

ExlService Holdings, Inc.
 Form 10-K
 February 26, 2016

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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, 2015

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	82-0572194
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

280 PARK AVENUE, 38 TH FLOOR, NEW YORK, NEW YORK	10017
(Address of principal executive offices)	(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

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

None

Name of Each Exchange on Which Registered:

NASDAQ Global Select Market

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

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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.

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, 2015, the aggregate market value of common stock held by non-affiliates was approximately \$1,103,165,005.

As of February 22, 2016, there were 33,269,976 shares of the registrant's common stock outstanding (including 129,638 shares of restricted stock), 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, 2015.

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ITEM 1. Business

ExlService Holdings, Inc. (“EXL”, “we”, “us”, “our” or the “Company”), incorporated in Delaware in 2002, is a leading Operations Management and Analytics company that helps businesses enhance growth and profitability. Using our proprietary platforms, methodologies and tools we look deeper to help companies improve global operations, enhance data-driven insights, increase customer satisfaction, and manage risk and compliance. We serve the insurance, healthcare, banking and financial services, utilities and travel, transportation and logistics industries, among others. Headquartered in New York, we have more than 24,000 professionals in locations throughout the United States, Europe, Asia (primarily India and the Philippines), Latin America, Australia and South Africa.

Our operating segments are significant strategic business units that align our products and services with how we manage our business, approach our key markets and interact with our clients. Effective for the quarter and year ended December 31, 2015, we merged two of our operating segments (Operations Consulting and Finance Transformation, previously part of the Analytics and Business Transformation reportable segment) into the Consulting operating segment to reflect recent organizational changes. We have also revised our reportable segments to reflect management’s focus on the Analytics operating segment. All our other operating segments have been aggregated into the Operations Management reportable segment. The March 2015 acquisition of RPM Direct LLC and RPM Data Solutions, LLC (together “RPM”) is included in the Analytics operating segment.

Our new reportable segments are as follows:

- Operations Management, and
- Analytics.

We have restated the segment information for all prior years presented herein to conform to the current presentation. This change in segment presentation does not affect our consolidated statements of income, balance sheets or statements of cash flows. We do not allocate assets by operating segment, although our operating segments do manage and control certain assets. For further descriptions of our operating segments, including financial information regarding revenues and cost of revenues, see Note 3 of the notes to consolidated financial statements in this annual report.

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, and travel, transportation and logistics industries in addition to providing finance and accounting and consulting solutions across multiple industries. Our Operations Management solutions represented 80.6% of EXL’s revenues in 2015. The key differentiators and salient features of our Operations Management solutions include our agile operating and delivery model utilizing domain expertise and process excellence, the Business EXLerator Framework™, our ability to deploy a Business Process-as-a-Service (“BPaaS”) delivery model, business process automation (including robotics), consulting-driven transformation and our industry vertical focused approach.

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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 (such as robotics), 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 typically requires lower capital outlay, is faster to implement and is 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. 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, commercial and residential survey, and customer service. In 2015, the research firm Everest Group ranked EXL as a "Leader" in the both U.S. "Property & Casualty Insurance BPO PEAK Matrix™ Assessment 2015" and the U.S. "Life and Pensions Insurance BPO market".

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We have intensified our use of proprietary technology tools and platforms to provide increasingly complex services to the insurance industry. Research group HfS placed us in the Winner’s Circle in the domain of providing Insurance-As-a-Service in 2015. Additionally, we were awarded the “XCelent Award for Customer Base” in Celent’s “North American Policy Administration Systems 2015: Life, Annuities, Pension, and Health ABCD Vendor View”. 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. In 2015, we continued to develop and deploy new platforms that provide distinctive services to our clients. In support of our claims management offering, we introduced a medical bill review capability that, used in conjunction with our medical record summarization product, provides a comprehensive view of medical claims. Bills are evaluated for relevancy and accuracy.

