**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, 2019**

**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.)

**9197 South Peoria Street**
**Englewood, Colorado 80112**
(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, 2019, there were 46,483,044 shares of the registrant's common stock outstanding.

**TTEC HOLDINGS, INC. AND SUBSIDIARIES**
**JUNE 30, 2019 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, 2019 | December 31, 2018 |
|---|---|---|
| **ASSETS** | | |
| **Current assets** | | |
| Cash and cash equivalents | $ 75,517 | $ 78,237 |
| Accounts receivable, net | 323,823 | 350,962 |
| Prepaids and other current assets | 75,287 | 61,808 |
| Income and other tax receivables | 37,855 | 35,470 |
| Total current assets | 512,482 | 526,477 |
| **Long-term assets** | | |
| Property, plant and equipment, net | 162,643 | 161,523 |
| Operating lease assets | 137,260 | — |
| Goodwill | 205,758 | 204,633 |
| Deferred tax assets, net | 15,058 | 15,523 |
| Other intangible assets, net | 75,589 | 80,911 |
| Other long-term assets | 70,551 | 65,441 |
| Total long-term assets | 666,859 | 528,031 |
| Total assets | $ 1,179,341 | $ 1,054,508 |
| **LIABILITIES AND STOCKHOLDERS' EQUITY** | | |
| **Current liabilities** | | |
| Accounts payable | $ 56,625 | $ 59,447 |
| Accrued employee compensation and benefits | 101,985 | 83,437 |
| Other accrued expenses | 62,740 | 15,963 |
| Income tax payable | 10,507 | 12,325 |
| Deferred revenue | 39,716 | 44,926 |
| Current operating lease liabilities | 38,719 | — |
| Other current liabilities | 12,577 | 19,320 |
| Total current liabilities | 322,869 | 235,418 |
| **Long-term liabilities** | | |
| Line of credit | 228,000 | 282,000 |
| Deferred tax liabilities, net | 11,232 | 10,371 |
| Non-current income tax payable | 28,253 | 30,754 |
| Deferred rent | — | 16,584 |
| Non-current operating lease liabilities | 118,350 | — |
| Other long-term liabilities | 79,988 | 126,532 |
| Total long-term liabilities | 465,823 | 466,241 |
| Total liabilities | 788,692 | 701,659 |
| **Commitments and contingencies (Note 10)** | | |
| **Stockholders' equity** | | |
| Preferred stock; $0.01 par value; 10,000,000 shares authorized; zero shares outstanding as of June 30, 2019 and December 31, 2018 | — | — |
| Common stock; $0.01 par value; 150,000,000 shares authorized; 46,386,727 and 46,194,717 shares outstanding as of June 30, 2019 and December 31, 2018, respectively | 464 | 462 |
| Additional paid-in capital | 354,068 | 353,932 |
| Treasury stock at cost; 35,665,526 and 35,857,536 shares as of June 30, 2019 and December 31, 2018, respectively | (607,004) | (610,177) |
| Accumulated other comprehensive income (loss) | (110,686) | (124,596) |
| Retained earnings | 741,728 | 725,551 |
| Noncontrolling interest | 12,079 | 7,677 |
| Total stockholders' equity | 390,649 | 352,849 |
| Total liabilities and stockholders' equity | $ 1,179,341 | $ 1,054,508 |

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, | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| **Revenue** | $ 392,515 | $ 349,853 | $ 786,871 | $ 725,102 |
| **Operating expenses** | | | | |
| Cost of services (exclusive of depreciation and amortization presented separately below) | 299,237 | 274,260 | 592,571 | 557,630 |
| Selling, general and administrative | 50,864 | 44,245 | 100,584 | 91,290 |
| Depreciation and amortization | 17,050 | 16,811 | 33,793 | 34,735 |
| Restructuring and integration charges, net | 428 | 1,034 | 1,389 | 1,883 |
| Impairment losses | 2,063 | — | 3,569 | 1,120 |
| Total operating expenses | 369,642 | 336,350 | 731,906 | 686,658 |
| **Income from operations** | 22,873 | 13,503 | 54,965 | 38,444 |
| **Other income (expense)** | | | | |
| Interest income | 429 | 1,471 | 769 | 2,539 |
| Interest expense | (4,208) | (7,765) | (9,496) | (14,224) |
| Other income (expense), net | 1,865 | (259) | 2,663 | (11,775) |
| Total other income (expense) | (1,914) | (6,553) | (6,064) | (23,460) |
| **Income before income taxes** | 20,959 | 6,950 | 48,901 | 14,984 |
| Provision for income taxes | (7,345) | (653) | (14,811) | (2,755) |
| **Net income** | 13,614 | 6,297 | 34,090 | 12,229 |
| Net income attributable to noncontrolling interest | (1,816) | (779) | (3,290) | (2,120) |
| **Net income attributable to TTEC stockholders** | $ 11,798 | $ 5,518 | $ 30,800 | $ 10,109 |
| **Other comprehensive income (loss)** | | | | |
| Net income | $ 13,614 | $ 6,297 | $ 34,090 | $ 12,229 |
| Foreign currency translation adjustments | 4,749 | (20,285) | 6,380 | (25,884) |
| Derivative valuation, gross | 6,082 | (2,019) | 10,262 | (784) |
| Derivative valuation, tax effect | (1,630) | 513 | (2,749) | (729) |
| Other, net of tax | (38) | 106 | 17 | 214 |
| Total other comprehensive income (loss) | 9,163 | (21,685) | 13,910 | (27,183) |
| **Total comprehensive income (loss)** | 22,777 | (15,388) | 48,000 | (14,954) |
| Less: Comprehensive income attributable to noncontrolling interest | (1,787) | (516) | (3,290) | (1,958) |
| **Comprehensive income (loss) attributable to TTEC stockholders** | $ 20,990 | $ (15,904) | $ 44,710 | $ (16,912) |
| **Weighted average shares outstanding** | | | | |
| Basic | 46,318 | 46,016 | 46,261 | 45,944 |
| Diluted | 46,684 | 46,401 | 46,636 | 46,424 |
| **Net income per share attributable to TTEC stockholders** | | | | |
| Basic | $ 0.25 | $ 0.12 | $ 0.67 | $ 0.22 |
| Diluted | $ 0.25 | $ 0.12 | $ 0.66 | $ 0.22 |
| **Dividends declared per share outstanding** | $ — | $ — | $ 0.30 | $ 0.27 |

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

# TTEC HOLDINGS, INC. AND SUBSIDIARIES
## Consolidated Statement of Stockholders' Equity
## (Amounts in thousands)
## (Unaudited)

## Three months ended June 30, 2019 and 2018

| | Stockholders' Equity of the Company | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Preferred Stock | | Common Stock | | Treasury | Additional | Accumulated Other Comprehensive | Retained | Noncontrolling | |
| | Shares | Amount | Shares | Amount | Stock | Paid-in Capital | Income (Loss) | Earnings | Interest | Total Equity |
| **Balance as of March 31, 2019** | — | $ — | 46,297 | $ 463 | $ (608,490) | $ 353,639 | $ (119,878) | $ 729,930 | $ 9,610 | $ 365,274 |
| Cumulative effect of adopting accounting standard updates | — | — | — | — | — | — | — | — | — | — |
| Net income | — | — | — | — | — | — | — | 11,798 | 1,816 | 13,614 |
| Dividends to shareholders ($0.30 per common share) | — | — | — | — | — | — | — | — | — | — |
| Capital contribution from noncontrolling interest | — | — | — | — | — | — | — | — | 2,032 | 2,032 |
| Dividends distributed to noncontrolling interest | — | — | — | — | — | — | — | — | (1,350) | (1,350) |
| Foreign currency translation adjustments | — | — | — | — | — | — | 4,778 | — | (29) | 4,749 |
| Derivatives valuation, net of tax | — | — | — | — | — | — | 4,452 | — | — | 4,452 |
| Vesting of restricted stock units | — | — | 90 | 1 | 1,486 | (2,937) | — | — | — | (1,450) |
| Equity-based compensation expense | — | — | — | — | — | 3,366 | — | — | — | 3,366 |
| Other, net of tax | — | — | — | — | — | — | (38) | — | — | (38) |
| **Balance as of June 30, 2019** | — | $ — | 46,387 | $ 464 | $ (607,004) | $ 354,068 | $ (110,686) | $ 741,728 | $ 12,079 | $ 390,649 |

| | Stockholders' Equity of the Company | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Preferred Stock | | Common Stock | | Treasury | Additional | Accumulated Other Comprehensive | Retained | Noncontrolling | |
| | Shares | Amount | Shares | Amount | Stock | Paid-in Capital | Income (Loss) | Earnings | interest | Total Equity |
| **Balance as of March 31, 2018** | — | $ — | 45,979 | $ 460 | $ (613,738) | $ 351,672 | $ (107,903) | $ 707,257 | $ 7,475 | $ 345,223 |
| Cumulative effect of adopting accounting standard updates | — | — | — | — | — | — | — | — | — | — |
| Net income | — | — | — | — | — | — | — | 5,518 | 779 | 6,297 |
| Dividends to shareholders ($0.27 per common share) | — | — | — | — | — | — | — | — | — | — |
| Dividends distributed to noncontrolling interest | — | — | — | — | — | — | — | — | (180) | (180) |
| Foreign currency translation adjustments | — | — | — | — | — | — | (20,022) | — | (263) | (20,285) |
| Derivatives valuation, net of tax | — | — | — | — | — | — | (1,506) | — | — | (1,506) |
| Vesting of restricted stock units | — | — | 55 | — | 897 | (1,462) | — | — | — | (565) |
| Equity-based compensation expense | — | — | — | — | — | 2,574 | — | — | — | 2,574 |
| Other, net of tax | — | — | — | — | — | — | 106 | — | — | 106 |
| **Balance as of June 30, 2018** | — | $ — | 46,034 | $ 460 | $ (612,841) | $ 352,784 | $ (129,325) | $ 712,775 | $ 7,811 | $ 331,664 |

## Six months ended June 30, 2019 and 2018

| | Stockholders' Equity of the Company | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Preferred Stock | | Common Stock | | Treasury | Additional | Accumulated Other Comprehensive | Retained | Noncontrolling | |
| | Shares | Amount | Shares | Amount | Stock | Paid-in Capital | Income (Loss) | Earnings | Interest | Total Equity |
| **Balance as of December 31, 2018** | — | $ — | 46,195 | $ 462 | $ (610,177) | $ 353,932 | $ (124,596) | $ 725,551 | $ 7,677 | $ 352,849 |
| Cumulative effect of adopting accounting standard updates | — | — | — | — | — | — | — | (759) | — | (759) |
| Net income | — | — | — | — | — | — | — | 30,800 | 3,290 | 34,090 |
| Dividends to shareholders ($0.30 per common share) | — | — | — | — | — | — | — | (13,864) | — | (13,864) |
| Capital contribution from noncontrolling interest | — | — | — | — | — | — | — | — | 3,362 | 3,362 |
| Dividends distributed to noncontrolling interest | — | — | — | — | — | — | — | — | (2,250) | (2,250) |
| Foreign currency translation adjustments | — | — | — | — | — | — | 6,380 | — | — | 6,380 |
| Derivatives valuation, net of tax | — | — | — | — | — | — | 7,513 | — | — | 7,513 |
| Vesting of restricted stock units | — | — | 192 | 2 | 3,173 | (6,398) | — | — | — | (3,223) |
| Equity-based compensation expense | — | — | — | — | — | 6,534 | — | — | — | 6,534 |
| Other, net of tax | — | — | — | — | — | — | 17 | — | — | 17 |
| **Balance as of June 30, 2019** | — | $ — | 46,387 | $ 464 | $ (607,004) | $ 354,068 | $ (110,686) | $ 741,728 | $ 12,079 | $ 390,649 |

| | Stockholders' Equity of the Company | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Preferred Stock | | Common Stock | | Treasury | Additional | Accumulated Other Comprehensive | Retained | Noncontrolling | |
| | Shares | Amount | Shares | Amount | Stock | Paid-in Capital | Income (Loss) | Earnings | interest | Total Equity |
| **Balance as of December 31, 2017** | — | $ — | 45,862 | $ 459 | $ (615,677) | $ 351,725 | $ (102,304) | $ 721,664 | $ 6,978 | $ 362,845 |
| Cumulative effect of adopting accounting standard updates | — | — | — | — | — | — | — | (6,584) | — | (6,584) |
| Net income | — | — | — | — | — | — | — | 10,109 | 2,120 | 12,229 |
| Dividends to shareholders ($0.27 per common share) | — | — | — | — | — | — | — | (12,414) | — | (12,414) |
| Dividends distributed to noncontrolling interest | — | — | — | — | — | — | — | — | (1,125) | (1,125) |
| Foreign currency translation adjustments | — | — | — | — | — | — | (25,722) | — | (162) | (25,884) |
| Derivatives valuation, net of tax | — | — | — | — | — | — | (1,513) | — | — | (1,513) |
| Vesting of restricted stock units | — | — | 172 | 1 | 2,836 | (5,124) | — | — | — | (2,287) |
| Equity-based compensation expense | — | — | — | — | — | 6,183 | — | — | — | 6,183 |
| Other, net of tax | — | — | — | — | — | — | 214 | — | — | 214 |
| **Balance as of June 30, 2018** | — | $ — | 46,034 | $ 460 | $ (612,841) | $ 352,784 | $ (129,325) | $ 712,775 | $ 7,811 | $ 331,664 |

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, 2019 | Six Months Ended June 30, 2018 |
|---|---|---|
| **Cash flows from operating activities** | | |
| Net income | $ 34,090 | $ 12,229 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 33,793 | 34,735 |
| Amortization of contract acquisition costs | 488 | 758 |
| Amortization of debt issuance costs | 735 | 494 |
| Imputed interest expense and fair value adjustments to contingent consideration | (555) | 5,128 |
| Provision for doubtful accounts | — | 257 |
| (Gain) loss on disposal of assets | 34 | 35 |
| Gain on sales of business | — | — |
| Impairment losses | 3,569 | 1,120 |
| Impairment on equity investment | — | 15,632 |
| Gain (adjustment) on bargain purchase of a business | — | (685) |
| Non-cash loss on assets held for sale reclassified to held and used | — | 2,000 |
| Deferred income taxes | (2,724) | (2,327) |
| Excess tax benefit from equity-based awards | (557) | (274) |
| Equity-based compensation expense | 6,534 | 6,183 |
| (Gain) loss on foreign currency derivatives | (232) | 149 |
| Changes in assets and liabilities, net of acquisitions: | | |
| Accounts receivable | 27,688 | 65,698 |
| Prepaids and other assets | 13,103 | (37) |
| Accounts payable and accrued expenses | 62,770 | (9,943) |
| Deferred revenue and other liabilities | (57,470) | (26,446) |
| Net cash provided by operating activities | 121,266 | 104,706 |
| | | |
| **Cash flows from investing activities** | | |
| Proceeds from sale of long-lived assets | 327 | 8 |
| Purchases of property, plant and equipment, net of acquisitions | (28,428) | (16,883) |
| Investments in non-marketable equity investments | — | (2,119) |
| Acquisitions, net of cash acquired of zero and $4.5 million, respectively | — | (2,002) |
| Net cash used in investing activities | (28,101) | (20,996) |
| | | |
| **Cash flows from financing activities** | | |
| Proceeds from line of credit | 540,200 | 1,093,800 |
| Payments on line of credit | (594,200) | (1,148,800) |
| Payments on other debt | (7,016) | (2,841) |
| Payments of contingent consideration and hold back payments to acquisitions | (5,902) | (785) |
| Dividends paid to shareholders | (13,864) | (12,414) |
| Payments to noncontrolling interest | (2,250) | (1,125) |
| Capital contribution from noncontrolling interest | 3,362 | — |
| Proceeds from exercise of stock options | — | — |
| Tax payments related to issuance of restricted stock units | (3,223) | (2,287) |
| Payments of debt issuance costs | (1,819) | (35) |
| Net cash used in financing activities | (84,712) | (74,487) |
| | | |
| Effect of exchange rate changes on cash, cash equivalents and restricted cash | 239 | (12,400) |
| | | |
| Increase/ (decrease) in cash, cash equivalents and restricted cash | 8,692 | (3,177) |
| Cash, cash equivalents and restricted cash, beginning of period | 78,237 | 74,437 |
| Cash, cash equivalents and restricted cash, end of period | $ 86,929 | $ 71,260 |
| | | |
| **Supplemental disclosures** | | |
| Cash paid for interest | $ 6,844 | $ 8,593 |
| Cash paid for income taxes | $ 19,445 | $ 20,213 |
| **Non-cash operating, investing and financing activities** | | |
| Acquisition of long-lived assets through capital leases | $ 1,318 | $ 7,539 |
| Acquisition of equipment through increase in accounts payable, net | $ 221 | $ 248 |

