

ExlService Holdings, Inc.
Form 10-K
February 27, 2015
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2014

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 001-33089

EXLSERVICE HOLDINGS, INC.

(Exact name of registrant as specified in its charter)

DELAWARE
(State or other jurisdiction of
incorporation or organization)

82-0572194
(I.R.S. Employer
Identification No.)

280 PARK AVENUE, 38TH FLOOR,

NEW YORK, NEW YORK
(Address of principal executive offices)

10017
(Zip code)

(212) 277-7100

(Registrant's telephone number, including area code)

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

Title of Each Class:
Common Stock, par value \$0.001 per share

Name of Each Exchange on Which Registered:
NASDAQ Global Select Market

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

None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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

Large accelerated filer Accelerated filer
Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company
Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of June 30, 2014, the aggregate market value of common stock held by non-affiliates was approximately \$915,216,325.

As of February 23, 2015, there were 33,185,239 shares of the registrant's common stock outstanding (excluding 1,310,751 shares held in treasury), par value \$0.001 per share.

DOCUMENTS INCORPORATED BY REFERENCE

Part III incorporates information from certain portions of the registrant's definitive proxy statement to be filed with the Securities and Exchange Commission within 120 days after the fiscal year end of December 31, 2014.

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ITEM 1. Business

ExlService Holdings, Inc. (EXL or we or us), incorporated in Delaware in 2002 is a leading provider of business process solutions. Working as a strategic partner, we help our clients simplify and streamline business operations, manage compliance, create new channels for growth, and better adapt to change. Our solutions integrate operations management with analytics and business transformation to deliver actionable business insights and long-term business impact. We help shape our clients' operating environments through process and technology interventions with the goal of increasing quality and productivity while improving risk management and control.

Our business is divided into two reporting segments: Operations Management (previously Outsourcing Services) and Analytics and Business Transformation (previously Transformation Services). We changed our reporting segment nomenclature for 2014 in order to better describe the nature of our engagements with our clients. The business composition of each reporting segment remains unchanged, and as such, there is no required restatement or reclassification.

Our **Operations Management and Analytics and Business Transformation** solutions include:

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Operations Management

Our Operations Management solutions typically involve the transfer to EXL of select business operations of a client such as claims processing, clinical operations, or financial transaction processing, after which we administer and manage those operations for our client on an ongoing basis. We use a focused industry vertical approach to provide a suite of integrated solutions to organizations in the insurance, healthcare, banking and financial services, utilities, travel, transportation and logistics industries in addition to providing finance and accounting solutions across multiple industries. Our Operations Management solutions represented 78% of EXL's revenues in 2014.

The key differentiators and salient features of our Operations Management solutions include our proprietary delivery model, the Business EXLerator FrameworkTM, our ability to deploy a Business Process-as-a-Service (BPaaS) delivery model, and our industry vertical focused approach to operational service delivery.

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The Business EXLerator Framework™ is our integrated approach to operations management which enables us to drive better customer outcomes by using advanced automation, workflow management, data visualization and embedded analytics. Inbuilt analytics provides superior decision-making and prioritization to facilitate input optimization and better business outcomes. The Business EXLerator Framework™ correlates data from multiple sources to create actionable insights for front-line operations and customer service executives and makes use of embedded technology tools, applications and platforms in our clients' operations. We develop and adopt industry-specific best practices and operational benchmarks to allow us to measure and compare our operation management services to these benchmarks.

While the majority of our Operations Management services are provided to clients using client owned or licensed technology platforms, we increasingly deliver our solutions using a BPaaS delivery model. The BPaaS delivery model includes the provision of a technology platform along with process management services. The service offering is typically priced based on the number of transactions or usage by the client. These solutions may use standardized and shared technology and operational delivery infrastructure enabling us to leverage technology and infrastructure investments across multiple clients.

Insurance: We are a leader in servicing the insurance industry and currently serve property and casualty (P&C) insurance, life insurance, disability insurance, annuity and retirement services companies. In 2014, the research firm Everest Group ranked EXL as a Leader in the U.S. insurance business process outsourcing (BPO) market. We have expertise in the areas of claims processing, subrogation, premium and benefit administration, agency management, account reconciliation, policy research, underwriting support, new business processing, policy servicing, premium audit, surveys, billing and collection and customer service.

We have intensified our use of proprietary technology tools and platforms to provide increasingly complex services to the insurance industry. We have invested in creating BPaaS solutions for the insurance industry through several of the acquisitions we have made and by building in-house technology platforms.

For example, in 2014, we acquired Overland Holdings, Inc. (Overland) which provides premium audit and underwriting surveys for more than 300 P&C insurers using a BPaaS delivery model. Overland strengthens EXL's onshore delivery capabilities with approximately 750 U.S.-based employees, multiple regional offices and

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a nationwide network of auditors and surveyors. Overland offers services including physical audit, telephone audit, and government inspection and has developed an automated premium audit solution Auditstream®. Overland also offers survey products and services to homeowners and commercial insurance carriers through Castle High Value Surveys®.

We provide subrogation solutions to property and casualty insurers using a BPaaS delivery model and our Subrosource® software platform, the largest commercial end-to-end subrogation platform. Subrosource® integrates with client systems, manages recovery workflow, increases recoveries and reduces costs.

We provide medical record information analysis using a BPaaS delivery model and our MedConnection™ software platform. MedConnection™ allows disability insurance and property and casualty insurance companies to empower adjusters, attorneys and medical staff to perform fewer non-core activities to allow them to focus on case closure and cost reduction in file management.

We provide insurance policy administration solutions using a BPaaS delivery model through our LifePRO® platform in order to help clients administer life insurance, health insurance, annuities and credit life and disability insurance policies. More than 40 life and annuities insurers manage policies on EXL's LifePRO® platform and several administer more than a million contracts on a single database.

Our Insurance solutions include:

Healthcare: We offer a suite of operations management solutions for the rapidly changing healthcare industry, primarily serving U.S.-based health insurers (payers). Our integrated service offering comprises clinical operations management, healthcare analytics, a care management platform and process management consulting services. Our solutions address the market need for improved healthcare outcomes and reduced costs. To support our clients' organizational objectives, we have over 1,000 global clinical professionals and nearly 400 professionals in our analytics group focused on healthcare.