Our Insurance solutions include:

Insurance

New business and agency management > Coverage and quote generation > Underwriting rules and data review > Policy setup and issuance > New agent setup > Commissions management > Debt management > Underwriting surveys	Policy administration > Customer service > Renewals > Lapses and reinstatements > Conversions > Cancellations > Disbursements > Withdrawals and loans > Mailroom > Transfers	Claims management > First notification of loss > Categorization and claims indexing > Coverage and eligibility verification > Adjudication > Settlement > Abandoned property > Third-party fault > Subrogation > Fraud detection	Premium audit, billing and accounting > Billing and remittance > Premium administration > Account reconciliation > Premium audit > General ledger accounting Legal Support > Contract and abstraction management > Legal research > Administrative support > Compliance services	Technology platforms > EXL LifePRO® policy administration platform > Subsource®: Subrogation recovery platform > MedConnection™: Medical record summarization tool > AuditStream® Premium audit platform > Castle High Value Surveys®
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Healthcare: We offer operations, clinical and administrative management solutions for the rapidly changing healthcare industry, (primarily serving U.S.-based healthcare payers and providers). Our service offerings include: care management/population health solutions, payment integrity, revenue optimization and customer engagement. Our service offerings focus on addressing the market need for improved healthcare outcomes, reduced costs and improved access to the healthcare system. To support our clients’ business objectives, we have over 1,500 clinical and non-clinical professionals globally.

We provide clinical care management services for our clients’ commercial, Medicare, Workers Compensation and disability products and programs. We deliver business process support for utilization management, disease management, claims, healthy lifestyle coaching, pharmacy management, payments, member and provider services, special investigations, HEDIS, and revenue cycle management. Accreditation and training are critical requirements for superior delivery of our services. Our delivery facility in Manila, Philippines, has received the Utilization Review Accreditation Commission’s Health Utilization Management accreditation. We operate our own Healthcare Academy to assure our clinicians stay up to date on clinical expertise and skills training, healthcare, service delivery, and overall healthcare industry trends. 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 were named in the Winner’s Circle in HfS Blueprint Report: Population Health Care Management Business Services and in HfS Blueprint for Healthcare Payer Operations in 2015.

We offer BPaaS, SaaS and platform BPO solutions designed to serve the healthcare industry as well as proprietary technology platforms. EXL’s CareRadius® 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® and MaxMCsm applications run care management functions that affect over 49 million lives in the United States.

Our Healthcare solutions include:

Healthcare

Global clinical operations

Home Services

Portfolio and Energy Balancing

> Commercial services

+ Pre- and post-utilization services

+ Preventive services

+ Clinical support

> Medicare operations

> Pharmacy operations

> Disability operations

> Workers’ compensation operations

> Benefit management

> Long-term care

> Policy administration

> Claims management

> Billing and collections

> Customer service support

> CareRadius® medical management platform

> MaxMCsm medical management platform

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Utilities: EXL’s utilities solutions enhance operating models, improve customer experience, reduce costs, shorten turnaround time and simplify compliance. We manage utilities operations across the customer life cycle, from acquisition and home moves to billing, meter exchanges, annual service visits, debt recoveries and withdrawals. We have also supported multiple SAP implementations by designing, testing, piloting and stabilizing new platforms. Our Utilities solutions include:

Utilities

Customer Journeys	Debt Management	Third Party Intermediaries	Home Services	Customer Services	Portfolio and Energy Balancing
> Business to Consumer (B2C) and Business to Business (B2B)					
> Join – Account Setup	> Inbound and Outbound Collections (B2C & B2B)	> Flow management	> Account Set up		> Imbalance
> Move – Home / Business move	> Skip Tracing	> Meter configuration	> Billing and Payment	> Web and e-mail correspondence	Payment Reconciliation
> Billing – Meter read and Billing management	> Debt Back Office Operations: Warrant Checking and Planning	> Meter read validation	> Service Management	> Customer complaints management	> Vacant Property Portfolio Review
> Metering – Exchange and Meter Asset Management	> Field support	> Smart meter read retrieval	> Customer Account Management	> Metering appointment bookings	> Unbilled and Portfolio mismatch
> Payments – Direct Debit Reassessment	> Insolvency	> Agent appointment / de-appointment	> Leave Enquiries		> Asset Reconciliation
> Leave - Withdrawals		> Settlement and Reconciliation	> Contract Management		
		> Supplier Queries	> Complaints Management		
		> Supporting Field Jobs			

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Banking and Financial Services: We service and process 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 and financial 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. We were named a “Major Contender” in Everest Group’s “Banking BPO - Service Provider Landscape with PEAK Matrix™ Assessment 2015” and a leader in the “IDC MarketScape: Worldwide Finance And Accounting BPO Services Vendor Assessment Report.”

Our Banking and Financial Services solutions include:

Banking and Financial Services