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") is a leading global customer experience technology and services company focused on the design, implementation and delivery of transformative solutions for many of the world's most iconic and disruptive brands. The Company helps large global companies increase revenue and reduce costs by delivering personalized customer experiences across every interactional channel and phase of the customer lifecycle as an end-to-end provider of customer engagement services, technologies, insights and innovations. TTEC's 48,000 employees serve clients in the automotive, communication, financial services, government, healthcare, logistics, media and entertainment, retail, technology, transportation and travel industries via operations in the U.S., Australia, Belgium, Brazil, Bulgaria, Canada, China, Costa Rica, Germany, Greece, Hong Kong, India, Ireland, Mexico, New Zealand, the Philippines, Poland, Singapore, South Africa, Thailand, Turkey, the United Arab Emirates, and the United Kingdom.

Through the first quarter of 2019, the Company was reporting on four segments known as Customer Strategy Services (CSS), Customer Technology Services (CTS), Customer Growth Services (CGS) and Customer Management Services (CMS).

Starting in the second quarter of 2019, the Company changed its strategy, how the Company goes to market, how its clients and potential clients evaluate and consume its services and how it assesses its performance. Based on these changes, the Company will now report its financial information based on the following two segments: TTEC Digital and TTEC Engage.

- TTEC Digital designs, builds and delivers tech-enabled, insight-based and outcome-driven customer experience solutions through our professional services and suite of technology offerings. These solutions are critical to enabling and accelerating digital transformation for our clients. These services were previously included in the CSS and CTS segments.
- TTEC Engage provides the essential technologies, human resources, infrastructure and processes to operate customer care, acquisition, and fraud detection and prevention services. These services were previously included in the CGS and CMS segments.

TTEC Digital and TTEC Engage come together under our unified offering, Humanify™ Customer Experience as a Service, which drives measurable results for clients through delivery of personalized omnichannel interactions that are seamless and relevant. This unified offering is value-oriented, outcome-based, and delivered on a global scale across both business segments.

### 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. All intercompany balances and transactions have been eliminated in consolidation.

The unaudited Consolidated Financial Statements do not include all of the disclosures required by accounting principles generally accepted in the U.S. ("GAAP"), pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC"). The unaudited Consolidated Financial Statements reflect all adjustments which, in the opinion of management, are necessary to 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. Operating results for the periods presented are not necessarily indicative of the results that may be expected for the year ending December 31, 2019.

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, 2018.

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

### Reclassifications

Certain prior year amounts have been reclassified to conform to the current year presentation.

### 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, self-insurance reserves, litigation reserves, restructuring reserves, allowance for doubtful accounts, contingent consideration, and valuation of goodwill, long-lived and intangible assets. The Company bases its estimates on historical experience and on various other assumptions that are believed to be reasonable, the results of which form the basis for making judgments about the carrying values of assets and liabilities. Actual results may differ materially from these estimates under different assumptions or conditions.

### Cash, Cash Equivalents and Restricted Cash

Cash and cash equivalents consist of cash and highly liquid short-term investments, primarily held in interest-bearing 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 Condensed Consolidated Balance Sheets that sum to the amounts reported in the Condensed Consolidated Statement of Cash Flows (in thousands):

| | June 30, 2019 | December 31, 2018 |
|---|---|---|
| Cash and cash equivalents | $ 75,517 | $ 78,237 |
| Restricted cash included in "Prepaid and other current assets" | 11,400 | — |
| Restricted cash included in "Other noncurrent assets" | 12 | — |
| Total | $ 86,929 | $ 78,237 |

### Recently Issued Accounting Pronouncements

In February 2016, the FASB issued Accounting Standards Update ("ASU") 2016-02, "*Leases*", which amends the existing accounting standards for lease accounting, including requiring lessees to recognize most leases on their balance sheets related to the rights and obligations created by those leases, and making targeted changes to lessor accounting. The FASB also issued ASU 2018-10, Codification Improvements to Topic 842 Leases, and ASU 2018-11, Targeted Improvements to Topic 842 Leases, which allows the new lease standard to be applied as of the adoption date with a cumulative-effect adjustment to the opening balance of retained earnings rather than a retroactive restatement of all periods presented.

The Company adopted ASC 842 as of January 1, 2019 using the effective date as the date of initial application. The election allowed the Company to recognize the effects of the implementation of ASC 842 as a cumulative effect adjustment to the opening balance of retained earnings in the period of adoption. The Company also has made certain assumptions in judgements when applying ASC 842. The most significant judgements are as follows:

1. The Company elected the package of practical expedients that allowed the Company not to reassess (a) whether any expired or existing contracts are leases or contain leases, (b) the lease classification for any expired or existing leases, and (c) initial direct costs.

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

2. The Company did not use hindsight during transition in determining the lease term and assessing impairment of the entity's right-of-use assets.
3. The Company elected to not separate non-lease components (which include common area maintenance, taxes, and insurance) from the lease components for gross payment real estate leases. For net payment real estate leases and IT equipment leases, the non-lease components are not included in the lease right of use and liability and instead are reflected as an expense in the period incurred.
4. The Company did not apply the recognition requirements in ASC 842 for leases with a term of 12 months or less for all asset classes.

The Company determines if an arrangement is a lease at contract inception. The key specifics in determining if a leasing arrangement exists are as follows:

1. Does the arrangement convey the right to control the use of an identified asset in exchange for consideration over a period of time.
2. Does the Company obtain the right to substantially all of the asset's economic benefits.

The Company predominantly acts as a lessee and is required under the new standard to apply a dual approach, classifying leases as either finance or operating leases based on whether or not the lease is effectively a financed purchase. The determination of the lease type is largely similar to the process the Company utilized under ASC 840. This classification determines whether lease expense is recognized based on an effective interest method or on a straight-line basis over the term of the lease. ASC 842 also requires lessees to record a right of use asset and a lease liability for all leases with a term of greater than one year regardless of classification.

The adoption of the new standard resulted in the recording of additional net lease assets and lease liabilities of $129.9 million and $148.3 million, respectively, as of January 1, 2019. The operating lease assets are lower than the operating lease liabilities, primarily due to deferred rent balances at the transition date being reclassed into the right of use operating assets. On January 1, 2019 the Company recognized a reduction of $0.8 million, net of tax, in its retained earnings as a result of recognizing previously impaired right of use assets recorded at transition. The standard did not impact our consolidated net earnings or cash flows. See Note 11 for additional lease disclosures.

**Other Accounting Pronouncements**

In August 2017, the FASB issued ASU 2017-12, "*Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities*". ASU 2017-12 amends and simplifies existing guidance for derivatives and hedges including aligning accounting with companies' risk management strategies and increasing disclosure transparency regarding both the scope and results of hedging programs. The changes include designation and measurement guidance for qualifying hedging relationships and the presentation of hedge results. The ASU is effective for interim and annual periods beginning after December 15, 2018 and early adoption is permitted. The Company adopted the new guidance effective January 1, 2019 and the adoption did not have a material effect on the financial statements or related disclosures.

The Company adopted ASC 606, "Revenue From Contracts With Customers", effective January 1, 2018, using the modified retrospective method. The adoption of ASC 606 resulted in the Company deferring recognition of certain fees, which are classified as deferred revenue on the balance sheet. Revenue recognized in the reporting period that was included in deferred revenue balance at the beginning of the period was $35.2 million.

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In January 2016, the FASB issued ASU 2016-13, “Financial Instruments – Credit Losses” (ASC 326), which amends the methodology of how and when companies measure credit losses on financial instruments. The objective of the ASU is to provide financial statement users more useful information regarding expected credit losses on financial instruments and other commitments. In November 2018, the FASB issued ASU 2018-19, “Codification Improvements to Topic 326, Financial Instruments - Credit Losses” which clarifies the scope of guidance in ASU 2016-13. In May 2019, the FASB issued ASU No. 2019-05, “Financial Instruments—Credit Losses (Topic 326), Targeted Transition Relief” which amended the transition guidance for the new credit losses standard (ASC 326). The ASU is effective for interim and annual periods beginning on or after December 15, 2019 with early adoption permitted, using a modified retrospective approach. The Company is currently evaluating the potential effects of adoption on its consolidated financial statements and related disclosures.

## (2) ACQUISITIONS AND DIVESTITURES

*Strategic Communications Services*

On April 30, 2018, the Company acquired all of the outstanding equity securities of Strategic Communications Services, Ltd (“SCS”). SCS provides services as a system integrator for multichannel contact center platforms, including CISCO. The Company offers in-house, managed and outsourced network, information, communications and contact center services to leading brands throughout Europe. This business has been integrated into the Company’s TTEC Digital segment.

Total cash paid at acquisition was £4.4 million ($6.1 million USD) (inclusive of $4.5 million related to cash balances). The purchase price was subject to customary representations and warranties, indemnities, and a net working capital adjustment. The agreement includes potential earn-out payments over the next three years with a maximum value of £3.0 million ($4.1 million USD) contingent on EBITDA performance over the next three years. The Company finalized the working capital adjustment for an additional $210 thousand during the third quarter of 2018 which was paid in October 2018.

The fair value of the contingent consideration was measured based on significant inputs not observable in the market (Level 3 inputs). Key assumptions included a discount rate of 4.7% and expected future value of payments of $2.9 million. The $2.9 million of expected future payments was calculated using probability weighted EBITDA assessment with the highest probability associated with SCS achieving the targeted EBITDA for each earn-out year. As of the acquisition date, the fair value of the contingent consideration was $2.7 million. As of June 30, 2019, based on current year and expected future EBITDA, the fair value of the contingent consideration is estimated to be zero and thus the $2.4 million accrual was reversed and is included in Other income (expense), net in the Consolidated Statements of Comprehensive Income (Loss).

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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 | $ | 4,530 |
| Accounts receivable, net | | 985 |
| Prepaid expenses | | 39 |
| Customer relationships | | 3,619 |
| Goodwill | | 1,231 |
| | $ | 10,404 |
| | | |
| Accounts payable | $ | 216 |
| Accrued employee compensation and benefits | | 27 |
| Accrued expenses | | 21 |
| Deferred tax liabilities | | 629 |
| | $ | 893 |
| | | |
| Total purchase price | $ | 9,511 |

In the first quarter of 2019, the Company finalized its valuation of SCS for the acquisition date assets acquired and liabilities assumed and determined that no material adjustments to any of the balances were required.

The SCS customer relationships are being amortized over a useful life of 10 years. The goodwill recognized from the SCS acquisition is attributable, but not limited to, the acquired workforce and expected synergies with TTEC Digital. None of the tax basis of the acquired intangibles and goodwill will be deductible for income tax purposes. The acquired goodwill and intangibles and operating results of SCS are reported within the TTEC Digital segment from the date of acquisition.

*Berkshire Hathaway Specialty Concierge*

On March 31, 2018, the Company, through its subsidiary Percepta, acquired certain assets from Berkshire Hathaway Specialty Concierge, LLC (“BH”) related to a customer engagement center and the related customer contracts. This acquisition is being accounted for as a business combination. These assets have been integrated into the Company’s TTEC Engage segment.

The total cash paid was $1. In connection with the purchase, Percepta assumed the lease for the customer engagement center and entered into a transitional services agreement with BH to facilitate the transfer of the employees and business. Fair values were assigned to each purchased asset including $257 thousand for customer relationships, $330 thousand as a lease subsidy and $98 thousand for fixed assets. Based on the $1 purchase price, a gain on purchase of $685 thousand was recorded in the quarter ended March 31, 2018 and was included in Other income (expense) in the Consolidated Statements of Comprehensive Income (Loss).

**Financial Impact of Acquired Businesses**

The acquired businesses purchased in 2018 noted above contributed revenues of $1.9 million and a net loss of $0.4 million, inclusive of $0.2 million of acquired intangible amortization, to the Company for the six months ended June 30, 2019, respectively.

The unaudited proforma impact of the 2018 acquisitions on the consolidated results of operations of the Company for the first six months of 2018 as though the acquisitions occurred on January 1 was not material.

**Investments**

*CaféX*

In the first quarter of 2015, the Company invested $9.0 million in CaféX Communications, Inc. ("CaféX") through the purchase of a portion of its outstanding Series B Preferred Stock of CaféX. CaféX is a provider of omni-channel web-based real time communication (WebRTC) solutions that enhance mobile applications and websites with in-app video communication and screen share technology to increase customer satisfaction and enterprise efficiency. At December 31, 2015, the Company owned 17.2% of the total equity of CaféX. During the fourth quarter of 2016, the Company invested an additional $4.3 million to purchase a portion of the Series C Preferred Stock of CaféX. During the first quarter of 2019, the Company purchased a portion of the common shares from another investor for $1. At June 30, 2019, the Company owns 17.8% of the total equity of CaféX. The investment is accounted for under the cost method of accounting. The Company evaluates its investments for possible other-than-temporary impairment at least annually or whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable.

During the first quarter of 2018, the Company provided a $2.1 million bridge loan which accrues interest at a rate of 12% per year until maturity or conversion, which will be no later than June 30, 2020.

As of March 31, 2018, the Company evaluated the investment in CaféX for impairment due to a large anticipated sale of IP not being completed as planned during the first quarter of 2018, a shift in the strategy of the company, an ongoing default by CaféX of its loan agreement with its bank, and a lack of potential additional funding options as of March 31, 2018. Based on this evaluation, the Company determined that the fair value of its investment was zero and thus the investment was impaired as of March 31, 2018. The Company recorded a $15.6 million write-off of the equity investment and the bridge loan which was included in Other income (expense) in the Consolidated Statements of Comprehensive Income (Loss).

