**UNITED STATES SECURITIES AND EXCHANGE COMMISSION**
**Washington, D.C. 20549**

**Form 10-Q**

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

**For the quarterly period ended September 30, 2020**

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

**9197 South Peoria Street**
**Englewood, Colorado 80112**
(Address of principal executive offices)

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

**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 October 30, 2020, there were 46,735,198 shares of the registrant's common stock outstanding.

**TTEC HOLDINGS, INC. AND SUBSIDIARIES**
**SEPTEMBER 30, 2020 FORM 10-Q**
**TABLE OF CONTENTS**

## PART I. FINANCIAL INFORMATION
## ITEM 1. FINANCIAL STATEMENTS

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

| | September 30, 2020 | December 31, 2019 |
|---|---|---|
| **ASSETS** | | |
| **Current assets** | | |
| Cash and cash equivalents | $ 135,317 | $ 82,407 |
| Accounts receivable, net of allowance of $5,057 and $5,452 | 338,263 | 331,096 |
| Prepaids and other current assets | 121,964 | 96,287 |
| Income and other tax receivables | 36,830 | 40,035 |
| Total current assets | 632,374 | 549,825 |
| | | |
| **Long-term assets** | | |
| Property, plant and equipment, net | 178,941 | 176,633 |
| Operating lease assets | 132,571 | 150,808 |
| Goodwill | 345,119 | 301,694 |
| Deferred tax assets, net | 14,587 | 13,263 |
| Other intangible assets, net | 112,038 | 115,596 |
| Other long-term assets | 61,390 | 68,969 |
| Total long-term assets | 844,646 | 826,963 |
| Total assets | $ 1,477,020 | $ 1,376,788 |
| | | |
| **LIABILITIES, STOCKHOLDERS' EQUITY AND MEZZANINE EQUITY** | | |
| **Current liabilities** | | |
| Accounts payable | $ 65,531 | $ 64,440 |
| Accrued employee compensation and benefits | 164,548 | 114,165 |
| Other accrued expenses | 66,131 | 79,171 |
| Income tax payable | 20,010 | 11,307 |
| Deferred revenue | 35,408 | 39,447 |
| Current operating lease liabilities | 44,181 | 45,218 |
| Other current liabilities | 8,303 | 9,541 |
| Total current liabilities | 404,112 | 363,289 |
| | | |
| **Long-term liabilities** | | |
| Line of credit | 325,000 | 290,000 |
| Deferred tax liabilities, net | 9,302 | 10,602 |
| Non-current income tax payable | 22,278 | 25,208 |
| Non-current operating lease liabilities | 106,921 | 127,395 |
| Other long-term liabilities | 70,192 | 79,641 |
| Total long-term liabilities | 533,693 | 532,846 |
| Total liabilities | 937,805 | 896,135 |
| | | |
| **Commitments and contingencies (Note 10)** | | |
| | | |
| Redeemable noncontrolling interest | 53,004 | 48,923 |
| | | |
| **Stockholders' equity** | | |
| Preferred stock; $0.01 par value; 10,000,000 shares authorized; zero shares outstanding as of September 30, 2020 and December 31, 2019 | — | — |
| Common stock; $0.01 par value; 150,000,000 shares authorized; 46,734,704 and 46,488,938 shares outstanding as of September 30, 2020 and December 31, 2019, respectively | 468 | 465 |
| Additional paid-in capital | 357,361 | 356,409 |
| Treasury stock at cost; 35,317,549 and 35,563,315 shares as of September 30, 2020 and December 31, 2019, respectively | (601,254) | (605,314) |
| Accumulated other comprehensive income (loss) | (96,032) | (106,234) |
| Retained earnings | 812,906 | 773,218 |
| Noncontrolling interest | 12,762 | 13,186 |
| Total stockholders' equity | 486,211 | 431,730 |
| Total liabilities, stockholders' equity and mezzanine equity | $ 1,477,020 | $ 1,376,788 |

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 September 30, | | Nine months ended September 30, | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| **Revenue** | $ 492,980 | $ 395,507 | $ 1,378,274 | $ 1,182,378 |
| **Operating expenses** | | | | |
| Cost of services (exclusive of depreciation and amortization presented separately below) | 368,405 | 304,622 | 1,027,268 | 897,193 |
| Selling, general and administrative | 49,473 | 48,062 | 146,667 | 148,646 |
| Depreciation and amortization | 19,522 | 16,659 | 57,054 | 50,452 |
| Restructuring charges, net | 1,233 | 183 | 2,564 | 1,572 |
| Impairment losses | 948 | — | 1,644 | 3,569 |
| Total operating expenses | 439,581 | 369,526 | 1,235,197 | 1,101,432 |
| **Income from operations** | 53,399 | 25,981 | 143,077 | 80,946 |
| **Other income (expense)** | | | | |
| Interest income | 566 | 522 | 1,421 | 1,291 |
| Interest expense | (2,755) | (4,041) | (15,451) | (13,537) |
| Other income (expense), net | (18,663) | 2,713 | (17,028) | 5,376 |
| Total other income (expense) | (20,852) | (806) | (31,058) | (6,870) |
| **Income before income taxes** | 32,547 | 25,175 | 112,019 | 74,076 |
| Provision for income taxes | (8,415) | (5,196) | (29,653) | (20,007) |
| **Net income** | 24,132 | 19,979 | 82,366 | 54,069 |
| Net income attributable to noncontrolling interest | (2,766) | (1,878) | (8,141) | (5,168) |
| **Net income attributable to TTEC stockholders** | $ 21,366 | $ 18,101 | $ 74,225 | $ 48,901 |
| **Other comprehensive income (loss)** | | | | |
| Net income | $ 24,132 | $ 19,979 | $ 82,366 | $ 54,069 |
| Foreign currency translation adjustments | 28,679 | (9,138) | 9,845 | (2,758) |
| Derivative valuation, gross | 5,350 | 1,255 | (98) | 11,517 |
| Derivative valuation, tax effect | (1,415) | (353) | 14 | (3,102) |
| Other, net of tax | 130 | 37 | 376 | 54 |
| Total other comprehensive income (loss) | 32,744 | (8,199) | 10,137 | 5,711 |
| **Total comprehensive income (loss)** | 56,876 | 11,780 | 92,503 | 59,780 |
| Less: Comprehensive income attributable to noncontrolling interest | (2,749) | (1,693) | (6,316) | (4,983) |
| **Comprehensive income attributable to TTEC stockholders** | $ 54,127 | $ 10,087 | $ 86,187 | $ 54,797 |
| **Weighted average shares outstanding** | | | | |
| Basic | 46,732 | 46,481 | 46,617 | 46,335 |
| Diluted | 47,031 | 46,768 | 46,885 | 46,693 |
| **Net income per share attributable to TTEC stockholders** | | | | |
| Basic | $ 0.46 | $ 0.39 | $ 1.59 | $ 1.06 |
| Diluted | $ 0.45 | $ 0.39 | $ 1.58 | $ 1.05 |
| **Dividends declared and not paid per share outstanding** | $ 0.40 | $ 0.32 | $ 0.40 | $ 0.32 |

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

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

**Three months ended September 30, 2020 and 2019**

| | Stockholders' Equity of the Company | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Preferred Stock | | Common Stock | | | | Accumulated Other | | | | |
| | Shares | Amount | Shares | Amount | Treasury Stock | Additional Paid-in Capital | Comprehensive Income (Loss) | Retained Earnings | Noncontrolling interest | Total Equity | Mezzanine Equity |
| **Balance as of June 30, 2020** | — | $ — | 46,682 | $ 467 | $ (602,117) | $ 355,968 | $ (128,528) | $ 810,234 | $ 11,903 | $ 447,927 | $ 54,026 |
| Net income | — | — | — | — | — | — | — | 21,366 | 2,501 | 23,867 | 265 |
| Dividends to shareholders ($0.40 per common share) | — | — | — | — | — | — | — | (18,694) | — | (18,694) | — |
| Acquisition of noncontrolling interest | — | — | — | — | — | — | — | — | — | — | — |
| Dividends distributed to noncontrolling interest | — | — | — | — | — | — | — | — | (1,890) | (1,890) | (1,287) |
| Foreign currency translation adjustments | — | — | — | — | — | — | 28,431 | — | 248 | 28,679 | — |
| Derivatives valuation, net of tax | — | — | — | — | — | — | 3,935 | — | — | 3,935 | — |
| Vesting of restricted stock units | — | — | 53 | 1 | 863 | (2,102) | — | — | — | (1,238) | — |
| Equity-based compensation expense | — | — | — | — | — | 3,495 | — | — | — | 3,495 | — |
| Other, net of tax | — | — | — | — | — | — | 130 | — | — | 130 | — |
| **Balance as of September 30, 2020** | — | $ — | 46,735 | $ 468 | $ (601,254) | $ 357,361 | $ (96,032) | $ 812,906 | $ 12,762 | $ 486,211 | $ 53,004 |

| | Stockholders' Equity of the Company | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Preferred Stock | | Common Stock | | | | Accumulated Other | | | | |
| | Shares | Amount | Shares | Amount | Treasury Stock | Additional Paid-in Capital | Comprehensive Income (Loss) | Retained Earnings | Noncontrolling interest | Total Equity | Mezzanine Equity |
| **Balance as of June 30, 2019** | — | $ — | 46,387 | $ 464 | $ (607,004) | $ 354,068 | $ (110,686) | $ 741,728 | $ 12,079 | $ 390,649 | $ — |
| Net income | — | — | — | — | — | — | — | 18,101 | 1,878 | 19,979 | — |
| Dividends to shareholders ($0.32 per common share) | — | — | — | — | — | — | — | (14,875) | — | (14,875) | — |
| Dividends distributed to noncontrolling interest | — | — | — | — | — | — | — | — | (1,350) | (1,350) | — |
| Foreign currency translation adjustments | — | — | — | — | — | — | (8,953) | — | (185) | (9,138) | — |
| Derivatives valuation, net of tax | — | — | — | — | — | — | 902 | — | — | 902 | — |
| Vesting of restricted stock units | — | — | 99 | 1 | 1,634 | (3,825) | — | — | — | (2,190) | — |
| Equity-based compensation expense | — | — | — | — | — | 3,129 | — | — | — | 3,129 | — |
| Other, net of tax | — | — | — | — | — | — | 37 | — | — | 37 | — |
| **Balance as of September 30, 2019** | — | $ — | 46,486 | $ 465 | $ (605,370) | $ 353,372 | $ (118,700) | $ 744,954 | $ 12,422 | $ 387,143 | $ — |

**Nine months ended September 30, 2020 and 2019**

| | Stockholders' Equity of the Company | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Preferred Stock | | Common Stock | | | | Accumulated Other | | | | |
| | Shares | Amount | Shares | Amount | Treasury Stock | Additional Paid-in Capital | Comprehensive Income (Loss) | Retained Earnings | Noncontrolling interest | Total Equity | Mezzanine Equity |
| **Balance as of December 31, 2019** | — | $ — | 46,489 | $ 465 | $ (605,314) | $ 356,409 | $ (106,234) | $ 773,218 | $ 13,186 | $ 431,730 | $ 48,923 |
| Net income | — | — | — | — | — | — | — | 74,225 | 6,381 | 80,606 | 1,760 |
| Dividends to shareholders ($0.74 per common share) | — | — | — | — | — | — | — | (34,537) | — | (34,537) | — |
| Acquisition of noncontrolling interest | — | — | — | — | — | — | — | — | — | — | 3,849 |
| Dividends distributed to noncontrolling interest | — | — | — | — | — | — | — | — | (6,740) | (6,740) | (1,528) |
| Foreign currency translation adjustments | — | — | — | — | — | — | 9,910 | — | (65) | 9,845 | — |
| Derivatives valuation, net of tax | — | — | — | — | — | — | (84) | — | — | (84) | — |
| Vesting of restricted stock units | — | — | 246 | 3 | 4,060 | (8,519) | — | — | — | (4,456) | — |
| Equity-based compensation expense | — | — | — | — | — | 9,471 | — | — | — | 9,471 | — |
| Other, net of tax | — | — | — | — | — | — | 376 | — | — | 376 | — |
| **Balance as of September 30, 2020** | — | $ — | 46,735 | $ 468 | $ (601,254) | $ 357,361 | $ (96,032) | $ 812,906 | $ 12,762 | $ 486,211 | $ 53,004 |

| | Stockholders' Equity of the Company | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Preferred Stock | | Common Stock | | | | Accumulated Other | | | | |
| | Shares | Amount | Shares | Amount | Treasury Stock | Additional Paid-in Capital | Comprehensive Income (Loss) | Retained Earnings | Noncontrolling interest | Total Equity | Mezzanine 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 | — | — | — | — | — | — | — | 48,901 | 5,168 | 54,069 | — |
| Dividends to shareholders ($0.62 per common share) | — | — | — | — | — | — | — | (28,739) | — | (28,739) | — |
| Capital contribution from noncontrolling interest | — | — | — | — | — | — | — | — | 3,362 | 3,362 | |
| Dividends distributed to noncontrolling interest | — | — | — | — | — | — | — | — | (3,600) | (3,600) | — |
| Foreign currency translation adjustments | — | — | — | — | — | — | (2,573) | — | (185) | (2,758) | — |
| Derivatives valuation, net of tax | — | — | — | — | — | — | 8,415 | — | — | 8,415 | — |
| Vesting of restricted stock units | — | — | 291 | 3 | 4,807 | (10,223) | — | — | — | (5,413) | — |
| Equity-based compensation expense | — | — | — | — | — | 9,663 | — | — | — | 9,663 | — |
| Other, net of tax | — | — | — | — | — | — | 54 | — | — | 54 | — |
| **Balance as of September 30, 2019** | — | $ — | 46,486 | $ 465 | $ (605,370) | $ 353,372 | $ (118,700) | $ 744,954 | $ 12,422 | $ 387,143 | $ — |