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We provide clinical care management services for our clients' commercial, Medicare and disability products and programs. We deliver back-office support, such as member enrollment, claims adjudication and finalization, and billing and collections management. Accreditation and training are critical components of our service. Our delivery facility in Manila, Philippines is URAC accredited (Utilization Review Accreditation Commission), and we run an internal Healthcare Academy to assure our clinicians stay up to date on product delivery, health care matters and clinical skill sets training. We also employ a Chief Medical Officer and Chief Actuarial Officer in order to further our understanding of the key issues confronting our healthcare clients.

We offer BPaaS solutions designed to serve the healthcare industry as well as proprietary technology platforms. EXL's CareRadius® application and MaxMCsm applications connect payers, providers and members with critical clinical information, and automates a payer's operations to increase efficiencies across all aspects of care management. Currently, our CareRadius® application and MaxMCsm applications administer over 49 million lives.

Our Healthcare solutions include:

Utilities: We provide utility and energy companies with operational support across the customer life cycle including account setup, home and business moves, billing, meter exchange and recoveries. Our utilities solutions are designed to reduce costs, shorten turnaround times, improve compliance and enhance customer experience. We have supported multiple SAP implementations by designing, testing, piloting and stabilizing these new platforms. In 2014, EXL's Utilities practice received the Innovation Award from the international consultancy Alsbridge, Inc., for EXL's use of analytics and automation to improve receivables management processes for a leading energy supplier in the UK.

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Our Utilities solutions include:

Banking and Financial Services:

We have diverse experience in servicing and processing banking operations for a wide variety of financial services products, including residential mortgage lending, retail banking and credit cards, commercial banking and investment management. EXL has assisted global banking institutions with improving their operations by enabling clients to identify regulatory and compliance gaps, develop remediation plans and solutions, and track ongoing performance. EXL uses proprietary business intelligence tools to provide workflow management, transaction monitoring, and management information and reporting to enhance transparency in regulatory and management reporting.

Our Banking and Financial Services solutions include:

Travel, Transportation and Logistics: We have expertise in managing and improving operational, financial and analytical functions for clients in the travel, transportation and logistics industries. We provide front-, middle- and back-office services to companies in the corporate and leisure travel management industry. In addition, we have expertise in processing transportation and logistics transactions, including supply chain management, warehousing, transportation management and international logistics services. We also provide highly complex operational and analytical services to airlines, trucking and shipping companies, ocean carriers and logistics providers.

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Our Travel, Transportation and Logistics solutions include:

Finance and Accounting: We provide operations management solutions to finance organizations through our finance and accounting (F&A) center of excellence. Our F&A operations management solutions are provided to clients across a broad spectrum of industries. We provide integrated end-to-end F&A services across an array of F&A processes including procure to pay, order to cash, hire to retire, record to report and treasury and tax processes. To facilitate transformational F&A engagements with our clients, we provide consulting services, as well as utilize a number of technology applications which are proprietary to EXL or available through strategic partnerships we have established with third parties.

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Our Finance and Accounting solutions include:

Analytics and Business Transformation

Our Analytics and Business Transformation services include our Analytics, Operations Consulting, and Finance Transformation services. These services focus on improving our clients' operating environments, through cost reduction, improved operational effectiveness and additional insight into business performance, such as business forecasting, enhanced efficiency and productivity, improved effectiveness of business decisions and creation of an improved risk and control environment. We actively integrate our Analytics and Business Transformation solutions with Operations Management as part of a comprehensive solution for our clients. Our Analytics and Business Transformation team comprises over 1,800 professionals. Analytics and Business Transformation represented 22% of EXL's revenues in 2014.

Analytics

Our Analytics solutions involve accessing and analyzing large volumes of data from multiple data sources to generate insights about past business performance or predict future business outcomes. In order to provide services, we employ a large pool of analytics professionals and data scientists who utilize analytics tools and methodologies in ways designed to help clients better understand their data to generate actionable business insights. These insights generated by our analytics tools, statistical models and data scientists assist clients in making quicker, more accurate and data-driven business decisions. Our Analytics work spans both project work and longer-term annuity services where EXL provides ongoing analytics modeling and services for a year or more.

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Our Analytics solutions facilitate the development of a holistic strategy by our clients around the use of structured, semi-structured and unstructured data available both internally to our client's organization and externally in the public domain. In order to use data more effectively, we provide solutions enabling data visualization and management reporting which a business user can segment, drill-down, and filter in order to derive business insights. Our team assists clients with building predictive models using statistical techniques, that improve our clients' marketing effectiveness, risk management, collections strategy and fraud detection capabilities. In order to build predictive models that are most effective for our clients, we utilize domain and industry knowledge related to the business problem being considered to validate the drivers of the underlying problem or outcome and provide corresponding solutions or insights. We have established large analytics delivery centers in order to provide dedicated management reporting, advanced analytics, predictive modeling and data management services for our clients. Our Analytics solutions include:

Business Transformation

Our Business Transformation Services, which include Operations Consulting and Finance Transformation, provide industry-specific expertise that helps our clients deliver continuous process innovation, design optimal operating models that deal with rapidly changing market environments, and manage change in the regulatory and compliance landscape. Our services also identify business processes that can be improved by documenting processes, creating standard operating procedures, defining metrics and evaluation criteria as well as generating customized dashboards and reporting using our proprietary methodologies. These services provide insights and help shape our clients' future financial and operational goals.

Operations Consulting

Our Operations Consulting practice provides a range of consulting services including operating model design, implementation services and change management. Utilizing Lean and Six Sigma methodologies, we advise our clients on enhancing operational effectiveness, driving cost reduction initiatives and operations innovation and subsequently managing the implementation of our recommendations. In-line with our strategy of embedding process automation and analytics into our solutions, EXL acquired Blue Slate Solutions, LLC (Blue Slate) in 2014. Blue Slate is a business process management (BPM) and technology solutions consulting company. With professionals located throughout the U.S, Blue Slate specializes in transforming operations through business process automation, use of innovative technologies, data integration and analytics.

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Our Operations Consulting solutions include:

Finance Transformation

Our finance transformation services include governance, risk and compliance, finance accounting support, finance organizational design, finance process optimization, and finance systems advisory. Our Finance Transformation business specializes in serving the finance and accounting function across a range of industries. Many of our professionals who provide these services are certified accountants, internal auditors and process and technology experts.

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Our Finance Transformation solutions include:

Geographic and Segment Information

Please see the disclosures in Notes 4 and 15 to our consolidated financial statements for segment and geographic information regarding our business.

