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

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**FORM 10-K**

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**Annual Report Pursuant To Section 13 Or 15(d) Of The Securities Exchange Act Of 1934**

For the fiscal year ended December 31, 2016

Or

**Transition Report Pursuant To Section 13 Or 15(d) Of The Securities Exchange Act Of 1934**

For The Transition Period From \_\_\_\_\_ To \_\_\_\_\_

Commission File Number 0-28274

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**Sykes Enterprises, Incorporated**

(Exact name of registrant as specified in its charter)

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**Florida**  
(State or other jurisdiction of  
incorporation or organization)

**56-1383460**  
(IRS Employer  
Identification No.)

**400 N. Ashley Drive, Suite 2800, Tampa, Florida**  
(Address of principal executive offices)

**33602**  
(Zip Code)

**(813) 274-1000**  
(Registrant's telephone number, including area code)

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

Title of Each Class  
**Common Stock \$.01 Par Value**

Name of each exchange on which registered  
**NASDAQ Stock Market, LLC**

**Securities registered pursuant to Section 12(g) of the Act: None**

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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 Exchange 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 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 “accelerated filer,” “large accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act (Check one):

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

The aggregate market value of the shares of voting common stock held by non-affiliates of the Registrant computed by reference to the closing sales price of such shares on the NASDAQ Global Select Market on June 30, 2016, the last business day of the Registrant’s most recently completed second fiscal quarter, was \$1,200,267,356.

As of February 9, 2017, there were 42,894,518 outstanding shares of common stock.

**DOCUMENTS INCORPORATED BY REFERENCE:**

Documents	Form 10-K Reference
Portions of the Proxy Statement for the year 2017	
Annual Meeting of Shareholders	Part III Items 10–14

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## PART I

### Item 1. Business

#### General

Sykes Enterprises, Incorporated and consolidated subsidiaries (“SYKES,” “our,” “us” or “we”) is a global business process outsourcing (“BPO”) leader in providing comprehensive inbound customer engagement solutions and services to Global 2000 companies primarily in the communications, financial services, healthcare, technology, transportation, retail and other industries. Our differentiated end-to-end solutions and service platform effectively engages consumers at every touch point in their customer lifecycle, starting from digital marketing and acquisition to customer support, technical support, up-sell/cross-sell and retention. We serve our clients through two geographic operating regions: the Americas (United States, Canada, Latin America, Australia and the Asia Pacific Rim) and EMEA (Europe, the Middle East and Africa). Our Americas and EMEA regions primarily provide customer engagement services (with an emphasis on inbound technical support, digital marketing and demand generation, and customer service), which includes customer assistance, healthcare and roadside assistance, technical support, and product and service sales to our clients’ customers. These services are delivered through multiple communication channels including phone, e-mail, social media, text messaging, chat and digital self-service. We also provide various enterprise support services in the United States that include services for our clients’ internal support operations, from technical staffing services to outsourced corporate help desk services. In Europe, we also provide fulfillment services, which includes order processing, payment processing, inventory control, product delivery and product returns handling. (See Note 25, Segments and Geographic Information, of the accompanying “Notes to Consolidated Financial Statements” for further information on our segments.) Our complete service offering helps our clients acquire, retain and increase the lifetime value of their customer relationships. We have developed an extensive global reach with customer engagement centers across six continents, including North America, South America, Europe, Asia, Australia and Africa. We deliver cost-effective solutions that enhance the customer service experience, promote stronger brand loyalty, and bring about high levels of performance and profitability.

SYKES was founded in 1977 in North Carolina and we moved our headquarters to Florida in 1993. In March 1996, we changed our state of incorporation from North Carolina to Florida. Our headquarters are located at 400 North Ashley Drive, Suite 2800, Tampa, Florida 33602, and our telephone number is (813) 274-1000.

In April 2016, we completed the acquisition of Clear Link Holdings, LLC (“Clearlink”), pursuant to a definitive Agreement and Plan of Merger, dated March 6, 2016. We have reflected Clearlink’s operating results in the accompanying Consolidated Statement of Operations for the period from April 1, 2016 to December 31, 2016.

In July 2015, we completed the acquisition of Qelp B.V. and its subsidiary (together, known as “Qelp”), pursuant to definitive Share Sale and Purchase Agreement, dated July 2, 2015. We have reflected Qelp’s operating results in the accompanying Consolidated Statements of Operations for the period from July 2, 2015 to December 31, 2015 and the year ended December 31, 2016.

Our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and amendments to those reports, as well as our proxy statements and other materials which are filed with, or furnished to, the Securities and Exchange Commission (“SEC”) are made available, free of charge, on or through our Internet website at [www.sykes.com](http://www.sykes.com) (click on “Company” then “Investor Relations” and then “SEC Filings”) as soon as reasonably practicable after they are filed with, or furnished to, the SEC.

#### Industry Overview

The customer engagement solutions and services industry – which includes services such as digital marketing and demand generation, customer acquisition, customer support and customer retention – is highly fragmented and significant in size. According to Ovum, an industry research firm, the total number of individuals, or agent positions, working in the customer engagement services industry worldwide was estimated at roughly 10.2 million in 2016. With approximately 78% of the customer engagement work done by in-house engagement centers, the number of agent positions working for outsourcers, such as SYKES, was estimated at 2.2 million in 2016. The outsourced and total agent positions are forecasted by Ovum to grow at compound annual growth rate of 4.9% and 2.8%, respectively, from 2016 to 2018. It is estimated that no single outsourcer has more than five percent of the total agent positions worldwide. Measured in dollar terms, the size of the outsourced portion of the customer engagement solutions and services industry worldwide was estimated at approximately \$72 billion in 2016, according to

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International Data Corporation (“IDC”), an industry research firm. IDC also estimates that the outsourced portion of the customer engagement solutions and services industry is expected to grow to approximately \$81 billion by 2018, a compound annual growth rate of 6.1% from 2016 to 2018.

We believe that growth for broader outsourced customer engagement solutions and services will be fueled by the trend of Global 2000 companies and medium-sized businesses utilizing outsourcers. In today’s marketplace, companies increasingly are seeking a comprehensive suite of innovative full lifecycle customer engagement management solutions and services that allow them to acquire customers, enhance the end user’s experience with their products and services, strengthen and enhance their company brands, maximize the lifetime value of their customers through retention and up-sell and cross-sell, efficiently and effectively deliver human interactions when and where customers value it most, and deploy best-in-class customer management strategies, processes and technologies. However, a myriad of factors, among them intense global competition, pricing pressures, softness in the global economy and rapid changes in technology, continue to make it difficult for companies to cost-effectively maintain the in-house personnel necessary to handle all of their customer engagement needs.

To address these needs, we offer comprehensive global customer engagement solutions and services that leverage brick-and-mortar and at-home agent delivery infrastructure as well as digital self-service capabilities. We provide consistent high-value support for our clients’ customers across the globe in a multitude of languages, leveraging our dynamic, secure communications infrastructure and our global footprint that reaches across 20 countries. This global footprint includes established brick-and-mortar operations in both onshore and offshore geographies where companies have access to high-quality customer engagement solutions at lower costs compared to other markets. We further complement our brick-and-mortar global delivery model with a highly differentiated and ready-made best-in-class at-home agent delivery model. In addition, we provide digital self-service customer support that differentiates our go-to-market strategy as it expands options for companies to best service their customers in their channel of choice to deliver an “effortless customer experience.” By working in partnership with outsourcers, companies can ensure that the crucial task of acquiring, growing and retaining their customer base is addressed while creating operating flexibility, enabling focus on their core competencies, ensuring service excellence and execution, achieving cost savings through a variable cost structure, leveraging scale, entering niche markets speedily, and efficiently allocating capital within their organizations.

### **Business Strategy**

Broadly speaking, our value proposition to our clients is that of a trusted partner, which provides a comprehensive suite of full lifecycle customer engagement solutions and services to Global 2000 companies that drive customer acquisition, differentiation, brand loyalty and increased lifetime value of end customer relationships. By outsourcing their customer acquisition and service solutions to us, clients are able to achieve designs of exceptional customer experience and drive tangible business impact with greater operational flexibility, enhanced revenues, lower operating costs and faster speed to market, all of which are at the center of our value proposition. At a tactical level, we deliver on this value proposition through consistent delivery of operational and client excellence. Our business strategy is to leverage this value proposition in order to capitalize on and increase our share of the large and underpenetrated addressable market opportunity for customer engagement solutions and services worldwide. We believe through successful execution of our business strategy, we could generate a healthy level of revenue growth and drive targeted long-term operating margins. To deliver on our long-term growth potential and operating margin objectives, we need to manage the key levers of our business strategy, the principles of which include the following:

***Build Long-Term Client Relationships Through Customer Service Excellence.*** We believe that providing high-value, high-quality service is critical in our clients’ decisions to outsource and in building long-term relationships with our clients. To ensure service excellence and consistency across each of our centers globally, we leverage a portfolio of techniques, including SYKES Science of Service<sup>®</sup>. This standard is a compilation of more than 30 years of experience and best practices. Every customer engagement center strives to meet or exceed the standard, which addresses leadership, hiring and training, performance management down to the agent level, forecasting and scheduling, and the client relationship including continuous improvement, disaster recovery plans and feedback.

***Increasing Share of Seats Within Existing Clients and Winning New Clients .*** We provide customer engagement solutions and services to Global 2000 companies. With this large target market, we have the opportunity to grow our client base. We strive to achieve this by winning a greater share of our clients’ in-house seats as well as gaining share from our competitors by providing consistently high-quality service as clients continue to consolidate their vendor base. In addition, as we further integrate the recently-acquired digital marketing, demand generation and customer acquisition or sales conversion capabilities of Clearlink and leverage it across our brick-and-mortar and at-home agent delivery platforms both domestically and internationally within our vertical markets mix, we plan to win new clients as a way to broaden our base of growth.

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***Diversifying Verticals and Expanding Service Lines.*** To mitigate the impact of any negative economic and product cycles on our growth rate, we continue to seek ways to diversify into verticals and service lines that have countercyclical features and healthy growth rates. We are targeting the following verticals for growth: communications, financial services, technology/consumer, healthcare and retail. These verticals cover various business lines, including wireless services, broadband, retail banking, credit card/consumer fraud protection, content moderation, telemedicine and soft and hard goods retailers.

***Maximizing Capacity Utilization Rates and Strategically Adding Seat Capacity.*** Revenues and profitability growth are driven by increasing the capacity utilization rate in conjunction with seat capacity additions. We plan to sustain our focus on increasing the capacity utilization rate by further penetrating existing clients, adding new clients and rationalizing underutilized seat capacity as deemed necessary. With greater operating flexibility resulting from our at-home agent delivery model, we can rationalize underutilized capacity more efficiently and drive capacity utilization rates.

***Broadening At-Home Agent and Brick-and-Mortar Global Delivery Footprint.*** Just as increased capacity utilization rates and increased seat capacity are key drivers of our revenues and profitability growth, where we deploy both the seat capacity and the at-home agent delivery platform geographically is also important. By broadening and continuously strengthening our brick-and-mortar global delivery footprint and our at-home agent delivery platform, we are able to meet both our existing and new clients' customer engagement needs globally as they enter new markets. At the end of 2016, our global delivery brick-and-mortar footprint spanned 20 countries while our at-home agent delivery platform was recently launched in EMEA, building on our existing presence in 40 states and nine provinces within the U.S. and Canada, respectively.

***Creating Value-Added Service Enhancements.*** To improve both revenue and margin expansion, we will continue to introduce new service offerings and add-on enhancements. Digital marketing and demand generation, multilingual customer support, digital self-service support and back office services are examples of horizontal service offerings, while data analytics and process improvement products are examples of add-on enhancements. Additionally, with the rapid emergence of on-line communities, such as Facebook and Twitter, we continue to make on-going investments in our social media service offerings, which can be leveraged across both our brick-and-mortar and at-home agent delivery platforms.

***Continuing to Focus on Expanding the Addressable Market Opportunities .*** As part of our growth strategy, we continually seek to expand the number of markets we serve. The United States, Canada and Germany, for instance, are markets which are served by in-country centers, centers in offshore regions or a combination thereof. We continually seek ways to broaden the addressable market for our customer engagement services. We currently operate in 14 markets.

***Continue to Grow Our Business Organically and through Acquisitions.*** We have grown our customer engagement solutions and services utilizing a strategy of both internal organic growth and external acquisitions. Our organic growth and acquisition strategy is to target markets, clients, verticals, delivery geographies and service mix that will expand our addressable market opportunity, and thus drive our organic growth. Entry into The Philippines, El Salvador, Romania and Colombia are examples of how we leveraged these delivery geographies to further penetrate our base of both existing and new clients, verticals and service mix in order to drive organic growth. While the Alpine Access, Inc. ("Alpine"), Qelp and Clearlink acquisitions are examples of how we used acquisitions to augment our service offerings and differentiate our delivery model, the ICT Group, Inc. ("ICT") acquisition is an example of how we used an acquisition to gain overall size and critical mass in key verticals, clients and geographies.

### **Strategic Rationale for the Clearlink Acquisition**

We completed the acquisition of Clearlink in April 2016. Clearlink is one of the leading inbound demand generation and sales conversion platforms serving numerous business-to-consumer and business-to-business clients across various industries and subsectors, including telecommunications, satellite television, home security and insurance. Consumers are rapidly adopting and increasing their utilization of digital channels as a preferred method to engage with brands, whether that engagement is before, during, or after purchase. The acquisition of Clearlink positions us to capitalize on the trends around the digital customer experience lifecycle, in particular the convergence of

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customer care and customer acquisition. Combining Clearlink’s digital marketing, demand generation, and sales conversion model with our post-sales customer care and support capabilities allows us to provide the market with a unique and differentiated global customer interaction management platform that more effectively engages digital consumers at every touch point in the customer lifecycle.