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)**

| | Nine Months Ended September 30, 2020 | 2019 |
|---|---|---|
| **Cash flows from operating activities** | | |
| Net income | $ 82,366 | $ 54,069 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 57,054 | 50,452 |
| Amortization of contract acquisition costs | 332 | 751 |
| Amortization of debt issuance costs | 549 | 909 |
| Imputed interest expense and fair value adjustments to contingent consideration | 1,949 | 207 |
| Provision for credit losses | 563 | — |
| (Gain) loss on disposal of assets | 77 | 182 |
| Loss on dissolution of subsidiary | 19,905 | — |
| Impairment losses | 1,644 | 3,569 |
| Deferred income taxes | (1,153) | (1,354) |
| Excess tax benefit from equity-based awards | (708) | (1,242) |
| Equity-based compensation expense | 9,471 | 9,663 |
| (Gain) loss on foreign currency derivatives | (25) | (155) |
| Changes in assets and liabilities, net of acquisitions: | | |
| Accounts receivable | (5,450) | 36,705 |
| Prepaids and other assets | 14,333 | 21,425 |
| Accounts payable and accrued expenses | 70,441 | 83,986 |
| Deferred revenue and other liabilities | (64,564) | (74,770) |
| Net cash provided by operating activities | 186,784 | 184,397 |
| **Cash flows from investing activities** | | |
| Proceeds from sale of long-lived assets | 16 | 355 |
| Purchases of property, plant and equipment, net of acquisitions | (47,827) | (44,438) |
| Acquisitions, net of cash acquired of $3,123 and zero, respectively | (38,739) | — |
| Net cash used in investing activities | (86,550) | (44,083) |
| **Cash flows from financing activities** | | |
| Net proceeds (borrowings) from line of credit | 35,000 | (83,000) |
| Payments on other debt | (6,602) | (9,367) |
| Payments of contingent consideration and hold back payments to acquisitions | (48,686) | (5,902) |
| Dividends paid to shareholders | (15,843) | (13,864) |
| Payments to noncontrolling interest | (8,268) | (3,600) |
| Capital contribution from noncontrolling interest | — | 3,362 |
| Tax payments related to issuance of restricted stock units | (4,456) | (5,413) |
| Payments of debt issuance costs | (35) | (1,819) |
| Net cash used in financing activities | (48,890) | (119,603) |
| Effect of exchange rate changes on cash, cash equivalents and restricted cash | (104) | (3,151) |
| Increase in cash, cash equivalents and restricted cash | 51,240 | 17,560 |
| Cash, cash equivalents and restricted cash, beginning of period | 105,591 | 78,237 |
| Cash, cash equivalents and restricted cash, end of period | $ 156,831 | $ 95,797 |
| **Supplemental disclosures** | | |
| Cash paid for interest | $ 8,436 | $ 9,901 |
| Cash paid for income taxes | $ 33,793 | $ 25,076 |
| **Non-cash investing and financing activities** | | |
| Acquisition of long-lived assets through finance leases | $ 1,814 | $ 3,172 |
| Acquisition of equipment through increase in accounts payable, net | $ (2,515) | $ (493) |
| Dividend declared but not paid | $ 18,694 | $ 14,875 |

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 customer experience outcomes for many of the world’s most iconic and disruptive brands. Since its inception in 1982, the Company has been helping clients deliver frictionless customer experiences, strengthen their customer relationships, brand recognition and loyalty through personalized interactions, significantly improve their Net Promoter Score, and lower their total cost to serve by enabling and delivering simplified, consistent and seamless customer experience across channels and phases of the customer lifecycle. TTEC’s 56,200 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 United States, Australia, Belgium, Brazil, Bulgaria, Canada, Costa Rica, Germany, Greece, Hong Kong, India, Ireland, Mexico, the Netherlands, New Zealand, the Philippines, Poland, Singapore, South Africa, Thailand, and the United Kingdom.

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

TTEC Digital and TTEC Engage come together under our unified offering, Humanify® Customer Experience as a Service (“CXaas”), which drives measurable customer results for clients through the delivery of personalized, omnichannel experiences. Our Humanify® cloud platform provides a fully integrated ecosystem of Customer Experience (“CX”) offerings, including omnichannel, messaging, artificial intelligence, machine learning, robotic process automation, analytics, cybersecurity, customer relationship management (“CRM”), knowledge management and journey orchestration.

### Basis of Presentation

The Consolidated Financial Statements are comprised of the accounts of TTEC, its wholly owned subsidiaries, its 55% equity owned subsidiary Percepta, LLC, its 70% equity owned subsidiary First Call Resolution, LLC and its 70% equity owned subsidiary Serendebyte, Inc. (see Note 2). 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, 2020.

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, 2019.

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

### Reclassifications

The Company has elected to modify the presentation of the proceeds and borrowings on the line of credit within the financing section of the Cash Flow Statement from a two-line presentation to a one-line net presentation. Prior period presentation has been modified to ensure consistency.

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

### Cash, Cash Equivalents and Restricted Cash

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

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

| | September 30, 2020 | December 31, 2019 |
|---|---|---|
| Cash and cash equivalents | $ 135,317 | $ 82,407 |
| Restricted cash included in "Prepaid and other current assets" | 21,510 | 23,172 |
| Restricted cash included in "Other noncurrent assets" | 4 | 12 |
| Total | $ 156,831 | $ 105,591 |

### Concentration of Credit Risk

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

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

**Recently Adopted Accounting Pronouncements**

In January 2016, the Financial Accounting Standards Board ("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. 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 adopted the new guidance effective January 1, 2020 and the adoption did not have a material effect on the financial statements. See Note 4 for additional disclosures.

In August 2018, the FASB issued ASU 2018-15 "Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That is a Service Contract" ("CCA"), which aligns the accounting for the costs of implementing CCA's with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software. Once these costs have been capitalized, they should be amortized over the term of the hosting arrangement. The ASU is effective for interim and annual periods beginning on or after December 15, 2019, using a prospective or retrospective transition approach. The Company adopted the new guidance effective January 1, 2020 using the prospective approach and the adoption did not have a material effect on the financial statements.

**Other Accounting Pronouncements**

In December 2019, the FASB issued ASU 2019-12, "Simplifying the Accounting for Income Taxes" (ASU 740), which is intended to simplify various aspects related to income tax accounting. The ASU is effective for interim and annual periods beginning on or after December 15, 2020, with early adoption permitted. The Company is currently evaluating the potential effects of adoption on its consolidated financial statements and related disclosures.

## (2) ACQUISITIONS AND DIVESTITURES

*Voice Foundry*

On August 5, 2020, TTEC Digital, LLC, a subsidiary of the Company, closed the first phase of the acquisition of the Voice Foundry business by acquiring 100% of the business's net assets in the U.S. and U.K., (the "VF US Transaction"). Voice Foundry is a preferred Amazon Connect cloud contact center service and implementation partner with approximately 60 employees in the U.S. and U.K. The business has been integrated into the TTEC Digital segment and is being fully consolidated into the financial statements of TTEC.

Total cash paid at acquisition was $34.3 million. The VF US Transaction is subject to customary representations and warranties, holdbacks, and working capital adjustments. The VF US Transaction includes two contingent payments over the next two years with each payment having a maximum value of $7.4 million based on VF US's EBITDA performance for 2020 and 2021.

The fair value of the contingent consideration has been estimated using a Monte Carlo model. The model was based on current expected EBITDA performance, a discount rate of 23.1%, a volatility rate of 47%, and an adjusted risk-free rate of 2.6%. Based on the model, a $10.9 million expected future payment was calculated and recorded as of September 30, 2020, with $7.4 million included in Other accrued expenses and $3.5 million included in Other long-term liabilities in the accompanying Consolidated Balance Sheets.

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

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

| | Preliminary Estimate of Acquisition Date Fair Value |
|---|---|
| Accounts receivable, net | $ 3,758 |
| Prepaid and other assets | 345 |
| Tradename | 400 |
| Non-compete | 150 |
| Customer relationships | 6,550 |
| Goodwill | 35,891 |
| | $ 47,094 |
| | |
| Accounts payable | $ 289 |
| Accrued employee compensation | 741 |
| Deferred revenue | 170 |
| | $ 1,200 |
| | |
| Total purchase price | $ 45,894 |

The estimates of fair value of identifiable assets acquired and liabilities assumed are preliminary, pending finalization of the valuation and tax returns, thus are subject to revisions that may result in adjustments to the values presented above.

The VF US customer relationships and tradename have been estimated based on the initial valuation and will be amortized over estimated useful lives of 4 and 2 years, respectively. The goodwill recognized from the VF US acquisition is estimated to be attributable, but not limited to, the acquired workforce and expected synergies with TTEC Digital segment. 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 VF US are reported within the TTEC Digital segment from the date of acquisition.

A second phase of the Voice Foundry acquisition involves acquiring the Voice Foundry Australian and ASEAN businesses. The acquisition was cleared by the Australian Foreign Investment Review Board and is expected to close in early November 2020. TTEC Digital LLC expects to pay approximately $13.0 million at closing for the Australian and ASEAN business and up to an additional $4.4 million in contingent consideration over the next two years.

*Serendebyte*

On February 7, 2020, the Company acquired, through its subsidiary TTEC Digital LLC, 70% of the outstanding shares of capital stock of Serendebyte Inc., a Delaware corporation (“the Serendebyte Transaction”). Serendebyte is an autonomous customer experience and intelligent automation solutions provider with 125 employees based in India, the United States, and Canada. The business has been integrated into the TTEC Digital segment and is being fully consolidated into the financial statements of TTEC.

Total cash paid at acquisition, for 70% of the outstanding shares of capital stock, was $9.0 million. The Serendebyte Transaction is subject to customary representations and warranties, holdbacks, and a net working capital adjustment. The Company finalized the net working capital adjustment for $0.8 million during the second quarter of 2020 which was paid by Serendebyte to TTEC Digital LLC in the second quarter of 2020.

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

As of the closing of the Serendebyte Transaction, Serendebyte's founder and certain members of its management continued to hold the remaining 30% interest in Serendebyte, Inc. ("Remaining Interest"). Between January 31, 2023 and December 31, 2023, Serendebyte's founder and the management team shall have an option to sell to TTEC Digital LLC and TTEC Digital LLC shall have an option to purchase the Remaining Interest at a purchase price equal to a multiple of Serendebyte's adjusted trailing twelve month EBITDA for this particular acquisition. The noncontrolling interest was recorded at fair value on the date of acquisition. The fair value was based on significant inputs not observable in the market (Level 3 inputs) including forecasted earnings, discount rate of 35%, working capital requirements and applicable tax rates. The noncontrolling interest was valued at $3.8 million and is shown as Redeemable noncontrolling interest in the accompanying Consolidated Balance Sheets.

As a condition to closing, Serendebyte's founder and certain members of the management team agreed to continue their affiliation with Serendebyte at least through 2023, and the founder agreed not to compete with TTEC for a period of four years after the disposition of the Remaining Interest.

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

| | Preliminary Estimate of Acquisition Date Fair Value |
|---|---|
| Cash | $ 3,123 |
| Accounts receivable, net | 1,243 |
| Prepaid and other assets | 1,327 |
| Property, plant and equipment | 14 |
| Deferred tax assets | 20 |
| Tradename | 400 |
| Customer relationships | 1,920 |
| Goodwill | 9,033 |
| | $ 17,080 |
| | |
| Accounts payable | $ 120 |
| Accrued employee compensation and benefits | 1,025 |
| Accrued income taxes | 170 |
| Accrued expenses | 2,208 |
| Deferred tax liabilities - long-term | 629 |
| | $ 4,152 |
| | |
| Total purchase price | $ 12,928 |

The estimates of fair value of identifiable assets acquired and liabilities assumed are preliminary, pending finalization of a valuation and tax returns, thus are subject to revisions that may result in adjustments to the values presented above.

At the date of the purchase, an additional $2.2 million of cash was retained in the entity that was withdrawn by the holders of the Remaining Interest during the second quarter of 2020.

