FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D. C. 20549

[X] QUARTERLY REPORT PURSUANT TO Section 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended: March 31, 1998

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 0-21055

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

DELAWARE	84-1291044
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
1700 LINCOLN STREET, SUITE 1400 DENVER, COLORADO	80203
(Address of principal executive office)	(Zip Code)

(303) 894-4000
(Registrant's telephone number, including area code)

Not Applicable
(Former name, former address and former fiscal year, if changed since last report)

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, and (2) has been subject to such filing requirements for the past 90 days.

YES X NO ___

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class of Common Stock	Outstanding at April 30, 1998
Common Stock, par value $.01 per share	56,782,574

TELETECH HOLDINGS, INC.

FORM 10-Q

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PART I. FINANCIAL INFORMATION

TELETECH HOLDINGS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(AMOUNTS IN THOUSANDS EXCEPT SHARE AMOUNTS)

ASSETS

	December 31, 1997	March 31, 1998 (Unaudited)
CURRENT ASSETS:		
Cash and cash equivalents..............	$ 6,673	$ 7,603
Short-term investments.................	69,633	66,987
Accounts receivable, net of allowance for doubtful accounts of $2,312 and $2,467, respectively..................	37,818	38,997
Prepaids and other assets...............	1,141	1,267
Deferred tax asset......................	2,902	2,978
Total current assets...............	118,167	117,832
PROPERTY AND EQUIPMENT, net of accumulated depreciation of $20,593 and $24,192, respectively............................	49,948	55,692
OTHER ASSETS:		
Goodwill and other intangible assets (net of amortization of $587 and $879, respectively)..........................	7,295	12,422
Long-term accounts receivable...............	4,274	4,274
Investment in affiliated company accounted for under the equity method...............	981	995
Other assets...............................	1,138	725
Total assets..........................	$181,803	$191,940

The accompanying notes are an integral part of these balance sheets.

TELETECH HOLDINGS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(AMOUNTS IN THOUSANDS EXCEPT SHARE AMOUNTS)

LIABILITIES AND STOCKHOLDERS' EQUITY	December 31, 1997	March 31, 1998 (unaudited)
CURRENT LIABILITIES:		
Current portion of long-term debt	5,561	8,070
Accounts payable	7,359	11,226
Accrued employee compensation	12,012	9,806
Accrued income taxes	1,803	3,152
Other accrued expenses	10,524	9,619
Customer advances, deposits and deferred income	1,472	999
Total current liabilities	38,731	42,872
DEFERRED TAX LIABILITIES	1,147	1,138
LONG-TERM DEBT, net of current portion:		
Capital lease obligations	8,547	6,622
Other debt	368	618
Total liabilities	48,793	51,250
STOCKHOLDERS EQUITY:		
Preferred stock, 10,000,000 shares authorized , zero shares issued and outstanding	-	-
Common stock, $.01 par value, 150,000,000 shares authorized, 56,409,953 and 56,741,874 shares issued, 56,311,143 and 56,741,874 shares outstanding	564	567
Additional paid-in capital	99,339	101,708
Cumulative translation adjustment	(922)	(788)
Unearned compensation-restricted stock	(127)	(95)
Treasury stock, 98,810 shares, at cost	(988)	-
Retained earnings	35,144	39,298
Total stockholders' equity	133,010	140,690
Total liabilities and stockholders' equity	$181,803	$191,940

The accompanying notes are an integral part of these balance sheets.

TELETECH HOLDINGS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(AMOUNTS IN THOUSANDS EXCEPT PER SHARE AMOUNTS)
(Unaudited)

	Three Months Ended March 31, 1997	Three Months Ended March 31, 1998
REVENUES	$59,198	$73,764
OPERATING EXPENSES:		
Costs of services..	37,462	47,310
Selling, general and administrative expenses....................	13,389	20,159
Total operating expenses.......................	50,851	67,469
INCOME FROM OPERATIONS	8,347	6,295
OTHER INCOME (EXPENSES):		
Interest expense...............................	(303)	(267)
Investment income..............................	873	882
Equity in income of affiliated company.........................	53	14
Other..	(21)	(94)
	602	535
Income before income taxes....................	8,949	6,830
Provision for income taxes....................	3,656	2,676
NET INCOME......................................	$ 5,293	$ 4,154
WEIGHTED AVERAGE SHARES OUTSTANDING:		
Basic..	55,714	56,529
Diluted......................................	59,488	58,772
NET INCOME PER COMMON SHARE:		
Basic......................................	$ .10	$ .07
Diluted	$ .09	$ .07

The accompanying notes are an integral part of these statements.