Business Strategy

Our goal is to be a leading provider of Operations Management and Analytics and Business Transformation solutions in the industry sectors on which we are focused. Specific elements of our strategy include:

Deploying our Business EXLerator Framework™ in Client Engagements

In servicing our clients, we continue to differentiate ourselves by using our proprietary Business EXLerator Framework™. Business EXLerator Framework™ is our proprietary delivery model that incorporates benchmarking, business process automation, Lean Six Sigma methodologies, analytics and technology designed to provide superior value to our clients. We build models and templates that help clients achieve a quantifiable return on their engagements with us and build a roadmap for pursuing ongoing improvements. Where we have successfully deployed the Business EXLerator Framework™, we have experienced significant increases in the efficiency, accuracy and effectiveness of client operations while simultaneously mitigating risk, creating value and generating business impact.

Developing Business Process as a Service (BPaaS) Solutions

We intend to increase our investment and focus in developing BPaaS and technology-enabled product solutions. We anticipate evolving part of our servicing model in niche operations management services, from our current model to a BPaaS servicing model that offers an integrated technology platform with operations management services. BPaaS services are typically delivered using a transaction-based or outcome-based pricing model and can minimize a client's initial capital investment on technology. We intend to enter into additional partnerships to facilitate our BPaaS solutions. Currently, we partner with leading software and technology companies to enable our BPaaS solutions and the deployment of our Business EXLerator Framework™.

Building Additional Analytics Capabilities and Solution Offerings

We continue to invest in our Analytics capabilities by expanding our solution offerings, enhancing the skill sets and training of our team, and developing reusable intellectual property that can be incorporated into our

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analytics solutions. For example, we are developing new analytics service offerings tailored for each of our focus industry domains. We intend to further increase our investment in our proprietary methodology solutions and algorithms that help us improve our ability to predict outcomes for our clients to help them capture data signals in a more efficient manner. In order to optimize the way in which we deliver analytics solutions to clients and source the highest quality global talent, we intend to further expand our multi-shore delivery capabilities by adding to our team of professionals in the United States, United Kingdom, Europe, India, Singapore and the Philippines. In addition to hiring directly from educational institutions, we expect to hire additional experienced senior team members in order to deepen our industry expertise and thought leadership.

Extending Our Industry Expertise

We intend to further extend our knowledge and capabilities in the industry verticals we serve in order to enhance our reputation as a leading provider of business process solutions. By focusing on transitioning and managing more complex and value-enhancing services we can enhance our capability to serve our clients. For example, we have more than a decade of experience in transitioning and servicing approximately 1,200 operations management processes to our operations centers, including approximately 650 processes in the insurance and healthcare industry. In order to market our base of experience externally, we intend to produce additional primary research and opinion pieces in order to develop our reputation as industry thought leaders.

Recruiting, Training, and Retaining the Most Talented Professionals

We continue to invest in human resources and further refine and supplement the innovative methods we use to recruit, train and retain our skilled employees. We intend to focus on recruiting highly qualified employees and developing our employees' leadership skills through specialized programs including our learning academies, rigorous promotion standards, industry-specific training and competitive compensation packages that include incentive-based compensation. We supplement our scope of operations experience with several industry-specific training academies to enhance the domain expertise of our employees.

Cultivating Long-term Relationships and Expanding our Client Base

We continue to maintain our focus on cultivating long-term client relationships as well as attracting new clients. We believe there are significant opportunities for additional growth within our existing clients, and we seek to expand these relationships by increasing the depth and breadth of the services we provide. We intend to seek industry-leading clients, targeting Global 2000 companies that have the most complex and diverse processes and, accordingly, stand to benefit significantly from our services. We also intend to initiate long-term relationships with medium-sized companies in our focus industries particularly with our BPaaS offerings.

Expanding our Global Delivery Footprint and Operational Infrastructure

We intend to further expand and invest in our network of delivery centers to service our clients. In 2014, we opened new operations centers in Mumbai, India, Alabang and Cebu, Philippines, and Dallas, Texas. In 2014, the acquisition of Overland added multiple North American regional offices to our delivery network, significantly expanding our U.S.-based services. We anticipate developing a delivery center in Colombia in order to provide Spanish language delivery services to our clients.

Pursuing Strategic Relationships and Acquisitions

We intend to continue making selective acquisitions in our focus industry verticals as well as to add to our capabilities. We intend to selectively consider strategic relationships with industry leaders that add new long-term client relationships, enhance the depth and breadth of our services and complement our business strategy. We also intend to selectively consider partnerships, alliances or investments that will expand the scope and effectiveness of our services by adding proprietary technology assets and intellectual property, adding new clients or allowing us to enter new geographic markets.

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Our Industry

Business Process Management (BPM) service providers work with clients to transfer their key business processes to reduce costs, improve process quality, handle increased transaction volumes and reduce redundancy. BPM providers can enable organizations to enhance profitability and increase efficiency and reliability, permitting them to concentrate on their core areas of competence. BPM is a long-term strategic commitment for a company that, once implemented, is generally not subject to cyclical spending or information technology budget fluctuations. Increased global demand, cost improvements in international communications and the automation of many business services have created a significant opportunity for BPM providers with offshore delivery capabilities, and many companies are moving select office processes to providers with the capacity to perform these functions from overseas locations. We believe the demand for BPM services will be primarily led by industries that are transaction-driven and that require significant customer interactions. The high cost of servicing a large number of small customer accounts makes BPM a compelling strategic alternative for such industries.

According to India's National Association of Software and Service Companies (NASSCOM), an industry trade organization, exports from India in the information technology and BPM industry are expected to grow between 12% and 14% year-over-year in the fiscal year ending March 31, 2016, to between \$112 billion and \$114 billion. According to International Data Corporation, (IDC), an industry market intelligence advisory firm, BPM should grow at over 14% from 2015-2018.

Companies are increasingly looking to BPM service providers to provide a suite of analytics services including statistical tools, models and techniques to clean, organize and examine structured and unstructured corporate data. This data is then used by companies to generate specific business-related analysis and insights into their business and prospects. The enhanced generation of business data across multiple formats, substantial reduction in data storage costs, growing enterprise demand for data-driven and real-time decision making and availability of sophisticated analytics tools have enabled companies to overcome a local shortage of specialized analytics talent and benefit from global labor markets. BPM service providers who can develop industry-specific analytics expertise are especially well poised to benefit from this global trend.