The Serendebyte customer relationships and tradename have been estimated based on the initial valuation and will be amortized over estimated useful lives of 5 and 3 years, respectively. The goodwill recognized from the Serendebyte acquisition is estimated to be attributable, but not limited to, the acquired workforce and expected synergies with TTEC Digital segment. The tax basis of the acquired intangibles and goodwill will not be deductible for income tax purposes. The acquired goodwill and intangibles and operating results of Serendebyte are reported within the TTEC Digital segment from the date of acquisition.

*First Call Resolution*

On October 26, 2019, the Company acquired, through its subsidiary TTEC Services Corporation (“TSC”), 70% of the outstanding membership interest in First Call Resolution, LLC (“FCR”), an Oregon limited liability company (“the FCR Transaction”). FCR is a customer care, social networking and business process solutions service provider with approximately 2,000 employees based in the U.S. The business has been integrated into the TTEC Engage segment and is being fully consolidated into the financial statements of TTEC.

Total cash paid at acquisition was $107.0 million, inclusive of $4.5 million related to cash balances, for the 70% membership interest in FCR. The FCR Transaction was subject to customary representations and warranties, holdbacks, and a net working capital adjustment. The FCR Transaction included a contingent payment with a maximum value of $10.9 million based on FCR’s 2020 EBITDA performance. The Company finalized the working capital adjustment for $0.7 million during the first quarter of 2020 which was paid by FCR to TSC in March 2020.

As of the closing of the FCR Transaction, Ortana Holdings, LLC, an Oregon limited liability company (“Ortana”), owned by the FCR founders, continued to hold the remaining 30% membership interest in FCR (“Remaining Interest”). Between January 31, 2023 and December 31, 2023, Ortana shall have an option to sell to TSC and TSC shall have an option to purchase from Ortana the Remaining Interest at a purchase price equal to a multiple of FCR’s adjusted trailing twelve month EBITDA for this particular acquisition, and not to compete with the Company for a period of four years after the disposition of the Remaining Interest. The noncontrolling interest was recorded at fair value on the date of acquisition. The fair value was based on significant inputs not observable in the market (Level 3 inputs) including forecasted earnings, discount rate of 19.6%, working capital requirements and applicable tax rates. The noncontrolling interest was valued at $48.3 million on the acquisition date and is shown as Redeemable noncontrolling interest in the accompanying Consolidated Balance Sheets.

The fair value of the contingent consideration has been measured based on significant inputs not observable in the market (Level 3 inputs). Significant assumptions include a discount rate of 16.7%, expected forecast volatility of 20%, an equivalent metric risk premium of 15.1%, risk-free rate of 1.6% and a credit spread of 1.8%. Based on these, a $6.5 million expected future payment was calculated. As of the acquisition date, the present value of the contingent consideration was $6.1 million. During the first and second quarters of 2020, $3.3 million and $1.1 million of net benefits, respectively, were recorded related to fair value adjustments of the estimated contingent consideration based on revised actuals and estimates of EBITDA performance for 2020. The benefits were included in Other income (expense) in the Consolidated Statements of Comprehensive Income (Loss). As of September 30, 2020, the value of the contingent consideration was $1.8 million and was included in Other current liabilities in the accompanying Consolidated Balance Sheets.

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

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 | $ | 5,225 |
| Accounts receivable, net | | 10,659 |
| Prepaid expenses | | 357 |
| Property and equipment | | 6,006 |
| Other assets | | 224 |
| Operating lease assets | | 5,127 |
| Tradename | | 8,600 |
| Customer relationships | | 38,540 |
| Goodwill | | 96,739 |
| | $ | 171,477 |
| | | |
| Accounts payable | $ | 388 |
| Operating lease liability - short-term | | 1,160 |
| Accrued employee compensation and benefits | | 4,049 |
| Accrued expenses | | 72 |
| Operating lease liability - long-term | | 3,967 |
| | $ | 9,636 |
| | | |
| Total purchase price | $ | 161,841 |

In the first quarter of 2020, the Company finalized its valuation of FCR for the acquisition date assets acquired and liabilities assumed and determined that no material adjustments to any of the balances were required.

As part of the purchase, an additional net $0.7 million of cash was retained in the entity to pay for certain Ortana liabilities that had been recorded prior to the acquisition.

The FCR customer relationships and tradename are being amortized over useful lives of 10 and 4 years, respectively. The goodwill recognized from the FCR acquisition is attributable, but not limited to, the acquired workforce and expected synergies with Engage. 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 FCR are reported within the TTEC Engage segment from the date of acquisition.

**Financial Impact of Acquired Businesses**

The acquired businesses purchased in 2020 and 2019 noted above contributed revenues of $82.2 million and net income of $5.1 million, inclusive of $5.2 million of acquired intangible amortization, to the Company for the 2020.

The unaudited proforma financial results for the nine months ended September 30, 2020 and 2019 combines the consolidated results of the Company, FCR, Serendebyte and Voice Foundry, assuming the acquisitions had been completed on January 1, 2019. The reported revenue and net income of $1,378.3 million and $74.2 million would have been $1,386.6 million and $76.7 million for the nine months ended September 30, 2020, respectively, on an unaudited proforma basis.

For 2019, the reported revenue and net income of $1,182.4 million and $48.9 million would have been $1,255.2 million and $62.1 million for the nine months ended September 30, 2019, respectively, on an unaudited proforma basis.

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

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

**Dissolutions**

In the ordinary course of business, the Company operates different legal entities around the globe that have functional currencies other than USD. From time to time, the Company liquidates some of the entities when they are no longer needed to operate its business, and also forms new entities to support the needs of the business. The liquidation proceedings may take different forms, take considerable amount of time, and may also result in losses or gains unrelated to operations. In the second quarter ended June 30, 2020, the Company exited a foreign subsidiary that resulted in a $2.5 million loss included in Other income (expense), net in the Consolidated Statements of Comprehensive Income (Loss) from the realization of the Accumulated Other Comprehensive Income (Loss), which represents the Currency Translation Adjustment of the investment in the foreign subsidiary. Similarly, in the third quarter ended September 30, 2020, the Company exited two foreign subsidiaries that have ceased operations and therefore will be removed from the consolidated financial statements as of the reporting period ended September 30, 2020. As a result of the deconsolidation, a $17.4 million loss was included in Other income (expense), net in the Consolidated Statement of Comprehensive Income (Loss). The majority of this loss related to the realization of the Accumulated Other Comprehensive Income (Loss) balance which represents the Currency Translation Adjustment of the investment in the foreign subsidiaries. The operating income of these subsidiaries prior to dissolution was not material to the year-to-date consolidated results of the Company.

**(3) SEGMENT INFORMATION**

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.
    - 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.
    - Professional Services: Our management consulting practices deliver customer experience strategy, analytics, process optimization, and learning and performance services.
- TTEC Engage provides the essential technologies, human resources, infrastructure and processes to operate customer care, acquisition, and fraud detection and prevention services.
    - 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 that increase the quantity and quality of leads and customers.
    - Customer Care Services: Our customer care services provide turnkey contract center solutions, including digital omnichannel technologies, associate recruiting and training, facilities, and operational expertise to create exceptional customer experiences across all touchpoints.
    - Fraud Prevention Services: Our digital fraud detection and prevention services proactively identify and prevent fraud and provide 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.

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

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

**Three Months Ended September 30, 2020**

| | Gross Revenue | Intersegment Sales | Net Revenue | Depreciation & Amortization | Income from Operations |
|---|---|---|---|---|---|
| TTEC Digital | $ 76,571 | $ — | $ 76,571 | $ 3,537 | $ 13,043 |
| TTEC Engage | 416,409 | — | 416,409 | 15,985 | 40,356 |
| Total | $ 492,980 | $ — | $ 492,980 | $ 19,522 | $ 53,399 |

**Three Months Ended September 30, 2019**

| | Gross Revenue | Intersegment Sales | Net Revenue | Depreciation & Amortization | Income from Operations |
|---|---|---|---|---|---|
| TTEC Digital | $ 78,577 | $ 43 | $ 78,620 | $ 2,512 | $ 11,704 |
| TTEC Engage | 316,887 | — | 316,887 | 14,147 | 14,277 |
| Total | $ 395,464 | $ 43 | $ 395,507 | $ 16,659 | $ 25,981 |

**Nine Months Ended September 30, 2020**

| | Gross Revenue | Intersegment Sales | Net Revenue | Depreciation & Amortization | Income from Operations |
|---|---|---|---|---|---|
| TTEC Digital | $ 231,520 | $ (250) | $ 231,270 | $ 10,103 | $ 37,677 |
| TTEC Engage | 1,147,004 | — | 1,147,004 | 46,951 | 105,400 |
| Total | $ 1,378,524 | $ (250) | $ 1,378,274 | $ 57,054 | $ 143,077 |

**Nine Months Ended September 30, 2019**

| | Gross Revenue | Intersegment Sales | Net Revenue | Depreciation & Amortization | Income from Operations |
|---|---|---|---|---|---|
| TTEC Digital | $ 223,198 | $ (206) | $ 222,992 | $ 8,055 | $ 27,172 |
| TTEC Engage | 959,386 | — | 959,386 | 42,397 | 53,774 |
| Total | $ 1,182,584 | $ (206) | $ 1,182,378 | $ 50,452 | $ 80,946 |

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| **Capital Expenditures** | | | | |
| TTEC Digital | $ 1,635 | $ 318 | $ 6,961 | $ 9,714 |
| TTEC Engage | 14,277 | 15,692 | 40,866 | 34,724 |
| Total | $ 15,912 | $ 16,010 | $ 47,827 | $ 44,438 |

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

| | September 30, 2020 | December 31, 2019 |
|---|---|---|
| **Total Assets** | | |
| TTEC Digital | $ 283,792 | $ 238,081 |
| TTEC Engage | 1,193,228 | 1,138,707 |
| Total | $ 1,477,020 | $ 1,376,788 |

| | September 30, 2020 | December 31, 2019 |
|---|---|---|
| **Goodwill** | | |
| TTEC Digital | $ 111,382 | $ 66,275 |
| TTEC Engage | 233,737 | 235,419 |
| Total | $ 345,119 | $ 301,694 |

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

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| **Revenue** | | | | |
| United States | $ 346,095 | $ 240,863 | $ 936,079 | $ 713,561 |
| Philippines | 82,147 | 89,876 | 252,520 | 274,456 |
| Latin America | 23,550 | 24,454 | 72,002 | 73,645 |
| Europe / Middle East / Africa | 20,772 | 15,187 | 55,077 | 46,838 |
| Asia Pacific / India | 14,483 | 14,733 | 43,377 | 41,713 |
| Canada | 5,933 | 10,394 | 19,219 | 32,165 |
| Total | $ 492,980 | $ 395,507 | $ 1,378,274 | $ 1,182,378 |

## (4) SIGNIFICANT CLIENTS AND OTHER CONCENTRATIONS

The Company had one client that contributed in excess of 10% of total revenue for the nine months ended September 30, 2020. This client operates in the financial services industry and is included in the TTEC Engage segment. This client contributed 11.8% and 3.4% of total revenue for the nine months ended September 30, 2020 and 2019, respectively. The Company had no clients that contributed in excess of 10% of total revenue for the nine months ended September 30, 2019. 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 credit losses 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 September 30, 2020.

In connection with the implementation of ASC 326 as of January 1, 2020, the Company analyzed the prior history of credit losses on revenue for TTEC as a whole and separately for each of the two segments. Based on this evaluation, no modification to the allowance for credit losses balance was necessary as of the implementation date. At the end of each quarter beginning with March 31, 2020, an allowance for credit losses will be calculated based on the current quarterly revenue multiplied by the historical loss percentage of the prior three year period and recorded in the income statement. In addition to the evaluation of historical losses, the Company considers current and future economic conditions and events such as changes in customer credit quality and liquidity. The Company will write-off accounts receivable against this allowance when the Company determines a balance is uncollectible.

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

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

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| Balance, beginning of period | $ 5,795 | $ 5,495 | $ 5,452 | $ 5,592 |
| Provision for credit losses | 44 | — | 563 | — |
| Uncollectible receivables written-off | (806) | (1,701) | (939) | (1,716) |
| Effect of foreign currency | 24 | (13) | (19) | (95) |
| Balance, end of period | $ 5,057 | $ 3,781 | $ 5,057 | $ 3,781 |

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 September 30, 2020 and December 31, 2019, TTEC had approximately $2.7 million in pre-petition accounts receivables exposure related to Sears; 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). TTEC continues to provide post-petition services to Sears and has assessed these receivables for collection risk and has determined that these will be collectible.

