,956	(9,017)	(53.2)%
Operating Margin	3.4 %	7.5 %		

The increase in revenue for the TTEC Digital segment was driven by increases in the recurring revenue offerings and professional services.

The operating income decrease is primarily attributable to continued investments in CX leadership, engineering talent, sales and marketing, product engineering, and $4.6 million of restructuring and impairment charges. These additional expenses more than offset the higher revenue and favorable revenue mix over the prior year which benefited from a higher percentage of offshore delivery, and decreased amortization expense. Operating income as a percentage of revenue decreased to 3.4% for the six months ended June 30, 2023 as compared to 7.5% in the prior period. Included in operating income was amortization expense related to acquired intangibles of $8.7 million and $11.1 million for the six months ended June 30, 2023 and 2022, respectively.

TTEC Engage

	Six Months Ended June 30,			
	2023	**2022**	**$ Change**	**% Change**
Revenue	$ 999,168	$ 967,129	$ 32,039	3.3 %
Operating Income	67,770	67,238	532	0.8 %
Operating Margin	6.8 %	7.0 %		

The increase in revenue for the TTEC Engage segment was due to a net increase of $95.5 million in client programs including the acquisition of Faneuil, and offset by a $6.1 million decrease due to foreign currency fluctuations and a decrease for program completions of $57.4 million.

Operating income increased due to the acquisition of Faneuil, other revenue increases, a reduction in total facility costs and a net reimbursement from insurance of $7.3 million from the cybersecurity incident. These were partially offset by the ramp costs for new programs, incremental growth-oriented investments, geographic expansion, and $5.9 million of restructuring and impairment charges. As a result, operating income as a percentage of revenue decreased to 6.8% for the six months ended June 30, 2023 as compared to 7.0% in the prior period. Included in operating income was amortization expense related to acquired intangibles of $9.3 million and $8.0 million for the six months ended June 30, 2023 and 2022, respectively.

Interest Income (Expense)

For the six months ended June 30, 2023 interest income increased to $2.3 million from $0.5 million in the same period in 2022. Interest expense increased to $36.4 million during 2023 from $10.0 million during 2022 due to higher utilization of the line of credit and higher interest rates.

Other Income (Expense)

For the six months ended June 30, 2023 Other income (expense), net decreased to net expense of $2.9 million from net income of $7.4 million during the prior year period.

Included in the six months ended June 30, 2023 was a gain of $4.5 million due to insurance recovery related to property damages and a net $6.8 million expense related to the fair value adjustments of contingent consideration accruals and receivables for one acquisition.

Included in the six months ended June 30, 2022 was a gain of $2.1 million due to insurance recovery related to property damages.

Income Taxes

The effective tax rate for the six months ended June 30, 2023 was 36.2%. This compared to an effective tax rate of 18.7% for the comparable period of 2022. The effective tax rate for the six months ended June 30, 2023 was influenced by earnings in international jurisdictions currently under an income tax holiday, the distribution of income between the U.S. and international tax jurisdictions and associated U.S. tax impacts of foreign earnings. After $6.4 million of Non-GAAP adjustments, the Company's normalized tax rate for 2023 was 24.5%.

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 Facility. During the six months ended June 30, 2023, we generated positive operating cash flows of $144.9 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, however, if our access to capital is restricted or our borrowing costs increase, our operations and financial condition could be adversely impacted.

We manage a centralized global treasury function in the United States with a focus on safeguarding and optimizing the use of our global cash and cash equivalents. Our cash is held in the U.S. in U.S. dollars, and outside of the U.S. in U.S. dollars and foreign currencies. We expect to use our cash to fund working capital, global operations, dividends, acquisitions, and other strategic activities. While there are no assurances, we believe our global cash is well protected given our cash management practices, banking partners and utilization of diversified bank deposit accounts and other 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 through our cash flow hedging program. Please refer to Part I. 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 six months ended June 30, 2023 and 2022.

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 $114.8 million and $153.4 million as of June 30, 2023 and December 31, 2022, 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, invest in research and development, for strategic acquisitions and to pay dividends.

Cash Flows from Operating Activities

For the six months ended June 30, 2023 and 2022, net cash flows provided by operating activities was $144.9 million and $91.3 million, respectively. The increase is primarily due to a $37.4 million decrease in net cash income from operations offset by a $91.0 million variance in net working capital.