Through the acquisition of Clearlink, we further:

- extended our competitive advantage, thus enabling us to further capitalize on the trend toward vendor consolidation;
- expanded our suite of service offerings that can scale across the global markets, verticals and client portfolios;
- broadened the addressable market opportunity as it enables a greater share of the customer engagement value chain; and
- created more entry points to capture new clients while extending our executive level reach within existing clients’ organizations.

## Services

We specialize in providing comprehensive inbound outsourced customer engagement solutions and services in the BPO arena on a global basis. These services include digital marketing, demand generation, customer acquisition, customer support, technical support, up-sell/cross-sell and retention. Our comprehensive customer engagement solutions and services are provided through two reportable segments — the Americas and EMEA. The Americas region, representing 83.6% of consolidated revenues in 2016, includes the United States, Canada, Latin America, Australia and the Asia Pacific Rim. The sites within Latin America and the Asia Pacific Rim are included in the Americas region as they provide a significant service delivery vehicle for U.S.-based companies that are utilizing our customer engagement solutions and services in these locations to support their customer care needs. In addition, the Americas region also includes revenues from our at-home agent delivery solution, which serves markets in both the U.S. and Canada. The EMEA region, representing 16.4% of consolidated revenues in 2016, includes Europe, the Middle East and Africa. See Note 25, Segments and Geographic Information, of the accompanying “Notes to Consolidated Financial Statements” for further information on our segments. The following is a description of our customer engagement solutions and services:

**Outsourced Customer Engagement Solutions and Services.** Our outsourced customer engagement solutions and services represented approximately 99.2% of total 2016 consolidated revenues. Each year, we handle over 250 million customer engagements including phone, e-mail, social media, text messaging, chat and digital self-service support throughout the Americas and EMEA regions. We provide these services utilizing our advanced technology infrastructure, human resource management skills and industry experience. These services include:

- Customer care — Customer care contacts primarily include product information requests, describing product features, activating customer accounts, resolving complaints, cross-selling/up-selling, handling billing inquiries, changing addresses, claims handling, ordering/reservations, prequalification and warranty management, providing health information and roadside assistance;
- Technical support — Technical support contacts primarily include handling inquiries regarding hardware, software, communications services, communications equipment, Internet access technology and Internet portal usage; and
- Customer acquisition — Our customer acquisition services are focused around digital marketing, demand generation, and in-bound sales conversion, as well as inbound and some outbound up-selling of our clients’ products and services.

We provide these services, primarily inbound customer calls, in many languages through our extensive global network of customer engagement centers. In addition, we augment those in-bound calls with the option of digital self-service customer support. Our technology infrastructure and managed service solutions allow for effective distribution of calls to one or more centers. These technology offerings provide our clients and us with the leading edge tools needed to maximize quality and customer satisfaction while controlling and minimizing costs.

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**Fulfillment Services.** In Europe, we offer fulfillment services that are integrated with our customer care and technical support services. Our fulfillment solutions include order processing via the Internet and phone, inventory control, product delivery and product returns handling.

**Enterprise Support Services.** In the United States, we provide a range of enterprise support services including technical staffing services and outsourced corporate help desk solutions.

## Operations

**Customer Engagement Centers.** We operate across 20 countries in 74 customer engagement centers, which breakdown as follows: 20 centers across Europe and Egypt, 26 centers in the United States, four centers in Canada, three centers in Australia and 21 centers offshore, including the People's Republic of China, The Philippines, Costa Rica, El Salvador, India, Mexico, Brazil and Colombia. In addition to our customer engagement centers, we employ approximately 5,200 at-home customer engagement agents across 40 states in the U.S. and across nine provinces in Canada.

We utilize a sophisticated workforce management system to provide efficient scheduling of personnel. Our internally developed digital private communications network complements our workforce by allowing for effective call volume management and disaster recovery backup. Through this network and our dynamic intelligent call routing capabilities, we can rapidly respond to changes in client call volumes and move call volume traffic based on agent availability and skill throughout our network of centers, improving the responsiveness and productivity of our agents. We also can offer cost competitive solutions for taking calls to our offshore locations.

Our data warehouse captures and downloads customer engagement information for reporting on a daily, real-time and historical basis. This data provides our clients with direct visibility into the services that we are providing for them. The data warehouse supplies information for our performance management systems such as our agent scorecarding application, which provides us with the information required for effective management of our operations.

Our customer engagement centers are protected by a fire extinguishing system, backup generators with significant capacity and 24 hour refueling contracts and short-term battery backups in the event of a power outage, reduced voltage or a power surge. Rerouting of call volumes to other customer engagement centers is also available in the event of a telecommunications failure, natural disaster or other emergency. Security measures are imposed to prevent unauthorized physical access. Software and related data files are backed up daily and stored off site at multiple locations. We carry business interruption insurance covering interruptions that might occur as a result of certain types of damage to our business.

**Fulfillment Centers.** We currently have one fulfillment center located in Europe. We provide our fulfillment services primarily to certain clients operating in Europe who desire this complementary service in connection with outsourced customer engagement services.

**Enterprise Support Services Office.** Our enterprise support services office, located in a metropolitan area in the United States, provides recruitment services for high-end knowledge workers, a local presence to service major accounts, and outsourced corporate help desk solutions.

## Sales and Marketing

Our sales and marketing objective is to leverage our vertical expertise, global presence, and end-to-end lifecycle of service offerings to develop long-term relationships with existing and future clients. Our customer engagement solutions have been developed to help our clients market, acquire, retain and increase the lifetime value of their customer relationships. Our plans for increasing our visibility and impacting the market include the launch of new service offerings in digital support and digital marketing, participation in market-specific industry associations, trade shows and seminars, digital and content marketing to industry leading corporations, and consultative personal visits and solution designs. We research and publish thought provoking perspectives on key industry issues, and use forums, speaking engagements, articles and white papers, as well as our website and broad global digital and social media presence to establish our leadership position in the market.

Our sales force is composed of business development managers who pursue new business opportunities and strategic account managers who manage and grow relationships with existing accounts. We emphasize account development

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to strengthen relationships with existing clients. Business development management and strategic account managers are assigned to markets in their area of expertise in order to develop a complete understanding of each client's particular needs, to form strong client relationships and encourage cross-selling of our other service offerings. We have inside customer sales representatives who receive customer inquiries and who provide pre-sales relationship development for the business development managers. Utilizing best practices from our recent Clearlink acquisition, we are employing modern methods of search and digital marketing to cultivate interest in our brand and services. We use a methodical approach to collecting client feedback through quarterly business reviews, annual strategic reviews, and through our bi-annual Voice of the Client program, which enables us to react to early warning signs, and quickly identify and remedy challenges. It also is used to highlight our most loyal clients, who we then work with to provide references, testimonials and joint speaking engagements at industry conferences.

As part of our marketing efforts, we invite existing and potential clients to experience our customer engagement centers and at-home agent delivery operations, where we can demonstrate the expertise of our skilled staff in partnering to deliver new ways of growing clients' revenues, customer satisfaction and retention rates, and thus profit, through timely, insightful and proven solutions. This forum allows us to demonstrate our capabilities to design, launch and scale programs. It also allows us to illustrate our best innovations in talent management, analytics, and digital channels, and how they can be best integrated into a program's design.

## Clients

We provide service to clients from our locations in the United States, Canada, Latin America, Australia, the Asia Pacific Rim, Europe and Africa. These clients are Global 2000 corporations, medium-sized businesses and public institutions, which span the communications, financial services, technology/consumer, transportation and leisure, healthcare and other industries. Revenue by industry vertical for 2016, as a percentage of our consolidated revenues, was 37% for communications, 24% for financial services, 18% for technology/consumer, 7% for transportation and leisure, 5% for healthcare, 3% for retail and 6% for all other verticals, including government and utilities. We believe our globally recognized client base presents opportunities for further cross marketing of our services.

Total revenues by segment from AT&T Corporation, a major provider of communication services for which we provide various customer support services, were as follows (in thousands):

	Years Ended December 31,					
	2016		2015		2014	
	Amount	% of Revenues	Amount	% of Revenues	Amount	% of Revenues
Americas	\$239,033	19.6%	\$217,449	20.8%	\$212,607	19.9%
EMEA	—	0.0%	3,003	1.2%	3,519	1.4%
	<u>\$239,033</u>	<u>16.4%</u>	<u>\$220,452</u>	<u>17.1%</u>	<u>\$216,126</u>	<u>16.3%</u>

We have multiple distinct contracts with AT&T spread across multiple lines of businesses, which expire at varying dates between 2017 and 2018. We have historically renewed most of these contracts. However, there is no assurance that these contracts will be renewed, or if renewed, will be on terms as favorable as the existing contracts. Each line of business is governed by separate business terms, conditions and metrics. Each line of business also has a separate decision maker such that a loss of one line of business would not necessarily impact our relationship with the client and decision makers on other lines of business. The loss of (or the failure to retain a significant amount of business with) any of our key clients, including AT&T, could have a material adverse effect on our performance. Many of our contracts contain penalty provisions for failure to meet minimum service levels and are cancelable by the client at any time or on short notice. Also, clients may unilaterally reduce their use of our services under our contracts without penalty.

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Total revenues by segment from our next largest client, which was in the financial services vertical in each of the years, were as follows (in thousands):

	Years Ended December 31,					
	2016		2015		2014	
	Amount	% of Revenues	Amount	% of Revenues	Amount	% of Revenues
Americas	\$90,508	7.4%	\$62,980	6.0%	\$70,255	6.6%
EMEA	—	0.0%	—	0.0%	—	0.0%
	<u>\$90,508</u>	<u>6.2%</u>	<u>\$62,980</u>	<u>4.9%</u>	<u>\$70,255</u>	<u>5.3%</u>

Other than AT&T, total revenues by segment of our clients that each individually represent 10% or greater of that segment's revenues in each of the years were as follows (in thousands):

	Years Ended December 31,					
	2016		2015		2014	
	Amount	% of Revenues	Amount	% of Revenues	Amount	% of Revenues
Americas	\$ —	0.0%	\$ —	0.0%	\$ —	0.0%
EMEA	96,115	40.2%	68,720	28.5%	79,811	31.1%
	<u>\$96,115</u>	<u>6.6%</u>	<u>\$68,720</u>	<u>5.3%</u>	<u>\$79,811</u>	<u>6.0%</u>

Our top ten clients accounted for approximately 49.2%, 48.5% and 46.8% of our consolidated revenues during the years ended December 31, 2016, 2015 and 2014, respectively.

### Competition

The industry in which we operate is global and, therefore, highly fragmented and extremely competitive. While many companies provide customer engagement solutions and services, we believe no one company is dominant in the industry.

In most cases, our principal competition stems from our existing and potential clients' in-house customer engagement operations. When it is not the in-house operations of a client or potential client, our public and private direct competition includes 24/7 Customer, Alorica, Arise, Atento, Concentrix, Convergys, Groupe Acticall/Sitel, iQor, LiveOps, StarTek, Sutherland, Teleperformance, TeleTech, Transcom and Working Solutions, as well as the customer care arm of such companies as Accenture, Conduent, Infosys, Tech Mahindra and Wipro, among others. There are other numerous and varied providers of such services, including firms specializing in various CRM consulting, other customer engagement solutions providers, niche or large market companies, as well as product distribution companies that provide fulfillment services. Some of these companies possess substantially greater resources, greater name recognition and a more established customer base than we do.

We believe that the most significant competitive factors in the sale of outsourced customer engagement services include service quality, tailored value-added service offerings, industry experience, advanced technological capabilities, global coverage, reliability, scalability, security, price and financial strength. As a result of intense competition, outsourced customer engagement solutions and services frequently are subject to pricing pressure. Clients also require outsourcers to be able to provide services in multiple locations. Competition for contracts for many of our services takes the form of competitive bidding in response to requests for proposal.

### Intellectual Property

The success of our business depends, in part, on our proprietary technology and intellectual property. We rely on a combination of intellectual property laws and contractual arrangements to protect our intellectual property. We and our subsidiaries have registered various trademarks and service marks in the U.S. and/or other countries, including SYKES®, REAL PEOPLE. REAL SOLUTIONS®, SYKES HOME®, SYKES HOME POWERED BY ALPINE ACCESS®, SCIENCE OF SERVICE®, ALPINE ACCESS®, ALPINE ACCESS UNIVERSITY®, TALENTSPROUT®, SECURE TALK®, CLEARLINK®, BUYCALLS®, A SECURE LIFE®, and LEADAMP®. The duration of trademark and service mark registrations varies from country to country but may generally be

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renewed indefinitely as long as the marks are in use and their registrations are properly maintained. We have a pending U.S. patent application which relates to a system and method of analysis and recommendation for distributed employee management and digital collaboration. Our subsidiary, Alpine, was issued U.S. Patent No. 8,565,413 in 2013 which relates to a system and method for establishment and management of a remote agent engagement center. Alpine was also issued U.S. Patent No. 9,100,484 in 2015 which relates to a secure call environment. Clearlink's subsidiary, LeadAmp, has a pending U.S. patent application which relates to lead management software.

### Employees

As of January 31, 2017, we had approximately 55,525 employees worldwide, including 44,200 customer engagement agents handling technical and customer support inquiries at our centers, 5,200 at-home customer engagement agents handling technical and customer support inquiries, 6,000 in management, administration, information technology, finance, sales and marketing roles, 25 in enterprise support services and 100 in fulfillment services. Our employees, with the exception of approximately 500 employees in Brazil and various European countries, are not union members and we have never suffered a material interruption of business as a result of a labor dispute. We consider our relations with our employees worldwide to be satisfactory.