We believe the demand for Analytics solutions in many of our key verticals including banking and financial services, insurance and healthcare is growing strongly and will continue to do so for the next several years. According to NASSCOM, Analytics services outsourcing growth is expected to be 14.3% from a \$42 billion market in 2012 to \$71 billion in 2016. India has emerged as a leading delivery location for analytics, driven by a large quantitatively-trained workforce and attractive cost efficiencies, as compared to other locations.

Sales and Marketing and Client Management

We market our services to our existing and prospective clients through our sales and client management teams, which are aligned by industry verticals and cross-industry domains such as finance and accounting. Our sales and client management teams operate from the U.S. and Europe and are supported by our business development team.

Our sales, marketing and business development teams are responsible for new client acquisitions, public relations, relations with outsourcing advisory companies, analyst relations and rankings, lead generation, knowledge management, content development, campaign management, digital/Web presence, brand awareness and participation in industry forums and conferences. As of December 31, 2014, we employed over 100 sales, marketing, business development and client management professionals with the majority of them based in either the U.S. or Europe. Each professional has significant experience in business process solutions, technology, operations, analytics and business transformation. The sales cycle varies depending on the type of service, generally ranging from six months to eighteen

months for our Operations Management solutions and shorter time frames for our Analytics and Business Transformation services.

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Clients

EXL generated revenues from over 600 clients (including clients acquired as part of the Overland and Blue Slate acquisitions) and 280 clients in 2014 and 2013, respectively.

Our top three, five and ten clients generated 22%, 32% and 50% of our revenues respectively in 2014. Our top three, five and ten clients generated 25%, 37% and 58% of our revenues respectively in 2013. While we have reduced our revenue concentration with our top clients and are developing relationships with new clients to diversify our client base, we believe that the loss of any of our ten largest clients could have a material adverse effect on our financial performance. See Item 1A. Risk Factors Risks Related to Our Business we have a limited number of clients and provide services to a few industries.

Our long-term relationships with our clients typically evolve from providing a single, discrete solution or process into providing a series of complex, integrated processes across multiple business lines. For Operations Management services, we enter into long-term agreements with our clients with typical initial terms of between three and eight years. Agreements for Analytics and Business Transformation services generally have shorter initial terms, which are typically between one to three years for Analytics engagements and shorter-term fixed price engagements for consulting engagements. Each agreement is individually negotiated with the client.

Competition

Competition in the BPM services industry is intense and growing. See Item 1A. Risk Factors Risks Related to Our Business We face significant competition from U.S.-based and non-U.S.-based BPM and information technology (IT) companies and from our clients, who may build shared services centers to perform these services themselves, either in-house, in the U.S. or through offshore groups or other arrangements. Many companies, including certain of our clients, choose to perform some or all of their customer service, collections and back-office processes internally. Their employees provide these services as part of their regular business operations. Some companies have moved portions of their in-house customer management functions offshore, including to offshore affiliates. We believe our key advantage over in-house business processes is that we give companies the opportunity to focus on their core products and services while we focus on service delivery and operational excellence. We compete primarily against:

BPM service companies with delivery capability in offshore locations, particularly India, such as Genpact Limited and WNS (Holdings) Limited;

BPM divisions of large global IT service companies, such as Accenture, Cognizant Technology Solutions, Tata Consultancy Services and Infosys;

Niche providers that provide services in a specific geographic market, industry or service area such as analytics and healthcare; and

Leading accounting and management consulting firms.

We compete against these entities by working to establish ourselves as a service provider with deep industry expertise, strong client relationships, leading industry talent, superior operational and process capabilities, differentiated BPaaS

solutions, and sophisticated analytic and business transformation capabilities, which enables us to respond rapidly to market trends and the evolving needs of our clients.

Intellectual Property

Our principal intellectual property consists of trademarks, pending trademark applications, one patent and several filed patent applications, copyrighted software and other materials, trade secrets, proprietary and licensed platforms and the know-how of our management and employees. We have several trademarks and logos registered with the U.S. Patent and Trademark Office and certain foreign jurisdictions. We also consider the availability of patent protection for certain proprietary technology, and have filed certain patent applications.

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We consider our business processes and implementation methodologies to be trade secrets or confidential, proprietary information that includes trade secrets that are important to our business. Clients and business partners sign nondisclosure agreements requiring confidential treatment of our information. Our employees are also required to sign intellectual property assignments and confidentiality undertakings as a condition to their employment.

In addition to our own proprietary and licensed software, tools and methodologies, we often use software licensed by our clients and available on their systems and third-party software platforms to provide our services. We customarily enter into licensing and nondisclosure agreements with our clients and third parties with respect to the use of their software systems and platforms. Clients typically obtain consents for us to access and use third-party software licenses held by the client so that we may provide our services.

Our contracts usually specify that EXL will use or develop proprietary tools during a client engagement that will be owned by EXL, or may provide that intellectual property created during an engagement for a client will be considered to be work product that is owned by the client or otherwise assigned to that client.

Information Security and Data Privacy

We have a strong focus on information security, data privacy and the protection of our clients and their customers confidential information. We have made significant investments to strengthen our information security posture and protocols to ensure compliance with the established confidentiality policies and the laws and regulations governing our activities. These investments involve ensuring we have the appropriate people, processes and technology in place to protect information throughout its life cycle.

We seek to protect our clients' information and adhere to information security and data privacy standards. In 2014, EXL received an award for excellence in information security by industry association NASSCOM and the Data Security Council of India (DSCI). This award recognized EXL as an industry leader in the BPM category for our industry-first initiatives in information security.

According to the needs of our clients as well as the regulatory requirements of the geographies in which we operate, most of our delivery centers are certified in regard to quality, information security and employee safety, such as the ISO 9001:2008 standard for quality management system, the ISO 27001:2013 standard for our information security management system and the OHSAS 18001:2007 standard for our occupational health and safety management system. Some of our centers in the Philippines and certain client processes in other operation centers in India are certified as compliant with the Payment Card Industry Data Security Standard 3. We have received an unqualified SSAE 16 (SOC I Type II) report on general controls for several delivery centers and certain client operations processes.

EXL offers managed hosting environments for our BPaaS solutions in the insurance and healthcare verticals. Clients who adopt our BPaaS solutions on a managed hosted basis are offered a highly reliable, scalable, and secure hosting environment. The technology applications are hosted in ISO 27001certified, SSAE16 SOC1 Compliant Tier 4 data centers that are proactively monitored and managed 24 hours a day to meet the client's business requirements.