Cash Flows from Investing Activities

For the six months ended June 30, 2023 and 2022, net cash flows used in investing activities was $32.9 million and $178.1 million, respectively. The decrease was due to a $142.4 million decrease in acquisitions and a $2.8 million decrease in capital expenditures.

Cash Flows from Financing Activities

For the six months ended June 30, 2023 and 2022, net cash flows (used in)/provided by financing activities was ($115.0) million and $93.7 million, respectively. The change in net cash flows from 2022 to 2023 was primarily due to a $184.0 million net change in the line of credit and an increase of $28.1 million related to payments of contingent consideration offset by a $2.4 million decrease in tax payments related to restricted stock units.

Free Cash Flow

Free cash flow (see “Presentation of Non-GAAP Measurements” below for the definition of free cash flow) increased for the six months ended June 30, 2023 compared to the six months ended June 30, 2022 primarily due to a decrease in net cash from operations, an increase in working capital and lower capital expenditures. Free cash flow was $112.0 million and $55.5 million for the six months ended June 30, 2023 and 2022, 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 June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Net cash provided by operating activities	$ 95,891	$ 77,585	$ 144,949	$ 91,271
Less: Purchases of property, plant and equipment	19,285	19,099	32,954	35,790
Free cash flow	$ 76,606	$ 58,486	$ 111,995	$ 55,481

Obligations and Future Capital Requirements

There were no material changes to the Company's contractual obligations and future capital requirements outside the normal course of business from the date of our 2022 Form 10-K filing on February 28, 2023 through the filing of this report.

Future Capital Requirements

We expect total capital expenditures in 2023 to be between 3.0% and 3.2% of revenue. Approximately 65% of these expected capital expenditures are to support growth in our business and 35% relate to the maintenance for existing assets. The anticipated level of 2023 capital expenditures is primarily driven by new client contracts and the corresponding requirements for additional customer experience 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.

Client Concentration

During the six months ended June 30, 2023, one of our clients represented more than 10% of our total revenue. Our five largest clients, collectively, accounted for 36.3% and 34.7% of our consolidated revenue for the three months ended June 30, 2023 and 2022, respectively and 35.4% and 35.8% of our consolidated revenue for the six months ended June 30, 2023 and 2022, respectively. We have had long-term relationships with our top five TTEC Engage clients, ranging from 17 to 23 years, with all 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 if they terminated our contract for convenience.

Some contracts with our five largest clients expire between 2023 and 2025, but many of our largest clients have multiple contracts with us with different expiration dates for different lines of work. We have historically renewed most of our contracts with our largest clients, but there can be 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/Philippine peso, the U.S. dollar/Mexican peso, and the Australian dollar/Philippine peso. 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

The interest rate on our Credit Agreement is variable based upon the Prime Rate and SOFR and, therefore, is affected by changes in market interest rates. As of June 30, 2023, we had $915.0 million of outstanding borrowings under the Credit Agreement. Based upon average outstanding borrowings during the three months ended June 30, 2023, interest accrued at a rate of approximately 6.6% per annum. If the Prime Rate or SOFR increased by 100 basis points, there would be an annualized $1.0 million of additional interest expense per $100.0 million of outstanding borrowing under the Credit Agreement.

Foreign Currency Risk

Our subsidiaries in the Philippines, Mexico, India, Bulgaria and Poland 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 six months ended June 30, 2023 and 2022, revenue associated with this foreign exchange risk was 19% and 18% 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 June 30, 2023 and December 31, 2022 are summarized as follows (in thousands). All hedging instruments are forward contracts, except as noted.

As of June 30, 2023	Local Currency Notional Amount	U.S. Dollar Notional Amount	% Maturing in the next 12 months	Contracts Maturing Through
Canadian Dollar	6,000	$ 4,443	100.0 %	December 2023
Philippine Peso	8,312,000	149,621 [1]	56.3 %	April 2026
Mexican Peso	1,011,500	45,270	54.7 %	April 2026
		$ 199,334		

As of December 31, 2022	Local Currency Notional Amount	U.S. Dollar Notional Amount
Canadian Dollar	12,000	$ 9,177
Philippine Peso	8,617,000	157,855 [1]
Mexican Peso	1,024,500	44,690
		$ 211,722

(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 June 30, 2023 and December 31, 2022.