We employ personnel through a continually updated recruiting network. This network includes a seasoned team of recruiters, competency-based selection standards and the sharing of global best practices in order to advertise to and source qualified candidates through proven recruiting techniques. Nonetheless, demand for qualified professionals with the required language and technical skills may still exceed supply at times as new skills are needed to keep pace with the requirements of customer engagements. As such, competition for such personnel is intense. Additionally, employee turnover in our industry is high.

### Executive Officers

The following table provides the names and ages of our executive officers, and the positions and offices currently held by each of them:

<u>Name</u>	<u>Age</u>	<u>Principal Position</u>
Charles E. Sykes	54	President and Chief Executive Officer and Director
John Chapman	50	Executive Vice President and Chief Financial Officer
Lawrence R. Zingale	60	Executive Vice President and General Manager
Andrew J. Blanchard	59	Executive Vice President and General Manager
James D. Farnsworth	51	Executive Vice President and General Manager
Jenna R. Nelson	53	Executive Vice President, Human Resources
David L. Pearson	58	Executive Vice President and Chief Information Officer
James T. Holder	58	Executive Vice President, General Counsel and Corporate Secretary
William N. Rocktoff	54	Global Vice President and Corporate Controller

**Charles E. Sykes** joined SYKES in 1986 and was named President and Chief Executive Officer and Director in August 2004. From July 2003 to August 2004, Mr. Sykes was the Chief Operating Officer. From March 2000 to June 2001, Mr. Sykes was Senior Vice President, Marketing, and in June 2001, he was appointed to the position of General Manager, Senior Vice President — the Americas. From December 1996 to March 2000, he served as Vice President, Sales, and held the position of Regional Manager of the Midwest Region for Professional Services from 1992 until 1996.

**John Chapman, F.C.C.A.**, joined SYKES in September 2002 as Vice President, Finance, managing the EMEA finance function and was named Senior Vice President, EMEA Global Region in January 2012, adding operational responsibility. In April 2014, he was named Executive Vice President and Chief Financial Officer. Prior to joining SYKES, Mr. Chapman served as financial controller for seven years for Raytheon UK.

**Lawrence R. Zingale** joined SYKES in January 2006 as Senior Vice President, Global Sales and Client Management. In May 2010, he was named Executive Vice President, Global Sales and Client Management and in September 2012, he was named Executive Vice President and General Manager. Prior to joining SYKES, Mr. Zingale served as Executive Vice President and Chief Operating Officer of StarTek, Inc. since 2002. From December 1999 until November 2001, Mr. Zingale served as President of the Americas at Stonehenge Telecom, Inc. From May 1997 until November 1999, Mr. Zingale served as President and Chief Operating Officer of International Community Marketing. From February 1980 until May 1997, Mr. Zingale held various senior level positions at AT&T.

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**Andrew J. Blanchard** joined SYKES in November 2014 as Executive Vice President and General Manager. From 2013 until his joining SYKES, Mr. Blanchard served as Managing Partner at Avasant, a globally ranked third-party advisory and consulting firm. Prior to 2013, Mr. Blanchard had a 30-year career at Accenture, formerly Andersen Consulting, working across the organization in various leadership roles; subsequently being named Managing Director of a new division, which focused on the global customer contact management industry.

**James D. Farnsworth** joined SYKES in November 2016 as Executive Vice President and General Manager. From 2015 until his joining SYKES, Mr. Farnsworth was President and Chief Executive Officer of Conduit Global, a business process outsourcing company. From 2014 to 2015, Mr. Farnsworth was Executive Vice President and General Manager of consulting and professional services. From 2009 to 2014, Mr. Farnsworth was Co-Founder and Chief Executive Officer of virtualwurks, a professional services firm focused on virtualization of people, performance and business practices. From 2006 to 2009 and from 1998 to 2003, Mr. Farnsworth was at Teletech Holdings, a business process outsourcing firm, where he was Senior Vice President and General Manager of Global Delivery and he was in Operations. From 2004 to 2005, Mr. Farnsworth was at Startek, a business process outsourcing firm, where he was Senior Vice President of Operations and Client Services. And from 2004 to 2005, Mr. Farnsworth was Chief Operating Officer of Alpine Access, an at-home agent business process outsourcer.

**Jenna R. Nelson** joined SYKES in August 1993 and was named Senior Vice President, Human Resources, in July 2001. In May 2010, she was named Executive Vice President, Human Resources. From January 2001 until July 2001, Ms. Nelson held the position of Vice President, Human Resources. In August 1998, Ms. Nelson was appointed Vice President, Human Resources, and held the position of Director, Human Resources and Administration, from August 1996 to July 1998. From August 1993 until July 1996, Ms. Nelson served in various management positions within SYKES, including Director of Administration.

**David L. Pearson** joined SYKES in February 1997 as Vice President, Engineering, and was named Vice President, Technology Systems Management, in 2000 and Senior Vice President and Chief Information Officer in August 2004. In May 2010, he was named Executive Vice President and Chief Information Officer. Prior to SYKES, Mr. Pearson held various engineering and technical management roles over a fifteen year period, including eight years at Compaq Computer Corporation and five years at Texas Instruments.

**James T. Holder, J.D.**, joined SYKES in December 2000 as General Counsel and was named Corporate Secretary in January 2001, Vice President in January 2004 and Senior Vice President in December 2006. In May 2010, he was named Executive Vice President. From November 1999 until November 2000, Mr. Holder served in a consulting capacity as Special Counsel to Checkers Drive-In Restaurants, Inc., a publicly held restaurant operator and franchisor. From November 1993 until November 1999, Mr. Holder served in various capacities at Checkers including Corporate Secretary, Chief Financial Officer and Senior Vice President and General Counsel.

**William N. Rocktoff, C.P.A.**, joined SYKES in August 1997 as Corporate Controller and was named Treasurer and Corporate Controller in December 1999 and Vice President and Corporate Controller in March 2002. In January 2011, he was named Global Vice President and Corporate Controller. From November 1989 to August 1997, Mr. Rocktoff held various financial positions, including Corporate Controller, at Kimmins Corporation, a publicly-held contracting company.

## Item 1A. Risk Factors

### Factors Influencing Future Results and Accuracy of Forward-Looking Statements

This Annual Report on Form 10-K contains forward-looking statements (within the meaning of the Private Securities Litigation Reform Act of 1995) that are based on current expectations, estimates, forecasts, and projections about us, our beliefs, and assumptions made by us. In addition, we may make other written or oral statements, which constitute forward-looking statements, from time to time. Words such as “may,” “expects,” “projects,” “anticipates,” “intends,” “plans,” “believes,” “seeks,” “estimates,” variations of such words, and similar expressions are intended to identify such forward-looking statements. Similarly, statements that describe our future plans, objectives or goals also are forward-looking statements. These statements are not guarantees of future performance and are subject to a number of risks and uncertainties, including those discussed below and elsewhere in this Annual Report on Form 10-K. Our actual results may differ materially from what is expressed or forecasted in such forward-looking statements, and undue reliance should not be placed on such statements. All forward-looking statements are made as of the date hereof, and we undertake no obligation to update any forward-looking statements, whether as a result of new information, future events or otherwise.

Factors that could cause actual results to differ materially from what is expressed or forecasted in such forward-looking statements include, but are not limited to: the marketplace’s continued receptivity to our terms and elements of services offered under our standardized contract for future bundled service offerings; our ability to continue the growth of our service revenues through additional customer engagement centers; our ability to further penetrate into vertically integrated markets; our ability to expand revenues within the global markets; our ability to continue to establish a competitive advantage through sophisticated technological capabilities, and the following risk factors:

#### Risks Related to Our Business and Industry

##### *Unfavorable general economic conditions could negatively impact our operating results and financial condition.*

Unfavorable general economic conditions could negatively affect our business. While it is often difficult to predict the impact of general economic conditions on our business, these conditions could adversely affect the demand for some of our clients’ products and services and, in turn, could cause a decline in the demand for our services. Also, our clients may not be able to obtain adequate access to credit, which could affect their ability to make timely payments to us. If that were to occur, we could be required to increase our allowance for doubtful accounts, and the number of days outstanding for our accounts receivable could increase. In addition, we may not be able to renew our revolving credit facility at terms that are as favorable as those terms available under our current credit facility. Also, the group of lenders under our credit facility may not be able to fulfill their funding obligations, which could adversely impact our liquidity. For these reasons, among others, if unfavorable economic conditions persist or increase, this could adversely affect our revenues, operating results and financial condition, as well as our ability to access debt under comparable terms and conditions.

##### *Our business is dependent on key clients, and the loss of a key client could adversely affect our business and results of operations.*

We derive a substantial portion of our revenues from a few key clients. Our top ten clients accounted for approximately 49.2% of our consolidated revenues in 2016. The loss of (or the failure to retain a significant amount of business with) any of our key clients could have a material adverse effect on our business, financial condition and results of operations. Many of our contracts contain penalty provisions for failure to meet minimum service levels and are cancelable by the client at any time or on short-term notice. Also, clients may unilaterally reduce their use of our services under these contracts without penalty. Thus, our contracts with our clients do not ensure that we will generate a minimum level of revenues.

##### *Cyber-attacks as well as improper disclosure or control of personal information could result in liability and harm our reputation, which could adversely affect our business and results of operations.*

Our business is heavily dependent upon our computer and voice technologies, systems and platforms. Internal or external attacks on any of those could disrupt the normal operations of our engagement centers and impede our ability to provide critical services to our clients, thereby subjecting us to liability under our contracts. Additionally, our business involves the use, storage and transmission of information about our employees, our clients and customers of our clients. While we take measures to protect the security of, and unauthorized access to, our systems,

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as well as the privacy of personal and proprietary information, it is possible that our security controls over our systems, as well as other security practices we follow, may not prevent the improper access to or disclosure of personally identifiable or proprietary information. Such disclosure could harm our reputation and subject us to liability under our contracts and laws that protect personal data, resulting in increased costs or loss of revenue. Further, data privacy is subject to frequently changing rules and regulations, which sometimes conflict among the various jurisdictions and countries in which we provide services. Our failure to adhere to or successfully implement processes in response to changing regulatory requirements in this area could result in legal liability or impairment to our reputation in the marketplace, which could have a material adverse effect on our business, financial condition and results of operations.

***Our business is subject to substantial competition.***

The markets for many of our services operate on a commoditized basis and are highly competitive and subject to rapid change. While many companies provide outsourced customer engagement services, we believe no one company is dominant in the industry. There are numerous and varied providers of our services, including firms specializing in engagement center operations, temporary staffing and personnel placement, consulting and integration firms, and niche providers of outsourced customer engagement services, many of whom compete in only certain markets. Our competitors include both companies that possess greater resources and name recognition than we do, as well as small niche providers that have few assets and regionalized (local) name recognition instead of global name recognition. In addition to our competitors, many companies who might utilize our services or the services of one of our competitors may utilize in-house personnel to perform such services. Increased competition, our failure to compete successfully, pricing pressures, loss of market share and loss of clients could have a material adverse effect on our business, financial condition and results of operations.

Many of our large clients purchase outsourced customer engagement services from multiple preferred vendors. We have experienced and continue to anticipate significant pricing pressure from these clients in order to remain a preferred vendor. These companies also require vendors to be able to provide services in multiple locations. Although we believe we can effectively meet our clients' demands, there can be no assurance that we will be able to compete effectively with other outsourced customer engagement services companies on price. We believe that the most significant competitive factors in the sale of our core services include the standard requirements of service quality, tailored value-added service offerings, industry experience, advanced technological capabilities, global coverage, reliability, scalability, security, price and financial strength.

***The concentration of customer engagement centers in certain geographies poses risks to our operations which could adversely affect our financial condition.***

Although we have engagement centers in many locations throughout the world, we have a concentration of centers in certain geographies outside of the U.S. and Canada, specifically The Philippines and Latin America. Our concentration of operations in those geographies is a result of our ability to access significant numbers of employees with certain language and other skills at costs that are advantageous. However, the concentration of business activities in any geographical area creates risks which could harm operations and our financial condition. Certain risks, such as natural disasters, armed conflict and military or civil unrest, political instability and disease transmission, as well as the risk of interruption to our delivery systems, is magnified when the realization of these, or any other risks, would effect a large portion of our business at once, which may result in a disproportionate increase in operating costs.

***Our business is dependent on the trend toward outsourcing.***

Our business and growth depend in large part on the industry trend toward outsourced customer engagement services. Outsourcing means that an entity contracts with a third party, such as us, to provide customer engagement services rather than perform such services in-house. There can be no assurance that this trend will continue, as organizations may elect to perform such services themselves. A significant change in this trend could have a material adverse effect on our business, financial condition and results of operations. Additionally, there can be no assurance that our cross-selling efforts will cause clients to purchase additional services from us or adopt a single-source outsourcing approach.

***We are subject to various uncertainties relating to future litigation.***

We cannot predict whether any material suits, claims, or investigations may arise in the future. Regardless of the

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outcome of any future actions, claims, or investigations, we may incur substantial defense costs and such actions may cause a diversion of management time and attention. Also, it is possible that we may be required to pay substantial damages or settlement costs which could have a material adverse effect on our financial condition and results of operations.