**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 September 30, 2020, the Company had factored $51.5 million of accounts receivable; under the Agreement discounts on these receivables were not material during the quarter. As of September 30, 2020, the Company had collected $21.5 million of cash from customers which had not been remitted to the Bank. The unremitted cash is Restricted Cash and is included within Prepaid and Other Current Assets with the corresponding liability included in Accrued Expenses on the Consolidated Balance Sheet. The Company has not recorded any servicing assets or liabilities as of September 30, 2020 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, 2019 | Acquisitions / Adjustments | Impairments | Effect of Foreign Currency | September 30, 2020 |
|---|---|---|---|---|---|
| TTEC Digital | $ 66,275 | $ 44,924 | — | 183 | $ 111,382 |
| TTEC Engage | 235,419 | (254) | — | (1,428) | 233,737 |
| Total | $ 301,694 | $ 44,670 | $ — | $ (1,245) | $ 345,119 |

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 September 30, 2020, the Company assessed whether any such indicators of impairment existed and concluded there were none.

During the third quarter of 2020, the Company reassessed the reporting units within the TTEC Digital segment based on a reorganization of the reporting structure within this segment. The Company has changed how it views the components within the segment as the business has evolved and multiple recent acquisitions have been incorporated. After evaluation, the Company will maintain two reporting units within TTEC Digital but these include different components than previously included. Given the change in reporting units, the Company conducted an impairment test before and after the change, and it was concluded that the fair value of the reporting units exceeded the carrying value on both testing dates. With the change in reporting units, the Company performed a relative fair value valuation calculation to allocate the Company’s historical goodwill between the two reporting units based on the shift in components. The resulting reallocation of goodwill was not material.

*Other Intangible Assets*

During the second quarter of 2019, the Company identified negative indicators such as lower financial performance for the rogenSi component of the TTEC Digital segment, thus an interim impairment analysis was completed. 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. At December 31, 2019 and September 30, 2020, the Company reviewed the evaluation completed as of June 30, 2019, and noted no material changes, thus no additional impairment was required.

## (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 September 30, 2020, 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 nine months ended September 30, 2020 and 2019 (in thousands and net of tax):

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

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| Aggregate unrealized net gain/(loss) at beginning of period | $ 163 | $ (765) | $ 4,182 | $ (8,278) |
| Add: Net gain/(loss) from change in fair value of cash flow hedges | 3,420 | 1,695 | (767) | 11,791 |
| Less: Net (gain)/loss reclassified to earnings from effective hedges | 515 | (793) | 683 | (3,376) |
| Aggregate unrealized net gain/(loss) at end of period | $ 4,098 | $ 137 | $ 4,098 | $ 137 |

The Company's foreign exchange cash flow hedging instruments as of September 30, 2020 and December 31, 2019 are summarized as follows (amounts in thousands). All hedging instruments are forward contracts.

| As of September 30, 2020 | Local Currency Notional Amount | U.S. Dollar Notional Amount | % Maturing in the next 12 months | Contracts Maturing Through |
|---|---|---|---|---|
| Canadian Dollar | 3,500 | $ 2,646 | 100.0 % | July 2021 |
| Philippine Peso | 6,565,000 | 125,887 (1) | 56.8 % | July 2023 |
| Mexican Peso | 1,115,500 | 50,441 | 53.0 % | July 2023 |
| | | $ 178,974 | | |

| As of December 31, 2019 | Local Currency Notional Amount | U.S. Dollar Notional Amount |
|---|---|---|
| Philippine Peso | 7,715,000 | 147,654 (1) |
| Mexican Peso | 1,299,500 | 61,529 |
| | | $ 209,183 |

(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 September 30, 2020 and December 31, 2019.

### 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 September 30, 2020 and December 31, 2019 the total notional amounts of the Company's forward contracts used as fair value hedges were $32.8 million and $64.5 million, respectively.

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

**Derivative Valuation and Settlements**

The Company's derivatives as of September 30, 2020 and December 31, 2019 were as follows (in thousands):

| | September 30, 2020 | |
|---|---|---|
| **Designation:** | **Designated as Hedging Instruments** | **Not Designated as Hedging Instruments** |
| **Derivative contract type:** | **Foreign Exchange** | **Foreign Exchange** |
| **Derivative classification:** | **Cash Flow** | **Fair Value** |
| Fair value and location of derivative in the Consolidated Balance Sheet: | | |
| Prepaids and other current assets | $ 4,500 | $ 132 |
| Other long-term assets | 3,279 | — |
| Other current liabilities | (1,230) | (15) |
| Other long-term liabilities | (974) | — |
| Total fair value of derivatives, net | $ 5,575 | $ 117 |

| | December 31, 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 | $ 3,467 | $ 205 |
| Other long-term assets | 3,525 | — |
| Other current liabilities | (1,223) | (107) |
| Other long-term liabilities | (95) | — |
| Total fair value of derivatives, net | $ 5,674 | $ 98 |

The effects of derivative instruments on the Consolidated Statements of Comprehensive Income (Loss) for the three months ended September 30, 2020 and 2019 were as follows (in thousands):

| | Three Months Ended September 30, | |
|---|---|---|
| | **2020** | **2019** |
| **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 | $ 515 | $ (793) |
| Amount and location of net gain or (loss) reclassified from Accumulated OCI to income - effective portion: | | |
| Revenue | $ 706 | $ (1,087) |

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

| | Three Months Ended September 30, | | | |
|---|---|---|---|---|
| | 2020 | | 2019 | |
| **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 | $ | 305 | $ | 57 |

The effects of derivative instruments on the Consolidated Statements of Comprehensive Income (Loss) for the nine months ended September 30, 2020 and 2019 were as follows (in thousands):

| | Nine Months Ended September 30, | | | |
|---|---|---|---|---|
| | 2020 | | 2019 | |
| **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 | $ | 683 | $ | (3,376) |
| Amount and location of net gain or (loss) reclassified from Accumulated OCI to income - effective portion: | | | | |
| Revenue | $ | 936 | $ | (4,625) |

| | Nine Months Ended September 30, | | | |
|---|---|---|---|---|
| | 2020 | | 2019 | |
| **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 | $ | (38) | $ | (1,160) |

## (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.

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

The following presents information as of September 30, 2020 and December 31, 2019 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.

*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 September 30, 2020, the investment in CaféX Communication, Inc., which consisted of the Company's total $15.6 million investment, is fully impaired to zero.

*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 the London Interbank Offered Rate ("LIBOR") plus a credit spread as determined by the Company's leverage ratio calculation (as defined in the Credit Agreement). As of September 30, 2020 and December 31, 2019, the Company had $325.0 million and $290.0 million, respectively, of borrowings outstanding under the Credit Agreement. During the third quarter of 2020 outstanding borrowings accrued interest at an average rate of 1.3% 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 September 30, 2020, 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 September 30, 2020 and December 31, 2019 (in thousands):

**As of September 30, 2020**

| | 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 | $ — | $ 5,575 | $ — | $ 5,575 |
| Fair value hedges | — | 117 | — | 117 |
| Total net derivative asset (liability) | $ — | $ 5,692 | $ — | $ 5,692 |

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

**As of December 31, 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 | $ — | $ 5,674 | $ — | $ 5,674 |
| Fair value hedges | — | 98 | — | 98 |
| Total net derivative asset (liability) | $ — | $ 5,772 | $ — | $ 5,772 |

The following is a summary of the Company's fair value measurements as of September 30, 2020 and December 31, 2019 (in thousands):

**As of September 30, 2020**

| | 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 | $ — | $ 5,692 | $ — |
| Total assets | $ — | $ 5,692 | $ — |
| | | | |
| Liabilities | | | |
| Deferred compensation plan liability | $ — | $ (21,166) | $ — |
| Derivative instruments, net | — | — | — |
| Contingent consideration | — | — | (12,728) |
| Total liabilities | $ — | $ (21,166) | $ (12,728) |

**As of December 31, 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 | $ — | $ 5,772 | $ — |
| Total assets | $ — | $ 5,772 | $ — |
| | | | |
| Liabilities | | | |
| Deferred compensation plan liability | $ — | $ (20,370) | $ — |
| Derivative instruments, net | — | — | — |
| Contingent consideration | — | — | (6,134) |
| Total liabilities | $ — | $ (20,370) | $ (6,134) |

*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.

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

*Contingent Consideration* - The Company recorded contingent consideration related to the acquisition of FCR and VF US. The contingent payable for FCR was recognized at fair value using a discounted cash flow approach and a discount rate of 16.7%. The contingent payable for VF US was calculated using a Monte Carlo simulation including a discount rate of 23.1%. 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 these contingent payments reaches the expected total future value.

During the first and second quarters of 2020, the Company recorded fair value adjustments to the contingent consideration associated with the FCR acquisition based on decreased estimates of EBITDA which caused the estimated payable to decrease. Accordingly, a $3.3 million decrease and a $1.1 million decrease to the payable were recorded as of March 31, 2020 and June 30, 2020, respectively, and were included in Other income (expense), net in the Consolidated Statements of Comprehensive Income (Loss). As of September 30, 2020, the expected future contingent consideration for FCR is $1.8 million.

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

| | December 31, 2019 | Acquisitions | Payments | Imputed Interest / Adjustments | September 30, 2020 |
|---|---|---|---|---|---|
| FCR | $ 6,134 | $ — | $ — | $ (4,349) | $ 1,785 |
| VF US | — | 10,943 | — | — | 10,943 |
| Total | $ 6,134 | $ 10,943 | $ — | $ (4,349) | $ 12,728 |

## (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-abuse tax ("BEAT") rules is to compute the related taxes in the period the entity becomes subject to either GILTI or BEAT.

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act") was enacted and signed into law. The CARES Act includes various provisions designed to support corporations and reduce the impact of COVID-19 pandemic on their liquidity including provisions relating to payroll tax credits, deferment of employer side social security payments, modifications to the net interest deduction limitations, allowing companies to carryback certain Net Operating Losses ("NOLs") and increasing the amount of NOLs that corporations can use to offset income. The CARES Act did not materially affect our third quarter income tax provision, deferred tax assets and liabilities, or related taxes payable. We are continuing to assess the future implications of these provisions within the CARES Act but do not expect there to be a material impact on our financial statements at this time.

As of September 30, 2020, the Company had $14.6 million of gross deferred tax assets (after a $17.2 million valuation allowance) and a net deferred tax asset of $5.3 million (after deferred tax liabilities of $9.3 million) related to the United States and international tax jurisdictions whose recoverability is dependent upon future profitability.

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

In accordance with ASC 740, during the third quarter of 2020 the Company recorded a liability of $1.7 million related to an uncertain tax position.

The effective tax rate for the three and nine months ended September 30, 2020 was 25.9% and 26.5%, respectively. The effective tax rate for the three and nine months ended September 30, 2019 was 20.6% and 27.0%, respectively.

The Company's U.S. income tax returns filed for the tax years ending December 31, 2016 to present, remain open tax years. The Company has been notified of the intent to audit or is currently under audit of income taxes for the United States for tax year 2017 and 2018, Canada for tax years 2009, 2010 and 2018, the Philippines for tax year 2018, and the state of New York for tax years 2015 through 2017. 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 and the first quarter of 2020, changes to the valuation allowance were recorded in the amounts of $2.3 million and $0.3 million, respectively, for deferred tax assets that did not meet the "more-likely-than-not" standard. In the second quarter of 2020, changes to the valuation allowance were recorded in the amount of $0.9 million for assets that were redetermined to meet the "more-likely-than-not" standard.

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 2020 and 2022. The aggregate effect on income tax expense for the three months ended September 30, 2020 and 2019 was approximately $1.1 million and $2.4 million benefit, respectively, which had an impact on diluted net income per share of $0.02 and $0.05, respectively. The aggregate effect on income tax expense for the nine months ended September 30, 2020 and 2019 was approximately $2.2 million and $6.4 million, respectively, which had a favorable impact on diluted net income per share of $0.05 and $0.14, respectively.

## (9) RESTRUCTURING CHARGES AND IMPAIRMENT LOSSES

### Restructuring Charges

During 2020 and 2019, 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 charges, net in the accompanying Consolidated Statements of Comprehensive Income (Loss) for the three and nine months ended September 30, 2020 and 2019, respectively, is as follows (in thousands):

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| Reduction in force | | | | |
| TTEC Digital | $ 347 | $ 90 | $ 668 | $ 90 |
| TTEC Engage | — | — | 239 | 770 |
| Total | $ 347 | $ 90 | $ 907 | $ 860 |

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

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| Facility exit and other charges | | | | |
| TTEC Digital | $ 90 | $ 8 | $ 90 | $ 8 |
| TTEC Engage | 796 | 85 | 1,567 | 704 |
| Total | $ 886 | $ 93 | $ 1,657 | $ 712 |

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, 2019 | $ 251 | $ 74 | $ 325 |
| Expense | 907 | 1,657 | 2,564 |
| Payments | (1,066) | (1,147) | (2,213) |
| Change due to foreign currency | (14) | (5) | (19) |
| Change in estimates | (78) | — | (78) |
| Balance as of September 30, 2020 | $ — | $ 579 | $ 579 |

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.

**Severance Charges**

In the normal course of business, the Company will pay severance to terminated employees related to programs that are ending who are no longer needed and cannot be repurposed to a new program.