**(3) SEGMENT INFORMATION**

During the second quarter of 2019, the Company finalized changes to the Company's operating strategy and the way in which the Company assesses performance. In accordance with this change, the Company adjusted certain reporting relationships between the Chief Operating Decision Maker ("CODM") and other members of management, updated the compensation metrics for senior management, and modified the internal financial reporting provided to the CODM and his direct reports consistent with this revised management and measurement structure. Accordingly, during the second quarter of 2019, the Company reevaluated the definition of the operating segments, reportable segments, and reporting units which resulted in a change to the reportable segments. Effective June 30, 2019, the segment information will be reported consistent with these updated reportable segments comprised of TTEC Digital and TTEC Engage.

The Company reports the following two segments:

- TTEC Digital designs, builds and delivers tech-enabled, insight-based and outcome-driven customer experience solutions through our professional services and suite of technology offerings. These solutions are critical to enabling and accelerating digital transformation for our clients.
  - Professional Services: Our management consulting practices deliver customer experience strategy, analytics, process optimization, and learning and performance services.
  - Technology Services: Our technology services design, integrate and operate highly scalable, digital omnichannel technology solutions in the cloud, on premise, or hybrid, including journey orchestration, automation and AI, knowledge management, and workforce productivity.

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- TTEC Engage provides the essential technologies, human resources, infrastructure and processes to operate customer care, acquisition, and fraud detection and prevention services.
  - Customer Care Services: Our customer care 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.
  - Customer Acquisition Services: Our customer growth and acquisition services optimize the buying journeys for acquiring new customers by leveraging technology and analytics to deliver personal experiences to increase the quantity and quality of leads and customers.
  - Fraud Prevention Services: Our digital fraud detection and prevention services provide the ability to proactively identify and prevent fraud, and ensure community content moderation and compliance.

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

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

**Three Months Ended June 30, 2019**

| | Gross Revenue | Intersegment Sales | Net Revenue | Depreciation & Amortization | Income from Operations |
|---|---|---|---|---|---|
| TTEC Digital | $ 78,580 | $ (61) | $ 78,519 | $ 3,235 | $ 7,709 |
| TTEC Engage | 313,996 | — | 313,996 | 13,815 | 15,164 |
| Total | $ 392,576 | $ (61) | $ 392,515 | $ 17,050 | $ 22,873 |

**Three Months Ended June 30, 2018**

| | Gross Revenue | Intersegment Sales | Net Revenue | Depreciation & Amortization | Income from Operations |
|---|---|---|---|---|---|
| TTEC Digital | $ 52,619 | $ (119) | $ 52,500 | $ 2,082 | $ 6,764 |
| TTEC Engage | 297,353 | — | 297,353 | 14,729 | 6,739 |
| Total | $ 349,972 | $ (119) | $ 349,853 | $ 16,811 | $ 13,503 |

**Six Months Ended June 30, 2019**

| | Gross Revenue | Intersegment Sales | Net Revenue | Depreciation & Amortization | Income from Operations |
|---|---|---|---|---|---|
| TTEC Digital | $144,621 | $ (249) | $144,372 | $ 5,543 | $ 15,468 |
| TTEC Engage | 642,499 | — | 642,499 | 28,250 | 39,497 |
| Total | $787,120 | $ (249) | $786,871 | $ 33,793 | $ 54,965 |

**Six Months Ended June 30, 2018**

| | Gross Revenue | Intersegment Sales | Net Revenue | Depreciation & Amortization | Income from Operations |
|---|---|---|---|---|---|
| TTEC Digital | $ 102,687 | $ (119) | $ 102,568 | $ 4,234 | $ 12,110 |
| TTEC Engage | 622,534 | — | 622,534 | 30,501 | 26,334 |
| Total | $ 725,221 | $ (119) | $ 725,102 | $ 34,735 | $ 38,444 |

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| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | **2019** | **2018** | **2019** | **2018** |
| **Capital Expenditures** | | | | |
| TTEC Digital | $ 5,655 | $ 1,187 | $ 9,396 | $ 1,342 |
| TTEC Engage | 9,573 | 8,188 | 19,032 | 15,541 |
| Total | $ 15,228 | $ 9,375 | $ 28,428 | $ 16,883 |

| | June 30, 2019 | December 31, 2018 |
|---|---|---|
| **Total Assets** | | |
| TTEC Digital | $ 249,291 | $ 222,977 |
| TTEC Engage | 930,050 | 831,531 |
| Total | $ 1,179,341 | $ 1,054,508 |

| | June 30, 2019 | December 31, 2018 |
|---|---|---|
| **Goodwill** | | |
| TTEC Digital | $ 66,155 | $ 66,158 |
| TTEC Engage | 139,603 | 138,475 |
| Total | $ 205,758 | $ 204,633 |

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, | |
|---|---|---|---|---|
| | **2019** | **2018** | **2019** | **2018** |
| **Revenue** | | | | |
| United States | $ 235,733 | $ 188,744 | $ 472,700 | $ 398,592 |
| Philippines | 91,401 | 85,442 | 184,580 | 174,647 |
| Latin America | 25,054 | 27,224 | 49,190 | 57,722 |
| Europe / Middle East / Africa | 15,610 | 18,469 | 31,651 | 34,440 |
| Asia Pacific / India | 14,155 | 14,139 | 26,980 | 27,576 |
| Canada | 10,562 | 15,835 | 21,770 | 32,125 |
| Total | $ 392,515 | $ 349,853 | $ 786,871 | $ 725,102 |

## (4) SIGNIFICANT CLIENTS AND OTHER CONCENTRATIONS

The Company had no clients that contributed in excess of 10% of total revenue for the six months ended June 30, 2019 or 2018. The Company does have 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 has multiple contracts with these larger clients, where each individual contract is for an amount below the $100 million aggregate.

To limit the Company's credit risk with its clients, management performs periodic credit evaluations, maintains allowances for uncollectible accounts and may require pre-payment for services from certain clients. Based on currently available information, management does not believe significant credit risk existed as of June 30, 2019.

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On October 15, 2018, Sears Holding Corporation (“Sears”) announced that it had filed a petition for bankruptcy protection in the United States Bankruptcy Court for the Southern District of New York. As of December 31, 2018, TTEC had approximately $2.7 million in pre-petition accounts receivables exposure related to Sears, and during the fourth quarter of 2018 a $2.7 million allowance for uncollectible accounts was recorded and included in Selling, general and administrative expenses in the Consolidated Statements of Comprehensive Income (Loss). As of June 30, 2019, the pre-petition accounts receivable balance is $2.5 million. During the first quarter of 2019, Sears sold a substantial part of its business, including the business that TTEC serves, to Transform SR Holdings Management LLC (“new Sears”). TTEC now provides services to new Sears pursuant to the terms of a new contract that parties signed in April 2019.

**Accounts Receivable Sales Agreement**

On March 5, 2019, the Company entered into 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 $75 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 Flows.

As of June 30, 2019, the Company had factored $36.9 million of accounts receivable; under the Agreement discounts on these receivables were not material during the quarter. As of June 30, 2019, the Company had collected $11.4 million of cash from customers which has not been remitted to the Bank and thus is included in Accrued Expenses on the Consolidated Balance Sheet. The Company has not recorded any servicing assets or liabilities as of June 30, 2019 as the fair value of the servicing arrangement as well as the fees earned were not material to the financial statements.

**(5) GOODWILL AND OTHER INTANGIBLE ASSETS**

Goodwill consisted of the following (in thousands):

| | December 31, 2018 | Acquisitions / Adjustments | Impairments | Effect of Foreign Currency | June 30, 2019 |
|---|---|---|---|---|---|
| TTEC Digital | $ 66,158 | $ — | — | (3) | $ 66,155 |
| TTEC Engage | 138,475 | — | — | 1,128 | 139,603 |
| Total | $ 204,633 | $ — | $ — | $ 1,125 | $ 205,758 |

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, 2019, the Company identified negative indicators such as lower financial performance and the impairment of intangibles and other long-lived assets for one component of the TTEC Digital segment and thus the Company updated its quantitative assessment for the TTEC Digital Consulting reporting unit fair value using an income-based approach. The determination of fair value requires significant judgments including estimation of future cash flows, which is dependent on internal forecasts, estimation of the long-term growth rates for the businesses, the useful lives over which the cash flows will occur and determination of appropriate discount rates (based in part on the Company’s weighted average cost of capital). Changes in these estimates and assumptions could materially affect the determination of fair value and/or conclusions on goodwill impairment for each reporting unit. At June 30, 2019, the fair value for the TTEC Digital Consulting reporting unit exceeded the carrying value, and thus no impairment was required.

During the second quarter of 2019, in connection with the change in operating segments, the Company also reassessed the reporting units. After evaluation, the Company has reduced the reporting units to four from five based on the combination of the previous CMS (Customer Management) and CGS (Customer Growth) reporting units.

*Other Intangible Assets*

In connection with reduced profitability of the rogenSi component of the TTEC Digital segment, an interim impairment analysis was completed during the second quarter of 2019. The long-lived assets reviewed for impairment consisted of the customer relationship intangible, intellectual property, and right of use assets. The Company completed an asset group recoverability evaluation based on the current estimated cash flow based on forecasted revenues and operating income using significant inputs not observable in the market (Level 3 inputs). Based on this calculation, the Company recorded an impairment expense of $2.0 million in the three months ended June 30, 2019, which was included in Impairment losses in the Consolidated Statements of Comprehensive Income (Loss). As part of the $2.0 million impairment $0.4 million was assigned to the customer relationship intangible asset and $0.2 million to the IP intangible asset.

## (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, 2019, 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, 2019 and 2018 (in thousands and net of tax):

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| Aggregate unrealized net gain/(loss) at beginning of period | $ (5,217) | $ (15,753) | $ (8,278) | $ (15,746) |
| Add: Net gain/(loss) from change in fair value of cash flow hedges | 5,190 | 2,059 | 10,096 | 5,945 |
| Less: Net (gain)/loss reclassified to earnings from effective hedges | (738) | (3,565) | (2,583) | (7,458) |
| Aggregate unrealized net gain/(loss) at end of period | $ (765) | $ (17,259) | $ (765) | $ (17,259) |

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The Company's foreign exchange cash flow hedging instruments as of June 30, 2019 and December 31, 2018 are summarized as follows (amounts in thousands). All hedging instruments are forward contracts.

| As of June 30, 2019 | Local Currency Notional Amount | U.S. Dollar Notional Amount | % Maturing in the next 12 months | Contracts Maturing Through |
|---|---|---|---|---|
| Philippine Peso | 6,237,000 | 120,528 (1) | 62.2 % | April 2022 |
| Mexican Peso | 1,119,500 | 55,183 | 52.7 % | August 2022 |
| | | $ 175,711 | | |

| As of December 31, 2018 | Local Currency Notional Amount | U.S. Dollar Notional Amount |
|---|---|---|
| Philippine Peso | 6,710,000 | 130,957 (1) |
| Mexican Peso | 1,091,500 | 57,708 |
| | | $ 188,665 |

(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, 2019 and December 31, 2018.

### 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, 2019 and December 31, 2018 the total notional amounts of the Company's forward contracts used as fair value hedges were $97.8 million and $70.4 million, respectively.

### Derivative Valuation and Settlements

The Company's derivatives as of June 30, 2019 and December 31, 2018 were as follows (in thousands):

| | June 30, 2019 | |
|---|---|---|
| **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 | $ 1,366 | $ 287 |
| Other long-term assets | 1,830 | — |
| Other current liabilities | (3,512) | (96) |
| Other long-term liabilities | (739) | — |
| Total fair value of derivatives, net | $ (1,055) | $ 191 |

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| | December 31, 2018 | |
|---|---|---|
| **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 | $ 814 | $ 60 |
| Other long-term assets | 215 | — |
| Other current liabilities | (8,861) | (104) |
| Other long-term liabilities | (3,484) | — |
| Total fair value of derivatives, net | $ (11,316) | $ (44) |

The effects of derivative instruments on the Consolidated Statements of Comprehensive Income (Loss) for the three months ended June 30, 2019 and 2018 were as follows (in thousands):

| | Three Months Ended June 30, | |
|---|---|---|
| | **2019** | **2018** |
| **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 | $ (738) | $ (3,565) |
| Amount and location of net gain or (loss) reclassified from Accumulated OCI to income - effective portion: | | |
| Revenue | $ (1,011) | $ (4,883) |

| | Three Months Ended June 30, | |
|---|---|---|
| | **2019** | **2018** |
| **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 | $ (1,465) | $ (2,343) |

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The effects of derivative instruments on the Consolidated Statements of Comprehensive Income (Loss) for the six months ended June 30, 2019 and 2018 were as follows (in thousands):

| | Six Months Ended June 30, 2019 | Six Months Ended June 30, 2018 |
|---|---|---|
| **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 | $ (2,583) | $ (7,458) |
| Amount and location of net gain or (loss) reclassified from Accumulated OCI to income - effective portion: | | |
| Revenue | $ (3,538) | $ (10,215) |

| | Six Months Ended June 30, 2019 | Six Months Ended June 30, 2018 |
|---|---|---|
| **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 | $ (1,217) | $ (5,695) |

## (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, 2019 and December 31, 2018 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. As of June 30, 2019, the investment in CaféX Communication, Inc., which consisted of the Company's total $15.6 million investment is fully impaired to zero (See Note 2).

*Debt* - The Company's debt consists primarily of the Company's Credit Agreement, which permits floating-rate borrowings based upon the current Prime Rate or LIBOR plus a credit spread as determined by the Company's leverage ratio calculation (as defined in the Credit Agreement). As of June 30, 2019 and December 31, 2018, the Company had $228.0 million and $282.0 million, respectively, of borrowings outstanding under the Credit Agreement. During the second quarter of 2019 outstanding borrowings accrued interest at an average rate of 3.6% 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, 2019, 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, 2019 and December 31, 2018 (in thousands):

**As of June 30, 2019**

| | 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 | $ — | $ (1,055) | $ — | $ (1,055) |
| Fair value hedges | — | 191 | — | 191 |
| Total net derivative asset (liability) | $ — | $ (864) | $ — | $ (864) |

**As of December 31, 2018**

| | 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 | $ — | $ (11,316) | $ — | $ (11,316) |
| Fair value hedges | — | (44) | — | (44) |
| Total net derivative asset (liability) | $ — | $ (11,360) | $ — | $ (11,360) |

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The following is a summary of the Company's fair value measurements as of June 30, 2019 and December 31, 2018 (in thousands):

**As of June 30, 2019**

| | Fair Value Measurements Using | | |
|---|---|---|---|
| | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| Assets | | | |
| Derivative instruments, net | $ — | $ — | $ — |
| Total assets | $ — | $ — | $ — |
| Liabilities | | | |
| Deferred compensation plan liability | $ — | $ (17,973) | $ — |
| Derivative instruments, net | — | (864) | — |
| Contingent consideration | — | — | — |
| Total liabilities | $ — | $ (18,837) | $ — |

**As of December 31, 2018**

| | Fair Value Measurements Using | | |
|---|---|---|---|
| | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| Assets | | | |
| Derivative instruments, net | $ — | $ — | $ — |
| Total assets | $ — | $ — | $ — |
| Liabilities | | | |
| Deferred compensation plan liability | $ — | $ (14,836) | $ — |
| Derivative instruments, net | — | (11,360) | — |
| Contingent consideration | — | — | (2,363) |
| Total liabilities | $ — | $ (26,196) | $ (2,363) |

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

*Contingent Consideration* - The Company recorded contingent consideration related to the acquisition of SCS. This contingent payable was recognized at fair value using a discounted cash flow approach and a discount rate of 4.7%. The measurements were based on significant inputs not observable in the market. The Company will record interest expense each quarter using the effective interest method until the future value of this contingent payment reaches the expected total future value.