***Our industry is subject to rapid technological change which could affect our business and results of operations.***

Rapid technological advances, frequent new product introductions and enhancements, and changes in client requirements characterize the market for outsourced customer engagement services. Technological advancements in voice recognition software, as well as self-provisioning and self-help software, along with call avoidance technologies, have the potential to adversely impact call volume growth and, therefore, revenues. Our future success will depend in large part on our ability to service new products, platforms and rapidly changing technology. These factors will require us to provide adequately trained personnel to address the increasingly sophisticated, complex and evolving needs of our clients. In addition, our ability to capitalize on our acquisitions will depend on our ability to continually enhance software and services and adapt such software to new hardware and operating system requirements. Any failure by us to anticipate or respond rapidly to technological advances, new products and enhancements, or changes in client requirements could have a material adverse effect on our business, financial condition and results of operations.

***Our business relies heavily on technology and computer systems, which subjects us to various uncertainties.***

We have invested significantly in sophisticated and specialized communications and computer technology and have focused on the application of this technology to meet our clients' needs. We anticipate that it will be necessary to continue to invest in and develop new and enhanced technology on a timely basis to maintain our competitiveness. Significant capital expenditures may be required to keep our technology up-to-date. There can be no assurance that any of our information systems will be adequate to meet our future needs or that we will be able to incorporate new technology to enhance and develop our existing services. Moreover, investments in technology, including future investments in upgrades and enhancements to software, may not necessarily maintain our competitiveness. Our future success will also depend in part on our ability to anticipate and develop information technology solutions that keep pace with evolving industry standards and changing client demands.

***Emergency interruption of customer engagement center operations could affect our business and results of operations.***

Our operations are dependent upon our ability to protect our customer engagement centers and our information databases against damage that may be caused by fire, earthquakes, severe weather and other disasters, power failure, telecommunications failures, unauthorized intrusion, computer viruses and other emergencies. The temporary or permanent loss of such systems could have a material adverse effect on our business, financial condition and results of operations. Notwithstanding precautions taken to protect us and our clients from events that could interrupt delivery of services, there can be no assurance that a fire, natural disaster, human error, equipment malfunction or inadequacy, or other event would not result in a prolonged interruption in our ability to provide services to our clients. Such an event could have a material adverse effect on our business, financial condition and results of operations.

***Our operating results will be adversely affected if we are unable to maximize our facility capacity utilization.***

Our profitability is significantly influenced by our ability to effectively manage our contact center capacity utilization. The majority of our business involves technical support and customer care services initiated by our clients' customers and, as a result, our capacity utilization varies and demands on our capacity are, to some degree, beyond our control. In order to create the additional capacity necessary to accommodate new or expanded outsourcing projects, we may need to open new contact centers. The opening or expansion of a contact center may result, at least in the short term, in idle capacity until we fully implement the new or expanded program. Additionally, the occasional need to open customer engagement centers fully, or primarily, dedicated to a single client, instead of spreading the work among existing facilities with idle capacity, negatively affects capacity utilization. We periodically assess the expected long-term capacity utilization of our contact centers. As a result, we may, if deemed necessary, consolidate, close or partially close under-performing contact centers to maintain or improve targeted utilization and margins. There can be no guarantee that we will be able to achieve or maintain optimal utilization of our contact center capacity.

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As part of our effort to consolidate our facilities, we may seek to sell or sublease a portion of our surplus contact center space, if any, and recover certain costs associated with it. Failure to sell or sublease such surplus space will negatively impact results of operations.

***Increases in the cost of telephone and data services or significant interruptions in such services could adversely affect our financial results.***

Our business is significantly dependent on telephone and data service provided by various local and long distance telephone companies. Accordingly, any disruption of these services could adversely affect our business. We have taken steps to mitigate our exposure to service disruptions by investing in redundant circuits, although there is no assurance that the redundant circuits would not also suffer disruption. Any inability to obtain telephone or data services at favorable rates could negatively affect our business results. Where possible, we have entered into long-term contracts with various providers to mitigate short-term rate increases and fluctuations. There is no obligation, however, for the vendors to renew their contracts with us, or to offer the same or lower rates in the future, and such contracts are subject to termination or modification for various reasons outside of our control. A significant increase in the cost of telephone services that is not recoverable through an increase in the price of our services could adversely affect our financial results.

***Our profitability may be adversely affected if we are unable to maintain and find new locations for customer engagement centers in countries with stable wage rates.***

Our business is labor-intensive and therefore wages, employee benefits and employment taxes constitute the largest component of our operating expenses. As a result, expansion of our business is dependent upon our ability to find cost-effective locations in which to operate, both domestically and internationally. Some of our customer engagement centers are located in countries that have experienced inflation and rising standards of living, which requires us to increase employee wages. In addition, collective bargaining is being utilized in an increasing number of countries in which we currently, or may in the future, desire to operate. Collective bargaining may result in material wage and benefit increases. If wage rates and benefits increase significantly in a country where we maintain customer engagement centers, we may not be able to pass those increased labor costs on to our clients, requiring us to search for other cost effective delivery locations. Additionally, some of our customer engagement centers are located in jurisdictions subject to minimum wage regulations, which may result in increased wages in the future. There is no assurance that we will be able to find such cost-effective locations, and even if we do, the costs of closing delivery locations and opening new customer engagement centers can adversely affect our financial results.

***The adoption and implementation of new statutory and regulatory requirements for derivative transactions could have an adverse impact on our ability to hedge risks associated with our business.***

We enter into forward and option contracts to hedge against the effect of foreign currency exchange rate fluctuations. The Dodd-Frank Wall Street Reform and Consumer Protection Act (the “Dodd-Frank Act”) provides for new statutory and regulatory requirements for derivative transactions, including foreign currency and interest rate hedging transactions. The Dodd-Frank Act requires the Commodities Futures and Trading Commission to promulgate rules relating to the Dodd-Frank Act. Until the rules relating to the Dodd-Frank Act are established, we cannot know how these regulations will affect us. The rules adopted by the Commodities Futures and Trading Commission may in the future impact our flexibility to execute strategic hedges to reduce foreign exchange and interest rate uncertainty and thus protect cash flows. In addition, the banks and other derivatives dealers who are our contractual counterparties will be required to comply with the Dodd-Frank Act’s new requirements. It is possible that the costs of such compliance will be passed on to customers such as us.

**Risks Related to Our International Operations**

***Our international operations and expansion involve various risks.***

We intend to continue to pursue growth opportunities in markets outside the United States. At December 31, 2016, our international operations were conducted from 34 customer engagement centers located in Sweden, Finland, Germany, Egypt, Scotland, Denmark, Norway, Hungary, Romania, The Philippines, the People’s Republic of China, India and Australia. Revenues from these international operations for the years ended December 31, 2016, 2015, and 2014, were 36.8%, 40.5%, and 39.9% of consolidated revenues, respectively. We also conduct business from 14 customer engagement centers located in Canada, Colombia, Costa Rica, El Salvador, Mexico and Brazil. International operations are subject to certain risks common to international activities, such as changes in foreign

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governmental regulations, tariffs and taxes, import/export license requirements, the imposition of trade barriers, difficulties in staffing and managing international operations, political uncertainties, longer payment cycles, possible greater difficulties in accounts receivable collection, economic instability as well as political and country-specific risks.

Additionally, we have been granted tax holidays in The Philippines, Colombia, Costa Rica and El Salvador which expire at varying dates from 2019 through 2028. In some cases, the tax holidays expire without possibility of renewal. In other cases, we expect to renew these tax holidays, but there are no assurances from the respective foreign governments that they will renew them. This could potentially result in adverse tax consequences, the impact of which is not practicable to estimate due to the inherent complexity of estimating critical variables such as long-term future profitability, tax regulations and rates in the multi-national tax environment in which we operate. Any one or more of these factors could have an adverse effect on our international operations and, consequently, on our business, financial condition and results of operations. The tax holidays decreased the provision for income taxes by \$3.3 million, \$4.0 million and \$2.7 million for the years ended December 31, 2016, 2015 and 2014, respectively.

As of December 31, 2016, we had cash balances of approximately \$243.8 million held in international operations, most of which would be subject to additional taxes if repatriated to the United States. Determination of any unrecognized deferred tax liability related to investments in foreign subsidiaries is not practicable due to the inherent complexity of the multi-national tax environment in which we operate.

We conduct business in various foreign currencies and are therefore exposed to market risk from changes in foreign currency exchange rates and interest rates, which could impact our results of operations and financial condition. We are also subject to certain exposures arising from the translation and consolidation of the financial results of our foreign subsidiaries. We enter into foreign currency forward and option contracts to hedge against the effect of certain foreign currency exchange exposures. However, there can be no assurance that we can take actions to mitigate such exposure in the future, and if taken, that such actions will be successful or that future changes in currency exchange rates will not have a material adverse impact on our future operating results. A significant change in the value of the U.S. Dollar against the currency of one or more countries where we operate may have a material adverse effect on our financial condition and results of operations. Additionally, our hedging exposure to counterparty credit risks is not secured by any collateral. Although each of the counterparty financial institutions with which we place hedging contracts are investment grade rated by the national rating agencies as of the time of the placement, we can provide no assurances as to the financial stability of any of our counterparties. If a counterparty to one or more of our hedge transactions were to become insolvent, we would be an unsecured creditor and our exposure at the time would depend on foreign exchange rate movements relative to the contracted foreign exchange rate and whether any gains result that are not realized due to a counterparty default.

***The fundamental shift in our industry toward global service delivery markets presents various risks to our business.***

Clients continue to require blended delivery models using a combination of onshore and offshore support. Our offshore delivery locations include The Philippines, the People's Republic of China, India, Costa Rica, El Salvador, Mexico, Brazil and Colombia, and while we have operated in global delivery markets since 1996, there can be no assurance that we will be able to successfully conduct and expand such operations, and a failure to do so could have a material adverse effect on our business, financial condition, and results of operations. The success of our offshore operations will be subject to numerous factors, some of which are beyond our control, including general and regional economic conditions, prices for our services, competition, changes in regulation and other risks. In addition, as with all of our operations outside of the United States, we are subject to various additional political, economic and market uncertainties (see "Our international operations and expansion involve various risks"). Additionally, a change in the political environment in the United States or the adoption and enforcement of legislation and regulations curbing the use of offshore customer engagement solutions and services could have a material adverse effect on our business, financial condition and results of operations.

***Our global operations expose us to numerous legal and regulatory requirements.***

We provide services to our clients' customers in 20 countries around the world. Accordingly, we are subject to numerous legal regimes on matters such as taxation, government sanctions, content requirements, licensing, tariffs, government affairs, data privacy and immigration as well as internal and disclosure control obligations. In the U.S., as well as several of the other countries in which we operate, some of our services must comply with various laws and regulations regarding the method and timing of placing outbound telephone calls. Violations of these various

laws and regulations could result in liability for monetary damages, fines and/or criminal prosecution and unfavorable publicity. Changes in U.S. federal, state and international laws and regulations, specifically those relating to the outsourcing of jobs to foreign countries as well as recently enacted statutory and regulatory requirements related to derivative transactions, may adversely affect our ability to perform our services at our overseas facilities or could result in additional taxes on such services, or impact our flexibility to execute strategic hedges, thereby threatening or limiting our ability or the financial benefit to continue to serve certain markets at offshore locations, or the risks associated therewith.

### **Risks Related to Our Employees**

#### ***Our operations are substantially dependent on our senior management.***

Our success is largely dependent upon the efforts, direction and guidance of our senior management. Our growth and success also depend in part on our ability to attract and retain skilled employees and managers and on the ability of our executive officers and key employees to manage our operations successfully. We have entered into employment and non-competition agreements with our executive officers. The loss of any of our senior management or key personnel, or the inability to attract, retain or replace key management personnel in the future, could have a material adverse effect on our business, financial condition and results of operations.

#### ***Our inability to attract and retain experienced personnel may adversely impact our business.***

Our business is labor intensive and places significant importance on our ability to recruit, train, and retain qualified technical and consultative professional personnel. We generally experience high turnover of our personnel and are continuously required to recruit and train replacement personnel as a result of a changing and expanding work force. Additionally, demand for qualified technical professionals conversant in multiple languages, including English, and/or certain technologies may exceed supply, as new and additional skills are required to keep pace with evolving computer technology. Our ability to locate and train employees is critical to achieving our growth objective. Our inability to attract and retain qualified personnel or an increase in wages or other costs of attracting, training, or retaining qualified personnel could have a material adverse effect on our business, financial condition and results of operations.

#### ***Health epidemics could disrupt our business and adversely affect our financial results.***

Our customer engagement centers typically seat hundreds of employees in one location. Accordingly, an outbreak of a contagious infection in one or more of the markets in which we do business may result in significant worker absenteeism, lower asset utilization rates, voluntary or mandatory closure of our offices and delivery centers, travel restrictions on our employees, and other disruptions to our business. Any prolonged or widespread health epidemic could severely disrupt our business operations and have a material adverse effect on our business, financial condition and results of operations.

### **Risks Related to Our Business Strategy**

#### ***Our strategy of growing through selective acquisitions and mergers involves potential risks.***

We evaluate opportunities to expand the scope of our services through acquisitions and mergers. We may be unable to identify companies that complement our strategies, and even if we identify a company that complements our strategies, we may be unable to acquire or merge with the company. Also, a decrease in the price of our common stock could hinder our growth strategy by limiting growth through acquisitions funded with SYKES' stock.

The actual integration of the company may result in additional and unforeseen expenses, and the full amount of anticipated benefits of the integration plan may not be realized. If we are not able to adequately address these challenges, we may be unable to fully integrate the acquired operations into our own, or to realize the full amount of anticipated benefits of the integration of the companies.