TELETECH HOLDINGS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED MARCH 31, 1997 AND 1998
(AMOUNTS IN THOUSANDS)
(Unaudited)

	1997	1998
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Income	$ 5,293	$ 4,154
Adjustments to reconcile net income to net cash provided by operating activities-		
Depreciation and amortization	2,410	3,858
Allowance for doubtful accounts	149	155
Equity in (income) loss of affiliated company	(53)	(14)
Deferred taxes on income	(571)	(4)
Deferred compensation expense	32	32
Changes in assets and liabilities-		
Accounts receivable	(4,811)	(1,335)
Prepaids and other assets	209	217
Deferred contract costs	-	-
Accounts payable and accrued liabilities	2,054	2,435
Customer advances and deferred income	168	(461)
Net cash provided by operating activities	4,880	9,037
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	$(3,977)	$(9,348)
Purchase of Intellisystems	-	(2,000)
Return of deposit on new Call Center	3,000	-
Changes in accounts payable and accrued liabilities relating to investing activities	(196)	(781)
Decrease in short-term investments	716	2,646
Net cash used in investing activities	(457)	(9,483)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net increase in short-term borrowings	$ -	$ 2,191
Net decrease in bank overdraft	-	-
Payments on long-term debt and capital leases	(891)	(1,365)
Exercise of stock options	13	413
Net cash provided by (used in) financing activities	(878)	1,239
Effect of exchange rate changes on cash	(72)	137
NET INCREASE IN CASH AND CASH EQUIVALENTS	3,473	930
CASH AND CASH EQUIVALENTS, beginning of period	5,564	6,673
CASH AND CASH EQUIVALENTS, end of period	$ 9,037	$ 7,603

The accompanying notes are an integral part of these statements.

TELETECH HOLDINGS, INC. AND SUBSIDIARIES
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 1998

NOTE (1)--BASIS OF PRESENTATION

The accompanying unaudited condensed consolidated financial statements have been prepared without audit pursuant to the rules and regulations of the Securities and Exchange Commission. The condensed consolidated financial statements reflect all adjustments (consisting of only normal recurring accruals) which, in the opinion of management, are necessary to present fairly the financial position, results of operations and cash flows of TeleTech Holdings, Inc. and subsidiaries as of March 31, 1998 and 1997 and for the periods then ended. Operating results for the three month period ended March 31, 1998 are not necessarily indicative of the results that may be expected for the year ended December 31, 1998.

The unaudited condensed consolidated financial statements should be read in conjunction with the consolidated and combined financial statements and footnotes thereto included in the Company's Form 10-K for the year ended December 31, 1997.

NOTE (2)--EARNINGS PER SHARE

In February 1997, the Financial Accounting Standards Board issued SFAS 128, "Earnings Per Share". Under SFAS 128 primary earnings per share previously required under Accounting Principles Board No. 15 is replaced with basic earnings per share. Basic earnings per share is computed by dividing reported earnings available to common stockholders by weighted average shares outstanding. No dilution for any potentially dilutive securities is included. Fully diluted earnings per share as defined under Accounting Principles Board No. 15 is called diluted earnings per share under SFAS 128. Diluted earnings per share reflects the potential dilution assuming the issuance of common shares for all dilutive potential common shares outstanding during the period.

NOTE (3)--SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION AND NONCASH INVESTING AND FINANCING ACTIVITIES (IN THOUSANDS):

	Three Months Ended March 31,	
	1997	1998
Cash paid for interest	$ 313	$ 267
Cash paid for income taxes	$1,753	$ 375
Noncash investing and financing activities:		
Stock issued in purchase of Intellisystems	$ -	$3,389

NOTE (4)--ACQUISITION OF INTELLISYSTEMS

On February 17, 1998, the Company acquired the assets of Intellisystems,-TM- Inc. ("Intellisystems") for $2.0 million in cash and 344,487 shares of common stock including 98,810 shares of treasury stock. Intellisystems is a leading developer of patented automated product support systems. Intellisystems' products can electronically resolve a significant percentage of calls coming into customer support centers through telephone, Internet or fax-on-demand. The acquisition has been accounted for as a purchase. The operations of Intellisystems prior to the acquisition are immaterial to all periods presented.

NOTE (5)--COMPREHENSIVE INCOME

In June 1997, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 130, "Reporting Comprehensive Income" ("SFAS 130"). The purpose of SFAS 130 is to report a measure of all changes in equity that result from recognized transactions and other economic events of the period other than transactions with owners in their capacity as owners. The only item of other comprehensive income reported by the Company is the cumulative translation adjustment. The Company's comprehensive income for the three months ended March 31, 1997 and 1998 was as follows (in thousands):

	Three Months Ended March 31,	
	1997	1998
Net income for the period	$5,293	$4,154
Change in cumulative translation adjustment	(72)	161
Comprehensive income	$5,221	$4,315