During the second quarter of 2020, a $2.9 million accrual was recorded with the expense included in Cost of services during the quarter ended June 30, 2020. During the third quarter, $0.5 million was paid and $0.1 million of additional expense was recorded. The accrual is expected to be paid or extinguished during the next six months and thus is 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 nine months ended September 30, 2020 the Company recognized impairment losses, net related to leasehold improvement assets and right of use lease assets of $0.9 million and $1.6 million, respectively, for the TTEC Digital segment. During the three and nine months ended September 30, 2019, the Company recognized impairment losses related to leasehold improvement assets and right of use lease assets of zero and $2.6 million, respectively, across the TTEC Digital and TTEC Engage segments.

## (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 a rate per annum as determined by reference to the Company's net leverage ratio. The Credit Agreement contains customary affirmative, negative, and financial covenants, 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 percent 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) 1.25% in excess of the one month London Interbank Offered Rate ("LIBOR"); plus in each case a margin of 0% to 0.75% based on the Company's net leverage ratio. Eurodollar loans bear interest at 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, dividends and other strategic activities, such as the acquisitions described in Note 2. As of September 30, 2020 and December 31, 2019, the Company had borrowings of $325.0 million and $290.0 million, respectively, under its Credit Agreement, and its average daily utilization was $597.9 million and $314.9 million for the nine months ended September 30, 2020 and 2019, respectively. The Company had increased borrowings under the Credit Agreement from March 30, 2020 through late September 2020, related to precautionary measures taken to proactively strengthen the Company's cash reserves and financial flexibility in response to COVID-19 related uncertainties. As of September 30, 2020, those additional borrowings have been repaid. Based on the current level of availability based on the covenant calculations, the Company's remaining borrowing capacity was approximately $570 million as of September 30, 2020. As of September 30, 2020, the Company was in compliance with all covenants and conditions under its Credit Agreement.

### Letters of Credit

As of September 30, 2020, outstanding letters of credit under the Credit Agreement totaled $2.6 million and primarily guaranteed workers' compensation and other insurance related obligations. As of September 30, 2020, letters of credit and contract performance guarantees issued outside of the Credit Agreement totaled $0.4 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.

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

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

Operating leases are included in the 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 the 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 which 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. The Company determines its incremental borrowing rate based on its estimated credit risk with adjustments for each individual leases' geographical risk and lease term. Operating lease assets also include prepaid rent and initial direct costs less any tenant improvements.

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 nine months ended September 30, 2020 and 2019 are as follows (in thousands):

| Description | Location in Statements of Comprehensive Income (Loss) | Three Months Ended September 30, 2020 | Three Months Ended September 30, 2019 |
|---|---|---|---|
| Amortization of ROU assets - finance leases | Depreciation and amortization | $ 1,933 | $ 1,855 |
| Interest on lease liabilities - finance leases | Interest expense | 49 | 43 |
| Operating lease cost (cost resulting from lease payments) | Cost of services | 11,446 | 10,910 |
| Operating lease cost (cost resulting from lease payments) | Selling, general and administrative | 530 | 551 |
| Operating lease cost (cost resulting from lease payments) | Restructuring | 261 | — |
| Operating lease cost | Impairment | 948 | — |
| Operating lease cost (cost resulting from lease payments) | Other income (expense), net | 310 | 242 |
| Short-term lease cost | Cost of services | 1,029 | 1,107 |
| Variable lease cost (cost excluded from lease payments) | Cost of services | (1) | — |
| Less: Sublease income | Selling, general and administrative | (220) | (126) |
| Less: Sublease income | Other income (expense), net | (676) | (496) |
| Total lease cost | | $ 15,609 | $ 14,086 |

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

| Description | Location in Statements of Comprehensive Income (Loss) | Nine Months Ended September 30, 2020 | | 2019 | |
|---|---|---|---|---|---|
| Amortization of ROU assets - finance leases | Depreciation and amortization | $ | 5,777 | $ | 5,260 |
| Interest on lease liabilities - finance leases | Interest expense | | 157 | | 83 |
| Operating lease cost (cost resulting from lease payments) | Cost of services | | 35,126 | | 34,256 |
| Operating lease cost (cost resulting from lease payments) | Selling, general and administrative | | 1,493 | | 3,181 |
| Operating lease cost (cost resulting from lease payments) | Restructuring | | 697 | | — |
| Operating lease cost | Impairment | | 1,456 | | — |
| Operating lease cost (cost resulting from lease payments) | Other income (expense), net | | 839 | | 726 |
| Short-term lease cost | Cost of services | | 2,909 | | 3,419 |
| Variable lease cost (cost excluded from lease payments) | Cost of services | | (285) | | — |
| Less: Sublease income | Selling, general and administrative | | (614) | | (319) |
| Less: Sublease income | Other income (expense), net | | (1,788) | | (1,488) |
| Total lease cost | | $ | 45,767 | $ | 45,118 |

Other supplementary information for the three and nine months ended September 30, 2020 and 2019, are as follows (dollar values in thousands):

| | Three Months Ended September 30, 2020 | | 2019 | |
|---|---|---|---|---|
| Finance lease - operating cash flows | $ | 17 | $ | 43 |
| Finance lease - financing cash flows | $ | 2,143 | $ | 2,111 |
| Operating lease - operating cash flows (fixed payments) | $ | 13,824 | $ | 12,185 |
| New ROU assets - operating leases | $ | — | $ | 1,301 |
| Modified ROU assets - operating leases | $ | 111 | $ | 18,807 |
| New ROU assets - finance leases | $ | 1,464 | $ | 1,886 |

| | Nine Months Ended September 30, 2020 | | 2019 | |
|---|---|---|---|---|
| Finance lease - operating cash flows | $ | 53 | $ | 83 |
| Finance lease - financing cash flows | $ | 6,010 | $ | 8,096 |
| Operating lease - operating cash flows (fixed payments) | $ | 41,241 | $ | 38,260 |
| New ROU assets - operating leases | $ | 6,795 | $ | 8,358 |
| Modified ROU assets - operating leases | $ | 6,332 | $ | 42,008 |
| New ROU assets - finance leases | $ | 2,292 | $ | 6,133 |

| | September 30, 2020 | December 31, 2019 |
|---|---|---|
| Weighted average remaining lease term - finance leases | 2.62 years | 2.91 years |
| Weighted average remaining lease term - operating leases | 3.86 years | 4.27 years |
| Weighted average discount rate - finance leases | 1.57% | 1.43% |
| Weighted average discount rate - operating leases | 6.97% | 7.22% |

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

Operating and financing lease right-of-use assets and lease liabilities within the Consolidated Balance Sheet as of September 30, 2020 and December 31, 2019 are as follows (in thousands):

| Description | Location in Balance Sheet | September 30, 2020 | December 31, 2019 |
|---|---|---|---|
| **Assets** | | | |
| Operating lease assets | Operating lease assets | $ 132,571 | $ 150,808 |
| Finance lease assets | Property, plant and equipment, net | 14,530 | 18,016 |
| Total leased assets | | $ 147,101 | $ 168,824 |
| **Liabilities** | | | |
| Current | | | |
| Operating | Current operating lease liabilities | $ 44,181 | $ 45,218 |
| Finance | Other current liabilities | 6,757 | 7,470 |
| Non-current | | | |
| Operating | Non-current operating lease liabilities | 106,921 | 127,395 |
| Finance | Other long-term liabilities | 6,040 | 8,896 |
| Total lease liabilities | | $ 163,899 | $ 188,979 |

The future minimum operating lease and finance lease payments required under non-cancelable leases as of September 30, 2020 and December 31, 2019 are as follows (in thousands):

**September 30, 2020**

| | Operating Leases | Sub-lease Income | Finance Leases |
|---|---|---|---|
| Year 1 | $ 51,934 | $ (3,443) | $ 6,808 |
| Year 2 | 46,728 | (3,455) | 3,552 |
| Year 3 | 36,717 | (3,293) | 1,849 |
| Year 4 | 19,229 | (2,852) | 852 |
| Year 5 | 10,247 | (2,940) | 13 |
| Thereafter | 9,362 | (1,225) | — |
| Total minimum lease payments | $ 174,217 | $ (17,208) | $ 13,074 |
| Less imputed interest | (23,115) | | (277) |
| Total lease liability | $ 151,102 | | $ 12,797 |

**December 31, 2019**

| | Operating Leases | Sub-lease Income | Finance Leases |
|---|---|---|---|
| Year 1 | $ 54,903 | $ (2,976) | $ 7,594 |
| Year 2 | 47,892 | (621) | 5,587 |
| Year 3 | 43,590 | (345) | 2,139 |
| Year 4 | 28,124 | (201) | 1,109 |
| Year 5 | 14,494 | — | 331 |
| Thereafter | 14,734 | — | — |
| Total minimum lease payments | $ 203,737 | $ (4,143) | $ 16,760 |
| Less imputed interest | (31,124) | | (394) |
| Total lease liability | $ 172,613 | | $ 16,366 |

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

In 2008, the Company sub-leased one of its customer delivery centers to a third party for the remaining term of the lease. The sub-lease began on January 1, 2009 and rental income will be recognized on a straight-line basis over the term of the sub-lease through 2026. In 2017, the Company sub-leased one of its office spaces for the remaining term of the original lease. The sub-lease began on November 6, 2017 and ends May 31, 2021. In 2019, the Company sub-leased one of its office spaces for the remaining term of the original lease. The sub-lease began on March 1, 2019 and ends July 31, 2023. In 2020, the Company sub-leased one of its office spaces for the remaining term of the original lease. The sub-lease began on February 6, 2020 and ends June 14, 2023.

## (12) OTHER LONG-TERM LIABILITIES

The components of Other long-term liabilities as of September 30, 2020 and December 31, 2019 are as follows (in thousands):

| | September 30, 2020 | December 31, 2019 |
|---|---|---|
| Deferred revenue | $ 15,359 | $ 23,142 |
| Deferred compensation plan | 21,166 | 20,370 |
| Other | 33,667 | 36,129 |
| Total | $ 70,192 | $ 79,641 |

## (13) NONCONTROLLING INTEREST

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

| | Nine Months Ended September 30, | |
|---|---|---|
| | 2020 | 2019 |
| Noncontrolling interest, January 1 | $ 13,186 | $ 7,677 |
| Net income attributable to noncontrolling interest | 6,381 | 5,168 |
| Dividends distributed to noncontrolling interest | (6,740) | (3,600) |
| Equity contribution | — | 3,362 |
| Foreign currency translation adjustments | (65) | (185) |
| Noncontrolling interest, September 30 | $ 12,762 | $ 12,422 |

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

## (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, 2018** | $ (114,168) | $ (8,278) | $ (2,150) | $ (124,596) |
| Other comprehensive income (loss) before reclassifications | (2,573) | 11,791 | 201 | 9,419 |
| Amounts reclassified from accumulated other comprehensive income (loss) | — | (3,376) | (147) | (3,523) |
| Net current period other comprehensive income (loss) | (2,573) | 8,415 | 54 | 5,896 |
| **Accumulated other comprehensive income (loss) at September 30, 2019** | $ (116,741) | $ 137 | $ (2,096) | $ (118,700) |
| **Accumulated other comprehensive income (loss) at December 31, 2019** | $ (107,480) | $ 4,182 | $ (2,936) | $ (106,234) |
| Other comprehensive income (loss) before reclassifications | (9,709) | (767) | 772 | (9,704) |
| Amounts reclassified from accumulated other comprehensive income (loss) | 19,619 | 683 | (396) | 19,906 |
| Net current period other comprehensive income (loss) | 9,910 | (84) | 376 | 10,202 |
| **Accumulated other comprehensive income (loss) at September 30, 2020** | $ (97,570) | $ 4,098 | $ (2,560) | $ (96,032) |

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 September 30, | | Statement of Comprehensive Income (Loss) Classification |
|---|---|---|---|
| | 2020 | 2019 | |
| **Derivative valuation** | | | |
| Gain (loss) on foreign currency forward exchange contracts | $ 706 | $ (1,087) | Revenue |
| Tax effect | (191) | 294 | Provision for income taxes |
| | $ 515 | $ (793) | Net income (loss) |
| **Other** | | | |
| Actuarial loss on defined benefit plan | $ (147) | $ (55) | Cost of services |
| Tax effect | 15 | 6 | Provision for income taxes |
| | $ (132) | $ (49) | Net income (loss) |

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

| | For the Nine Months Ended September 30, 2020 | 2019 | Statement of Comprehensive Income (Loss) Classification |
|---|---|---|---|
| **Derivative valuation** | | | |
| Gain (loss) on foreign currency forward exchange contracts | $ 936 | $ (4,625) | Revenue |
| Tax effect | (253) | 1,249 | Provision for income taxes |
| | $ 683 | $ (3,376) | Net income (loss) |
| **Other** | | | |
| Actuarial loss on defined benefit plan | $ (441) | $ (165) | Cost of services |
| Tax effect | 45 | 18 | Provision for income taxes |
| | $ (396) | $ (147) | Net income (loss) |

## (15) WEIGHTED AVERAGE SHARE COUNTS

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

| | Three Months Ended September 30, 2020 | 2019 | Nine Months Ended September 30, 2020 | 2019 |
|---|---|---|---|---|
| Shares used in basic earnings per share calculation | 46,732 | 46,481 | 46,617 | 46,335 |
| Effect of dilutive securities: | | | | |
| Restricted stock units | 299 | 287 | 268 | 358 |
| Performance-based restricted stock units | — | — | — | — |
| Total effects of dilutive securities | 299 | 287 | 268 | 358 |
| Shares used in dilutive earnings per share calculation | 47,031 | 46,768 | 46,885 | 46,693 |

For the three months ended September 30, 2020 and 2019, there were no restricted stock units (“RSUs”) outstanding which were excluded from the computation of diluted net income per share because the effect would have been anti-dilutive. For the nine months ended September 30, 2020 and 2019, there were RSUs of 167 thousand and 20 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 nine months ended September 30, 2020 and 2019, the Company recognized total equity-based compensation expense of $3.5 million and $9.5 million and $3.1 million and $9.7 million, respectively. Of this total compensation expense, $1.3 million and $3.4 million were recognized in Cost of services and $2.2 million and $6.1 million were recognized in Selling, general and administrative during the three and nine months ended September 30, 2020, respectively. During the three and nine months ended September 30, 2019, the Company recognized compensation expense of $1.0 million and $3.7 million in Cost of services and $2.1 million and $6.0 million in Selling, general and administrative, respectively.