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Our acquisition strategy involves other potential risks. These risks include:

- the inability to obtain the capital required to finance potential acquisitions on satisfactory terms;
- the diversion of our attention to the integration of the businesses to be acquired;
- the risk that the acquired businesses will fail to maintain the quality of services that we have historically provided;
- the need to implement financial and other systems and add management resources;
- the risk that key employees of the acquired business will leave after the acquisition;
- potential liabilities of the acquired business;
- unforeseen difficulties in the acquired operations;
- adverse short-term effects on our operating results;
- lack of success in assimilating or integrating the operations of acquired businesses within our business;
- the dilutive effect of the issuance of additional equity securities;
- the impairment of goodwill and other intangible assets involved in any acquisitions;
- the businesses we acquire not proving profitable;
- incurring additional indebtedness; and
- in the case of foreign acquisitions, the need to integrate operations across different cultures and languages and to address the particular economic, currency, political, and regulatory risks associated with specific countries.

***We may incur significant cash and non-cash costs in connection with the continued rationalization of assets resulting from acquisitions.***

We may incur a number of non-recurring cash and non-cash costs associated with the continued rationalization of assets resulting from acquisitions relating to the closing of facilities and disposition of assets.

***If our goodwill or amortizable intangible assets become impaired, we could be required to record a significant charge to earnings.***

We recorded substantial goodwill and amortizable intangible assets as a result of the ICT, Alpine, Qelp and Clearlink acquisitions. We review our goodwill and amortizable intangible assets for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. We assess whether there has been an impairment in the value of goodwill at least annually. Factors that may be considered a change in circumstances indicating that the carrying value of our goodwill or amortizable intangible assets may not be recoverable include declines in stock price, market capitalization or cash flows and slower growth rates in our industry. We could be required to record a significant charge to earnings in our financial statements during the period in which any impairment of our goodwill or amortizable intangible assets were determined, negatively impacting our results of operations.

#### **Risks Related to Our Common Stock**

***Our organizational documents contain provisions that could impede a change in control.***

Our Board of Directors is divided into three classes serving staggered three-year terms. The staggered Board of Directors and the anti-takeover effects of certain provisions contained in the Florida Business Corporation Act and in our Articles of Incorporation and Bylaws, including the ability of the Board of Directors to issue shares of preferred stock and to fix the rights and preferences of those shares without shareholder approval, may have the effect of delaying, deferring or preventing an unsolicited change in control. This may adversely affect the market price of our common stock or the ability of shareholders to participate in a transaction in which they might otherwise receive a premium for their shares.

***The volatility of our stock price may result in loss of investment.***

The trading price of our common stock has been and may continue to be subject to wide fluctuations over short and long periods of time. We believe that market prices of outsourced customer engagement services stocks in general have experienced volatility, which could affect the market price of our common stock regardless of our financial results or performance. We further believe that various factors such as general economic conditions, changes or volatility in the financial markets, changing market conditions in the outsourced customer engagement services industry, quarterly variations in our financial results, the announcement of acquisitions, strategic partnerships, or new product offerings, and changes in financial estimates and recommendations by securities analysts could cause the market price of our common stock to fluctuate substantially in the future.

***Failure to adhere to laws, rules and regulations applicable to public companies operating in the U.S. may have an adverse effect on our stock price.***

Because we are a publicly-traded company, we are subject to certain evolving and extensive federal, state and other rules and regulations relating to, among other things, assessment and maintenance of internal controls and corporate governance. Section 404 of the Sarbanes-Oxley Act of 2002, together with rules and regulations issued by the Securities and Exchange Commission (“SEC”) require us to furnish, on an annual basis, a report by our management (included elsewhere in this Annual Report on Form 10-K) regarding the effectiveness of our internal control over financial reporting. The report includes, among other things, an assessment of the effectiveness of our internal controls over financial reporting as of the end of our fiscal year and a statement as to whether or not our internal controls over financial reporting are effective. We must include a disclosure of any material weaknesses in our internal control over financial reporting identified by management during the annual assessment. We have in the past discovered, and may potentially in the future discover, areas of internal control over financial reporting which may require improvement. If at any time we are unable to assert that our internal controls over financial reporting are effective, or if our auditors are unable to express an opinion on the effectiveness of our internal controls, our investors could lose confidence in the accuracy and/or completeness of our financial reports, which could have an adverse effect on our stock price.

Additionally, the Dodd-Frank Wall Street Reform and Consumer Protection Act enacted in 2010 subjects us to significant additional executive compensation and corporate governance requirements and disclosures, some of which have yet to be implemented by the SEC. Compliance with these requirements may be costly and adversely affect our business.

**Item 1B. Unresolved Staff Comments**

There are no material unresolved written comments that were received from the SEC staff 180 days or more before the year ended December 31, 2016 relating to our periodic or current reports filed under the Securities Exchange Act of 1934.

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**Item 2. Properties**

Our principal executive offices are located in Tampa, Florida, which consist of approximately 68,000 square feet of leased office space. This facility currently serves as the headquarters for senior management and the financial, information technology and administrative departments. In addition to our headquarters and the customer engagement centers (“centers”) used by our Americas and EMEA segments discussed below, we also have offices in several countries around the world which support our Americas and EMEA segments.

As of December 31, 2016, excluding centers we have exited, we operated one fulfillment location and 74 multi-client centers. Our multi-client centers were located in the following countries:

	<b>Multi-Client Centers</b>
<b>Americas</b>	
Australia	3
Brazil	2
Canada	4
Colombia	1
Costa Rica	5
El Salvador	1
India	2
Mexico	1
People’s Republic of China	3
The Philippines	6
United States of America	26
Total Americas centers	<u>54</u>
<b>EMEA</b>	
Denmark	1
Egypt	1
Finland	1
Germany	5
Hungary	1
Norway	1
Romania	3
Scotland	2
Sweden	5
Total EMEA centers	<u>20</u>
Total centers	<u><u>74</u></u>

We believe our existing facilities are suitable and adequate to meet current requirements, and that suitable additional or substitute space will be available as needed to accommodate any physical expansion or any space required due to expiring leases not renewed. We operate from time to time in temporary facilities to accommodate growth before new centers are available. At December 31, 2016, our centers, taken as a whole, were utilized at average capacities of approximately 75% and were capable of supporting a higher level of market demand.

**Item 3. Legal Proceedings**

From time to time, we are involved in legal actions arising in the ordinary course of business. With respect to these matters, we believe that we have adequate legal defenses and/or when possible and appropriate, have provided adequate accruals related to those matters such that the ultimate outcome will not have a material adverse effect on our future financial position or results of operations.

**Item 4. Mine Safety Disclosures**

Not Applicable.

**PART II**

**Item 5. Market for Registrant’s Common Equity, Related Shareholder Matters and Issuer Purchases of Equity Securities**

Our common stock is quoted on the NASDAQ Global Select Market under the symbol SYKE. The following table sets forth, for the periods indicated, certain information as to the high and low intraday sale prices per share of our common stock as quoted on the NASDAQ Global Select Market.

	<u>High</u>	<u>Low</u>
<b>Year Ended December 31, 2016:</b>		
Fourth Quarter	\$ 30.00	\$ 25.77
Third Quarter	31.37	26.00
Second Quarter	30.82	27.22
First Quarter	30.76	27.36
<b>Year Ended December 31, 2015:</b>		
Fourth Quarter	\$ 33.00	\$ 24.91
Third Quarter	26.00	22.48
Second Quarter	26.04	23.59
First Quarter	24.91	22.02

Holders of our common stock are entitled to receive dividends out of the funds legally available when and if declared by the Board of Directors. We have not declared or paid any cash dividends on our common stock in the past and do not anticipate paying any cash dividends in the foreseeable future.

As of February 1, 2017, there were approximately 840 holders of record of our common stock and we estimate there were approximately 9,600 beneficial owners.

Below is a summary of stock repurchases for the quarter ended December 31, 2016 (in thousands, except average price per share).

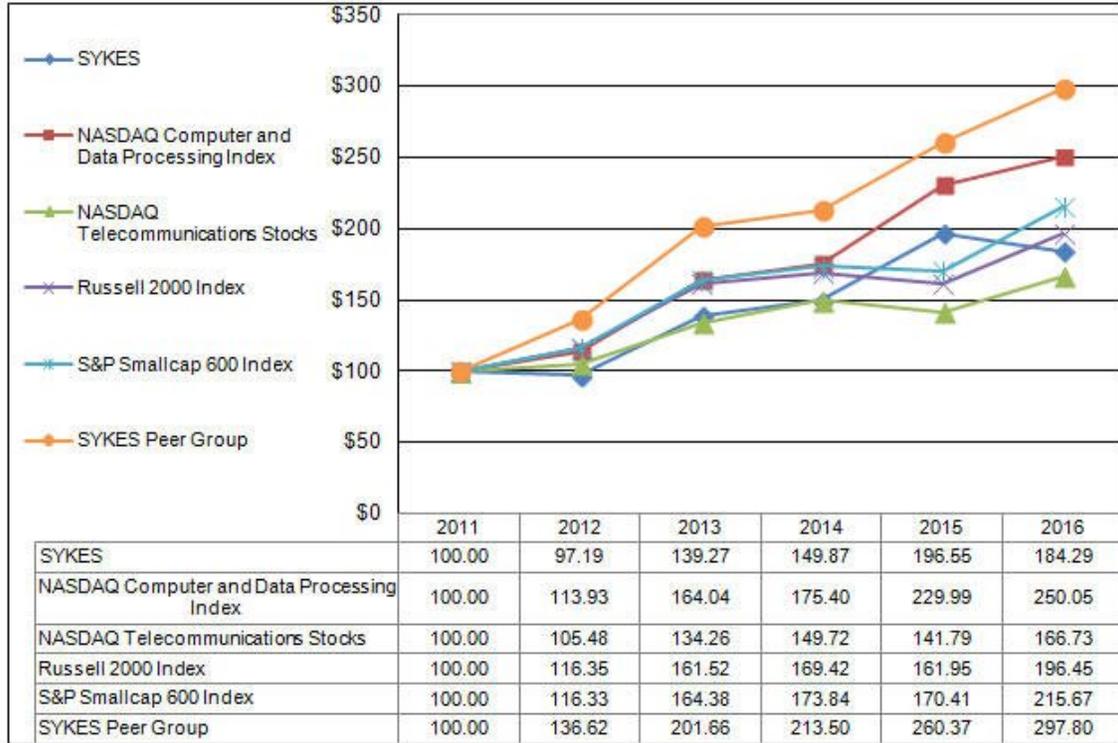
<u>Period</u>	<u>Total Number of Shares Purchased (1)</u>	<u>Average Price Paid Per Share</u>	<u>Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs</u>	<u>Maximum Number of Shares That May Yet Be Purchased Under Plans or Programs</u>
October 1, 2016 - October 31, 2016	—	\$ —	—	4,998
November 1, 2016 - November 30, 2016	—	\$ —	—	4,998
December 1, 2016 - December 31, 2016	250	\$ 28.08	250	4,748
Total	<u>250</u>		<u>250</u>	<u>4,748</u>

(1) All shares purchased as part of the repurchase plan publicly announced on August 18, 2011, as amended on March 16, 2016, which allows for a total repurchase of 10.0 million shares. The 2011 Share Repurchase Plan has no expiration date.

**Five-Year Stock Performance Graph**

The following graph presents a comparison of the cumulative shareholder return on the common stock with the cumulative total return on the NASDAQ Computer and Data Processing Services Index, the NASDAQ Telecommunications Index, the Russell 2000 Index, the S&P Small Cap 600 and the SYKES Peer Group (as defined below). The SYKES Peer Group is comprised of publicly traded companies that derive a substantial portion of their revenues from engagement centers, customer care businesses, have similar business models to SYKES, and are those most commonly compared to SYKES by industry analysts following SYKES. This graph assumes that \$100 was invested on December 31, 2011 in SYKES common stock, the NASDAQ Computer and Data Processing Services Index, the NASDAQ Telecommunications Index, the Russell 2000 Index, the S&P Small Cap 600 and SYKES Peer Group, including reinvestment of dividends.

**Comparison of Five-Year Cumulative Total Return (in dollars)**



**SYKES Peer Group**

Convergys Corp.  
 StarTek, Inc.  
 TeleTech Holdings, Inc.  
 Teleperformance

**Exchange & Ticker Symbol**

NYSE: CVG  
 NYSE: SRT  
 NASDAQ: TTEC  
 NYSE Euronext: RCF

There can be no assurance that SYKES' stock performance will continue into the future with the same or similar trends depicted in the graph above. SYKES does not make or endorse any predictions as to the future stock performance.

*The information contained in the Stock Performance Graph section shall not be deemed to be "soliciting material" or "filed" or incorporated by reference in future filings with the SEC, or subject to the liabilities of Section 18 of the Securities Exchange Act of 1934, except to the extent that we specifically incorporate it by reference into a document filed under the Securities Exchange Act of 1934.*

**Item 6. Selected Financial Data**

**Selected Financial Data**

The following selected financial data has been derived from our consolidated financial statements.

We sold our operations in Spain during 2012. Accordingly, we have reclassified the selected financial data for all periods presented to reflect these results as discontinued operations in accordance with Accounting Standards Codification 205-20 “*Discontinued Operations*”.

The information below should be read in conjunction with “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” and the accompanying Consolidated Financial Statements and related notes thereto.