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED MARCH 31, 1998 AND 1997

INTRODUCTION

Management's discussion and analysis of financial condition and results of operations in this Form 10-Q should be read in conjunction with the risk factors included in the Company's Form 10-K for the year ended December 31, 1997. Specifically, the Company has experienced, and in the future could experience, quarterly variations in revenues and earnings as a result of a variety of factors, many of which are outside the Company's control, including: the timing of new contracts; the timing of new product or service offerings or modifications in client strategies; the expiration or termination of existing contracts; the timing of increased expenses incurred to obtain and support new business; and the seasonal pattern of certain of the businesses serviced by the Company. In addition, the Company has concentrated its marketing efforts towards obtaining larger, more complex, strategic customer care programs. As a result, the time required to negotiate and execute an agreement with the client has increased. This may lead to short-term delays in the anticipated start-up of new client programs and in the Company achieving full capacity utilization. The Company's planned staffing levels, investments and other operating expenditures are also based on revenue forecasts. If revenues are below expectations in any given quarter as a result of such delay or for other reasons, the Company's operating results would likely be adversely affected for that quarter.

RESULTS OF OPERATIONS

THREE MONTHS ENDED MARCH 31, 1998 COMPARED TO THREE MONTHS ENDED MARCH 31, 1997

Revenues increased $14.6 million or 24.6% to $73.8 million for the three months ended March 31, 1998 from $59.2 million for the three months ended March 31, 1997. The increase resulted from $30.7 million in revenues from new clients, $8.1 million in increased revenue from existing clients and $1.6 million from acquisitions. These increases were offset in part by contract expirations and other client reductions. Revenues for the three months ended March 31, 1998 include approximately $17.3 million from facilities management contracts as compared with $21.9 million for the three months ended March 31, 1997.

Costs of services increased $9.8 million, or 26.3%, to $47.3 million for the three months ended March 31, 1998 from $37.5 million for the three months ended March 31, 1997. Costs of services as a percentage of revenues increased from 63.3% for the three months ended March 31, 1997 to 64.1% for the three months ended March 31, 1998. This increase in the costs of services as a percentage of revenues is primarily a result of lower first quarter volumes in a significant facilities management client program.

Selling, general and administrative expenses increased $6.8 million, or 50.6% to $20.2 million for the three months ended March 31, 1998 from $13.4 million for the three months ended March 31, 1997. Selling, general and administrative expenses as a percentage of revenues increased from 22.6% for the three months ended March 31, 1997 to 27.3% for the three months ended March 31, 1998 primarily as a result of increased personnel along with higher depreciation expense as a percentage of revenues resulting from the completion of new call centers in the last twelve months.

As a result of the foregoing factors, income from operations decreased $2.0 million or 24.6%, to $6.3 million for the three months ended March 31, 1998 from $8.3 million for the three months ended March 31, 1997. Operating income as a percentage of revenues decreased from 14.1% for the three months ended March 31, 1997 to 8.5% for the three months ended March 31, 1998. This decline resulted from reduced capacity utilization and lower revenue due to lower volumes associated with two significant clients in the telecommunications and transportation industries. The Company believes its operating margin will improve in the last half of 1998 as capacity utilization increases as new clients are added.

As a result of the foregoing factors, net income decreased $1.1 million or 21.5%, to $4.2 million for the three months ended March 31, 1998 from $5.3 million for the three months ended March 31, 1997.

LIQUIDITY AND CAPITAL RESOURCES

As of March 31, 1998 the Company had cash and cash equivalents of $7.6 million and short-term investments of $67.0 million. Cash provided by operating activities was $9.0 million for the three months ended March 31, 1998.

Cash used in investing activities was $9.5 million for the three months ended March 31, 1998 resulting primarily from $9.3 million in capital expenditures and $2.0 toward the purchase of Intellisystems (see Note 4 accompanying the financial statements), offset in part by a decrease of $2.6 million in short term investments.

Cash provided by financing activities was $1.2 million resulting from an increase of $2.2 million in short-term borrowings offset by a $1.4 million pay down of capital leases.

The Company has a $15.0 million unsecured revolving operating line of credit that expires on May 31, 1998. Borrowings under this line bear interest at various rates that are selected by the Company each time a draw is made. At March 31, 1998, there were no outstanding borrowings under this agreement. Under this line of credit, the Company has agreed to maintain certain financial ratios and capital expenditure limits. The Company is in compliance with all covenants of this agreement. The Company currently is negotiating a new, unsecured revolving line of credit that will increase the amount available for borrowing.

In addition, the Company has a master lease agreement under which the Company may lease equipment up to an aggregate value of $15.0 million. As of March 31, 1998, amounts outstanding under this agreement were approximately $7.5 million. Lease rates under this agreement are based upon a 125 basis point spread over three-year U.S. Treasury notes.

The Company currently expects total capital expenditures in 1998 to be approximately $45 to $50 million of which $9.3 million was expended in the first quarter. The Company believes that existing cash on hand together with cash from operations and available borrowings under the line of credit and master lease agreements, will be sufficient to finance the Company's operations, planned capital expenditures and anticipated growth through 1998.