**Restricted Stock Unit Grants**

During the nine months ended September 30, 2020 and 2019, the Company granted 539,697 and 101,909 RSUs, respectively, to new and existing employees, which vest over four to five years. The Company recognized compensation expense related to RSUs of $3.1 million and $8.5 million for the three and nine months ended September 30, 2020, respectively. The Company recognized compensation expense related to RSUs of $2.5 million and $8.9 million for the three and nine months ended September 30, 2019, respectively. As of September 30, 2020, there was approximately $26.7 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 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 $0.4 million and $1.1 million for the three and nine months ended September 30, 2020. The Company recognized compensation expense related to PRSUs of $0.6 million and $0.8 million for the three and nine months ended September 30, 2019, respectively.

During 2020, the Company awarded PRSUs that are subject to service and performance vesting conditions. If defined minimum targets are met, Company shares will be issued that vest immediately. If the defined minimum targets are not met, then no shares will be issued. The number of shares awarded are based on the Company's annual revenue and adjusted operating income for the fiscal years 2021 and 2022. Each fiscal year's revenue and adjusted operating income will determine the award amount. Expense for these awards will begin at the start of the requisite service period, beginning January 1, 2021.

**(17) RELATED PARTY**

The Company entered into an agreement under which Avion, LLC ("Avion") and Airmax LLC ("Airmax") provide certain aviation flight services as requested by the Company. Such services include the use of an aircraft and flight crew. Kenneth D. Tuchman, Chairman and Chief Executive Officer of the Company, has an indirect 100% beneficial ownership interest in Avion and Airmax. During the nine months ended September 30, 2020 and 2019, the Company expensed $0.3 million and $0.8 million, respectively, to Avion and Airmax for services provided to the Company. There were $50 thousand in payments due and outstanding to Avion and Airmax as of September 30, 2020.

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 nine months ended September 30, 2020 and 2019, the Company purchased zero and $50 thousand, respectively, of software from CaféX.

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 nine months ended September 30, 2020 and 2019, the Company recorded revenue of $2.4 million and $4.0 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 Section 27A of the Securities Act of 1933, Section 21E of the Securities Exchange Act of 1934, and the Private Securities Litigation Reform Act of 1995, relating to our operations, expected financial position, results of operation, and other business matters that are based on our current expectations, assumptions, and projections with respect to the future, and are not a guarantee of performance. In this report, when we use words such as “may,” “believe,” “plan,” “will,” “anticipate,” “estimate,” “expect,” “intend,” “project,” “would,” “could,” “target,” or similar expressions, or when we discuss our strategy, plans, goals, initiatives, or objectives, we are making forward-looking statements.

We caution you not to rely unduly on any forward-looking statements. Actual results may differ materially from 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 Item 1A. Risk Factors in this Report on Form 10-Q and in the Report on Form 10-K for the year ended December 31, 2019. Specifically, we believe you should note the risks related to the COVID-19 global pandemic and the various government mandates designed to contain the pandemic, and how these risks may impact our business in the short and longer term; 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 customer experience outcomes for many of the world's most iconic and disruptive brands. Since our inception in 1982, we have been helping clients deliver frictionless customer experiences, strengthen their customer relationships, brand recognition and loyalty through personalized interactions, significantly improve their Net Promoter Score, and lower their total cost to serve by enabling and delivering simplified, consistent and seamless customer experience across channels and phases of the customer lifecycle.

Our customer experience thought leadership offers innovative programs that differentiate our clients from their competition.

In March 2020, the World Health Organization declared the outbreak of COVID-19 as a global pandemic. Within weeks of this announcement, travel bans, the state of emergency, quarantines, lockdowns, "shelter in place" orders, and business restrictions and shutdowns were issued in most countries where TTEC does business. The need to comply with these measures, which came into effect with little notice, has impacted our day-to-day operations and disrupted our business. Although we activated our business continuity plans, we have experienced temporary suspension of operations in some of our TTEC Engage customer experience delivery sites; and some of our employees were not able to get to work because their mobility was restricted by government restrictions. While some of our operations were deemed essential and could have continued operating, to support the health and well-being of our employees and communities and to provide a stable service delivery platform to our clients, we made a business decision to transition as many employees as was reasonably possible to a work from home environment.

Between mid-March and mid-April 2020, we transitioned over 43,000 employees, or 80%, to our work from home environment. With the easing of some of the government restrictions, some of those employees returned to our brick and mortar sites by the end of the second quarter of 2020, but most continue to work from home.

For those sites that continued to operate and those that re-opened since the lockdown and "shelter-in-place" restrictions eased beginning in June 2020, we have taken extensive measures to protect the health and safety of our employees, in accordance with the recommendations and guidelines provided by the World Health Organization, the U.S. and European Centers for Disease Control and Prevention, the U.S. Occupational Safety Association, and local governments in jurisdictions where our customer experience centers are located.

Although our business began to experience the effects of COVID-19 at the end of the first quarter 2020, our rapid implementation of business continuity plans and our geographic diversification of delivery centers allowed us to mitigate potentially more severe impacts. Through the period ended September 30, 2020 the COVID-19 pandemic has not had a material adverse impact on our operational or financial results. Despite 20% of our business being comprised of clients in industries that have been negatively impacted by the COVID-19 pandemic, i.e. automotive, retail and travel and hospitality, the September 30, 2020 year to date revenue derived from these clients has increased approximately 15% over the prior year period. We have also seen significant surge volumes from commercial and public sector clients who have realized spikes in customer, patient and citizen engagement related to COVID-19 which has contributed an approximate 11% of the total year to date revenue for 2020. While we expect this positive trend to continue for the remainder of 2020, there is uncertainty about our COVID-19 surge volumes and our non-COVID-19 related business beyond 2020. Additionally, we cannot accurately predict the severity of the economic and operational challenges of a prolonged COVID-19 pandemic on our clients' businesses and its effect on the magnitude and timing of their buying decisions. Further, while to date we have been successful in managing service delivery from those of our delivery sites that could not be replaced with work from home delivery, arbitrary lockdown decisions in some jurisdictions where we do business may impact our offshore delivery capability with little notice, thus potentially impacting our results of operations in the future.

In March 2020, we launched multiple cost reduction, optimization, and liquidity preservation initiatives to align our expenses with anticipated changes in revenue and increased costs related to COVID-19 pandemic and government mandated restriction measures. These initiatives included freezes on hiring, cuts in non-essential spending, reduction and deferral in spend on third-party service providers and vendors, suspension of merit increases, contributions to tax deferred saving plans and other retirement plans, where permitted by law, suspension of some incentive programs, staff reductions and furloughs in markets where that option is available. We also intensified our cash flow discipline, including working capital management, deferral of capital expenditures, where possible, and engaged in negotiations for rent abatement and deferral for those facilities that we are unable to use during the government restrictions related to the COVID-19 pandemic. We also took steps to strengthen our financial position during this period of heightened uncertainty including a proactive draw down on our line of credit in late March 2020, which was subsequently repaid in September 2020. Our results of operations for the first three quarters of 2020 is permitting us to reverse some of these decisions, and we are resuming strategic hiring on a limited basis, returning furloughed employees to work where it is possible, and reinstating certain incentive plans. In light of the continued COVID-19 related uncertainties, however, we remain vigilant in our cost management. With the greater adoption of our work at home solution during the COVID-19 pandemic, we are also reviewing our global real estate footprint and working to balance our commitments to physical facilities around the globe against evolving client preferences with respect to traditional physical delivery centers and work from home delivery.

For further discussion of this matter, refer “Item 1A. Risk Factors” in Part II of this Form 10-Q.

The Company reports its financial information based on 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.
- **TTEC Engage** provides the essential technologies, human resources, infrastructure and processes to operate customer care, acquisition, and fraud detection and prevention services.

TTEC Digital and TTEC Engage come together under our unified offering, Humanify® Customer Experience as a Service ("CXaas"), which drives measurable customer results for clients through the delivery of personalized, omnichannel experiences. Our Humanify® cloud platform provides a fully integrated ecosystem of Customer Experience ("CX") offerings, including omnichannel, messaging, artificial intelligence, machine learning, robotic process automation, analytics, cybersecurity, customer relationship management ("CRM"), knowledge management and journey orchestration. Our end-to-end platform differentiates us from many competitors by combining design, strategic consulting, best in class technology, data analytics, process optimization, system integration and operational excellence. This unified offering is value-oriented, outcome-based and delivered to large enterprise and governments on a global basis at scale.

Our revenue for the three months ended September 30, 2020 was $493.0 million. Approximately $416.4 million, or 84%, came from our TTEC Engage segment and $76.6 million, or 16%, came from our TTEC Digital segment.

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

We also invest 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. To this end we have been highly acquisitive in the last several years, including an acquisition in the third quarter of 2020 of a U.S. based preferred Amazon Connect cloud contact center service provider, an acquisition in the first quarter of 2020 of a U.S. based autonomous customer experience and intelligent automation solutions provider and an acquisition in the fourth quarter of 2019 of a U.S. based provider of customer care, social media community management, content moderation, technical support and business process solutions.

We have extensive expertise in the automotive, communications, financial services, government, healthcare, logistics, media and entertainment, retail, technology, travel and transportation industries. We serve more than 300 diverse clients globally, including many iconic blue-chip brands, Fortune 1000 companies, and disruptive growth companies.

**Our Integrated Service Offerings and Business Segments**

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

**TTEC Digital** 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.

- 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.
- Professional Services: Our management consulting practices deliver customer experience strategy, analytics, process optimization, and learning and performance services.

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

- 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 that increase the quantity and quality of leads and customers.
- 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.
- Fraud Prevention Services: Our digital fraud detection and prevention services proactively identify and prevent fraud and provide community content moderation and compliance.

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

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

**Financial Highlights**

In the third quarter of 2020, our revenue increased $97.5, or 24.6%, to $493.0 million over the same period in 2019 including an increase of $2.0 million, or 0.5%, due to foreign currency fluctuations. The increase in revenue was comprised of a $99.5 million, or 31.4%, increase for TTEC Engage offset by a $2.0 million, or 2.6%, decrease for TTEC Digital.

Our third quarter 2020 income from operations increased $27.4 million, or 105.5%, to $53.4 million or 10.8% of revenue, compared to $26.0 million or 6.6% of revenue in the third quarter of 2019. The change in operating income is comprised of a number of factors across the segments. The TTEC Digital operating income expanded with an 11.4% improvement over the same period last year primarily on the growth of its higher margin cloud business. The TTEC Engage operating income increased 182.7% compared to the prior year quarter based on the increase in revenue including, but not limited to, the acquisition of FCR and significant surge volumes in our commercial and public sector clients experiencing spikes in customer interactions related to COVID-19.

Income from operations in the third quarter of 2020 and 2019 included $2.2 million and $0.2 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 spanning six countries with 23,000 workstations, representing 53% of our global delivery capability. Revenue for our TTEC Engage segment provided from these offshore locations represented 26% of our revenue for the third quarter of 2020, as compared to 34% of our revenue for the corresponding period in 2019.

Our seat utilization is defined as the total number of utilized workstations compared to the total number of available production workstations. As of September 30, 2020, the total production workstations for our TTEC Engage segment was 42,996 and the overall capacity utilization in our centers was 58% versus 70% in the prior year period. The utilization is lower than the previous year primarily due to COVID-19 protocols requiring the distancing of associates which has reduced the available seat capacity. Adjusted for social distancing protocols, which reduced the available workstations to approximately 21,850, and accounting for all client paid seats as utilized, whether through actual usage or contractual commitments to hold the seats, current utilization is in excess of 113%.