We have a robust wide area network and international telecommunications capacity to support our global business operations. Our infrastructure is built to industry standards, leveraging leading technology providers and partners. Our business continuity management includes plans to mitigate and manage operational risks by building resilience and redundancy in our telecommunications and network infrastructure, applications and IT infrastructure, utilities and power, and trained talent across our service delivery locations.

Operational Excellence, Process Compliance and Migrations

We believe our reputation for operational excellence is widely recognized by our clients and is an important competitive advantage. We use Lean and Six Sigma, which are data-driven methodologies for eliminating defects

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in any process, to identify process inefficiencies and improve productivity in client and support processes. We have an independent quality compliance team to monitor, analyze, provide feedback on and report process performance and compliance. In addition, we have a customer experience team to assess and improve end-customer experience for all processes. Currently, we have over 600 quality compliance analysts and customer experience analysts.

For most of our operations processes, we report process performance on B-ProMPT™, our proprietary web-based application. B-ProMPT™ includes process control capabilities such as digital dashboards for evaluating process management and performance at any level within an organization, including tracking the individual performance of agents, supervisors and other employees. B-ProMPT™ includes advanced analytics capacity to provide Six Sigma-based process analysis, including trend analysis, distribution analysis and correlation analysis and tracking.

We combine in-depth knowledge of our core industry sectors with proven expertise in transitioning our clients business operations to our offshore and onshore delivery centers, and administering and managing such operations. We have successfully transferred approximately 1,200 processes covering a broad array of products and services to our operations centers, including approximately 130 new processes that were transitioned by EXL in 2014. We have developed proprietary digitally enabled migration platform that automates EXL's migration methodology and capability. This proprietary migration platform leverages EXL's vast experience in managing process migrations with industry-best practices and cutting-edge digital tools. The platform is agile, geography-agnostic, customizable and enhances control and auditability.

Employees

As of December 31, 2014, we had a headcount of approximately 22,800 employees, with approximately 17,200 employees based in India and approximately 3,400 employees in the Philippines. We have approximately 1,600 employees in the U.S, 100 employees in the U.K., and 500 employees in the Czech Republic, Bulgaria and Romania. None of our employees are unionized. We have never experienced any work stoppages and believe that we enjoy good employee relations.

Hiring and Recruiting

Our employees are critical to the success of our business. Accordingly, we focus on recruiting, training and retaining our professionals. We have developed effective strategies that enable an efficient recruitment process. We have approximately 100 employees dedicated to recruitment. Some of the strategies we have adopted to increase efficiency in our hiring practices include the utilization of online voice assessments and a centralized hiring center. Our hiring policies focus on identifying high quality employees who demonstrate a propensity for learning, contribution to client services and growth. Candidates must undergo numerous tests and interviews before we extend offers for employment. We also conduct background checks on candidates, including criminal background checks, where permitted and as required by clients or on a sample basis. In addition, where permitted and required for client services, we perform random drug testing on the workforce on a regular basis. In 2014, we hired approximately 7,700 new employees. We also have an employee referral program that provides us with a cost effective way of accessing qualified potential employees.

We offer our employees competitive compensation packages that include incentive-based compensation and offer a variety of benefits that vary by facility, including free transport to and from home in certain circumstances, subsidized meals and free access to recreational facilities that are located within some of our operations centers. Our attrition rate for employees who had been with EXL for more than 180 days was 32.3% and 25.8% for the year ended December 31, 2014 and 2013, respectively. As competition in our industry increases, our turnover rate could increase. See Item 1A. Risk Factors Risks Related to Our Business We may fail to attract and retain enough sufficiently trained

employees to support our operations, as competition for highly skilled personnel is intense and we experience significant employee turnover rates.

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Capability Development and Training

We have a strong focus on the capability development and training of our employees. We have built up a world class global learning platform, which we believe acts as a crucial differentiator for us in the marketplace and amongst our employees. Our learning and development teams partner with business units and corporate functions to create an integrated talent development process focusing on skill development, the needs of our clients and industry certification. Our teams of training consultants seek to teach industry-leading capabilities to our employees help us serve our clients better. We provide customized solutions to different businesses based on geography, industry, domain and processes, in close collaboration with our clients. Our team also conducts mandatory legal and compliance related training globally for all of our employees. In 2014, we delivered approximately 75,000 man days of training which resulted in increased employee engagement, better retention and higher client satisfaction.

Regulation

Because of the diverse and highly complex nature of our service offerings, our operations are subject to a variety of rules, regulations and statutes. Several U.S. and foreign federal and state agencies regulate aspects of our business. In addition, our clients may contractually require that we comply with certain rules and regulations that are applicable to their specific industry. Failure to comply with any applicable laws and regulations could result in restrictions on our ability to provide our products and services, as well as the imposition of civil fines and criminal penalties, which could have a material adverse effect on our operations.

We are one of the few service providers that can provide third-party administrator insurance services from India and the Philippines, having been licensed or exempted from, or not subject to, licensing in 45 states and 16 states, respectively. Additionally, we are licensed or otherwise eligible to provide third-party administrator services in all states within the U.S. Certain of our debt collection, utilization review, workers compensation utilization review and telemarketing services require us to maintain licenses in various jurisdictions or require certain categories of our professionals to be individually licensed. Our facility in Manila, Philippines, is accredited by URAC (Utilization Review Accreditation Commission), a leading healthcare and education accreditation organization. We continue to obtain licenses required by our business operations.

Our operations are also subject to compliance with a variety of other laws, including the U.S. federal and state regulations that apply to certain portions of our business such as the Fair Credit Reporting Act, the Gramm-Leach-Bliley Act, the Health Insurance Portability and Accountability Act of 1996, the Health Information Technology for Economics and Clinical Health Act of 2009(HITECH), the Truth in Lending Act, the Fair Credit Billing Act, the Federal Trade Commission Act and Federal Deposit Insurance Corporation rules and regulations. We must also comply with applicable regulations relating to health and other personal information that we process as part of our services. Additionally, our client contracts may specify other regulatory requirements we must meet in connection with the services we provide. We provide our employees with training for applicable laws and regulations.