FORWARD-LOOKING STATEMENTS

All statements contained in this "Management's Discussion and Analysis of Financial Condition and Results of Operations" or elsewhere in this quarterly report, that are not statements of historical facts are forward-looking statements that involve substantial risks and uncertainties. Forward looking statements include (i) the Company's expectation that operating margins will improve in the last half of 1998; (ii) the anticipated level of capital expenditures for 1998; (iii) the Company's belief that existing cash, short-term investments and available borrowing will be sufficient to finance the Company's near term operations; (iv) the Company's belief that the CompuServe litigation will not have a material adverse impact on the Company; and (v) statements relating to the Company or its operations that are preceded by terms such as "anticipates", "expects", "believes" and similar expressions.

The Company's actual results, performance or achievements may differ materially from those implied by such forward-looking statements as a result of various factors, including the following: TeleTech's agreements with its clients do not ensure that TeleTech will generate a specific level of revenue and may be canceled by the clients on short notice. The amount of revenue TeleTech generates from a particular client is dependent upon customers' interest in and use of the client's products or services, some of which are recently-introduced or untested. The loss of a significant client or the termination or completion of a significant client program may have a material adverse effect on TeleTech's capacity utilization and results of operations.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

As disclosed in the Company's 1997 Annual Report on Form 10-K, in November 1996, the Company received notice that CompuServe Incorporated (CompuServe) was withdrawing its WOW! Internet service from the marketplace and that effective January 31, 1997, it would terminate all the programs provided to CompuServe by the Company. Pursuant to the terms of its agreement with the Company, CompuServe was entitled to terminate the agreement for reasonable business purposes upon 120 days advance notice and by payment of a termination fee calculated in accordance with the agreement. In December 1996, the Company filed suit against CompuServe to enforce these termination provisions and collect the termination fee. CompuServe filed a counterclaim in December 1996 alleging that the Company breached other provisions of this agreement and seeking unspecified monetary damages. In March 1997, CompuServe asserted a right to offset certain accounts receivable it owes to the Company for services rendered. These accounts receivable total $4.3 million.

In mid 1997, CompuServe announced it had agreed to sell its worldwide on-line services business to America Online, Inc. and its network services business to a wholly-owned subsidiary of WorldCom, Inc. The Company and CompuServe agreed to stay their litigation pending the sale, which was completed in January 1998. The litigation has now recommenced. Although the Company believes that this litigation will not have a material adverse effect on the Company's financial condition or results of operations, the ultimate outcome is uncertain. Because it is uncertain whether this litigation will be concluded in 1998, the Company has reclassified the $4.3 million receivable as a long-term asset in the accompanying balance sheet.

Item 2. Changes in Securities and Use of Proceeds

The registration statement for the Company's initial public offering was effective July 30, 1996. The net proceeds to the Company from the initial public offering were $52,565,000. The following is the amount of net offering proceeds used by the Company for each of the purposes listed below. The following use of proceeds does not represent a material change in the use of proceeds described in the initial public offering prospectus.

	DIRECT OR INDIRECT PAYMENTS TO DIRECTORS, OFFICERS, GENERAL PARTNERS OF THE ISSUER OR THEIR ASSOCIATES: TO PERSONS OWNING TEN PERCENT OF MORE OF ANY CLASS OF EQUITY SECURITIES OF THE ISSUER; AND TO AFFILIATES OF THE ISSUER	DIRECT OR INDIRECT PAYMENTS TO OTHERS
Purchase and installation of machinery and equipment		$2,968,000
Acquisition of other businesses		4,337,000
Repayment of indebtedness		9,950,000
Working Capital	$500,000	9,545,000
TEMPORARY INVESTMENT		
Cash Management Account		24,277,000
OTHER PURPOSES		
Acquisition of 98,810 shares of Treasury Stock		988,000

Item 4. Submission of Matters to a Vote of Security Holders.

None

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

The following document is filed as an exhibit to this report:

27.1 Financial Data Schedule

(b) Reports on Form 8-K
The Company did not file any reports on Form 8-K during the three months ended March 31, 1998.

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.

TELETECH HOLDINGS, INC.
(Registrant)

Date: May 7, 1998

/s/ KENNETH D. TUCHMAN

Kenneth D. Tuchman
Chairman of the Board, President and Chief Executive Officer

Date: May 7, 1998

/s/ STEVEN B. COBURN

Steven B. Coburn, Chief Financial Officer

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM TELETECH HOLDINGS, INC.'S 1998 FIRST QUARTER FORM 10-Q AND IN QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FORM 10-Q FILING.

3-MOS
DEC-31-1998
MAR-31-1998
7,603
66,987
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4,154
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