During the second quarter of 2019, the Company recorded a fair value adjustment to the contingent consideration associated with the SCS acquisition based on decreased estimates of EBITDA which has caused the estimated payable to be zero for both future payments. Accordingly, a $2.5 million decrease to the payable was recorded as of June 30, 2019 and was included in Other income (expense), net in the Consolidated Statements of Comprehensive Income (Loss).

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

| | December 31, 2018 | Acquisitions | Payments | Imputed Interest / Adjustments | June 30, 2019 |
|---|---|---|---|---|---|
| SCS | $ 2,363 | $ — | $ — | $ (2,363) | $ — |
| Total | $ 2,363 | $ — | $ — | $ (2,363) | $ — |

## (8) INCOME TAXES

The Company accounts for income taxes in accordance with the accounting literature for income taxes, which requires recognition of deferred tax assets and liabilities for the expected future income tax consequences of transactions that have been included in the Consolidated Financial Statements. Under this method, deferred tax assets and liabilities are determined based on the difference between the financial statement and tax basis of assets and liabilities using tax rates in effect for the year in which the differences are expected to reverse. Quarterly, the Company assesses the likelihood that its net deferred tax assets will be recovered. Based on the weight of all available evidence, both positive and negative, the Company records a valuation allowance against deferred tax assets when it is more-likely-than-not that a future tax benefit will not be realized. 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-abut 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, 2019, the Company had $15.1 million of gross deferred tax assets (after a $15.0 million valuation allowance) and net deferred tax assets (after deferred tax liabilities) of $3.8 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, 2019 was 35.0% and 30.3%, respectively. The effective tax rate for the three and six months ended June 30, 2018 was 9.4% and 18.4%, respectively.

The Company's U.S. income tax returns filed for the tax years ending December 31, 2015 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 Canada for tax years 2009 and 2010, the Philippines for tax years 2015 and 2017, Belgium for tax years 2016 and 2017, Canada GST for tax years 2014 through 2018, the state of Arkansas in the United States for tax years 2015 through 2017, and the state of New York in the United States for tax years 2015 through 2017. During the second quarter of 2019, the Company closed an audit with the state of Minnesota in the United States for tax years 2014 through 2016 with no material changes. During the third quarter of 2018, the Company closed an audit in Ireland for the year 2016 with no material changes. In the first quarter of 2019, the Company received a report of initial deficiency tax findings from the Philippines Bureau of Internal Revenue ("BIR") related to the 2015 tax year. The Company does not agree with the amount in question and is working closely with the BIR to clarify and resolve the outstanding discrepancies. 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 second quarter of 2019 a change to the valuation allowance was recorded in the amount of $2.3 million for deferred tax assets that do not meet the "more-likely-than-not" standard.

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The Company has been granted "Tax Holidays" as an incentive to attract foreign investment by the government of the Philippines. 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 with an initial period of four years and additional periods for varying years, expiring at various times between 2019 and 2020. The aggregate effect on income tax expense for the three months ended June 30, 2019 and 2018 was approximately $1.9 million and $2.2 million, respectively, which had a favorable impact on diluted net income per share of $0.04 and $0.05, respectively. The aggregate effect on income tax expense for the six months ended June 30, 2019 and 2018 was approximately $4.0 million and $4.0 million, respectively, which had a favorable impact on diluted net income per share of $0.09 and $0.09, respectively.

## (9) RESTRUCTURING CHARGES, INTEGRATION CHARGES AND IMPAIRMENT LOSSES

### Restructuring Charges

During the three and six months ended June 30, 2019 and 2018, the Company continued restructuring activities primarily associated with reductions in the Company's capacity, workforce and related management in both segments to better align the capacity and workforce with current business needs.

A summary of the expenses recorded in Restructuring and integration charges, net in the accompanying Consolidated Statements of Comprehensive Income (Loss) for the three and six months ended June 30, 2019 and 2018, respectively, is as follows (in thousands):

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| Reduction in force | | | | |
| TTEC Digital | $ — | $ — | $ — | $ 51 |
| TTEC Engage | 308 | 187 | 770 | 340 |
| Total | $ 308 | $ 187 | $ 770 | $ 391 |

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| Facility exit and other charges | | | | |
| TTEC Digital | $ — | $ — | $ — | $ — |
| TTEC Engage | 120 | 847 | 619 | 1,492 |
| Total | $ 120 | $ 847 | $ 619 | $ 1,492 |

**TTEC HOLDINGS, INC. AND SUBSIDIARIES**
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A rollforward of the activity in the Company's restructuring accrual is as follows (in thousands):

| | Reduction in Force | Facility Exit and Other Charges | Total |
|---|---|---|---|
| Balance as of December 31, 2018 | $ 416 | $ 3,226 | $ 3,642 |
| Expense | 774 | 619 | 1,393 |
| Payments | (1,020) | (567) | (1,587) |
| Change due to foreign currency | (16) | 16 | — |
| Change in estimates | (4) | — | (4) |
| Reclassifications due to ASU 842 implementation | — | (2,917) | (2,917) |
| Balance as of June 30, 2019 | $ 150 | $ 377 | $ 527 |

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

**Impairment Losses**

During each of the periods presented, the Company evaluated the annual recoverability of its leasehold improvement assets at certain customer engagement centers. An asset is considered to be impaired when the anticipated undiscounted future cash flows of its asset group are estimated to be less than the asset group's carrying value. The amount of impairment recognized is the difference between the carrying value of the asset group and its fair value. To determine fair value, the Company used Level 3 inputs in its discounted cash flows analysis. Assumptions included the amount and timing of estimated future cash flows and assumed discount rates. During the three and six months ended June 30, 2019, the Company recognized impairment losses related to leasehold improvement assets and right of use lease assets of $1.1 million and $2.6 million, respectively, across the TTEC Digital and TTEC Engage segments. During the three and six months ended June 30, 2018, the Company recognized impairment losses related to leasehold improvement assets of zero and $1.1 million, respectively, in its TTEC Engage segment.

## (10) COMMITMENTS AND CONTINGENCIES

**Credit Facility**

On February 14, 2019, the Company entered into a Fourth Amendment to its Amended and Restated Credit Agreement and Amended and Restated Security Agreement originally dated as of June 3, 2013 (collectively the "Credit Agreement") for a senior secured revolving credit facility with a syndicate of lenders led by Wells Fargo Bank, National Association, as agent, swing line and fronting lender which matures on February 14, 2024 (the "Credit Facility").

The maximum commitment under the Credit Facility is $900.0 million, with an accordion feature of up to $1.2 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 0.150% per annum from the Credit Facility inception date until a compliance certificate is provided by the Company in connection with its quarterly financial statements for the quarter ended March 31, 2019, and thereafter as previously disclosed and as determined by reference to the Company's net leverage ratio. The Credit Agreement contains customary affirmative, negative, and financial covenants, which remained unchanged from the 2016 Credit Facility, except that the Company is now obligated to maintain a maximum net leverage ratio of 3.50 to 1.00, and a minimum Interest coverage Ratio of 2.50 to 1.00. The Credit Agreement permits accounts receivable factoring up to the greater of $75 million or 25% of the average book value of all accounts receivable over the most recent twelve-month period.

Base rate loans bear interest at a rate equal to the greatest of (i) Wells Fargo's prime rate, (ii) one half of 1% in excess of the federal funds effective rate, and (iii) 1.0% in excess of the one month Eurodollar rate; plus in each case a margin of 0% to 0.75% based on the Company's net leverage ratio. Eurodollar loans bear interest at London Interbank Offered Rate ("LIBOR") plus a margin of 1.0% to 1.75% based on the Company's net leverage ratio. Alternate currency loans 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 Eurodollar loans.

The Company primarily utilizes its Credit Agreement to fund working capital, general operations, stock repurchases, dividends and other strategic activities, such as the acquisitions described in Note 2. As of June 30, 2019 and December 31, 2018, the Company had borrowings of $228.0 million and $282.0 million, respectively, under its Credit Agreement, and its average daily utilization was $324.0 million and $554.8 million for the six months ended June 30, 2019 and 2018, respectively. Based on the current level of availability based on the covenant calculations, the Company's remaining borrowing capacity was approximately $510 million as of June 30, 2019. As of June 30, 2019, the Company was in compliance with all covenants and conditions under its Credit Agreement.

**Letters of Credit**

As of June 30, 2019, outstanding letters of credit under the Credit Agreement totaled $3.7 million and primarily guaranteed workers' compensation and other insurance related obligations. As of June 30, 2019, letters of credit and contract performance guarantees issued outside of the Credit Agreement totaled $0.6 million.

**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) LEASES

The Company adopted ASU 842, Leases, as of January 1, 2019 using the effective date as the date of initial application. As a result, prior year financials were not recast under the new standard and therefore, those amounts are not presented below.

Operating leases are included in our Consolidated Balance Sheet as Operating lease assets, Current operating lease liabilities and Non-current operating lease liabilities. Finance leases are included in Property, plant and equipment, Other current liabilities and Other long-term liabilities in our Consolidated Balance Sheet. The Company primarily leases real estate and equipment under various arrangements that provide the Company the right of use for the underlying asset that require lease payments over the lease term. The Company determines the value of each lease by computing the present value of each lease payment using the interest rate implicit in the lease, if available; otherwise the Company estimates its incremental borrowing rate over the lease term. Operating lease assets also include prepaid rent, initial direct costs less any tenant improvements.

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The Company's real estate portfolio typically includes one or more options to renew, with renewal terms that generally can extend the lease term from one to 10 years. The exercise of these lease renewal options is at the Company's discretion and is included in the lease term only if the Company is reasonably certain to exercise. The Company also has service arrangements whereby it controls specific space provided by a third-party service provider. These arrangements meet the definition of a lease and are accounted for under ASC 842. Rent expense for operating leases is recognized on a straight-line basis over the lease term and is included in the Consolidated Statements of Comprehensive Income (Loss). The Company's lease agreements do not contain any material residual value guarantees or restrictive guarantees.

The components of lease expense for the three and six months ended June 30, 2019 are as follows (in thousands):

| Description | Location in Statements of Comprehensive Income (Loss) | | Three Months Ended June 30, 2019 |
|---|---|---|---|
| Amortization of ROU assets - finance leases | Depreciation and amortization | $ | 1,798 |
| Interest on lease liabilities - finance leases | Interest expense | | 32 |
| Operating lease cost (cost resulting from lease payments) | Cost of services | | 12,647 |
| Operating lease cost (cost resulting from lease payments) | Selling, general and administrative | | 1,363 |
| Operating lease cost (cost resulting from lease payments) | Other income (expense), net | | 242 |
| Short-term lease cost | Cost of services | | 1,247 |
| Less: Sublease income | Selling, general and administrative | | (126) |
| Less: Sublease income | Other income (expense), net | | (496) |
| Total lease cost | | $ | 16,707 |

| Description | Location in Statements of Comprehensive Income (Loss) | | Six Months Ended June 30, 2019 |
|---|---|---|---|
| Amortization of ROU assets - finance leases | Depreciation and amortization | $ | 3,405 |
| Interest on lease liabilities - finance leases | Interest expense | | 40 |
| Operating lease cost (cost resulting from lease payments) | Cost of services | | 23,346 |
| Operating lease cost (cost resulting from lease payments) | Selling, general and administrative | | 2,630 |
| Operating lease cost (cost resulting from lease payments) | Other income (expense), net | | 484 |
| Short-term lease cost | Cost of services | | 2,312 |
| Less: Sublease income | Selling, general and administrative | | (193) |
| Less: Sublease income | Other income (expense), net | | (992) |
| Total lease cost | | $ | 31,032 |

Other supplementary information for the three and six months ended June 30, 2019 are as follows (dollar values in thousands):

| | | Three Months Ended June 30, 2019 |
|---|---|---|
| Finance lease - operating cash flows | $ | 32 |
| Finance lease - financing cash flows | $ | 2,202 |
| Operating lease - operating cash flows (fixed payments) | $ | 13,741 |
| New ROU assets - operating leases | $ | 5,368 |
| Modified ROU assets - operating leases | $ | 10,202 |
| New ROU assets - finance leases | $ | 1,657 |

**TTEC HOLDINGS, INC. AND SUBSIDIARIES**
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| | | Six Months Ended June 30, 2019 |
|---|---|---|
| Finance lease - operating cash flows | $ | 40 |
| Finance lease - financing cash flows | $ | 5,985 |
| Operating lease - operating cash flows (fixed payments) | $ | 26,075 |
| New ROU assets - operating leases | $ | 7,057 |
| Modified ROU assets - operating leases | $ | 23,201 |
| New ROU assets - finance leases | $ | 4,247 |

| | June 30, 2019 |
|---|---|
| Weighted average remaining lease term - finance leases | 3.12 yrs |
| Weighted average remaining lease term - operating leases | 4.61 yrs |
| Weighted average discount rate - finance leases | 1.00% |
| Weighted average discount rate - operating leases | 7.73% |

Operating and financing lease right-of-use assets and lease liabilities within our Consolidated Balance Sheet as of June 30, 2019 and January 1, 2019 (date of adoption of ASU 842) are as follows (in thousands):

| Description | Location in Balance Sheet | June 30, 2019 | January 1, 2019 (date of adoption) |
|---|---|---|---|
| **Assets** | | | |
| Operating lease assets | Operating lease assets | $ 137,260 | $ 129,894 |
| Finance lease assets | Property, plant and equipment, net | 19,883 | 18,261 |
| Total leased assets | | $ 157,143 | $ 148,155 |
| | | | |
| **Liabilities** | | | |
| Current | | | |
| Operating | Current operating lease liabilities | $ 38,719 | $ 35,535 |
| Finance | Other current liabilities | 7,861 | 8,770 |
| Non-current | | | |
| Operating | Non-current operating lease liabilities | 118,350 | 112,754 |
| Finance | Other long-term liabilities | 10,776 | 10,765 |
| Total lease liabilities | | $ 175,706 | $ 167,824 |

The future minimum operating lease and finance lease payments required under non-cancelable leases as of June 30, 2019 are as follows (in thousands):

| | Operating Leases | Sub-lease Income | Finance Leases |
|---|---|---|---|
| Year 1 | $ 48,647 | $ (2,972) | $ 7,909 |
| Year 2 | 42,142 | (1,936) | 6,134 |
| Year 3 | 35,454 | (345) | 3,453 |
| Year 4 | 30,414 | (345) | 1,042 |
| Year 5 | 14,753 | (29) | 398 |
| Thereafter | 19,896 | — | — |
| Total minimum lease payments | $ 191,306 | $ (5,627) | $ 18,936 |
| Less imputed interest | (34,237) | | (299) |
| Total lease liability | $ 157,069 | | $ 18,637 |