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

Some of our clients may be subject to regulatory pressures to serve clients onshore. We plan to continue to selectively retain and grow capacity and expand into new offshore markets, while maintaining appropriate capacity onshore. As we grow our offshore delivery capabilities and our exposure to foreign currency 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 adopted and 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, 2019.

**Results of Operations**

**Three months ended September 30, 2020 compared to three months ended September 30, 2019**

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 September 30, 2020 and 2019 (amounts in thousands). All inter-company transactions between the reported segments for the periods presented have been eliminated.

*TTEC Digital*

| | Three Months Ended September 30, | | | |
|---|---|---|---|---|
| | 2020 | 2019 | $ Change | % Change |
| Revenue | $ 76,571 | $ 78,620 | $ (2,049) | (2.6)% |
| Operating Income | 13,043 | 11,704 | 1,339 | 11.4 % |
| Operating Margin | 17.0 % | 14.9 % | | |

The decrease in revenue for the TTEC Digital segment was related to significant increases in the cloud platform and the acquisitions of Serendebyte and Voice Foundry US during 2020, offset by reductions in the legacy facility based training business and the middle east consulting practice, both of which the Company has exited. Within the core Digital business and excluding a large multi-year term government contract, for the quarters ended September 30, 2020 and 2019 revenue from the cloud offering represented $20.0 million and $16.5 million, respectively, and the systems integration offering represented $10.8 million and $13.2 million, respectively.

The operating income expansion is primarily attributable to the continued improved utilization of technology and people assets as the business scales its cloud and system integration revenue as well as the exit of the less profitable facilities based training and middle east consulting practices. The operating income as a percentage of revenue increased to 17.0% in the third quarter of 2020 as compared to 14.9% in the prior period. Included in the operating income was amortization expense related to acquired intangibles of $0.8 million and $0.6 million for the quarters ended September 30, 2020 and 2019, respectively.

*TTEC Engage*

| | Three Months Ended September 30, 2020 | 2019 | $ Change | % Change |
|---|---|---|---|---|
| Revenue | $ 416,409 | $ 316,887 | $ 99,522 | 31.4 % |
| Operating Income | 40,356 | 14,277 | 26,079 | 182.7 % |
| Operating Margin | 9.7 % | 4.5 % | | |

The increase in revenue for the TTEC Engage segment was due to a net increase of $120.3 million in client programs including the acquisition of FCR in the fourth quarter of 2019 and certain surge programs for several clients in connection with the COVID-19 pandemic, offset by a decrease for program completions of $22.7 million and a $1.9 million increase due to foreign currency fluctuations.

The operating income increased in line with improved revenue including the acquisition of FCR as well as continued improved profitability in our @Home, fraud prevention and detection and customer acquisition offerings and auto and hypergrowth portfolios, offset by increases in amortization for acquired intangibles. Partially offsetting these increases was a net $1.7 million in restructuring and impairment charges related to several facilities in the U.S. (see Part I. Item 1. Financial Statements, Note 9 to the Consolidated Financial Statements). As a result, the operating income as a percentage of revenue increased to 9.7% in the third quarter of 2020 as compared to 4.5% in the prior period. Included in the operating income was amortization expense related to acquired intangibles of $3.3 million and $2.0 million for the quarters ended September 30, 2020 and 2019, respectively.

*Interest Income (Expense)*

For the three months ended September 30, 2020 interest income increased to $0.6 million from $0.5 million in the same period in 2019. Interest expense decreased to $2.8 million during 2020 from $4.0 million during 2019 due to higher utilization of the line of credit, offset by lower interest rates and a $0.8 million decrease in the charge related to the future purchase of the remaining 30% interest in Motif versus the prior year period, which was finalized during the second quarter of 2020.

*Other Income (Expense)*

For the three months ended September 30, 2020 Other income (expense), net decreased to net expense of $18.7 million from net income of $2.7 million during the prior year quarter.

Included in the three months ended September 30, 2020 was a $17.4 million expense related to the deconsolidation of two subsidiaries and the removal of the related Currency Translation Adjustment (see Part I. Item 1. Financial Statements, Note 2 to the Consolidated Financial Statements).

Included in the three months ended September 30, 2019 was a $1.4 million gain on recovery of receivables in connection with the Consulting business that was wound down, and a $0.7 million gain on the sale of trademarks.

*Income Taxes*

The effective tax rate for the three months ended September 30, 2020 was 25.9%. This compares to an effective tax rate of 20.6% for the comparable period of 2019. The effective tax rate for the three months ended September 30, 2020 was influenced by earnings in international jurisdictions currently under an income tax holiday, the distribution of income between the U.S. and international tax jurisdictions and the associated U.S. tax impacts of foreign earnings. Without $2.5 million benefit related to the deconsolidation of a subsidiary, a $0.6 million benefit related to restructuring, $1.9 million of expense related to tax contingencies, and $0.1 million of other expense, the Company's effective tax rate for the third quarter of 2020 would have been 18.3%.

**Results of Operations**

**Nine months ended September 30, 2020 compared to nine months ended September 30, 2019**

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 nine months ended September 30, 2020 and 2019 (in thousands). All intercompany transactions between the reported segments for the periods presented have been eliminated.

*TTEC Digital*

| | Nine Months Ended September 30, | | | |
|---|---|---|---|---|
| | 2020 | 2019 | $ Change | % Change |
| Revenue | $ 231,270 | $ 222,992 | $ 8,278 | 3.7 % |
| Operating Income | 37,677 | 27,172 | 10,505 | 38.7 % |
| Operating Margin | 16.3 % | 12.2 % | | |

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 the acquisitions of Serendebyte and Voice Foundry US during 2020, offset by reductions in the legacy facility based training business and the middle east consulting practice, both of which the Company has exited. Within the core Digital business and excluding the large multi-year government contract, for the nine months ended September 30, 2020 and 2019, revenue from the cloud offering represented $58.3 million and $43.3 million, respectively, and the systems integration offering represented $36.4 million and $33.6 million, respectively.

The operating income expansion is primarily attributable to the increased revenue and continued improved utilization of technology and people assets as the business scales its cloud and system integration revenue, as well as the exit of the less profitable facilities based training and middle east consulting practices. 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 (See Part I. Item 1. Financial Statements, Notes 5 and 9 to the Consolidated Financial Statements) recorded during 2019. The operating income as a percentage of revenue increased to 16.3% for the nine months ended September 30, 2020 as compared to 12.2% in the prior period. Included in the operating income was amortization expense related to acquired intangibles of $1.9 million and $1.9 million for the nine months ended September 30, 2020 and 2019, respectively.

*TTEC Engage*

| | Nine Months Ended September 30, | | | |
|---|---|---|---|---|
| | 2020 | 2019 | $ Change | % Change |
| Revenue | $ 1,147,004 | $ 959,386 | $ 187,618 | 19.6 % |
| Operating Income | 105,400 | 53,774 | 51,626 | 96.0 % |
| Operating Margin | 9.2 % | 5.6 % | | |

The increase in revenue for the TTEC Engage segment was due to a net increase of $265.1 million in client programs including the acquisition of FCR in the fourth quarter of 2019 and certain surge programs for several clients in connection with the COVID-19 pandemic, offset by a decrease for program completions of $75.2 million and a $2.6 million decrease due to foreign currency fluctuations.

The operating income increased in line with improved revenue including the acquisition of FCR as well as continued improved profitability in our @Home, fraud prevention and detection and customer acquisition offerings and auto and hypergrowth portfolios, offset by increases in amortization for acquired intangibles. Partially offsetting these increases was a net $2.8 million in restructuring and impairment charges related to several facilities in the U.S. (see Part I. Item 1, Financial Statements, Note 9 to the Consolidated Financial Statements). As a result, the operating income as a percentage of revenue increased to 9.2% for the nine months ended September 30, 2020 as compared to 5.6% in the prior period. Included in the operating income was amortization expense related to acquired intangibles of $9.9 million and $6.0 million for the nine months ended September 30, 2020 and 2019, respectively.

*Interest Income (Expense)*

For the nine months ended September 30, 2020 interest income increased to $1.4 million from $1.3 million in the same period in 2019. Interest expense increased to $15.5 million during 2020 from $13.5 million during 2019 due to higher utilization of the line of credit offset by lower interest rates, and a $3.9 million increase period over period in the charge related to the future purchase of the remaining 30% interest in Motif, which was finalized during the second quarter of 2020.

*Other Income (Expense)*

For the nine months ended September 30, 2020 Other income (expense), net decreased to net expense of $17.0 million from net income of $5.4 million during the prior year quarter.

Included in the nine months ended September 30, 2020 was a $4.4 million benefit related to the fair value adjustments of contingent consideration for an acquisition, offset by a $19.9 million expense related to the deconsolidation of three subsidiaries and the related removal of the Currency Translation Adjustments (see Part I. Item 1. Financial Statements, Notes 2 and 7 to the Consolidated Financial Statements).

Included in the nine months ended September 30, 2019 was a $2.4 million benefit related to the fair value adjustment of contingent consideration for an acquisition, a $1.4 million gain on recovery of receivables in connection with the Consulting business that was wound down, and a $0.7 million gain on the sale of trademarks.

Income Taxes

The effective tax rate for the nine months ended September 30, 2020 was 26.5%. This compared to an effective tax rate of 27.0% for the comparable period of 2019. The effective tax rate for the nine months ended September 30, 2020 was influenced by earnings in international jurisdictions currently under an income tax holiday, the distribution of income between the U.S. and international tax jurisdictions and associated U.S. tax impacts of foreign earnings. Without a $1.0 million benefit from restructuring expenses, $0.5 million of expense related to provision to return adjustments, a $0.6 million benefit related to changes in valuation allowances, $1.2 million of expense related to changes to contingent consideration, a $2.5 million benefit related to the deconsolidation of subsidiaries, $2.2 million of expense related to tax contingencies, and $0.1 million of other expense, the Company’s effective tax rate for the 2020 would have been 21.7%.

**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 nine months ended September 30, 2020, we generated positive operating cash flows of $186.8 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. The majority of our cash is in U.S. dollars, primarily held in the U.S. and to a lesser extent outside of the U.S., in addition to cash held in local currencies of our foreign subsidiaries. We expect to use our cash to support working capital, global operations and strategic investments. 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.

During the first quarter 2020, we borrowed $350.0 million under our revolving credit facility as a precautionary measure to provide additional liquidity during the global economic uncertainty and financial market conditions caused by the COVID-19 pandemic. During September 2020, this additional borrowing was repaid. Although we expect that current cash and cash equivalent balances and cash flows that are generated from operations will be sufficient to meet our domestic and international working capital needs and other capital and liquidity requirements for at least the next 12 months, if our access to capital is restricted or our borrowing costs increase, our operations and financial condition could be adversely impacted.

The following discussion highlights our cash flow activities during the nine months ended September 30, 2020 and 2019.

*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 $135.3 million and $82.4 million as of September 30, 2020 and December 31, 2019, 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 and to pay dividends.

*Cash Flows from Operating Activities*

For the nine months ended September 30, 2020 and 2019, net cash flows provided by operating activities was $186.8 million and $184.4 million, respectively. The increase is primarily due to a $55.0 million increase in net cash income from operations offset by a $52.6 million reduction in net working capital.

*Cash Flows from Investing Activities*

For the nine months ended September 30, 2020 and 2019, net cash flows used in investing activities was $86.6 million and $44.1 million, respectively. The increase was due to a $3.4 million increase in capital expenditures and a $38.7 million increase related to acquisitions.

*Cash Flows from Financing Activities*

For the nine months ended September 30, 2020 and 2019, net cash flows used in financing activities was $48.9 million and $119.6 million, respectively. The change in net cash flows from 2019 to 2020 was primarily due to a $118.0 million net million additional draw on the line of credit, offset by a $42.8 million increase related to payments of contingent consideration and hold-back payments related to several acquisitions.

*Free Cash Flow*

Free cash flow (see "Presentation of Non-GAAP Measurements" below for the definition of free cash flow) decreased slightly for the nine months ended September 30, 2020 compared to the nine months ended September 30, 2019 primarily due to an increase in net cash from operations offset by a decrease in working capital and higher outflow related to capital expenditures. Free cash flow was $139.0 million and $140.0 million for the nine months ended September 30, 2020 and 2019, 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 September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| Net cash provided by operating activities | $ 81,506 | $ 63,131 | $ 186,784 | $ 184,397 |
| Less: Purchases of property, plant and equipment | 15,912 | 16,010 | 47,827 | 44,438 |
| Free cash flow | $ 65,594 | $ 47,121 | $ 138,957 | $ 139,959 |

**Obligations and Future Capital Requirements**

There were no material changes to the Company's contractual obligations and future capital requirements outside the normal course of business from the date of our 2019 Form 10-K filing on March 4, 2020 through the filing of this report.