The fair value of our cash flow hedges as of June 30, 2023 was assets/(liabilities) (in thousands):

	June 30, 2023	Maturing in the Next 12 Months
Canadian Dollar	$ 97	$ 97
Philippine Peso	(474)	(1,474)
Mexican Peso	10,066	6,875
	$ 9,689	$ 5,498

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 increase in fair value from December 31, 2022 reflects changes in the currency translation between the U.S. dollar and Mexican peso and U.S. dollar and Philippine pesos.

We recorded gains of $1.4 million and $126 thousand for settled cash flow hedge contracts and the related premiums for the six months ended June 30, 2023 and 2022, respectively. These gains were reflected in Revenue in the accompanying Consolidated Statements of Comprehensive Income (Loss). 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 1. 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 six months ended June 30, 2023 and 2022, approximately 14% and 14%, 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 marketable debt or equity securities as of June 30, 2023 or December 31, 2022.

ITEM 4. CONTROLS AND PROCEDURES

This report includes the certifications of our Chief Executive Officer (the “CEO”) and Chief Financial Officer (the “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.

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 provide reasonable assurance 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 CEO and CFO, as appropriate, to allow timely decisions regarding required disclosure.

We carried out an evaluation under the supervision and with the participation of management, including the CEO and CFO, of the effectiveness of our disclosure controls and procedures, as of June 30, 2023, the end of the period covered by this Form 10-Q. Based on this evaluation, our CEO and CFO have concluded that the Company’s disclosure controls and procedures were effective at the reasonable assurance level.

Inherent Limitations of Internal Controls

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 internal control are met. Further, the design of internal controls must consider the benefits of controls relative to their costs. Inherent limitations within internal controls include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple errors or mistakes. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by unauthorized override of controls. 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 objective of the design of any system of controls is to provide reasonable assurance of the effectiveness of 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. Thus, even effective internal control over financial reporting can only provide reasonable assurance of achieving their objectives. Therefore, because of the inherent limitations in cost effective internal controls, misstatements due to error or fraud may occur and may not be prevented or detected.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting during the quarter ended June 30, 2023 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Part I, Item 1. Financial Statements, Note 10 to the Consolidated Financial Statements 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 included in our Annual Report on Form 10-K for the year ended December 31, 2022.

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

Issuer Purchases of Equity Securities

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 2017, whereby the Board increased the program allowance by $25.0 million. Since inception of the program through June 30, 2023, the Board has authorized the repurchase of shares up to a total value of $762.3 million, of which we have purchased 46.1 million shares on the open market for $735.8 million. The Company did not repurchase any of its shares during the three months ended June 30, 2023. As of June 30, 2023 the remaining amount authorized for repurchases under the program was approximately $26.6 million. The stock repurchase program does not have an expiration date.

ITEM 5. OTHER INFORMATION

During the three months ended June 30, 2023, none of the Company's directors or officers (as defined in Rule 16a-1(f) of the Exchange Act) adopted, terminated or modified a Rule 10b5-1 trading arrangement or non-Rule 10b5-1 trading arrangement, as such terms are defined in Item 408 of Regulation S-K.

ITEM 6. EXHIBITS

Exhibit		Incorporated Herein by Reference		
No.	Exhibit Description	Form	Exhibit	Filing Date
10.82*	Summary of Employment Arrangements between Francois Bourret and TTEC Services Corporation, effective as of April 14, 2023			
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 (the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document)			
101.SCH	XBRL Taxonomy Extension Schema			
101.CAL	XBRL Taxonomy Extension Calculation Linkbase			
101.DEF	XBRL Taxonomy Extension Definition Linkbase			

101.LAB	XBRL Taxonomy Extension Label Linkbase
101.PRE	XBRL Taxonomy Extension Presentation Linkbase
104	The cover page from TTEC Holdings, Inc's Quarterly Report on Form 10-Q for the quarter ended June 30, 2023, formatted in Inline XBRL

* Filed or furnished herewith.

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.