We benefit from tax relief provided by laws and regulations in India and the Philippines. Regulation of our business by the Indian government affects us in several ways. During the last five years, we either established or acquired new centers that are eligible for tax benefits under the Special Economic Zones Act, 2005 (the SEZ Act). The SEZ Act introduced a 15-year tax holiday scheme for operations established in designated special economic zones (SEZs). Under the SEZ Act, qualifying operations are eligible for a deduction from taxable income equal to (i) 100% of their export profits derived for the first five years from the commencement of operations; (ii) 50% of such export profits for the next five years; and (iii) 50% of the export profits for a further five years, subject to satisfying certain capital investment requirements. The SEZ Act provides, among other restrictions, that this holiday is not available to operations formed by splitting up or reconstructing existing operations or transferring existing plant and equipment

(beyond a prescribed limit) to new SEZ locations. We anticipate establishing additional operations centers in SEZs or other tax advantaged locations in the future. See Item 1A Risk Factors Risks

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related to the International nature of our business. Our financial condition could be negatively affected if foreign governments introduces new legislation, reduce or withdraw tax benefits and other incentives currently provided to companies within our industry or if we are not eligible for these benefits.

We also benefit from a corporate tax holiday in the Philippines for our operations centers established there over the last six years. The company registered with the Philippines Economic Zone Authority (PEZA) and is, inter-alia, eligible for income tax exemption for four years. This exemption incentive may be extended in certain instances upon fulfillment of certain conditions. Following the expiry of the tax exemption, income generated from centers in Philippines will be taxed at the prevailing annual tax rate, which is currently 5% on the gross income.

Available Information

We file annual, quarterly and current reports, proxy statements and other information with the Securities and Exchange Commission (the SEC) under the Securities Exchange Act of 1934, as amended (the Exchange Act). You may read and copy this information at the Public Reference Room of the SEC, Room 1580, 100 F Street, N.E., Washington, D.C. 20549. You may obtain information about the Public Reference Room by calling the SEC at 1-800-SEC-0330. In addition, the SEC maintains a website (<http://www.sec.gov>) that contains reports, proxy and information statements, and other information regarding issuers that file electronically through the EDGAR System.

We also maintain a website at <http://www.exlservice.com>. Information on our website does not constitute a part of, nor is it incorporated in any way, into this Form 10-K. We make available, free of charge, on our website our annual reports on Form 10-K, quarterly reports on Form 10-Q, proxy statements, current reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act, as soon as reasonably practicable after such reports are electronically filed with, or furnished to, the SEC.

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ITEM 1A. Risk Factors

Risks Related to Our Business

We have a limited number of clients and provide services to a few industries.

We have derived and believe that we will continue to derive a substantial portion of our total revenues from a limited number of large clients. In 2014, our ten largest clients accounted for approximately 50% of our total revenues. We expect that a significant portion of our total revenues will continue to be contributed by a limited number of large clients in the near future. The loss of or financial difficulties at any of our large clients could have a material adverse effect on our business, results of operations, financial condition and cash flows. Moreover, the loss of a major customer could also impact our reputation in the market, making it more difficult to attract and retain customers more generally.

On November 1, 2013, we received a notice of termination from the Travelers Indemnity Company (Travelers) under a Professional Services Agreement, dated as of March 7, 2006, between us and Travelers (as amended from time to time, the Services Agreement). Travelers represented a significant amount of our total revenues for the year ended December 31, 2013. There was a reduction in 2014 revenues due to certain services being transitioned away from us throughout 2014 and due to our reimbursement to Travelers for certain of their expenses incurred in connection with the termination (the disentanglement costs). If the disentanglement between us and Travelers is not completed in a manner that is satisfactory to both parties, it could further increase our expenses and revenue loss due to the termination, thereby negatively impacting our business, results of operations, financial condition and cash flows.

Our results of operations could be adversely affected by economic and political conditions and the effects of these conditions on our clients' businesses and levels of business activity.

Global economic and political conditions affect our clients' businesses and the markets they serve. The domestic and international capital and credit markets have been experiencing volatility and disruption for the past several years, resulting in uncertainty in the financial markets in general, which includes companies in the banking, financial services and insurance industries to which we provide services. Although there has been recent improvement in general economic conditions in these industries, there can be no assurance that the economic environment will continue to improve. Our business largely depends on continued demand for our services from clients and potential clients in these industries. Adverse developments in these industries or any other select industries to which we provide services could further unfavorably affect our business. In particular, we currently derive, and are likely to continue to derive, a significant portion of our revenues from clients located in the U.S. Any future decreases in the general level of economic activity, such as decreases in business and consumer spending, could result in a decrease in demand for our services, particularly our analytics and business transformation services, thus reducing our revenues. Continued high unemployment rates in the U.S. could also adversely affect the demand for our services. Other developments in response to economic events, such as consolidations, restructurings or reorganizations, particularly involving our clients, could also cause the demand for our services to decline.

Any future disruptions in the commercial credit markets may impact liquidity in the global credit market as greatly, or even more, than in recent years, and we may not be able to predict the impact such worsening conditions will have on our targeted industries in general, and our results of operations specifically. Future turbulence in global markets and economies may adversely affect our liquidity and financial condition, and the liquidity and financial condition of our clients. Market disruptions may limit our ability to access financing or increase our cost of financing to meet liquidity needs, and affect the ability of our customers to use credit to purchase our services or to make timely payments to us, resulting in adverse effects on our financial condition and results of operations. Changes in global economic conditions could also shift demand to services for which we do not have competitive advantages, and this could

negatively affect the amount of business that we are able to obtain.

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Our client contracts contain certain termination and other provisions that could have an adverse effect on our business, results of operations and financial condition.

Most of our client contracts may be terminated by our clients without cause and do not commit our clients to provide us with a specific volume of business. Any failure to meet a client's expectations could result in a cancellation or non-renewal of a contract or a decrease in business provided to us. We may not be able to replace any client that elects to terminate or not renew its contract with us, which would reduce our revenues. The loss of or financial difficulties at any of our large clients would have a material adverse effect on our business, results of operations, financial condition and cash flows.

A number of our contracts allow the client, in certain limited circumstances, to request a benchmark study comparing our pricing and performance with that of an agreed list of other service providers for comparable services. Based on the results of the study and depending on the reasons for any unfavorable variance, we may be required to make improvements in the services we provide or reduce the pricing for services on a prospective basis to be performed under the remaining term of the contract or our client could elect to terminate the contract, which could have an adverse effect on our business, results of operations and financial condition. Many of our contracts contain provisions that would require us to pay penalties to our clients and/or provide our clients with the right to terminate the contract if we do not meet pre-agreed service level requirements or if we do not provide certain productivity benefits. Failure to meet these requirements or accurately estimate the productivity benefits could result in the payment of significant penalties by us to our clients which in turn could have a material adverse effect on our business, results of operations and financial condition. Some of our contracts with clients specify that if a change of control of our company occurs during the term of the contract, the client has the right to terminate the contract. These provisions may result in our contracts being terminated if there is such a change in control, resulting in a potential loss of revenues. In addition, these provisions may act as a deterrent to any attempt by a third party to acquire our company.