(in thousands, except per share data)	Years Ended December 31,				
	2016	2015	2014	2013	2012
<b>Income Statement Data:</b> <sup>(1)</sup>					
Revenues	<b>\$1,460,037</b>	\$1,286,340	\$1,327,523	\$1,263,460	\$1,127,698
Income from continuing operations (2,3,4,5,6,7,8)	<b>92,248</b>	94,264	79,555	53,527	47,779
Income from continuing operations, net of taxes (2,3,4,5,6,7,8)	<b>62,390</b>	68,597	57,791	37,260	39,950
(Loss) from discontinued operations, net of taxes (8)	—	—	—	—	(820)
(Loss) on sale of discontinued operations, net of taxes (9)	—	—	—	—	(10,707)
Net income	<b>62,390</b>	68,597	57,791	37,260	28,423
<b>Net Income (Loss) Per Common Share:</b> <sup>(1)</sup>					
Basic:					
Continuing operations (2,3,4,5,6,7)	<b>\$ 1.49</b>	\$ 1.64	\$ 1.36	\$ 0.87	\$ 0.93
Discontinued operations (8,9)	—	—	—	—	(0.27)
Net income (loss) per common share	<b>\$ 1.49</b>	\$ 1.64	\$ 1.36	\$ 0.87	\$ 0.66
Diluted:					
Continuing operations (2,3,4,5,6,7)	<b>\$ 1.48</b>	\$ 1.62	\$ 1.35	\$ 0.87	\$ 0.93
Discontinued operations (8,9)	—	—	—	—	(0.27)
Net income (loss) per common share	<b>\$ 1.48</b>	\$ 1.62	\$ 1.35	\$ 0.87	\$ 0.66
<b>Weighted Average Common Shares:</b> <sup>(1)</sup>					
Basic	<b>41,847</b>	41,899	42,609	42,877	43,105
Diluted	<b>42,239</b>	42,447	42,814	42,925	43,148
<b>Balance Sheet Data:</b> <sup>(1,10)</sup>					
Total assets	<b>\$1,236,403</b>	\$ 947,772	\$ 944,500	\$ 950,261	\$ 908,689
Long-term debt	<b>267,000</b>	70,000	75,000	98,000	91,000
Shareholders’ equity	<b>724,522</b>	678,680	658,218	635,704	606,264

- (1) The amounts for 2016 include the Clearlink acquisition completed on April 1, 2016. The amounts for 2016 and 2015 include the Qelp acquisition completed on July 2, 2015. See Note 2, Acquisitions, for further information. The amounts for 2016, 2015, 2014, 2013 and 2012 include the Alpine acquisition completed on August 20, 2012.
- (2) The amounts for 2016 include \$4.6 million in Clearlink acquisition-related costs, a \$2.3 million net gain on contingent consideration, \$0.8 million in interest accretion on contingent consideration and a \$0.3 million net loss on disposal of property and equipment.
- (3) The amounts for 2015 include a \$0.9 million net gain on insurance settlement, \$0.6 million loss on liquidation of a foreign subsidiary, \$0.5 million in Qelp acquisition-related costs, \$0.4 million in interest accretion on contingent consideration and a \$0.4 million net loss on disposal of property and equipment.
- (4) The amounts for 2014 include a \$2.0 million net gain on disposal of property and equipment primarily due to the sale of the land and building in Bismarck, North Dakota and a \$0.1 million impairment of long-lived assets.
- (5) The amounts for 2013 include \$2.1 million in Alpine acquisition-related costs and a \$0.2 million net loss on disposal of property and equipment.
- (6) The amounts for 2012 include \$4.8 million in Alpine acquisition-related costs, a \$0.4 million net loss on the disposal of property and equipment, a \$0.1 million net gain on insurance settlement and a \$0.4 million impairment of long-lived assets.
- (7) The amounts for 2014, 2013 and 2012 include \$(0.3) million, \$0.3 million and \$1.8 million, respectively, related to the Exit Plans. See Note 3, Costs Associated with Exit or Disposal Activities, for further information.
- (8) The amount includes the operations in Spain which were sold in 2012.
- (9) The amount includes the gain (loss) on sale of the operations in Spain in 2012.
- (10) The Company has not declared cash dividends per common share for any of the five years presented.

## Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

*This discussion should be read in conjunction with the accompanying Consolidated Financial Statements and the notes thereto that appear elsewhere in this Annual Report on Form 10-K. The following discussion and analysis compares the year ended December 31, 2016 ("2016") to the year ended December 31, 2015 ("2015"), and 2015 to the year ended December 31, 2014 ("2014").*

*The following discussion and analysis and other sections of this document contain forward-looking statements that involve risks and uncertainties. Words such as "may," "expects," "projects," "anticipates," "intends," "plans," "believes," "seeks," "estimates," variations of such words, and similar expressions are intended to identify such forward-looking statements. Similarly, statements that describe our future plans, objectives, or goals also are forward-looking statements. Future events and actual results could differ materially from the results reflected in these forward-looking statements, as a result of certain of the factors set forth below and elsewhere in this analysis and in this Annual Report on Form 10-K for the year ended December 31, 2016 in Item 1.A., "Risk Factors."*

### Executive Summary

We provide comprehensive inbound customer engagement solutions and services to Global 2000 companies primarily in the communications, financial services, technology/consumer, transportation and leisure, healthcare, retail and other industries. We serve our clients through two geographic operating regions: the Americas (United States, Canada, Latin America, Australia and the Asia Pacific Rim) and EMEA (Europe, the Middle East and Africa). Our Americas and EMEA groups primarily provide customer engagement services (with an emphasis on inbound technical support, digital marketing and demand generation, and customer service), which include customer assistance, healthcare and roadside assistance, technical support, and product and service sales to our clients' customers. These services, which represented 99.2% of consolidated revenues in 2016, are delivered through multiple communication channels encompassing phone, e-mail, social media, text messaging, chat and digital self-service. We also provide various enterprise support services in the United States ("U.S.") that include services for our clients' internal support operations, from technical staffing services to outsourced corporate help desk services. In Europe, we also provide fulfillment services, which includes order processing, payment processing, inventory control, product delivery, and product returns handling. Our complete service offering helps our clients acquire, retain and increase the lifetime value of their customer relationships. We have developed an extensive global reach with customer engagement centers throughout the United States, Canada, Europe, Latin America, Australia, the Asia Pacific Rim and Africa.

Revenues from these services is recognized as the services are performed, which is based on either a per minute, per hour, per call, per transaction or per time and material basis, under a fully executed contractual agreement, and we record reductions to revenues for contractual penalties and holdbacks for a failure to meet specified minimum service levels and other performance based contingencies. Revenue recognition is limited to the amount that is not contingent upon delivery of any future product or service or meeting other specified performance conditions. Product sales, accounted for within our fulfillment services, are recognized upon shipment to the customer and satisfaction of all obligations.

Direct salaries and related costs include direct personnel compensation, severance, statutory and other benefits associated with such personnel and other direct costs associated with providing services to customers.

General and administrative costs include administrative, sales and marketing, occupancy and other costs.

Depreciation, net represents depreciation on property and equipment, net of the amortization of deferred property grants.

Amortization of intangibles represents amortization of finite-lived intangible assets.

The net gain (loss) on disposal of property and equipment represents the difference between the amount of proceeds received, if any, and the carrying value of the asset.

Interest income primarily relates to interest earned on cash and cash equivalents.

Interest (expense) includes interest on outstanding borrowings, commitment fees charged on the unused portion of our revolving credit facility and contingent consideration, as more fully described in this Item 7, under "Liquidity and Capital Resources."

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Other (expense) includes gains and losses on foreign currency derivative instruments not designated as hedges, foreign currency transaction gains and losses, gains and losses on the liquidation of foreign subsidiaries and other miscellaneous income (expense).

Our effective tax rate for the periods presented includes the effects of state income taxes, net of federal tax benefit, tax holidays, valuation allowance changes, foreign rate differentials, foreign withholding and other taxes, and permanent differences.

### Acquisition of Clearlink

In April 2016, we completed the acquisition of Clear Link Holdings, LLC (“Clearlink”), to expand our suite of service offerings while creating differentiation in the marketplace, broadening our addressable market opportunity and extending executive level reach within our existing clients’ organization. We refer to such acquisition herein as the “Clearlink acquisition.”

The total purchase price of \$207.9 million was funded by borrowings under our existing credit facility.

The results of operations of Clearlink have been reflected in the accompanying Consolidated Statement of Operations since April 1, 2016.

### Acquisition of Qelp

In July 2015, we completed the acquisition of Qelp B.V. and its subsidiary (together, known as “Qelp”), to further broaden and strengthen our service portfolio around digital self-service customer support and extend our reach into adjacent, but complementary, markets. We refer to such acquisition herein as the “Qelp acquisition.”

The total purchase price of \$15.8 million was funded by \$9.8 million in cash on hand and contingent consideration with a fair value of \$6.0 million as of July 2, 2015.

The results of operations of Qelp have been reflected in the accompanying Consolidated Statements of Operations since July 2, 2015.

### Results of Operations

The following table sets forth, for the years indicated, the amounts reflected in the accompanying Consolidated Statements of Operations as well as the changes between the respective years:

(in thousands)	Years Ended December 31,				
	2016	2015	2016 \$ Change	2014	2015 \$ Change
Revenues	\$ 1,460,037	\$ 1,286,340	\$ 173,697	\$ 1,327,523	\$ (41,183)
Operating expenses:					
Direct salaries and related costs	947,677	836,516	111,161	892,110	(55,594)
General and administrative	351,408	297,257	54,151	298,129	(872)
Depreciation, net	49,013	43,752	5,261	45,363	(1,611)
Amortization of intangibles	19,377	14,170	5,207	14,396	(226)
Net (gain) loss on disposal of property and equipment	314	381	(67)	(2,030)	2,411
Total operating expenses	1,367,789	1,192,076	175,713	1,247,968	(55,892)
Income from operations	92,248	94,264	(2,016)	79,555	14,709
Other income (expense):					
Interest income	607	668	(61)	958	(290)
Interest (expense)	(5,570)	(2,465)	(3,105)	(2,011)	(454)
Other (expense)	1,599	(2,484)	4,083	(1,343)	(1,141)
Total other income (expense)	(3,364)	(4,281)	917	(2,396)	(1,885)
Income before income taxes	88,884	89,983	(1,099)	77,159	12,824
Income taxes	26,494	21,386	5,108	19,368	2,018
Net income	\$ 62,390	\$ 68,597	\$ (6,207)	\$ 57,791	\$ 10,806

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The following table sets forth, for the years indicated, the amounts presented in the accompanying Consolidated Statements of Operations as a percentage of revenues:

	Years Ended December 31,		
	2016	2015	2014
<b>Percentage of Revenue:</b>			
Revenues	100.0%	100.0%	100.0%
Direct salaries and related costs	64.9	65.0	67.2
General and administrative	24.1	23.1	22.5
Depreciation, net	3.4	3.4	3.4
Amortization of intangibles	1.3	1.1	1.1
Net (gain) loss on disposal of property and equipment	0.0	0.0	(0.2)
Income from operations	6.3	7.4	6.0
Interest income	0.0	0.0	0.1
Interest (expense)	(0.4)	(0.2)	(0.2)
Other income (expense)	0.2	(0.2)	(0.1)
Income before income taxes	6.1	7.0	5.8
Income taxes	1.8	1.7	1.5
Net income	4.3%	5.3%	4.3%

**2016 Compared to 2015**

*Revenues*

	Years Ended December 31,				
	2016		2015		\$ Change
	Amount	% of Revenues	Amount	% of Revenues	
(in thousands)					
Americas	\$ 1,220,818	83.6%	\$ 1,045,415	81.3%	\$ 175,403
EMEA	239,089	16.4%	240,826	18.7%	(1,737)
Other	130	0.0%	99	0.0%	31
Consolidated	\$ 1,460,037	100.0%	\$ 1,286,340	100.0%	\$ 173,697

Consolidated revenues increased \$173.7 million, or 13.5%, in 2016 from 2015.

The increase in Americas' revenues was primarily due to Clearlink acquisition revenues of \$123.3 million, higher volumes from existing clients of \$92.9 million and new client sales of \$8.5 million, partially offset by end-of-life client programs of \$36.6 million and the negative foreign currency impact of \$12.7 million. Revenues from our offshore operations represented 41.2% of Americas' revenues, compared to 44.5% in 2015.

The decrease in EMEA's revenues was primarily due to end-of-life client programs of \$8.2 million and the negative foreign currency impact of \$8.1 million, partially offset by higher volumes from existing clients of \$11.0 million and new client sales of \$3.6 million.

On a consolidated basis, we had 47,700 brick-and-mortar seats as of December 31, 2016, an increase of 6,600 seats from 2015. Included in this seat count are 1,300 seats associated with Clearlink. This increase in seats, net of Clearlink additions, was primarily due to seat additions to support higher projected demand. The capacity utilization rate on a combined basis was 75% in 2016, compared to 79% in 2015. This decrease was due to a significant increase in the seat count related to projected client demand.

On a geographic segment basis, 41,200 seats were located in the Americas, an increase of 6,100 seats from 2015, and 6,500 seats were located in EMEA, an increase of 500 seats from 2015. The capacity utilization rate for the Americas in 2016 was 74%, compared to 79% in 2015, down primarily due to seat additions for higher projected demand. The capacity utilization rate for EMEA in 2016 was 80%, compared to 85% in 2015, down primarily due to lower demand in certain existing clients, certain end-of-life client programs and the rationalization of seats in a highly utilized center due to a planned program expiration. We strive to attain a capacity utilization of 85% at each of our locations.

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Excluding Clearlink, we added 7,000 seats on a gross basis in 2016, with total seat count on a net basis for the full year increasing by 5,300 in 2016 versus 2015.

**Direct Salaries and Related Costs**

(in thousands)	Years Ended December 31,				\$ Change	Change in % of Revenues
	2016		2015			
	Amount	% of Revenues	Amount	% of Revenues		
Americas	\$779,183	63.8%	\$664,976	63.6%	\$114,207	0.2%
EMEA	168,494	70.5%	171,540	71.2%	(3,046)	-0.7%
Consolidated	\$947,677	64.9%	\$836,516	65.0%	\$111,161	-0.1%

The increase of \$111.2 million in direct salaries and related costs included a positive foreign currency impact of \$13.2 million in the Americas and a positive foreign currency impact of \$5.2 million in EMEA.