		TTEC HOLDINGS, INC. (Registrant)
Date: August 4, 2023	By:	/s/ Kenneth D. Tuchman Kenneth D. Tuchman Chairman and Chief Executive Officer
Date: August 4, 2023	By:	/s/ Francois Bourret Francois Bourret Interim Chief Financial Officer

EXHIBIT 10.82

HEADS OF EMPLOYMENT AGREEMENT

FRANCOIS BOURRET*

- **EMPLOYER**: TTEC Services Corporation ("TTEC")
- **ROLE**: Interim Chief Financial Officer
- **COMPENSATION**:
  - Base Salary: $315,000 per annum, payable bi-monthly.
  - Promotion Equity Grant: Fair market equity grant in Restricted Stock Units (known as "RSUs") equal in value of $400,000, as of close of market on the date of the grant; vesting over four years in 25% increments.
  - Variable Incentive Pay (VIP): Eligible for cash bonus of up to 40% of Base Salary, with payout based on TTEC's company-wide annual performance targets.
  - Equity Incentive Pay: Eligible for equity bonus of up to 40% of Base Salary, granted in RSUs, with the payout based on TTEC's company-wide annual performance targets and individual performance goals, and approved by the Compensation Committee of the Board; no guaranteed minimum. This Equity Grant will vest over four years, in 25% increments.
- **SEVERANCE**: On involuntary separation without cause, and subject to standard releases, eligible for severance pay equal to 36 weeks of then-current Base Salary in accordance with TTEC Severance Policy.
- **RESTRICTIVE COVENANTS**:
  - Non-Disclosure and Non-Disparagement. Mr. Bourret is subject to customary non-disclosure and non-disparagement undertakings.
  - Non-Compete: Mr. Bourret's employment is subject to customary non-compete undertakings limited to one year from the TTEC separation date (regardless of reasons for separation) and covering his scope of responsibilities around the globe.
  - Employee Non-Solicit. For a period of one year after separation of employment from TTEC (regardless of the reason for separation), Mr. Bourret may not solicit TTEC employees to leave TTEC or to join any other company; nor can he hire or cause others to hire TTEC employees during this restriction period.
  - Client Non-Solicit. For a period of one year after separation of employment from TTEC (regardless of the reason for separation), Mr. Bourret cannot interfere with TTEC's client relationships nor can he solicit or cause others to solicit TTEC clients to award business to Mr. Bourret or Mr. Bourret's employer. Because of Mr. Bourret's executive role, the client non-solicitation restrictions are broad to include TTEC clients and potential clients (those whom TTEC served or marketed to during Mr. Bourret's term of employment).
- **TERM AND TERMINATION**: Employment in the Interim Chief Financial officer role is *at will* and started on April 14, 2023. Each party may terminate without notice.

(*) Mr. Bourret's employment and compensation arrangements with the company are documented via ordinary course offer letter and incentive plan documents that apply to his employment; he does not have a formal employment agreement with the company. Hence, for purposes of this disclosure, the terms of Mr. Bourret's employment are presented in these 'heads of agreement' format.

Exhibit 31.1

CERTIFICATIONS

I, Kenneth D. Tuchman, certify that:

1. I have reviewed this quarterly report on Form 10-Q of TTEC Holdings, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 4, 2023

By: /s/ KENNETH D. TUCHMAN
Kenneth D. Tuchman
Chairman and Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATIONS

I, Francois Bourret, certify that:

1. I have reviewed this quarterly report on Form 10-Q of TTEC Holdings, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 4, 2023

By: /s/ FRANCOIS BOURRET
Francois Bourret
Interim Chief Financial Officer
(Principal Financial and Accounting Officer)

Exhibit 32.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

The undersigned, the Chief Executive Officer of TTEC Holdings, Inc. (the “Company”), hereby certifies that, to his knowledge on the date hereof:

(a) the Form 10-Q of the Company for the quarter ended June 30, 2023 filed on the date hereof with the Securities and Exchange Commission (the “Report”) fully complies with the requirements of Section 13(a) or 15(d) of the Securities and Exchange Act of 1934; and

(b) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By: /s/ KENNETH D. TUCHMAN
Kenneth D. Tuchman
Chairman and Chief Executive Officer

Date: August 4, 2023

Exhibit 32.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER

PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

The undersigned, the Interim Chief Financial Officer of TTEC Holdings, Inc. (the “Company”), hereby certifies that, to his knowledge on the date hereof:

(a) the Form 10-Q of the Company for the quarter ended June 30, 2023 filed on the date hereof with the Securities and Exchange Commission (the “Report”) fully complies with the requirements of Section 13(a) or 15(d) of the Securities and Exchange Act of 1934; and

(b) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By: /s/ FRANCOIS BOURRET
Francois Bourret
Interim Chief Financial Officer

Date: August 4, 2023