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The future minimum rental and capital lease payments under non-cancelable leases as of December 31, 2018 are as follows (in thousands):

| | Operating Leases | Sub-lease Income | Capital Leases |
|---|---|---|---|
| Year 1 | $ 47,379 | $ (2,624) | $ 8,770 |
| Year 2 | 36,045 | (2,631) | 5,548 |
| Year 3 | 30,678 | (276) | 3,798 |
| Year 4 | 26,584 | — | 1,005 |
| Year 5 | 17,226 | — | 414 |
| Thereafter | 25,362 | — | — |
| Total minimum lease payments | $ 183,274 | $ (5,531) | $ 19,535 |
| Less imputed interest | | | — |
| Total lease liability | | | $ 19,535 |

## (12) OTHER LONG-TERM LIABILITIES

The components of Other long-term liabilities as of June 30, 2019 and December 31, 2018 are as follows (in thousands):

| | June 30, 2019 | December 31, 2018 |
|---|---|---|
| Deferred revenue | $ 31,331 | $ 33,247 |
| Deferred compensation plan | 17,973 | 14,836 |
| Payable for remaining portion of acquisition | — | 37,756 |
| Other | 30,684 | 40,693 |
| Total | $ 79,988 | $ 126,532 |

## (13) NONCONTROLLING INTEREST

The following table reconciles equity attributable to noncontrolling interest in the Company's subsidiary (in thousands):

| | Six Months Ended June 30, | |
|---|---|---|
| | 2019 | 2018 |
| Noncontrolling interest, January 1 | $ 7,677 | $ 6,978 |
| Net income attributable to noncontrolling interest | 3,290 | 2,120 |
| Dividends distributed to noncontrolling interest | (2,250) | (1,125) |
| Equity contribution | 3,362 | — |
| Foreign currency translation adjustments | — | (162) |
| Noncontrolling interest, June 30 | $ 12,079 | $ 7,811 |

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## (14) 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, 2017** | $ (84,100) | $ (15,746) | $ (2,458) | $ (102,304) |
| Other comprehensive income (loss) before reclassifications | (25,722) | 5,945 | 415 | (19,362) |
| Amounts reclassified from accumulated other comprehensive income (loss) | — | (7,458) | (201) | (7,659) |
| Net current period other comprehensive income (loss) | (25,722) | (1,513) | 214 | (27,021) |
| **Accumulated other comprehensive income (loss) at June 30, 2018** | $ (109,822) | $ (17,259) | $ (2,244) | $ (129,325) |
| **Accumulated other comprehensive income (loss) at December 31, 2018** | $ (114,168) | $ (8,278) | $ (2,150) | $ (124,596) |
| Other comprehensive income (loss) before reclassifications | 6,380 | 10,096 | 116 | 16,592 |
| Amounts reclassified from accumulated other comprehensive income (loss) | — | (2,583) | (99) | (2,682) |
| Net current period other comprehensive income (loss) | 6,380 | 7,513 | 17 | 13,910 |
| **Accumulated other comprehensive income (loss) at June 30, 2019** | $ (107,788) | $ (765) | $ (2,133) | $ (110,686) |

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 |
|---|---|---|---|
| | 2019 | 2018 | |
| **Derivative valuation** | | | |
| Gain (loss) on foreign currency forward exchange contracts | $ (1,011) | $ (4,883) | Revenue |
| Tax effect | 273 | 1,318 | Provision for income taxes |
| | $ (738) | $ (3,565) | Net income (loss) |
| **Other** | | | |
| Actuarial loss on defined benefit plan | $ (55) | $ (112) | Cost of services |
| Tax effect | 6 | 11 | Provision for income taxes |
| | $ (49) | $ (101) | Net income (loss) |

**TTEC HOLDINGS, INC. AND SUBSIDIARIES**
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| | For the Six Months Ended June 30, 2019 | For the Six Months Ended June 30, 2018 | Statement of Comprehensive Income (Loss) Classification |
|---|---|---|---|
| **Derivative valuation** | | | |
| Gain (loss) on foreign currency forward exchange contracts | $ (3,538) | $ (10,215) | Revenue |
| Tax effect | 955 | 2,757 | Provision for income taxes |
| | $ (2,583) | $ (7,458) | Net income (loss) |
| **Other** | | | |
| Actuarial loss on defined benefit plan | $ (110) | $ (223) | Cost of services |
| Tax effect | 11 | 22 | Provision for income taxes |
| | $ (99) | $ (201) | Net income (loss) |

## (15) NET INCOME PER SHARE

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

| | Three Months Ended June 30, 2019 | Three Months Ended June 30, 2018 | Six Months Ended June 30, 2019 | Six Months Ended June 30, 2018 |
|---|---|---|---|---|
| Shares used in basic earnings per share calculation | 46,318 | 46,016 | 46,261 | 45,944 |
| Effect of dilutive securities: | | | | |
| Stock options | — | 9 | — | 9 |
| Restricted stock units | 366 | 374 | 375 | 469 |
| Performance-based restricted stock units | — | 2 | — | 2 |
| Total effects of dilutive securities | 366 | 385 | 375 | 480 |
| Shares used in dilutive earnings per share calculation | 46,684 | 46,401 | 46,636 | 46,424 |

For the three months ended June 30, 2019 and 2018, there were no options to purchase shares of common stock outstanding that were excluded from the computation of diluted net income per share because the exercise price exceeded the value of the shares and the effect would have been anti-dilutive. For the six months ended June 30, 2019 and 2018, there were no options to purchase shares of common stock outstanding that were excluded from the computation of diluted net income per share because the exercise price exceeded the value of the shares and the effect would have been anti-dilutive. For the three months ended June 30, 2019 and 2018, there were restricted stock units ("RSUs") of 10 thousand and 113 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, 2019 and 2018, there were RSUs of 20 thousand and 64 thousand, respectively, outstanding which were excluded from the computation of diluted net income per share because the effect would have been anti-dilutive.

## (16) EQUITY-BASED COMPENSATION PLANS

All equity-based awards to employees are recognized in the Consolidated Statements of Comprehensive Income (Loss) at the fair value of the award on the grant date. During the three and six months ended June 30, 2019 and 2018, the Company recognized total equity-based compensation expense of $3.3 million and $6.5 million and $2.6 million and $6.2 million, respectively. Of this total compensation expense, $1.4 million and $2.6 million were recognized in Cost of services and $1.9 million and $3.9 million were recognized in Selling, general and administrative during the three and six months ended June 30, 2019, respectively. During the three and six months ended June 30, 2018, the company recognized compensation expense of $1.0 million and $2.4 million in Cost of services and $1.6 million and $3.8 million in Selling, general and administrative, respectively.

**Restricted Stock Unit Grants**

During the six months ended June 30, 2019 and 2018, the Company granted 40,246 and 466,102 RSUs, respectively, to new and existing employees, which typically vest over four or five years. The Company recognized compensation expense related to RSUs of $3.1 million and $6.3 million for the three and six months ended June 30, 2019, respectively. The Company recognized compensation expense related to RSUs of $2.6 million and $6.2 million for the three and six months ended June 30, 2018, respectively. As of June 30, 2019, there was approximately $18.1 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 the six months ended June 30, 2019, 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 $0.4 million and $1.4 million and vest immediately. If the defined minimum targets are not met, then no shares will be issued. The award amounts are based on the Company's annual adjusted operating income for the fiscal years 2019, 2020, 2021. Each fiscal year's adjusted operating income will determine the award amount. The Company recognized compensation expense related to PRSUs of $0.2 million for the three and six months ended June 30, 2019.

## (17) RELATED PARTY

During 1999, 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 a direct 100% beneficial ownership interest in Avion and Airmax. During the six months ended June 30, 2019 and 2018, the Company expensed $0.6 million and $0.7 million, respectively, to Avion and Airmax for services provided to the Company. There were $257 thousand in payments due and outstanding to Avion and Airmax as of June 30, 2019.

During 2014, the Company entered into a vendor contract with Convercent Inc. to provide learning management and web and telephony based global helpline solutions. This contract was renewed for the global helpline solution only, after an arms-length market pricing review, in the fourth quarter of 2016 and is currently scheduled to expire at the end of 2019. A minority owner of Convercent is a company which is owned and controlled by Kenneth D. Tuchman, Chairman and Chief Executive Officer of the Company. During the six months ended June 30, 2019 and 2018, the Company expensed $30 thousand and $30 thousand, respectively, for these services.

During 2015, the Company entered into a contract to purchase software from CaféX, in which the Company holds a 17.8% equity investment. During the six months ended June 30, 2019 and 2018, the Company purchased $33 thousand and $29 thousand, respectively, of software from CaféX. See Note 2 for further information regarding this investment.

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

During 2017, in connection with the Motif acquisition, the Company became a party to a real estate lease for a building that is owned, in part, by one of the Motif Founders. The lease expired in March 2019.

Ms. Regina M. Paolillo, Chief Financial and Administrative Officer of the Company, is a member of the board of directors of Welltok, Inc., a consumer health SaaS company, and partner of the Company in a joint venture. During the six months ended June 30, 2019 and 2018, the Company recorded revenue of $2.8 million and $2.0 million, respectively, in connection with work performed through the joint venture.

**CAUTIONARY NOTE REGARDING FORWARD LOOKING STATEMENTS**

This Quarterly Report on Form 10-Q contains “forward-looking statements” within the meaning of the 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 current expectations about our results of operations, expected financial position, business strategy, assumptions, and projections with respect to the future, and are not a guarantee of performance. Forward-looking statements may appear throughout this report; and we use words such as “may,” “believe,” “plan,” “will,” “anticipate,” “estimate,” “expect,” “intend,” “project,” “would,” “could,” “target,” or similar expressions when discussing forward-looking statements. Further, 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 that we make. Actual results may differ materially from 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, including but not limited to factors discussed in the “Risk Factors” section found in our 2018 Annual Report on Form 10-K. Specifically, we believe you should note the risks related to our strategy execution; our ability to innovate and introduce technologies that are sufficiently disruptive to allow us to maintain and grow our market share; cybersecurity; consolidation activities undertaken by our clients; geographic concentration of our brick and mortar delivery platform and our global footprint; changes in laws that impact our business and our ability to comply with those and other laws governing our operations; the reliability of our information technology infrastructure and our ability to consistently deliver uninterrupted service to our clients; the need to forecast demand for services accurately and the impact of such forecasts on our capacity utilization; our ability to attract and retain qualified and skilled personnel at a price point that we can afford and our clients are willing to pay; our M&A activity, including our ability to identify, acquire and properly integrate acquired businesses in accordance with our strategy; and our equity structure including our controlling shareholder risk, the limited market float of our stock, and the potential volatility of our stock price resulting therefrom.

Our forward-looking statements are based on information available as of the date that this Report on Form 10-Q 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") is a leading global customer experience technology and services company focused on the design, implementation and delivery of transformative solutions for many of the world's most iconic and disruptive brands. We help large global companies increase revenue and reduce costs by delivering personalized customer experiences across every interactional channel and phase of the customer lifecycle as an end-to-end provider of customer engagement services, technologies, insights and innovations.

Through the first quarter of 2019, we were reporting on four segments known as Customer Strategy Services (CSS), Customer Technology Services (CTS), Customer Growth Services (CGS) and Customer Management Services (CMS).

Starting in the second quarter of 2019, we have changed our strategy, how we go to market, how our clients and potential clients evaluate and consume our services and how we assess our performance. Based on these changes, we will now report our financial information based on the following two segments: TTEC Digital and TTEC Engage.

- TTEC Digital designs, builds and delivers tech-enabled, insight-based and outcome-driven customer experience solutions through our professional services and suite of technology offerings. These solutions are critical to enabling and accelerating digital transformation for our clients. These services were previously included in the CSS and CTS segments.
- TTEC Engage provides the essential technologies, human resources, infrastructure and processes to operate customer care, acquisition, and fraud detection and prevention services. These services were previously included in the CGS and CMS segments.

We do not believe that this segment change results in any material impact on our financial results of operations.

TTEC Digital and TTEC Engage come together under our unified offering, Humanify™ Customer Experience as a Service, which drives measurable results for clients through delivery of personalized omnichannel interactions that are seamless and relevant. Our business is supported by 48,000 employees delivering services in 23 countries from 81 customer engagement centers on six continents. Our end-to-end approach differentiates the Company by combining service design, strategic consulting, data analytics, process optimization, system integration, operational excellence, and technology solutions and services. This unified offering is value-oriented, outcome-based, and delivered on a global scale across both our business segments.

Our revenue for the three months ended June 30, 2019 was $392.5 million. Approximately $314 million, or 80%, came from our TTEC Engage segment and $79 million, or 20%, came from our TTEC Digital segment.

Since our establishment in 1982, we have helped clients strengthen their customer relationships, brand recognition and loyalty by simplifying and personalizing interactions with their customers. We deliver thought leadership, through innovation in programs that differentiate our clients from their competition.

To improve our competitive position in a rapidly changing market and stay strategically relevant to our clients, we continue to invest in innovation and growth businesses, diversifying and strengthening our core customer care services with consulting, data analytics, and technology-enabled, outcome-focused services.

We also invest in businesses that enable us to expand our geographic footprint, broaden our product and service capabilities, increase our global client base and industry expertise, and further scale our end-to-end integrated solutions platform. In 2018, we acquired Strategic Communications Services, a system integrator for multichannel contact center platforms based in the United Kingdom.

We deliver industry specific solutions and have developed tailored expertise in the automotive, communications, financial services, government, healthcare, logistics, media and entertainment, retail, technology, travel and transportation industries. We target customer-focused industry leaders in the Global 1000 and serve approximately 275 clients globally.

### Our Integrated Service Offerings and Business Segments

Our integrated service offering Humanify Customer Experience as a service (CXaas) is delivered through our two operating and reportable segments, TTEC Digital and TTEC Engage.

**TTEC Digital** designs, builds and delivers tech-enabled, insight-based and outcome-driven customer experience solutions through our professional services and suite of technology offerings. These solutions are critical to enabling and accelerating digital transformation for our clients.

- We help our clients design, build and execute their customer experience (CX) vision by leveraging expertise in CX technologies, strategy, operations, analytics, learning and performance. We design, implement and manage cloud, on-premise or hybrid CX environments to deliver a consistent and superior experience across all touch points on a global scale that results in higher quality, lower costs and reduced risk for our clients. Through our Humanify™ Technology platform, we provide omnichannel contact center software-as-a-service (“SaaS”) solutions that enable clients to integrate their existing CX tech stack, orchestrate data and interactions across disparate technologies and contextually link customers directly to appropriate resources, anywhere and using any channel. We leverage proprietary capabilities in AI, machine learning, and robotics to automate low-value tasks and continuously improve the customer journey. Our platform enables clients to interact with their customers across the growing array of channels including voice, chat, email, mobile, web, SMS text, social networks, and video. Our ability to architect, deploy and host or manage the client’s customer experience environments is a differentiator and becomes a key enabler to achieving and sustaining the client’s CX objectives.

**TTEC Engage** provides the essential technologies, human resources, infrastructure and processes to operate customer care, acquisition, and fraud detection and prevention services.

- We design and manage clients’ front-to-back office processes to deliver personalized, protected, omnichannel interactions. Our front-office solutions seamlessly integrate voice, chat, email, mobile, web, SMS text, social networks, and video to optimize the customer experience for our clients. In addition, we manage client back-office processes to enhance their customer-centric view of relationships, maximize operating efficiencies and prevent fraud. Our delivery of integrated business processes via our highly trained professional onshore, offshore or work-from-home associates reduces operating costs and allows customer needs to be met more quickly and efficiently, resulting in higher satisfaction, brand loyalty and a stronger competitive position for our clients.