The increase in Americas' direct salaries and related costs, as a percentage of revenues, was primarily attributable to higher customer-acquisition advertising costs of 2.3% in connection with Clearlink's operations and higher recruiting costs of 0.2%, partially offset by lower compensation costs of 1.3% driven by Clearlink's operations which has lower direct labor costs relative to our mix of business in the prior period, lower communication costs of 0.4%, lower auto tow claim costs of 0.3% and lower other costs of 0.3%.

The decrease in EMEA's direct salaries and related costs, as a percentage of revenues, was primarily attributable to lower fulfillment materials costs of 2.2% driven by lower demand in an existing client program and lower postage costs of 0.6%, partially offset by higher compensation costs of 2.0% driven by a decrease in agent productivity principally within the technology vertical in the current period and higher other costs of 0.1%.

**General and Administrative**

(in thousands)	Years Ended December 31,				\$ Change	Change in % of Revenues
	2016		2015			
	Amount	% of Revenues	Amount	% of Revenues		
Americas	\$240,517	19.7%	\$192,933	18.5%	\$ 47,584	1.2%
EMEA	46,639	19.5%	49,025	20.4%	(2,386)	-0.9%
Other	64,252	—	55,299	—	8,953	—
Consolidated	\$351,408	24.1%	\$297,257	23.1%	\$ 54,151	1.0%

The increase of \$54.2 million in general and administrative expenses included a positive foreign currency impact of \$3.7 million in the Americas and a positive foreign currency impact of \$2.0 million in EMEA.

The increase in Americas' general and administrative expenses, as a percentage of revenues, was primarily attributable to higher compensation costs of 0.9% and higher other costs of 0.5%, partially offset by a reduction in technology costs of 0.2% allocated from corporate.

The decrease in EMEA's general and administrative expenses, as a percentage of revenues, was primarily attributable to a gain on settlement of Qelp's contingent consideration of 1.1%, lower facility-related costs of 0.6% and lower other costs of 0.2%, partially offset by higher compensation costs of 0.6%, higher consulting costs of 0.2% and higher recruiting costs of 0.2%.

The increase of \$9.0 million in Other general and administrative expenses, which includes corporate and other costs, was primarily attributable to higher merger and integration costs of \$4.0 million, higher compensation costs of \$2.6 million, a reduction in technology costs of \$1.9 million allocated to the Americas, higher software maintenance costs of \$0.5 million and higher consulting costs of \$0.3 million, partially offset by lower other costs of \$0.3 million.

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**Depreciation, Amortization and Net (Gain) Loss on Disposal of Property and Equipment**

(in thousands)	Years Ended December 31,					
	2016		2015		\$ Change	Change in % of Revenues
	Amount	% of Revenues	Amount	% of Revenues		
<b>Depreciation, net:</b>						
Americas	\$ 42,436	3.5%	\$ 37,842	3.6%	\$ 4,594	-0.1%
EMEA	4,532	1.9%	4,559	1.9%	(27)	0.0%
Other	2,045	—	1,351	—	694	—
Consolidated	<u>\$ 49,013</u>	<u>3.4%</u>	<u>\$ 43,752</u>	<u>3.4%</u>	<u>\$ 5,261</u>	<u>0.0%</u>
<b>Amortization of intangibles:</b>						
Americas	\$ 18,329	1.5%	\$ 13,648	1.3%	\$ 4,681	0.2%
EMEA	1,048	0.4%	522	0.2%	526	0.2%
Other	—	—	—	—	—	—
Consolidated	<u>\$ 19,377</u>	<u>1.3%</u>	<u>\$ 14,170</u>	<u>1.1%</u>	<u>\$ 5,207</u>	<u>0.2%</u>
<b>Net (gain) loss on disposal of property and equipment:</b>						
Americas	\$ 222	0.0%	\$ 573	0.1%	\$ (351)	-0.1%
EMEA	(4)	0.0%	(156)	-0.1%	152	0.1%
Other	96	—	(36)	—	132	—
Consolidated	<u>\$ 314</u>	<u>0.0%</u>	<u>\$ 381</u>	<u>0.0%</u>	<u>\$ (67)</u>	<u>0.0%</u>

The increase in depreciation was primarily due to new depreciable fixed assets placed into service supporting site expansions as well as the addition of depreciable fixed assets acquired in conjunction with the April 2016 Clearlink acquisition, partially offset by certain fully depreciated fixed assets.

The increase in amortization was primarily due to the addition of intangible assets acquired in conjunction with the April 2016 Clearlink acquisition and the July 2015 Qelp acquisition, partially offset by certain fully amortized intangible assets.

**Other Income (Expense)**

(in thousands)	Years Ended December 31,		
	2016	2015	\$ Change
Interest income	<u>\$ 607</u>	<u>\$ 668</u>	<u>\$ (61)</u>
Interest (expense)	<u>\$ (5,570)</u>	<u>\$ (2,465)</u>	<u>\$ (3,105)</u>
<b>Other income (expense):</b>			
Foreign currency transaction gains (losses)	\$ 3,348	\$ (2,924)	\$ 6,272
Gains (losses) on foreign currency derivative instruments not designated as hedges	(2,270)	1,374	(3,644)
Gains (losses) on liquidation of foreign subsidiaries	—	(647)	647
Other miscellaneous income (expense)	521	(287)	808
Total other income (expense)	<u>\$ 1,599</u>	<u>\$ (2,484)</u>	<u>\$ 4,083</u>

Interest income remained consistent with the prior year.

The increase in interest (expense) was primarily due to \$216.0 million in borrowings used to acquire Clearlink in April 2016.

The (loss) on liquidation of foreign subsidiaries in 2015 was due to the substantial liquidation of operations in a foreign entity. The increase in other miscellaneous income (expense) was primarily due to the net investment income (losses) related to the investments held in rabbi trust. See Note 11, Investments Held in Rabbi Trust, of “Notes to Consolidated Financial Statements” for further information.

[Table of Contents](#)**Income Taxes**

(in thousands)	Years Ended December 31,		\$ Change
	2016	2015	
Income before income taxes	\$ 88,884	\$ 89,983	\$ (1,099)
Income taxes	\$ 26,494	\$ 21,386	\$ 5,108
			<u>% Change</u>
Effective tax rate	29.8%	23.8%	6.0%

The increase in the effective tax rate in 2016 compared to 2015 is primarily due to the recognition in the prior period of a \$2.2 million previously unrecognized tax benefit, inclusive of penalties and interest, arising from statute of limitations expirations and a \$1.3 million reversal of a valuation allowance on deferred tax assets where it is more likely than not the assets will be realized due to the current financial position and results of operations for the current and preceding years. The increase in the effective tax rate was also affected by several additional factors, including increases in state taxation along with shifts in earnings among the various jurisdictions in which we operate, none of which are individually material.

**2015 Compared to 2014****Revenues**

(in thousands)	Years Ended December 31,				\$ Change
	2015		2014		
	Amount	% of Revenues	Amount	% of Revenues	
Americas	\$ 1,045,415	81.3%	\$ 1,070,824	80.7%	\$ (25,409)
EMEA	240,826	18.7%	256,699	19.3%	(15,873)
Other	99	0.0%	—	0.0%	99
Consolidated	<u>\$ 1,286,340</u>	<u>100.0%</u>	<u>\$ 1,327,523</u>	<u>100.0%</u>	<u>\$ (41,183)</u>

Consolidated revenues decreased \$41.2 million, or 3.1%, in 2015 from 2014.

The decrease in Americas' revenues was primarily due to end-of-life client programs of \$82.1 million and the negative foreign currency impact of \$23.6 million, partially offset by higher volumes from existing clients of \$67.3 million and new client sales of \$13.0 million. Revenues from our offshore operations represented 44.5% of Americas' revenues, compared to 38.9% in 2014.

The decrease in EMEA's revenues was primarily due to the negative foreign currency impact of \$43.4 million and end-of-life client programs of \$4.5 million, partially offset by higher volumes from existing clients of \$26.6 million and new client sales of \$5.4 million.

On a consolidated basis, we had 41,100 brick-and-mortar seats as of December 31, 2015, an increase of 100 seats from 2014. The capacity utilization rate on a combined basis remained unchanged at 79% in 2015 and 2014.

On a geographic segment basis, 35,100 seats were located in the Americas, an increase of 600 seats from 2014, and 6,000 seats were located in EMEA, a decrease of 500 seats from 2014. The capacity utilization rate for the Americas as of December 31, 2015 was 79%, compared to 77% as of December 31, 2014, up primarily due to growth within new and existing clients. The capacity utilization rate for EMEA as of December 31, 2015 was 85%, compared to 90% as of December 31, 2014, down primarily due to lower demand in certain existing clients and the rationalization of seats in a highly utilized center due to a planned program expiration. We strive to attain a capacity utilization of 85% at each of our locations.

**Direct Salaries and Related Costs**

(in thousands)	Years Ended December 31,					
	2015		2014		\$ Change	Change in % of Revenues
	Amount	% of Revenues	Amount	% of Revenues		
Americas	\$ 664,976	63.6%	\$ 707,181	66.0%	\$ (42,205)	-2.4%
EMEA	171,540	71.2%	184,929	72.0%	(13,389)	-0.8%
Consolidated	\$ 836,516	65.0%	\$ 892,110	67.2%	\$ (55,594)	-2.2%

The decrease of \$55.6 million in direct salaries and related costs included a positive foreign currency impact of \$25.8 million in the Americas and a positive foreign currency impact of \$31.0 million in EMEA.

The decrease in Americas' direct salaries and related costs, as a percentage of revenues, was primarily attributable to lower compensation costs of 2.2% driven by increased agent productivity within the communications, financial services and technology verticals in the current period, and lower communication costs of 0.2%.

The decrease in EMEA's direct salaries and related costs, as a percentage of revenues, was primarily attributable to lower compensation costs of 1.7% driven by increased agent productivity in the current period combined with the ramp up in the prior period for new and existing client programs principally in the communications vertical, lower billable supply costs of 0.4%, lower postage costs of 0.3% and lower other costs of 0.2%, partially offset by higher fulfillment materials costs of 1.8% driven by higher demand in a new client program.

**General and Administrative**

(in thousands)	Years Ended December 31,					
	2015		2014		\$ Change	Change in % of Revenues
	Amount	% of Revenues	Amount	% of Revenues		
Americas	\$ 192,933	18.5%	\$ 197,167	18.4%	\$ (4,234)	0.1%
EMEA	49,025	20.4%	50,760	19.8%	(1,735)	0.6%
Other	55,299	—	50,202	—	5,097	—
Consolidated	\$ 297,257	23.1%	\$ 298,129	22.5%	\$ (872)	0.6%

The decrease of \$0.9 million in general and administrative expenses included a positive foreign currency impact of \$6.0 million in the Americas and a positive foreign currency impact of \$8.7 million in EMEA.

The increase in Americas' general and administrative expenses, as a percentage of revenues, was primarily attributable to higher compensation costs of 0.2% and higher other costs of 0.3%, partially offset by lower legal and professional fees of 0.3% and lower communication costs of 0.1%.

The increase in EMEA's general and administrative expenses, as a percentage of revenues, was primarily attributable to higher facility-related costs of 0.2%, higher severance costs of 0.2% and higher consulting costs of 0.2%.

The increase of \$5.1 million in Other general and administrative expenses, which includes corporate and other costs, was primarily attributable to higher compensation costs of \$4.3 million, higher consulting costs of \$1.2 million, higher software maintenance costs of \$1.0 million, higher travel costs of \$0.7 million and higher merger and integration costs of \$0.5 million, partially offset by lower charitable contributions costs of \$1.4 million and lower other costs of \$1.2 million.

**Depreciation, Amortization and Net (Gain) Loss on Disposal of Property and Equipment**

(in thousands)	Years Ended December 31,				\$ Change	Change in % of Revenues
	2015		2014			
	Amount	% of Revenues	Amount	% of Revenues		
<b>Depreciation, net:</b>						
Americas	\$37,842	3.6%	\$40,557	3.8%	\$ (2,715)	-0.2%
EMEA	4,559	1.9%	4,806	1.9%	(247)	0.0%
Other	1,351	—	—	—	1,351	—
Consolidated	<u>\$43,752</u>	3.4%	<u>\$45,363</u>	3.4%	<u>\$ (1,611)</u>	0.0%
<b>Amortization of intangibles:</b>						
Americas	\$13,648	1.3%	\$14,396	1.3%	\$ (748)	0.0%
EMEA	522	0.2%	—	0.0%	522	0.2%
Other	—	—	—	—	—	—
Consolidated	<u>\$14,170</u>	1.1%	<u>\$14,396</u>	1.1%	<u>\$ (226)</u>	0.0%
<b>Net (gain) loss on disposal of property and equipment:</b>						
Americas	\$ 573	0.1%	\$ (2,026)	-0.2%	\$ 2,599	0.3%
EMEA	(156)	-0.1%	(4)	0.0%	(152)	-0.1%
Other	(36)	—	—	—	(36)	—
Consolidated	<u>\$ 381</u>	0.0%	<u>\$ (2,030)</u>	-0.2%	<u>\$ 2,411</u>	0.2%

The decrease in depreciation was primarily due to certain fully depreciated net fixed assets.

The decrease in amortization was primarily due to certain fully amortized intangible assets.

The net (gain) on disposal of property and equipment in 2014 primarily related to the sale of land, a building and fixed assets located in Bismarck, North Dakota. See Note 12, Property and Equipment, of “Notes to Consolidated Financial Statements” for further information.