We may fail to attract and retain enough sufficiently trained employees to support our operations, as competition for highly skilled personnel is intense and we experience significant employee turnover rates.

Our industry is labor intensive and our success depends to a significant extent on our ability to attract, hire, train and retain qualified employees, including our ability to attract employees with needed skills in the geographic areas in which we operate. The industry, including us, experiences high employee turnover. Our turnover rate for employees with EXL for more than 180 days was 32.3% and 25.8% for the year ended December 31, 2014 and 2013, respectively. There is significant competition for professionals with skills necessary to perform the services we offer to our clients. Increased competition for these professionals could have an adverse effect on us. A significant increase in the turnover rate among our employees, particularly among our higher skilled workforce, would increase our recruiting and training costs and decrease our operating efficiency, productivity and profit margins, and could lead to a decline in demand for our services. High turnover rates generally do not impact our revenues as we factor the attrition rate into our pricing models by maintaining additional employees for each process. However, high turnover rates do increase our cost of revenues and therefore impact our profit margins due to higher recruitment, training and retention costs. High employee turnover increases training, recruitment and retention costs because we must maintain larger hiring, training and human resources departments and it also increases our operating costs due to having to reallocate certain business processes among our operations centers where we have access to the skilled workforce needed for our business. These additional costs could have a material adverse effect on our results of operations and cash flows.

In addition, our ability to maintain and renew existing engagements and obtain new business will depend, in large part, on our ability to attract, train and retain personnel with skills that keep pace with the demand for outsourcing, evolving industry standards and changing client preferences. A lack of sufficiently qualified personnel could also inhibit our ability to establish operations in new markets and our efforts to expand geographically. Our failure to

attract, train and retain personnel with the qualifications necessary to fulfill the needs of our existing and future clients or to assimilate new employees successfully could have a material adverse effect on our business, results of operations, financial condition and cash flows.

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We have a long selling cycle for our operations management services that requires significant funds and management resources and a long implementation cycle that requires significant resource commitments.

We have a long selling cycle for our operations management services, which requires significant investment of capital, resources and time by both our clients and us. Before committing to use our services, potential clients require us to expend substantial time and resources educating them as to the value of our services, including testing our services for a limited period of time, and assessing the feasibility of integrating our systems and processes with theirs. Our clients then evaluate our services before deciding whether to use them. Therefore, our selling cycle, which generally ranges from six to eighteen months, is subject to many risks and delays over which we have little or no control, including our clients' decision to choose alternatives to our services (such as other providers or in-house offshore resources) and the timing of our clients' budget cycles and approval processes. In addition, we may not be able to successfully conclude a contract after the selling cycle is complete.

Implementing our services involves a significant commitment of resources over an extended period of time from both our clients and us. Our clients may also experience delays in obtaining internal approvals or delays associated with technology or system implementations, thereby delaying further the implementation process. Our clients and future clients may not be willing or able to invest the time and resources necessary to implement our services, and we may fail to close sales with potential clients to which we have devoted significant time and resources. These factors could have a material adverse effect on our business, results of operations, financial condition and cash flows.

Once we are engaged by a client, it may take us several months before we start to recognize significant revenues.

When we are engaged by a client after the selling process for our operations management services, it takes from four to six weeks to integrate the client's systems with ours, and up to three months thereafter to build up our services to the client's requirements and perform any necessary transformative initiatives. Depending on the complexity of the processes being implemented, these time periods may be significantly longer. Implementing processes can be subject to potential delays similar to certain of those affecting the selling cycle. Therefore, we do not recognize significant revenues until after we have completed the implementation phase.

We typically enter into long-term contracts with our clients, and our failure to accurately estimate the resources and time required for our contracts may negatively affect our profitability.

The initial terms of our operations management contracts typically range from three to five years. In many of our operations management contracts we commit to long-term pricing with our clients and therefore bear the risk of cost overruns, completion delays, wage inflation and adverse movements in exchange rates in connection with these contracts. If we fail to estimate accurately the resources and time required for a contract, future wage inflation rates or currency exchange rates (or fail to accurately hedge our currency exchange rate exposure) or if we fail to complete our contractual obligations within the contracted timeframe, our revenues and profitability may be negatively affected.

Consistency in our revenues from period to period depends in part on our ability to reflect the changing demands and needs of our existing and potential clients. If we are unable to adjust our pricing terms or the mix of products and services we provide to meet the changing demands of our clients and potential clients, our business, results of operations and financial condition may be adversely affected.

A significant portion of our contracts use a pricing model that provides for hourly or annual billing rates. Industry pricing models are evolving, however, and we anticipate that clients may increasingly request transaction-based, outcome-based or other pricing models. If we are unable to obtain operating efficiencies or if we make inaccurate assumptions for contracts with transaction-based pricing, our profitability may be negatively affected. If we are unable

to adapt our operations to evolving pricing protocols, our results of operations may be adversely affected or we may not be able to offer pricing that is attractive relative to our competitors.

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In addition, the services we provide to our clients and the revenues and income from those services may decline or vary as the type and quantity of services we provide under those contracts changes over time, including as a result of a shift in the mix of products and services we provide. Furthermore, our clients, some of which have experienced significant and adverse changes in their prospects, substantial price competition and pressures on their profitability, have in the past and may in the future demand price reductions, automate some or all of their processes or change their operations management strategy by moving more work in-house or to other providers, any of which could reduce our profitability. Any significant reduction in or the elimination of the use of the services we provide to any of our clients, or any requirement to lower our prices, would harm our business.

Our profitability will suffer if we are not able to appropriately price our services or manage our asset utilization levels.