Based on our clients’ requirements, we can provide our services on an integrated, cross-business segment basis or discretely, on an as needed 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 2019, our revenue increased $42.6 million, or 12.2%, to $392.5 million over the same period in 2018 despite a decrease of $1.1 million, or 0.3%, due to foreign currency fluctuations and a decrease of $2.2 million, or 0.6%, due to the initial adoption of ASC 606 for revenue in the first quarter of 2018. The increase in revenue was comprised of a $26.0 million increase for TTEC Digital and a $16.6 million increase for TTEC Engage.

Our second quarter 2019 income from operations increased $9.4 million, or 69.4%, to $22.9 million or 5.8% of revenue, compared to $13.5 million or 3.9% of revenue in the second quarter of 2018. The change in operating income is comprised of a number of factors across the segments. The TTEC Digital operating income expanded with a 14% improvement over the same period last year primarily on the growth of its higher margin cloud business and its system integration business which provides services pre and post the buildout of each client’s cloud platform. The TTEC Engage operating income increased 125% compared to the prior year quarter based on the increase in revenue and a $1.2 million benefit related to foreign currency fluctuations which was offset by a $1.5 million decrease related to the initial adoption of ASC 606 during the first quarter of 2018.

Income from operations in the second quarter of 2019 and 2018 included $2.5 million and $1.0 million of restructuring and integration charges and asset impairments, respectively.

Our offshore customer engagement centers serve clients based in the U.S. and in other countries and spans five countries with 24,200 workstations, representing 56% of our global delivery capability. Revenue for our TTEC Engage segment provided from these offshore locations was $110 million and represented 35% of our revenue for the second quarter of 2019, as compared to $107 million and 36% of our revenue for the corresponding period in 2018.

As of June 30, 2019, the total production workstations for our TTEC Engage segment was 43,000 and the overall capacity utilization in our centers was 72%. The utilization is slightly lower than the previous year as we expand and shift capacity in certain countries to accommodate our increased bookings. The table below presents workstation data for all of our centers as of June 30, 2019 and 2018. Our utilization percentage is defined as the total number of utilized production workstations compared to the total number of available production workstations.

| | June 30, 2019 | | | June 30, 2018 | | |
|---|---|---|---|---|---|---|
| | Total Production Workstations | In Use | % In Use | Total Production Workstations | In Use | % In Use |
| Total centers | | | | | | |
| Sites open >1 year | 40,493 | 29,144 | 72 % | 40,947 | 30,875 | 75 % |
| Sites open <1 year | 2,560 | 1,704 | 67 % | 2,101 | 2,020 | 96 % |
| Total workstations | 43,053 | 30,848 | 72 % | 43,048 | 32,895 | 76 % |

We continue to see demand from all geographic regions to utilize our offshore delivery capabilities and expect this trend to continue. On the other hand, some of our clients may be subject to regulatory pressures to bring more services onshore to the United States. In light of these trends we plan to continue to selectively retain and grow capacity in and expand into new offshore markets, while maintaining appropriate capacity in the United States. As we grow our offshore delivery capabilities and our exposure to foreign currency fluctuations 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 issued accounting pronouncements.

**Critical Accounting Policies and Estimates**

Management's Discussion and Analysis of our financial condition and results of operations are based upon our Consolidated Financial Statements, which have been prepared in accordance with GAAP. The preparation of these financial statements requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses, as well as the disclosure of contingent assets and liabilities. We regularly review our estimates and assumptions. These estimates and assumptions, which are based upon historical experience and on various other factors believed to be reasonable under the circumstances, form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Reported amounts and disclosures may have been different had management used different estimates and assumptions or if different conditions had occurred in the periods presented. For further information, please refer to the discussion of all critical accounting policies in Note 1 of the Notes to the Consolidated Financial Statements in our Annual Report on Form 10-K for the year ended December 31, 2018.

**Results of Operations**

During the second quarter of 2019, we finalized changes to our operating strategy and the way in which we assess performance. In accordance with this change, we adjusted certain reporting relationships between our Chief Operating Decision Maker ("CODM") and other members of management, updated the compensation metrics for senior management, and modified the internal financial reporting provided to the CODM and his direct reports to be consistent with this revised management and measurement structure. Accordingly, during the second quarter of 2019, we reevaluated the definition of the operating segments, reportable segments, and reporting units which resulted in a change to the reportable segments. Effective June 30, 2019, the segment information will be reported consistent with these updated reportable segments comprised of TTEC Digital and TTEC Engage.

**Three months ended June 30, 2019 compared to three months ended June 30, 2018**

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, 2019 and 2018 (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, | | | |
|---|---|---|---|---|
| | **2019** | **2018** | **$ Change** | **% Change** |
| Revenue | $ 78,519 | $ 52,500 | $ 26,019 | 49.6 % |
| Operating Income | 7,709 | 6,764 | 945 | 14.0 % |
| Operating Margin | 9.8 % | 12.9 % | | |

The increase in revenue for the TTEC Digital segment was related to significant increases in the cloud platform and the systems integration practice including a large multi-year governmental contract and increases in the digital learning and insights practices, offset by reductions in legacy facility based training and lower volumes primarily in the Middle East business which the Company is in the process of winding down.

The operating income expansion is primarily attributable to the increased revenue and improved utilization of technology and people assets as the business scales its cloud and system integration revenue. The operating income as a percentage of revenue decreased to 9.8% in the second quarter of 2019 as compared to 12.9% in the prior period. The decline in the operating margin percentage is primarily attributable to the $2.0 million impairment of intangible and other long-lived assets for one of the consulting components in this segment (see Part I. Item 1. Financial Statements, Notes 5 and 9 to the Consolidated Financial Statements). Included in the operating income was amortization expense related to acquired intangibles of $0.6 million and $0.7 million for the quarters ended June 30, 2019 and 2018, respectively.

*TTEC Engage*

| | Three Months Ended June 30, | | | |
|---|---|---|---|---|
| | **2019** | **2018** | **$ Change** | **% Change** |
| Revenue | $ 313,996 | $ 297,353 | $ 16,643 | 5.6 % |
| Operating Income | 15,164 | 6,739 | 8,425 | 125.0 % |
| Operating Margin | 4.8 % | 2.3 % | | |

The increase in revenue for the TTEC Engage segment was due to a net increase of $32.9 million in client programs offset by a decrease for program completions of $13.4 million, a decrease of $2.1 million due to the initial adoption of ASC 606 for revenue in 2018, and an $0.8 million decrease due to foreign currency fluctuations.

The operating income increased in line with improved revenue, pricing increases related to rising wages, lower healthcare costs and improved profitability in our healthcare and auto client portfolios. Additionally, the operating income was positively affected by $1.1 million of foreign currency fluctuation and negatively impacted by a $1.5 million decrease due to the initial adoption of ASC 606 in 2018. As a result, the operating income as a percentage of revenue increased to 4.8% in the second quarter of 2019 as compared to 2.3% in the prior period. Included in the operating income was amortization expense related to acquired intangibles of $2.0 million and $2.0 million for the quarters ended June 30, 2019 and 2018, respectively.

*Interest Income (Expense)*

For the three months ended June 30, 2019 interest income decreased to $0.4 million from $1.5 million in the same period in 2018. Interest expense decreased to $4.2 million during 2019 from $7.8 million during 2018 due to lower utilization of the line of credit offset by higher interest rates, and a $2.6 million reduction in the charge related to the future purchase of the remaining 30% of the Motif acquisition.

*Other Income (Expense)*

For the three months ended June 30, 2019 Other income (expense), net increased to net income of $1.9 million from a net expense of $0.3 million during the prior year quarter.

Included in the three months ended June 30, 2019 was a $2.4 million benefit related to a fair value adjustment of contingent consideration for an acquisition.

For further information on the above items, see Part I. Item 1. Financial Statements, Notes 2 and 7 to the Consolidated Financial Statements.

*Income Taxes*

The effective tax rate for the three months ended June 30, 2019 was 35.0%. This compares to an effective tax rate of 9.4% for the comparable period of 2018. The effective tax rate for the three months ended June 30, 2019 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 increased foreign earnings. Without $0.3 million of benefit from restructuring and impairment expenses, $0.1 million of benefit related to return to provision adjustments, a $0.1 million expense related to tax contingencies, a $2.3 million expense related to changes in valuation allowances, and $0.1 million other expense, the Company's effective tax rate for the second quarter of 2019 would have been 24.7%.

**Results of Operations**

**Six months ended June 30, 2019 compared to six months ended June 30, 2018**

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, 2019 and 2018 (in thousands). All intercompany transactions between the reported segments for the periods presented have been eliminated.

*TTEC Digital*

| | Six Months Ended June 30, | | | |
|---|---|---|---|---|
| | 2019 | 2018 | $ Change | % Change |
| Revenue | $ 144,372 | $ 102,568 | $ 41,804 | 40.8 % |
| Operating Income | 15,468 | 12,110 | 3,358 | 27.7 % |
| Operating Margin | 10.7 % | 11.8 % | | |

The increase in revenue for the TTEC Digital segment was related to significant increases in the cloud platform and the systems integration practice including a large multi-year governmental contract and increases in the digital learning and insights practices, offset by reductions in legacy facility based training and lower volumes primarily in the Middle East business, which the Company is in the process of winding down.

The operating income expansion is primarily attributable to the revenue growth, improved utilization of technology and people assets as the business scales its cloud and system integration revenue. The operating income increase was offset by a $2.0 million impairment of intangible and other long-lived assets for one of the consulting components in this segment. The operating income as a percentage of revenue decreased to 10.7% for the six months ended June 30, 2019 as compared to 11.8% in the prior period. Included in the operating income was amortization expense related to acquired intangibles of $1.3 million and $1.2 million for the six months ended June 30, 2019 and 2018, respectively.

*TTEC Engage*

| | Six Months Ended June 30, | | | |
|---|---|---|---|---|
| | 2019 | 2018 | $ Change | % Change |
| Revenue | $ 642,499 | $ 622,534 | $ 19,965 | 3.2 % |
| Operating Income | 39,497 | 26,334 | 13,163 | 50.0 % |
| Operating Margin | 6.1 % | 4.2 % | | |

The increase in revenue for the TTEC Engage segment was due to a net increase of $76.5 million in client programs offset by a decrease for program completions of $35.6 million, a $16.0 million reduction due to the initial adoption of ASC 606 related to revenue in 2018, and a $4.9 million decrease due to foreign currency fluctuations.

The operating income increased in line with the improved revenue, pricing increases related to rising wages, lower healthcare costs, improved profitability in our healthcare and auto client portfolios, and a $6.4 million volume commitment payment. Additionally, the operating income was positively affected by $2.2 million of foreign currency fluctuations and negatively impacted by an $8.8 million decrease due to the initial adoption of ASC 606 in 2018. As a result, the operating income as a percentage of revenue increased to 6.1% for the six months ended June 30, 2019 as compared to 4.2% in the prior period. Included in the operating income was amortization expense related to acquired intangibles of $4.0 million and $4.2 million for the six months ended June 30, 2019 and 2018, respectively.

*Interest Income (Expense)*

For the six months ended June 30, 2019 interest income decreased to $0.8 million from $2.5 million in the same period in 2018 due to lower average cash balances. Interest expense decreased to $9.5 million during 2019 from $14.2 million during 2018 due to lower utilization of the line of credit offset by higher interest rates, and a $3.2 million reduction in the charge related to the future purchase of the remaining 30% of the Motif acquisition.

*Other Income (Expense)*

For the six months ended June 30, 2019 Other income (expense), net increased to net income of $2.7 million from a net expense of $11.8 million during the prior year quarter.

Included in the six months ended June 30, 2019 was a $2.4 million benefit related to the fair value adjustment of contingent consideration for an acquisition.

Included in the six months ended June 30, 2018 was a $15.6 million impairment of the full value of an equity investment and the related bridge loan, an $1.1 million gain related to the quarterly royalty payment for the June 30, 2017 divestiture of TSG, and a $0.7 million gain related to the bargain purchase for the Percepta acquisition closed on March 31, 2018.

For further information on the above items, see Part I. Item 1. Financial Statements, Note 2 to the Consolidated Financial Statements.

Income Taxes

The effective tax rate for the six months ended June 30, 2019 was 30.3%. This compared to an effective tax rate of 18.4% for the comparable period of 2018. The effective tax rate for the six months ended June 30, 2019 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 increased foreign earnings. Without $1.0 million of benefit from restructuring expenses, a $0.3 million expense related to tax contingencies, and a $2.3 million expense related to changes in valuation allowances, and $0.2 million other expense, the Company's effective tax rate for the six months of 2019 would have been 24.7%.

**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, 2019, we generated positive operating cash flows of $121.3 million. We believe that our cash generated from operations, existing cash and cash equivalents, and available credit will be sufficient to meet expected operating and capital expenditure requirements for the next 12 months.

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

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

The following discussion highlights our cash flow activities during the six months ended June 30, 2019 and 2018.

*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 $75.5 million and $78.2 million as of June 30, 2019 and December 31, 2018, respectively. We diversify the holdings of such cash and cash equivalents considering the financial condition and stability of the counterparty institutions.

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

*Cash Flows from Operating Activities*

For the six months ended June 30, 2019 and 2018, net cash flows provided by operating activities was $121.3 million and $104.7 million, respectively. The increase is primarily due to a $16.8 million improvement in working capital due to higher current liability balances.

*Cash Flows from Investing Activities*

For the six months ended June 30, 2019 and 2018, net cash flows used in investing activities was $28.1 million and $21.0 million, respectively. The increase was due to a $11.5 million increase in capital expenditures offset by a $4.1 million decrease related to acquisitions.

*Cash Flows from Financing Activities*

For the six months ended June 30, 2019 and 2018, net cash flows used in financing activities was $84.7 million and $74.5 million, respectively. The change in net cash flows from 2018 to 2019 was primarily due to a $5.1 million payment related to the hold-back for an acquisition, and a $4.2 million of increased payments on other debt.

*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, 2019 compared to the six months ended June 30, 2018 primarily due to an increase in cash flow from working capital offset by higher capital expenditures. Free cash flow was $92.8 million and $87.8 million for the six months ended June 30, 2019 and 2018, 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, | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| Net cash provided by operating activities | $ 41,303 | $ 37,319 | $ 121,266 | $ 104,706 |
| Less: Purchases of property, plant and equipment | 15,228 | 9,375 | 28,428 | 16,883 |
| Free cash flow | $ 26,075 | $ 27,944 | $ 92,838 | $ 87,823 |

**Obligations and Future Capital Requirements**

Other than changes related to the adoption of lease accounting standard ASC 842 as described in Note 1 and Note 11 to the Consolidated Financial Statements, 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 2018 Form 10-K filing on March 6, 2019 through the filing of this report.

*Future Capital Requirements*

We currently expect total capital expenditures in 2019 to be between $60 million and $65 million. 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 2019 capital expenditures is primarily driven by new client contracts and the corresponding requirements for additional delivery center capacity as well as enhancements to our technological infrastructure.