*Future Capital Requirements*

We currently expect total capital expenditures in 2020 to be between $58 million and $62 million. Approximately 70% of these expected capital expenditures are to support growth in our business and 30% relate to the maintenance for existing assets. The anticipated level of 2020 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 nine months ended September 30, 2020, one of our clients represented more than 10% of our total revenue. Our five largest clients, collectively, accounted for 42.6% and 37.1% of our consolidated revenue for the three months ended September 30, 2020 and 2019, respectively and 39.1% and 36.9% of our consolidated revenue for the nine months ended September 30, 2020 and 2019, respectively. We have had long-term relationships with our top five Engage clients, ranging from 14 to 21 years, with all of these clients having completed multiple contract renewals with us. The relative contribution of any single client to consolidated earnings is not always proportional to the relative revenue contribution on a consolidated basis and varies greatly based upon specific contract terms. In addition, clients may adjust business volumes served by us based on their business requirements. We believe the risk of this concentration is mitigated, in part, by the long-term contracts we have with our largest clients. Although certain client contracts may be terminated for convenience by either party, we believe this risk is mitigated, in part, by the service level disruptions and transition/migration costs that would arise for our clients if they terminated our contract for convenience.

Some contracts with our five largest clients expire between 2020 and 2023, but most of our largest clients may have multiple contracts with us with different expiration dates for different lines of work. We have historically renewed most of our contracts with our largest clients, but there can be no assurance that future contracts will be renewed or, if renewed, will be on terms as favorable as the existing contracts.

## ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market risk represents the risk of loss that may impact our consolidated financial position, consolidated results of operations, or consolidated cash flows due to adverse changes in financial and commodity market prices and rates. Market risk also includes credit and non-performance risk by counterparties to our various financial instruments. We are exposed to market risk due to changes in interest rates and foreign currency exchange rates (as measured against the U.S. dollar); as well as credit risk associated with potential non-performance of our counterparty banks. These exposures are directly related to our normal operating and funding activities. We enter into derivative instruments to manage and reduce the impact of currency exchange rate changes, primarily between the U.S. dollar/Philippine peso, the U.S. dollar/Mexican peso, and the Australian dollar/Philippine peso. We enter into interest rate derivative instruments to reduce our exposure to interest rate fluctuations associated with our variable rate debt. 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 September 30, 2020, we had $325.0 million of outstanding borrowings under the Credit Agreement. Based upon average outstanding borrowings during the three months ended September 30, 2020, interest accrued at a rate of approximately 1.3% 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 nine months ended September 30, 2020 and 2019, revenue associated with this foreign exchange risk was 18% and 22% 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 September 30, 2020 and December 31, 2019 are summarized as follows (in thousands). All hedging instruments are forward contracts, except as noted.

| As of September 30, 2020 | Local Currency Notional Amount | U.S. Dollar Notional Amount | % Maturing in the next 12 months | Contracts Maturing Through |
|---|---|---|---|---|
| Canadian Dollar | 3,500 | 2,646 | 100.0 % | July 2021 |
| Philippine Peso | 6,565,000 | 125,887 (1) | 56.8 % | July 2023 |
| Mexican Peso | 1,115,500 | 50,441 | 53.0 % | July 2023 |
| | | $ 178,974 | | |

| As of December 31, 2019 | Local Currency Notional Amount | U.S. Dollar Notional Amount |
|---|---|---|
| Philippine Peso | 7,715,000 | 147,654 (1) |
| Mexican Peso | 1,299,500 | 61,529 |
| | | $ 209,183 |

(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 September 30, 2020 and December 31, 2019.

The fair value of our cash flow hedges as of September 30, 2020 was assets/(liabilities) (in thousands):

| | September 30, 2020 | Maturing in the Next 12 Months |
|---|---|---|
| Canadian Dollar | $ (17) | $ (17) |
| Philippine Peso | 7,644 | 4,420 |
| Mexican Peso | (2,052) | (1,133) |
| | $ 5,575 | $ 3,270 |

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 decrease in fair value from December 31, 2019 reflects changes in the currency translation between the U.S dollar and Mexican Peso.

We recorded net gains (losses) of $0.9 million and ($4.6) million for settled cash flow hedge contracts and the related premiums for the nine months ended September 30, 2020 and 2019, respectively. These gains (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 nine months ended September 30, 2020 and 2019, approximately 14% and 22%, 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 September 30, 2020 or December 31, 2019.

## 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 September 30, 2020, 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 during the quarter ended September 30, 2020 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

In addition to the other information set forth in this report, you should carefully consider the factors discussed in Item 1A, Risk Factors, in our 2019 Annual Report on Form 10-K, which could materially affect our business, financial condition or future results. In addition to the risk factors identified in our 2019 Annual Report, please consider the following additional Risk Factors.

***Our business is adversely affected by the COVID-19 pandemic and it may result in material adverse impact on our operations and financial condition.***

In March 2020, the World Health Organization declared the outbreak of COVID-19 as a global pandemic. Within weeks of this announcement, travel bans, the state of emergency, quarantines, lockdowns, “shelter in place” orders, and business restrictions and shutdowns were issued in most countries where TTEC does business. These restrictions eased during the summer of 2020, but recent increases in the rates of COVID-19 infections around the globe and in countries where TTEC does business are leading to reinstatements of many of the restrictions that we experienced earlier in the year. While we are unable to accurately predict the full impact that COVID-19 pandemic will have on our results from operations, financial condition, liquidity and cash flows due to numerous uncertainties, including the duration and severity of the pandemic and its containment measures, our compliance with these measures will continue to impact our day-to-day operations and disrupt our business.

We have experienced temporary suspension of operations in many of our TTEC Engage customer experience delivery sites as a result of COVID-19 pandemic and related government-mandated restrictions. To support the health and well-being of our employees and communities and to provide a stable service delivery platform to our clients, we transitioned as many employees as was reasonably possible to our work from home environment during March and April 2020; many of those employees continue to work from home and most of the new employees we hire are hired to work from home. Such large-scale rapid transition resulted in certain inefficiencies, additional costs unlikely to be recouped from our clients, and heightened cybersecurity, regulatory compliance, and fraud risks. While to date we have been able to manage these risk and costs effectively, there can be no assurance that we will continue to be able to do that on a going forward basis and this could have a material adverse effect on our business, financial condition and results of operations.

The social distancing rules and other government mandates that continue during the sustained pandemic impacted the structure and configuration of our large-scale facilities, like our customer experience delivery centers, where employees work in close proximity. These new regulatory requirements forced TTEC to make investments to reconfigure our existing customer experience centers and to accept lower capacity utilization than the utilization priced under our multi-year contracts. If we are unable to renegotiate our contracts to recoup these additional costs, manage these costs by continuing to maintain a large work at home delivery platform, or adjust our cost structure to absorb them, our margins and profitability will be impacted and will result in adverse impact on our results of operations. While we have been able to manage these adverse impacts year to date, there can be no assurance that we will continue to be able to manage them, especially given the additional government imposed restrictions and regulations that are likely because of the recent increases in COVID-19 infection rates.

The COVID-19 pandemic and government-mandated restrictions on business adopted to contain it, is resulting in what is likely to be an extended global economic downturn, which could affect demand for our services and impact our results of operations and financial condition, even after the pandemic is contained and the business restrictions are lifted.

Although COVID-19 pandemic disruptions did not have a material adverse impact on our financial results for the first three quarters of fiscal 2020, there can be no assurances that we will not experience such impacts through the end of 2020 and beyond. Due to the evolving and highly uncertain nature of the global response to the COVID-19 pandemic, we cannot predict at this time the full extent to which the pandemic will adversely impact our business, results of operations and financial condition, which will depend on many factors that are not known at this time.

***The operations of some of our clients are adversely impacted by COVID-19 pandemic and it may have a material adverse impact on our business.***

The operations of some of our clients, especially our clients in travel, hospitality, retail and automotive industries, have been materially impacted by the COVID-19 pandemic and government restrictions on travel and people’s mobility around the globe. Approximately 20% of our revenue for the fiscal year ended December 31, 2019 was generated from the clients in these affected industries. On-going travel restrictions and large-scale unemployment that resulted from government-mandated restrictions on businesses around the globe is likely to continue to affect certain of our clients and their business volumes through the end of 2020 and beyond. While we are unable to predict the magnitude of such impact on our operations at this time and to what extent this impact may be offset by other business that we are able to secure due to a shift in our clients’ and their consumers’ buying preferences during and in the aftermath of COVID-19 pandemic, the loss of the business from the impacted clients may materially impair our operating results and financial condition. We may also experience payment defaults or bankruptcy of some of our clients, which could also have a material adverse effect our financial condition and results of operation.

***Our ability to recruit, hire, and retain qualified employees at a price point acceptable to our clients may be impacted by the COVID-19 pandemic and by government pandemic recovery measures such as enhanced unemployment benefits.***

Our business is labor intensive and our ability to recruit and hire employees with the right skills, at the right price point is critical to meeting our contractual commitments and attaining our growth objective. We sign multi-year client contracts that are priced based on prevailing labor rates in jurisdictions where we deliver services. The inability of some of our employees in some parts of the world to work from home resulted in the need to transition some of our service delivery to other jurisdictions where work from home is easier to facilitate, which further increases our need to rapidly hire qualified employees. In the second quarter of 2020, the U.S. and other governments in jurisdictions where we hire employees adopted pandemic recovery measures aimed at supporting citizens who lost their jobs due to COVID-19 pandemic. Some of these recovery measures have now expired, but may be reinstated by governments as the COVID-19 pandemic continues and the rates of infection grow. The individuals who benefit from these income support measures may be attractive employment prospects for TTEC, but COVID-19 enhanced unemployment benefits in some jurisdictions where we hire, if they continue into the future, may exceed local prevailing wages and may make it more difficult for us to hire a sufficient number of employees to support our contractual commitments or may result in higher costs, lower contract profitability, higher turnover and reduced operational efficiencies, which could, in the aggregate, have a material adverse impact on our results of operations.

.* * *

To the extent the COVID-19 pandemic or any worsening of the global business and economic environment as a result of the pandemic or government actions to contain it adversely affects our business and financial results, it may also have the effect of heightening or exacerbating many of the other risks described in Part I, Item 1A, “Risk Factors,” in our Annual Report on Form 10-K for our fiscal year ended December 31, 2019, such as the risk factors relating to our strategy execution, cyber security of our information systems, consolidation activities being undertaken by our clients, geographic concentration of our operations in jurisdictions ill prepared to manage large scale health crisis and pandemics, our ability to comply with laws and regulations that impact our business, the reliability of our information technology infrastructure and our ability to delivery uninterrupted service to our clients; our clients’ ability to forecast demand for our services accurately; our ability to expand and maintain our customer experience delivery centers in offshore jurisdictions with stable wage rates, risks generally associated with international business operations, and the impact of the limited market float of our stock and potential volatility of our stock price resulting therefrom.

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

**Issuer Purchases of Equity Securities**

In November 2001, our Board of Directors (“Board”) authorized a stock repurchase program with the objective of increasing stockholder returns. The Board periodically authorizes additional increases to the program. The most recent Board authorization to purchase additional common stock occurred in February 2017, whereby the Board increased the program allowance by $25.0 million. Since inception of the program through September 30, 2020, the Board has authorized the repurchase of shares up to a total value of $762.3 million, of which we have purchased 46.1 million shares on the open market for $735.8 million. The Company did not repurchase any of its shares during the three or nine months ended September 30, 2020. As of September 30, 2020, 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 |
|---|---|---|---|---|
| 31.1* | Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. Section 1350) | | | |
| 31.2* | Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. Section 1350) | | | |
| 32.1* | Certification of Chief Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. Section 1350) | | | |
| 32.2* | Certification of Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. Section 1350) | | | |
| 101.INS | XBRL Instance Document (the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document) | | | |
| 101.SCH | XBRL Taxonomy Extension Schema | | | |
| 101.CAL | XBRL Taxonomy Extension Calculation Linkbase | | | |
| 101.DEF | XBRL Taxonomy Extension Definition Linkbase | | | |
| 101.LAB | XBRL Taxonomy Extension Label Linkbase | | | |
| 101.PRE | XBRL Taxonomy Extension Presentation Linkbase | | | |
| 104 | The cover page from TTEC Holdings, Inc's Quarterly Report on Form 10-Q for the quarter ended September 30, 2020, formatted in Inline XBRL | | | |

* Filed or furnished herewith.

## SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

| | | |
|---|---|---|
| | | TTEC HOLDINGS, INC.<br>(Registrant) |
| Date: November 4, 2020 | By: | /s/ Kenneth D. Tuchman<br>Kenneth D. Tuchman<br>Chairman and Chief Executive Officer |
| Date: November 4, 2020 | By: | /s/ Regina M. Paolillo<br>Regina M. Paolillo<br>Chief Financial Officer |

**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: November 4, 2020

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: November 4, 2020

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 September 30, 2020 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: November 4, 2020

**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 September 30, 2020 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: November 4, 2020