Our profitability is largely a function of the efficiency with which we utilize our assets, in particular our people and our operations centers, and the pricing that we are able to obtain for our services. Our asset utilization levels are affected by a number of factors, including our ability to transition employees from completed projects to new assignments, attract, train and retain employees, forecast demand for our services and maintain an appropriate headcount in each of our locations, as well as our need to dedicate resources to employee training and development and other typically non-chargeable activities. The prices we are able to charge for our services are affected by a number of factors, including our clients' perceptions of our ability to add value through our services, substantial price competition, introduction of new services or products by us or our competitors, our ability to accurately estimate, attain and sustain revenues from client engagements, our ability to estimate resources for long-term pricing, margins and cash flows for long-term contracts and general economic and political conditions. Therefore, if we are unable to appropriately price our services or manage our asset utilization levels, there could be a material adverse effect on our business, results of operations and financial condition.

Our analytics and business transformation services are cyclical and based on specific projects involving short-term contracts.

Our analytics and business transformation services, such as our analytics, finance transformation and operations and consulting services, are cyclical and can be significantly affected by variations in business cycles. Changes in the deadlines or the scope of work required for compliance with the requirements of legislation applicable to our clients could have a significant impact on certain service offerings of our analytics and business transformation services business.

In addition, a significant portion of our analytics and business transformation services consist of specific projects with contract terms generally not exceeding one year and may not produce ongoing or recurring business for us once the project is completed. These contracts also usually contain provisions permitting termination of the contract after a short notice period. The short-term nature and specificity of these projects could lead to material fluctuations and uncertainties in the revenues generated from providing analytics and business transformation services.

Our operating results may experience significant variability and as a result it may be difficult for us to make accurate financial forecasts.

Our operating results may vary significantly from period to period. Although our existing agreements with original terms of three or more years provide us with a relatively predictable revenue base for a substantial portion of our business, the long selling cycle for our services and the budget and approval processes of prospective clients make it difficult to predict the timing of entering into definitive agreements with new clients. The timing of revenue recognition under new client agreements also varies depending on when we complete the implementation phase with

new clients. The completion of implementation varies significantly based upon the complexity of the processes being implemented.

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Our period-to-period results have in the past and may also in the future fluctuate due to other factors, including client losses, delays or failure by our clients to provide anticipated business, variations in employee utilization rates resulting from changes in our clients' operations, delays or difficulties in expanding our operations centers and infrastructure (including hiring new employees or constructing new operations centers), changes to our pricing structure or that of our competitors, currency fluctuations, seasonal changes in the operations of our clients and other events identified in this Annual Report on Form 10-K. Our revenues are also affected by changes in pricing under our contracts at the time of renewal or by pricing under new contracts. In addition, most of our contracts do not commit our clients to provide us with a specific volume of business. Further, as we increase our capabilities utilizing technology service platforms and other software-based services, we expect that revenues from such services will continue to grow in proportion to our total revenues. Revenues from annual maintenance and support contracts for our software platforms provide us with a relatively predictable revenue base whereas revenues from new license sales and implementation projects have a long selling cycle and it is difficult to predict the timing of when such new contracts will be signed which may lead to fluctuations in our short term revenues. All these factors may make it difficult to make accurate financial forecasts or replace anticipated revenues that we do not receive as a result of delays in implementing our services or client losses. If our actual results do not meet any estimated results that we announce, or if we underperform market expectations as a result of such factors, trading prices for our common stock could be adversely affected.

Our senior management team is critical to our continued success and the loss of one or more members of our senior management team could harm our business.

Our future success substantially depends on the continued services and performance of the members of our management team and other key employees possessing technical and business capabilities, including industry expertise, that are difficult to replace. Specifically, the loss of the services of Rohit Kapoor, our Vice Chairman and Chief Executive Officer, could seriously impair our ability to continue to manage and expand our business. There is intense competition for experienced senior management and personnel with technical and industry expertise in the industry in which we operate, and we may not be able to retain these officers or key employees. Although we have entered into employment and non-competition agreements with all of our executive officers, certain terms of those agreements may not be enforceable and in any event these agreements do not ensure the continued service of these executive officers.

In addition, we currently do not maintain key person insurance covering any member of our management team. The loss of any of our key employees, particularly to competitors, could have a material adverse effect on our business, results of operations, financial condition and cash flows.

Our inability to effectively manage our rapid infrastructure and personnel growth could have a material adverse effect on our operations, results of operations and financial condition.

Since we were founded in April 1999, we have experienced rapid growth and significantly expanded our operations. We have nineteen operations centers in India, six operations centers in the U.S., five operations centers in the Philippines and one operations center in each of Bulgaria, Romania, and the Czech Republic. Further, we acquired multiple regional offices as part of over Overland and Blue Slate acquisitions during the year 2014. Our headcount has increased from approximately 1,800 on December 31, 2002 to approximately 22,800 on December 31, 2014. We expect to develop and improve our internal systems in the locations where we operate in order to address the anticipated continued growth of our business. We are also continuing to look for operations centers at additional locations outside of our current operating geographies. We believe expanding our geographic base of operations will provide higher value to our clients by decreasing the risks of operating from a single country (including potential shortages of skilled employees, increases in wage costs during strong economic times and currency fluctuations), while also giving our clients access to a wider talent pool and establishing a base in countries that may be competitive

in the future. However, we may not be able to effectively manage our infrastructure and employee expansion, open additional operations centers or hire additional skilled employees as and when they are required to meet the ongoing needs of our clients, and we may not be able to

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develop and improve our internal systems. We also need to manage cultural differences between our employee populations and that may create a risk for employment law claims. Our inability to execute our growth strategy, to ensure the continued adequacy of our current systems or to manage our expansion effectively could have a material adverse effect on our business, results of operations, financial condition and cash flows.

We may engage in strategic acquisitions or transactions, which could have a material adverse effect on our business, results of operations and financial condition.

As part of our business strategy, we intend to continue to selectively consider acquisitions or investments, some of which may be material. Through the acquisitions we pursue, we may seek opportunities to expand the scope of our existing services, add new clients or enter new geographic markets. We have completed nine acquisitions since our inception in April 1999. There can be no assurance that we will successfully identify suitable candidates in the future for strategic transactions at acceptable prices, have sufficient capital resources to finance potential acquisitions or be able to consummate any desired transactions. Our failure to close transactions with potential acquisition targets for which we have invested significant time and resources could have a material adverse effect on our financial condition and cash flows.

Acquisitions, including completed acquisitions, involve a number of risks, including diversion of management's attention, ability to finance the acquisition on attractive terms, failure to retain key personnel or valuable customers, legal liabilities and the need to amortize acquired intangible assets, any of which could have a material adverse effect on our business, results of operations, financial condition and cash flow.