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

**Client Concentration**

During the six months ended June 30, 2019, none of our clients represented more than 10% of our total revenue. Our five largest clients, collectively, accounted for 37.4% and 34.7% of our consolidated revenue for the three months ended June 30, 2019 and 2018, respectively. Our five largest clients accounted for 36.7% and 35.6% of our consolidated revenue for the six months ended June 30, 2019 and 2018, respectively. We have had long-term relationships with our top five clients, ranging from one to 22 years, with most 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, our scope of service and where the services are delivered. 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 and the fact that most of these relationships are based on multiple smaller contracts with different termination dates. 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 when they terminate relationships with limited notice.

The contracts with our five largest clients expire between 2020 and 2023. Additionally, a particular client may have multiple contracts with different expiration dates. 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**

We have previously entered into interest rate derivative instruments to reduce our exposure to interest rate fluctuations associated with our variable rate debt. The interest rate on our Credit Agreement is variable based upon the Prime Rate and LIBOR and, therefore, is affected by changes in market interest rates. As of June 30, 2019, we had $228.0 million of outstanding borrowings under the Credit Agreement. Based upon average outstanding borrowings during the three months ended June 30, 2019, interest accrued at a rate of approximately 3.6% per annum, respectively. If the Prime Rate or LIBOR 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, 2019 and 2018, revenue associated with this foreign exchange risk was 22% and 24% 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, 2019 and December 31, 2018 are summarized as follows (in thousands). All hedging instruments are forward contracts, except as noted.

| As of June 30, 2019 | Local Currency Notional Amount | U.S. Dollar Notional Amount | % Maturing in the next 12 months | Contracts Maturing Through |
|---|---|---|---|---|
| Philippine Peso | 6,237,000 | 120,528 (1) | 62.2 % | April 2022 |
| Mexican Peso | 1,119,500 | 55,183 | 52.7 % | August 2022 |
| | | $ 175,711 | | |

| As of December 31, 2018 | Local Currency Notional Amount | U.S. Dollar Notional Amount |
|---|---|---|
| Philippine Peso | 6,710,000 | 130,957 (1) |
| Mexican Peso | 1,091,500 | 57,708 |
| | | $ 188,665 |

(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, 2019 and December 31, 2018.

The fair value of our cash flow hedges at June 30, 2019 was assets/(liabilities) (in thousands):

| | June 30, 2019 | Maturing in the Next 12 Months |
|---|---|---|
| Philippine Peso | $ (588) | $ (914) |
| Mexican Peso | (467) | (1,233) |
| | $ (1,055) | $ (2,147) |

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, 2018 reflects fewer outstanding cash flow hedges, partially offset by a strong U.S. dollar against the Mexican Peso and Philippine Peso.

We recorded net losses of approximately $3.5 million and $10.2 million for settled cash flow hedge contracts and the related premiums for the six months ended June 30, 2019 and 2018, respectively. These losses 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, 2019 and 2018, approximately 21% and 25%, 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, 2019 or December 31, 2018.

## 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, 2019, 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 (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended) 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 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 described in our Annual Report on Form 10-K for the year ended December 31, 2018.

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

**Issuer Purchases of Equity Securities**

Following is the detail of the issuer purchases made during the quarter ended June 30, 2019:

| Period | Total Number of Shares Purchased | Average Price Paid per Share | Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs | Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs (In thousands)(1) |
|---|---|---|---|---|
| March 31, 2019 | | | | $ 26,580 |
| April 1, 2019 - April 30, 2019 | — | $ — | — | $ 26,580 |
| May 1, 2019 - May 31, 2019 | — | $ — | — | $ 26,580 |
| June 1, 2019 - June 30, 2019 | — | $ — | — | $ 26,580 |
| **Total** | — | | — | |

(1) In November 2001, our Board of Directors ("Board") authorized a stock repurchase program with the objective of increasing stockholder returns. The Board periodically authorizes additional increases to the program. The most recent Board authorization to purchase additional common stock occurred in February 2017, whereby the Board increased the program allowance by $25.0 million. Since inception of the program through June 30, 2019, 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. As of June 30, 2019 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

None

## ITEM 6. EXHIBITS

| Exhibit No. | Exhibit Description | Incorporated Herein by Reference: Form | Exhibit | Filing Date |
|---|---|---|---|---|
| 10.25* | Form of TTEC Holdings, Inc. Performance Restricted Stock Unit Agreement (Executive Committee Members) effective July 5, 2019 | | | |
| 31.1* | Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. Section 1350) | | | |
| 31.2* | Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. Section 1350) | | | |
| 32.1* | Certification of Chief Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. Section 1350) | | | |
| 32.2* | Certification of Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. Section 1350) | | | |
| 101.INS** | XBRL Instance Document | | | |
| 101.SCH** | XBRL Taxonomy Extension Schema Document | | | |
| 101.CAL** | XBRL Taxonomy Extension Calculation Linkbase Document | | | |
| 101.LAB** | XBRL Taxonomy Extension Label Linkbase Document | | | |
| 101.PRE** | XBRL Taxonomy Extension Presentation Linkbase Document | | | |

| | |
|---|---|
| 101.DEF** | XBRL Taxonomy Extension Definition Linkbase Document |

* Filed or furnished herewith.

** Attached as Exhibit 101 to this report are the following documents formatted in XBRL (Extensible Business Reporting Language): (i) Notes to the Consolidated Financial Statements, (ii) Consolidated Balance Sheets as of June 30, 2019 and December 31, 2018 (unaudited), (iii) Consolidated Statements of Comprehensive Income (Loss) for the three and six months ended June 30, 2019 and 2018 (unaudited), (iv) Consolidated Statements of Stockholders' Equity as of and for the three and six months ended June 30, 2019 and 2018 (unaudited), and (v) Consolidated Statements of Cash Flows for the six months ended June 30, 2019 and 2018 (unaudited).

**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.<br>(Registrant) |
| Date: August 7, 2019 | By: | /s/ Kenneth D. Tuchman<br>Kenneth D. Tuchman<br>Chairman and Chief Executive Officer |
| Date: August 7, 2019 | By: | /s/ Regina M. Paolillo<br>Regina M. Paolillo<br>Chief Financial Officer |

# TTEC HOLDINGS, INC.
# Performance Restricted Stock Unit Agreement

This Performance Restricted Stock Unit Agreement (this "**Agreement**") is made and entered into as of ____, 20xx (the " **Effective Date**") by and between TTEC Holdings, Inc., a Delaware corporation (the "**Company**") and ______________ (the "**Executive**").

This Agreement is governed by the terms of the TTEC Holdings, Inc. 2010 Equity Incentive Plan (the "**Plan**") pursuant to which the Company may grant equity awards to eligible employees, directors and consultants of the Company and its affiliates. Capitalized terms that are used but not defined in this Agreement have the meaning ascribed to them in the Plan. The terms and provisions of the Plan as they may be amended from time to time are incorporated into this Agreement by reference. In the event of a conflict between any term or provision contained in this Agreement and a term or provision of the Plan, the applicable terms and provisions of the Plan will govern and prevail.

The parties agree to be legally bound by this Agreement, and in exchange for sufficient consideration, the adequacy of which is not in question, agree as follows:

**1. Annual Equity Target Modified**.

The Executive's employment arrangement (agreement or otherwise) with the Company ("Employment Arrangement") provides for your eligibility to participate in TTEC's annual Equity program, designed to provide long term incentives for senior executives and to align your interests with the interests of the Company's stockholders. Your target eligibility under the Employment Arrangement is *up to* US$[___________] in fair market value of TTEC equity calculated as of market close on the grant date, rounded up or down to a whole number of shares and currently offered in the form of restricted stock unites ("**RSUs**") vesting over time ("**Original RSU Target**").

Pursuant to the Employment Arrangement, the Company, on direction from the Compensation Committee of the Board, may modify executives' equity compensation incentives from time to time, provided such modifications are not to the detriment of the Executive. Based on the foregoing, the Company hereby bifurcates your Original RSU Target into two separate equity opportunities: (1) a time based RSU ("**TRSU**") target similar in all characteristics to your equity eligibility as described in the Employment Arrangement and (2) a performance based RSU ("**PRSU**") target based on the Company's operating income performance. Each of the TRSU and PRSU targets shall be equal to 50% of your Original RSU Target. TRSU target is not the subject of this Agreement and any awards with respect to it shall be made in ordinary course pursuant to TTEC's standard RSU agreement.

All equity grants made pursuant to the Plan are subject to Executive Stock Ownership Guidelines included in this Agreement as Appendix A.

**2. PRSU Opportunity Based on TTEC Performance During the Award Period**.

Pursuant to the Plan and subject to the provisions of this Agreement, the Company hereby irrevocably provides to the Executive the right to earn a PRSU award of US$[___________] (your "**PRSU Target**"), in fair market value of TTEC equity as of market close on the grant dates ("**PRSU Award**").

The PRSU Award will be granted in three (3) tranches each initially valued at 1/3rd (.333/.334) of the PRSU Target, with the actual value of each tranche adjusted up or down based on the Company's achievement of operating income goals ("**PRSU Performance Goals**") for each of the three years in the **2019 Award Period,** as detailed in Paragraph 3 of this Agreement.

a. "**2019 Award Period**" for purposes of this Agreement shall be from January 1, 2019 through December 31, 2021.

b. The value of PRSUs that will be made as part of the 1st tranche of 2019 PRSU Award shall be determined based on the Company's operating income for fiscal year 2019 (**"2019 PRSU 1st Tranche"**). The value of PRSUs that will be made as part of the 2nd tranche of 2019 PRSU Award shall be determined based on the Company's operating income for fiscal year 2020 (**"2019 PRSU 2nd Tranche"**). The value of PRS that will be made as part of the 3rd tranche of 2019 PRSU Award shall be determined based on the Company's operating income for fiscal year 2021 ("**2019 PRSU 3rd Tranche**").

c. The Executive's entitlement to any of the 2019 PRSU Tranches is conditioned on the Executive's continuing employment with the Company at the time of each individual tranche grant. If Executive's employment with TTEC terminates (for any reason) before a PRSU Tranche is granted, the Executive shall forfeit any right he/she has with respect to the PRSUs not yet granted or vested, including any proration rights for a portion of the performance period when the Executive was affiliated with the Company. The provisions of this paragraph are subject to specific exceptions provided in Paragraph 7(b) of this Agreement.

**3. Operating Income Performance Goals for 2019 Award Period.**

The following table outlined the performance goals and payout opportunity tiers for the 2019 Award Period.

| 2019 PRSU Award Period | Threshold Zero | Below Goal 50% | @Goal100% | Above Goal 150% | Max 200% |
|---|---|---|---|---|---|
| Tranche #1 – 2019 Performance Year | < $117.5M | $117.5M | $120.5M | $123M | $126M |
| Tranche #2 – 2020 Performance Year | <$122.5M | $122.5M | $125M | $128M | $134M |
| Tranche #3 – 2021 Performance Year | <$127.50 | $127.5M | $130M | $133M | $141.22M |
| 2019-2021 Aggregate Pre-Bonus OI and Catch-up Trigger | | $367.5M | $375.5M | $384M | $401.22M |

"**Operating income,**" for purposes of PRSU Award calculations for any award year, will be equal to TTEC operating income, as publicly disclosed in TTEC's earnings release for that calendar year, adjusted in consultation and with approval of the Compensation Committee of the Board for unbudgeted and unanticipated items (such as M&A, natural disasters and storms, foreign exchange variations).

When the operating income for any performance fiscal year falls between designated payout tiers, the PRSU Award for that year will be prorated accordingly, with the same proration rules applying for all executives who are subject to the PRSU opportunity.

The PRSU opportunity will max-out at 200% of PRSU Award amount regardless of the actual operating income earned by the Company in the relevant fiscal year.

When the operating income for any performance year falls below that year's minimum threshold as stated above, there will be no PRSU Tranche awarded in that year. The Executive would have the opportunity for catch-up as provided in Paragraph 4, however.

**4. Catch-up Rights.**

The purpose of the PRSU Award is to reward the Executive for driving exceptional performance for each fiscal year during the PRSU Award Period, while maintaining a longer-term view for the aggregate performance of the Company during the entire PRSU Award Period.

Therefore, if in any performance year during the PRSU Award Period, the PRSU Tranche is not paid because the Company failed to meet the minimum operating income threshold, the Executive still would have the opportunity to earn the missed PRSUs via a catch-up. At the end of the PRSU Award Period, the Company will assess the aggregate operating income achieved during the entire three-year PRSU Award Period and, if it is equal to at least the sum total of operating income @Goal, as reflected in Paragraph 3, then the Company would issue to the Executive an incremental catch-up PRSU Award in the amount of 75% of the @Goal payout that would have been due for the year(s) in which PRSUs were not granted. This incremental catch-up PRSU Award would be granted and would vest at the same time as the 2019 PRSU 3rd Tranche.

**5. Executive's 2019 Award Payout Opportunity.**

| 2019 PRSU Award/Payout | Below Target 50% | @Target 100% | Above Target 150% | Max Target 200% |
|---|---|---|---|---|
| 2020 Payout Opportunity Under 2019 PRSU Award | $xxx,xxx | $xxx,xxx | $xxx,xxx | $xxx,xxx |
| 2021 Payout Opportunity Under 2019 PRSU Award | $xxx,xxx | $xxx,xxx | $xxx,xxx | $xxx,xxx |
| 2022 Payout Opportunity Under 2019 PRSU Award | $xxx,xxx | $xxx,xxx | $xxx,xxx | $xxx,xxx |
| 2019 PRSU Award Opportunity (at different OI performance levels) | $xxx,xxx | $xxx,xxx | $xxx,xxx | $xxx,xxx |

**6. Timing of Grants and Vesting Schedule.**

All Tranches of the 2019 PRSU Award will be granted within a reasonable time after the public release of earnings for the year, the operating income of which served as reference for the value of the grant. All PRSUs granted pursuant to this Agreement would vest immediately at the time of the grant. At the recipient's discretion, the grant may be subject to a cashless vesting of the grant where a portion of stock received may be used (netted against the value of the Award) by the Company to cover the Executive's tax obligations in connection with grant.

**7. Change in Circumstances.**

a. If during PRSU Award Period, the Company engages in a capital markets transaction, restructuring, business combination, recapitalization, stock split, extraordinary special stock dividend, consolidation, rights offering, spin-off, or the like ("**Material Transaction**") the result of which would make fair and equitable measurement of the Company's operating income for any open year in the PRSU Award Period no longer practical , the Compensation Committee of the Board would work with the Company to adjust and modify performance goals and payout targets under all outstanding PRSU Awards to provide the Executive with the opportunity to earn incentives comparable to PRSU Awards as contemplated for the open periods.

b. Further, if the Executive in good standing is separated from the Company in connection with, or as a result of a Material Transaction, then the Company, as part of Executive's separation settlement, will provide the Executive with an incremental compensation that reflects the value of PRSUs that he/she would be entitled to earn if he/she was permitted to stay with the Company for the entire PRSU Award Period and through the grant date. Any voluntary separations or separations for performance issues or cause shall not be subject to similar accommodation and any PRSU rights would forfeit as provided in Paragraph 2(c).

**8. Non-competition; Non-solicitation; Change in Control.**

a. This Agreement incorporates by reference all Non-Competition, Non-Solicitation, Acceleration, and Change in Control provisions of the Employment Arrangement, including any duration periods provided therein.

b. **Acknowledgements.**

(i) Executive acknowledges that the non-competition and non-solicitation provisions incorporated into this Agreement by reference are fair and reasonable with respect to their scope and duration, given the Executive's position with TTEC and the impact such activities would have on the TTEC business.

(ii) Executive further acknowledges that the geographic restriction on competition included in the referenced and incorporated provisions is fair and reasonable, given the nature and geographic scope of the TTEC business, the investment of capital and resources by Company to develop its business operations, and the strategic position that the Executive holds within TTEC.

(iii) Executive also acknowledges that while employed or otherwise affiliated with TTEC, Executive has access to proprietary and unique trade secret information that would be valuable or useful to Company's competitors and that Executive has access to Company's valuable customer relationships and thus acknowledges that the restrictions on Executive's future employment and business activities in TTEC's industry as set forth in the referenced and incorporated provisions are fair and reasonable.

(iv) Executive acknowledges and is prepared for the possibility that Executive's standard of living may be reduced during the non-competition and/or non-solicitation period and assumes and accepts any risk associated with that possibility, and further acknowledges that any such drop in Executive's standard of living does not constitute undue hardship.

**9**. **Miscellaneous Provisions**.

a. **Consideration**. The Company is providing this PRSU Award opportunity in consideration of the services that the Executive is providing to the Company during the PRSU Award Period and a period thereafter until the payments are made, and other mutual covenants provided in this Agreement.

b. **Administration Delegation** Pursuant to the delegations of authority that the Compensation Committee of the Board has made with respect to the administration of the Plan, the Chief Financial Officer and Chief People (HR) Officer of the Company, in their sole discretion acting in concert, shall have the authority to determine the effect of all matters and questions with respect to the Executive's termination of affiliation with the Company and whether continuous services are being provided as these matters relate to the PRSU Award payout or vesting, including, without limitation, the question of whether a termination of service has occurred, whether a leave of absence or disability constitute a termination of service and other similar questions.

c. **Not a Grant of Equity; Rights are Non-Transferable**. This Agreement is not a grant of equity in the Company, but only a contractual right to earn such equity if certain circumstances articulated in this Agreement are met. Subject to any exceptions set forth in this Agreement or the Plan, during the PRSU Award Period, the rights conveyed by this Agreement and any related rights may not be assigned, alienated, pledged, attached, sold or otherwise transferred or encumbered by the Executive. Any attempt to assign, alienate, pledge, attach, sell or transfer or encumber the PRSU Award rights during the PRSU Period shall be ineffective and, if any such attempt is made, the PRSU Award rights conveyed hereunder will be forfeited by the Executive and all other rights that the Executive may have under the Plan and this Agreement shall immediately terminate without any payment or consideration by TTEC.

d. **No Right to Continuing Service**. Neither the Plan nor this Agreement shall confer upon the Executive any right to be retained in any position, as an employee, consultant or director of TTEC. Further, nothing in the Plan or this Agreement shall be construed to limit the discretion of TTEC to terminate the Executive's services (employment or otherwise) at any time, with or without cause.

e. **Tax Liability and Withholding**. The Executive shall be required to pay, and the Company or its administrator shall have the right to deduct from any compensation paid to the Executive pursuant to the Plan and the PRSU Award, the amount of any required withholding taxes applicable upon the vesting of the PRSU Award or the issuance of the Common Stock of the Company (or cash equivalent) and to take all such other action as the Company deems necessary to satisfy all obligations for the payment of such withholding taxes.

f. **Compliance with Law.** The issuance and transfer of shares of Common Stock of the Company upon the vesting of the RSU Award shall be subject to compliance by the Company and the Executive with all applicable requirements of federal and state securities laws and with all applicable requirements of any stock exchange on which the Company's shares of Common Stock may be listed. No shares of Common Stock shall be issued or transferred unless and until any then applicable requirements of state and federal laws and regulatory agencies have been fully complied with to the satisfaction of the Company and its legal counsel. The Executive understands that the Company is under no obligation to register the shares of Common Stock with the Securities and Exchange Commission, any state securities commission or any stock exchange to affect such compliance.

g. **Executive Equity Holding Guidelines**. The Executives are subject to the TTEC Executive Stock Ownership Guidelines, attached to this Agreement and incorporated within it by reference as Appendix A. By signing below you (a) confirm that you are (i) aware of the Company's expectations with respect to your equity holdings in the Company, (ii) the time you have to honor these expectations and (iii) how the Company envisions that you reach the appropriate holding levels; and (b) hereby agree to exercise best efforts to meet such expectations.

h. **Data Privacy**. Executive hereby explicitly and unambiguously consents to the collection, use and transfer, in electronic or other form, of Executive's personal data as described in this Agreement and any other PRSU grant materials by and among, as applicable, the Executive's employer, TTEC and its other affiliates for the exclusive purpose of implementing, administering and managing Executive's participation in the Plan. Executive understands that TTEC and the employer may hold certain personal information about the Executive, including, but not limited to, Executive's name, home address and telephone number, date of birth, social security or insurance number or other identification number, salary, nationality, job title, any shares of stock or directorships held in TTEC, details of all PRSUs or any other entitlement to shares of stock awarded, canceled, exercised, vested, unvested or outstanding in Executive's favor ("Data"), for the exclusive purpose of implementing, administering and managing the Plan.

Executive understands that Data may be transferred to a stock plan service provider ("Service Provider") that may be selected by TTEC, which is assisting TTEC with the implementation, administration and management of the Plan. Executive authorizes TTEC and the Service Provider and any other possible recipients which may assist TTEC (presently or in the future) with implementing, administering and managing the Plan to receive, possess, use, retain and transfer the Data, in electronic or other form, for the sole purpose of implementing, administering and managing his or her participation in the Plan. Executive understands that Data will be held only as long as is necessary to implement, administer and manage Executive's participation in the Plan.

Further, Executive understands that he or she is providing the consents herein on a voluntary basis. If Executive does not consent, or if Executive later seeks to revoke his or her consent, his or her employment status or service and career with the employer will not be adversely affected; the only adverse consequence of refusing or withdrawing Executive's consent is that TTEC would not be able to grant Executive PRSUs or other equity awards or administer or maintain such awards. Therefore, Executive understands that refusing or withdrawing his/her consent may affect Executive's ability to participate in the Plan. For more information on the consequences of Executive's refusal to consent or withdrawal of consent, Executive understands that he/she may contact his/her human capital representative.

i. **Governing Law and Dispute Resolution**.

(i) Governing Law. This Agreement will be construed and interpreted in accordance with the laws of the State of Delaware without regard to conflict of law principles.

(ii) Disputes. The parties agree that any action arising from or relating in any way to this Agreement or the Plan shall be resolved and tried in the state or federal courts situated in Denver, Colorado. The parties' consent to jurisdiction and venue of those courts to the greatest extent allowed by law.

In this regard, the Executive acknowledges and admits to all or a combination of several following substantial contacts with Colorado: (i) Executive is employed, provides services for or otherwise is affiliated with a legal entity headquartered in the state of Colorado; (ii) Executive receives the compensation in a form of checks or wire transfers that are drawn either directly or indirectly, from bank accounts in Colorado; (iii) Executive regularly interacts with, contacts and is contacted by other TTEC employees and executives in Colorado; (iii) Executive either routinely travels to or attends business meetings in Colorado; and (iv) Executive receives substantial compensation and benefits as a result of TTEC being a corporation headquartered in and subject to the laws of Colorado. Based on these and other contacts, the Executive acknowledges that he/she could reasonably be subject to the laws of Colorado.

(iii) Attorneys' fees. The party that substantially prevails in any action to enforce any provision of this Agreement shall recover all reasonable costs and attorneys' fees incurred in connection with the action.

i. **Administration of the Agreement and Awards.**

(i) Interpretation. Any dispute regarding the interpretation of this Agreement shall be submitted by the Executive or the Company to the Compensation Committee of the Board for review. The resolution of such dispute by the Compensation Committee of the Board shall be final and binding on the Executive and the Company.

(ii) Settlement of Vested PRSUs. PRSUs subject to an PRSU Award shall be settled pursuant to the terms of the Plan, in stock or cash, as soon as reasonably practicable following the vesting thereof as provided in this Agreement.

(iii) Successors and Assigns. The Company may assign any of its rights under this Agreement. This Agreement will be binding upon and inure to the benefit of the successors and assigns of the Company. Subject to the restrictions on transfer set forth herein, this Agreement will be binding upon the Executive and the Executive's beneficiaries, executors, administrators and the person(s) to whom the rights under this Agreement may transfer by will or the laws of descent or distribution.

(iv) Discretionary Nature of All Future Awards. This PRSU Award is voluntary and occasional and does not create any contractual, statutory or other right to receive future PRSU Awards, or benefits in lieu of PRSUs, even if the PRSUs have been granted in the past. Future Awards, if any, will be at the sole discretion of the Company.

(v) No Impact on Other Benefits. Except as otherwise provided in the Employment Arrangements, the value of the Executive's awards hereunder is not part of his/her normal or expected compensation for purposes of calculating any severance, retirement, welfare, insurance or similar employee benefit.

k. Confidentiality. Executive agrees not to disclose, directly or indirectly, to any other employee, director or consultant of TTEC or an affiliate and to keep confidential all information related to any Awards granted to Executive, pursuant to the Plan, including the amount of any such Award and its vesting schedule.

l. Severability and Entirety. The invalidity or unenforceability of any provision of the Plan or this Agreement shall not affect the validity or enforceability of any other provision of the Plan or this Agreement, and each provision of the Plan and this Agreement shall be severable and enforceable to the extent permitted by law.

The Agreement (including the Plan) constitutes the entire agreement between the parties concerning the subject matter hereof and supersedes all prior and contemporaneous agreements, oral or written, between the Company and Executive relating to Executive's entitlement to RRSUs or similar benefits, under the Plan.

m. Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed an original but all of which together will constitute one and the same instrument. Counterpart signature pages to this Agreement transmitted by facsimile transmission, by electronic mail in portable document format (.pdf), or by any other electronic means intended to preserve the original graphic and pictorial appearance of a document, will have the same effect as physical delivery of the paper document bearing an original signature.

n. Acceptance. The Executive hereby acknowledges receipt of a copy of the Plan and this Agreement. The Executive has read and understands its terms and provisions and accepts the PRSU Award rights including modifications to the Employment Arrangements that they represent, subject to the terms and conditions of the Plan and this Agreement. The Executive acknowledges that there may be adverse tax consequences upon the grant or vesting of the PRSUs or disposition of the underlying shares and that the Executive has been advised to consult a tax advisor prior to such grant, vesting or disposition.

The parties have executed this Agreement as of the date first above written.

**TTEC Holdings, Inc.**

By: Regina Paolillo
Chief Financial & Administrative Officer

**Acknowledgement**

Name (Executive)

# APPENDIX A

## Executive Stock Ownership Guidelines

Equity provides the opportunity for the company to further invest in the employees who passionately uphold our values while driving the business with an entrepreneurial spirit. Company leaders who think and act like owners are crucial to our success and encouraging star players to actively participate in company growth is key to building our future together.

When a company's board of directors, shareholders and employees align their interest in organization's long- term success, the stage is set for true transformation. To that end, TTEC has adopted Stock Ownership Guidelines to encourage company leaders (vice president-level and above) to align their interests with TTEC and our stockholders and to focus on value creation, while sharing in the company's success. The following are answers to questions you may have about TTEC's new Executive Stock Ownership Guidelines.

# Executive Stock Ownership Guidelines

**Q. Why are we implementing an Ownership Guideline?**

A. The Guidelines are designed to align our senior leaders' interests with our shareholders' interest, driving a long-term vision and commitment to creating company value. The Executive Ownership Guidelines are also designed to:

- Support confidence in company strategy to execute our business transformation
- Allow us to remain an attractive and competitive choice for executive-level talent by adopting best practices
- Align executive behavior with external shareholder expectation
- Drive long-term accountability
- Enable company success

**Q. How much stock should I hold as a company leader?**

A. The new Executive Stock Ownership Guidelines call for TTEC vice presidents and above to hold a multiplier of base compensation in TTEC stock (based on Fair Market Value (FMV) of stock as it trades on NASDAQ). Employees will have five years from the start of this requirement (or promotion into a new role) to meet the holding Guidelines.

| Employee Level | Target Holding Amount within 5 Years |
|---|---|
| **Chief Financial Officer** | 3 times current base salary |
| **Executive Vice President** | 2.5 times current base salary |
| **Senior Vice President** | 1.5 times current base salary |
| **Vice President** | 0.5 times current base salary |

**Q. Do I have to buy TTEC stock to meet this holding Guideline?**

A. TTEC does not expect you to buy TTEC stock to meet the holdings Guidelines, and how you meet them is entirely up to you. Most employees will be able to meet the requirement by holding a portion of their annual equity grant (net of tax), as it vests.

**Q. How many shares should I consider holding from each RSU grant to meet the holding Guidelines?**

A. How much you hold from each grant and from each vesting event is entirely up to you. Based on basic modeling, however, we believe that if you hold a percentage of each vesting event from annual Equity Grants (net of tax as indicated in the table below) you should comfortably reach the holding requirement in five years or sooner.

The holding guideline can be satisfied with any stock you hold including:

- the exercise of options to purchase the company's common stock
- the vesting of restricted stock; and
- the vesting of performance shares.

| Employee Level | Guideline of Percentage of Net Shares to Hold |
|---|---|
| **Executive Vice President** | 75% |
| **Senior Vice President** | 75% |
| **Vice President** | 50% |

Once the holding target is reached, you should maintain it during your entire tenure in the role; and as your role changes be aware of the changes in the holding guidelines as well.

**Q. What happens if I don't reach my target holding amount within the five-year time frame due to market volatility or amount of my equity awards?**

A. If the actual Equity Grants you receive and/or market price volatility does not allow an employee to reach the target holding level within the required five-year time frame, the company does not expect employees to invest out of pocket. The company expects the Equity Grants you receive to be the source for the holding requirement and we look to you as a leader to exercise a good faith effort to honor the requirements. If the Equity Grants you receive or market volatility creates a challenge, discuss the matter with your supervisor and your HC partner for a practical resolution.

**Q. What if I have a special situation (hardship) that makes maintaining the holding requirement difficult for me?**

A. The Executive Ownership Guidelines is designed to align your interests with the company's interests and position you to share in our success. If your personal situation makes the compliance with the Ownership Guidelines a hardship, speak to your HC partner and the Executive Committee level executive responsible for your business segment for guidance and support.

**Q. Whom should I contact with questions?**

A. If you have questions, please contact Pam LeMasters, executive director, Global Compensation via email or by phone at 303.397.8531.

**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 7, 2019

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

**Exhibit 31.2**

## CERTIFICATIONS

I, Regina M. Paolillo, 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 7, 2019

By: /s/ REGINA M. PAOLILLO
Regina M. Paolillo
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, 2019 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 7, 2019

**Exhibit 32.2**

**CERTIFICATION OF CHIEF FINANCIAL OFFICER**

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

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

(a) the Form 10-Q of the Company for the quarter ended June 30, 2019 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/ Regina M. Paolillo
Regina M. Paolillo
Chief Financial Officer

Date: August 7, 2019