**Other Income (Expense)**

(in thousands)	Years Ended December 31,		
	2015	2014	\$ Change
Interest income	<u>\$ 668</u>	<u>\$ 958</u>	<u>\$ (290)</u>
Interest (expense)	<u>\$ (2,465)</u>	<u>\$ (2,011)</u>	<u>\$ (454)</u>
<b>Other income (expense):</b>			
Foreign currency transaction gains (losses)	\$ (2,924)	\$ (1,740)	\$ (1,184)
Gains (losses) on foreign currency derivative instruments not designated as hedges	1,374	(44)	1,418
Gains (losses) on liquidation of foreign subsidiaries	(647)	—	(647)
Other miscellaneous income (expense)	(287)	441	(728)
Total other income (expense)	<u>\$ (2,484)</u>	<u>\$ (1,343)</u>	<u>\$ (1,141)</u>

The decrease in interest income reflects lower average interest rates on invested balances of interest-bearing investments in cash and cash equivalents in 2015 compared to 2014.

The increase in interest (expense) was primarily due to interest accretion on the contingent consideration related to the July 2015 Qelp acquisition.

The (loss) on liquidation of foreign subsidiaries in 2015 was due to the substantial liquidation of operations in a foreign entity. The decrease in other miscellaneous income (expense) was primarily due to the net investment income (losses) related to the investments held in rabbi trust. See Note 11, Investments Held in Rabbi Trust, of “Notes to Consolidated Financial Statements” for further information.

[Table of Contents](#)**Income Taxes**

(in thousands)	<u>Years Ended December 31,</u>		<u>\$ Change</u>
	<u>2015</u>	<u>2014</u>	
Income before income taxes	\$ 89,983	\$ 77,159	\$ 12,824
Income taxes	\$ 21,386	\$ 19,368	\$ 2,018
			<u>% Change</u>
Effective tax rate	23.8%	25.1%	-1.3%

The decrease in the effective tax rate in 2015 compared to 2014 is primarily due to the recognition of a \$2.2 million previously unrecognized tax benefit and a \$1.3 million reversal of a valuation allowance on deferred tax assets where it is more likely than not the assets will be realized. This decrease was partially offset by a \$3.0 million increase in tax provision due to a \$12.6 million income increase in a high tax rate jurisdiction. The change in the effective tax rate was also affected by several other factors, including fluctuations in earnings among the various jurisdictions in which we operate, none of which are individually material.

## Quarterly Results

The following information presents our unaudited quarterly operating results for 2016 and 2015. The data has been prepared on a basis consistent with the accompanying Consolidated Financial Statements included elsewhere in this Annual Report on Form 10-K, and includes all adjustments, consisting of normal recurring accruals, that we consider necessary for a fair presentation thereof.

(in thousands, except per share data)	<u>12/31/2016</u>	<u>9/30/2016</u>	<u>6/30/2016</u>	<u>3/31/2016</u>	<u>12/31/2015</u>	<u>9/30/2015</u>	<u>6/30/2015</u>	<u>3/31/2015</u>
Revenues	<u>\$ 389,146</u>	<u>\$ 385,743</u>	<u>\$ 364,402</u>	<u>\$ 320,746</u>	<u>\$ 337,278</u>	<u>\$ 317,924</u>	<u>\$ 307,453</u>	<u>\$ 323,685</u>
Operating expenses:								
Direct salaries and related costs	252,821	249,859	239,442	205,555	214,307	206,139	202,143	213,927
General and administrative (1,2,3)	88,770	87,863	94,285	80,490	79,337	72,647	72,566	72,707
Depreciation, net	13,265	13,004	11,960	10,784	10,748	10,938	11,007	11,059
Amortization of intangibles	5,233	5,254	5,263	3,627	3,666	3,638	3,435	3,431
Net (gain) loss on disposal of property and equipment (4)	152	92	50	20	221	55	85	20
Total operating expenses	<u>360,241</u>	<u>356,072</u>	<u>351,000</u>	<u>300,476</u>	<u>308,279</u>	<u>293,417</u>	<u>289,236</u>	<u>301,144</u>
Income from operations	<u>28,905</u>	<u>29,671</u>	<u>13,402</u>	<u>20,270</u>	<u>28,999</u>	<u>24,507</u>	<u>18,217</u>	<u>22,541</u>
Other income (expense):								
Interest income	178	135	141	153	189	162	151	166
Interest (expense) (5)	(1,603)	(1,578)	(1,581)	(808)	(938)	(478)	(610)	(439)
Other income (expense) (6)	(1,002)	981	1,067	553	(617)	(871)	(167)	(829)
Total other income (expense)	<u>(2,427)</u>	<u>(462)</u>	<u>(373)</u>	<u>(102)</u>	<u>(1,366)</u>	<u>(1,187)</u>	<u>(626)</u>	<u>(1,102)</u>
Income before income taxes	<u>26,478</u>	<u>29,209</u>	<u>13,029</u>	<u>20,168</u>	<u>27,633</u>	<u>23,320</u>	<u>17,591</u>	<u>21,439</u>
Income taxes	<u>8,450</u>	<u>7,939</u>	<u>3,891</u>	<u>6,214</u>	<u>7,597</u>	<u>3,310</u>	<u>4,679</u>	<u>5,800</u>
Net income	<u>\$ 18,028</u>	<u>\$ 21,270</u>	<u>\$ 9,138</u>	<u>\$ 13,954</u>	<u>\$ 20,036</u>	<u>\$ 20,010</u>	<u>\$ 12,912</u>	<u>\$ 15,639</u>
Net income per common share (7) :								
Basic	\$ 0.43	\$ 0.51	\$ 0.22	\$ 0.33	\$ 0.48	\$ 0.48	\$ 0.31	\$ 0.37
Diluted	\$ 0.43	\$ 0.50	\$ 0.22	\$ 0.33	\$ 0.48	\$ 0.48	\$ 0.31	\$ 0.37
Weighted average shares:								
Basic	41,768	41,938	41,970	41,704	41,630	41,783	42,008	42,181
Diluted	42,114	42,224	42,101	42,023	42,117	42,084	42,216	42,440

- (1) The quarters ended December 31, 2016, September 30, 2016, June 30, 2016 and March 31, 2016 include less than \$0.1 million, \$0.2 million, \$3.0 million and \$1.4 million in Clearlink acquisition-related costs, respectively. The quarter ended September 30, 2015 includes \$0.5 million in Qelp acquisition-related costs. See Note 2, Acquisitions, for further information.
- (2) The quarter ended December 31, 2016 includes a \$0.5 million loss on contingent consideration. The quarter ended September 30, 2016 includes a \$2.8 million (gain) on contingent consideration. See Note 4, Fair Value, for further information.
- (3) The quarter ended September 30, 2015 includes a \$0.9 million net (gain) on insurance settlement. See Note 12, Property and Equipment, for further information.
- (4) The quarter ended December 31, 2016 includes a \$0.2 million (gain) on the sale of fixed assets, land and building located in Morganfield, Kentucky. See Note 12, Property and Equipment, for further information.
- (5) The quarters ended December 31, 2016, September 30, 2016, June 30, 2016, March 31, 2016 and December 31, 2015 include less than \$(0.1) million, \$(0.2) million, \$(0.3) million, \$(0.2) million and \$(0.4) million of interest accretion on contingent consideration, respectively. See Note 4, Fair Value, for further information.
- (6) The quarter ended December 31, 2015 includes a \$(0.6) million loss on liquidation of a foreign subsidiary. See Note 26, Other Income (Expense), for further information.
- (7) Net income per basic and diluted common share is computed independently for each of the quarters presented and, therefore, may not sum to the total for the year.

## **Business Outlook**

For the three months ended March 31, 2017, we anticipate the following financial results:

- Revenues in the range of \$380.0 million to \$385.0 million;
- Effective tax rate of approximately 31%;
- Fully diluted share count of approximately 42.0 million;
- Diluted earnings per share in the range of \$0.28 to \$0.32; and
- Capital expenditures in the range of \$13.0 million to \$18.0 million

For the twelve months ended December 31, 2017, we anticipate the following financial results:

- Revenues in the range of \$1,580.0 million to \$1,600.0 million;
- Effective tax rate of approximately 30%;
- Fully diluted share count of approximately 42.3 million;
- Diluted earnings per share in the range of \$1.59 to \$1.71; and
- Capital expenditures in the range of \$55.0 million to \$65.0 million

In 2017, we expect a continuation of the favorable underlying demand trends experienced in 2016. This underlying demand is being driven by growth with both existing and new clients across the Americas and EMEA. Specifically, the main drivers of growth remain the financial services, communications and technology verticals. Revenues in 2017 reflect an unfavorable impact of approximately \$25 million from foreign exchange rates relative to 2016. Given the broader macro-economic environment and the sustained demand growth, we have seen some imbalances in labor and wage dynamics, which we should be able to either mitigate or completely offset through a combination of actions, including some wage increases offset by lower attrition, wage pass-throughs, shifts in delivery strategies and productivity. As a result, our implicit operating margin and explicit diluted earnings per share assumptions reflect manageable macro-economic backdrop and operational progress related to staffing inefficiencies from significant capacity additions and sizeable program ramps in 2016.

Our revenues and earnings per share assumptions for the first quarter and full-year 2017 are based on foreign exchange rates as of February 2017. Therefore, the continued volatility in foreign exchange rates between the U.S. Dollar and the functional currencies of the markets we serve could have a further impact, positive or negative, on revenues and earnings per share relative to the business outlook for the first quarter and full-year, as discussed above.

We anticipate total other interest income (expense), net of approximately \$(1.5) million for the first quarter and \$(6.0) million for the full year 2017. These amounts include the interest accretion on the contingent consideration, which is expected to be less than \$(0.1) million in the first quarter of 2017 and approximately \$(0.1) million for the year. The amounts, however, exclude the potential impact of any future foreign exchange gains or losses in other income (expense).

Not included in this guidance is the impact of any future acquisitions, share repurchase activities or a potential sale of previously exited customer engagement centers.

## **Liquidity and Capital Resources**

Our primary sources of liquidity are generally cash flows generated by operating activities and from available borrowings under our revolving credit facility. We utilize these capital resources to make capital expenditures associated primarily with our customer engagement services, invest in technology applications and tools to further develop our service offerings and for working capital and other general corporate purposes, including repurchase of our common stock in the open market and to fund acquisitions. In future periods, we intend similar uses of these funds.

On August 18, 2011, the Board authorized us to purchase up to 5.0 million shares of our outstanding common stock (the “2011 Share Repurchase Program”). On March 16, 2016, the Board authorized an increase of 5.0 million shares to the 2011 Share Repurchase Program, for a total of 10.0 million. A total of 5.3 million shares have been

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repurchased under the 2011 Share Repurchase Program since inception. The shares are purchased, from time to time, through open market purchases or in negotiated private transactions, and the purchases are based on factors, including but not limited to, the stock price, management discretion and general market conditions. The 2011 Share Repurchase Program has no expiration date.

During 2016, cash increased \$130.7 million from operating activities, \$216.0 from proceeds from the issuance of long-term debt, \$10.3 million from the settlement of the net investment hedge, \$2.1 million from excess tax benefits from stock-based compensation, \$0.6 million from proceeds from the sale of property and equipment, \$0.3 million release of restricted cash and \$0.2 million from proceeds from grants. The increase in cash was offset by \$205.3 million paid for the Clearlink acquisition (net of cash acquired), \$78.3 million used for capital expenditures, \$19.0 million to repay long-term debt, \$11.1 million to repurchase common stock, \$4.9 million to repurchase common stock for minimum tax withholding on equity awards, \$1.4 million payment of contingent consideration related to acquisitions and a \$0.5 million investment in restricted cash, resulting in a \$31.3 million increase in available cash (including the unfavorable effects of foreign currency exchange rates on cash and cash equivalents of \$8.4 million).

Net cash flows provided by operating activities for 2016 were \$130.7 million, compared to \$120.5 million in 2015. The \$10.2 million increase in net cash flows from operating activities was due to a net increase of \$10.2 million in cash flows from assets and liabilities and a \$6.2 million increase in non-cash reconciling items such as depreciation and amortization, net (gain) loss on disposal of property and equipment, impairment losses and unrealized foreign currency transaction (gains) losses, net, partially offset by a \$6.2 million decrease in net income. The \$10.2 million increase in cash flows from assets and liabilities was principally a result of a \$26.3 million increase in other liabilities, a \$10.7 million increase in taxes payable and a \$8.9 million increase in deferred revenue, partially offset by a \$35.4 million increase in accounts receivable and a \$0.3 million increase in other assets. The \$26.3 million increase in the change in other liabilities is primarily due to \$17.2 million related to the timing of accrued employee compensation and benefits, and \$6.7 million related to other accrued expenses and current liabilities principally due to an increase of \$4.5 million related to site expansions in 2016 over 2015. The \$35.4 million increase in the change in accounts receivable is primarily due to the timing of billings and collections in 2016 over 2015.

Capital expenditures, which are generally funded by cash generated from operating activities, available cash balances and borrowings available under our credit facilities, were \$78.3 million for 2016, compared to \$49.7 million for 2015, an increase of \$28.6 million. In 2017, we anticipate capital expenditures in the range of \$55.0 million to \$65.0 million, primarily for new seat additions, Enterprise Resource Planning upgrades, facility upgrades, maintenance and systems infrastructure.

On May 12, 2015, we entered into a \$440 million revolving credit facility (the “2015 Credit Agreement”) with a group of lenders and KeyBank National Association, as Lead Arranger, Sole Book Runner and Administrative Agent, Swing Line Lender and Issuing Lender (“KeyBank”). The 2015 Credit Agreement is subject to certain borrowing limitations and includes certain customary financial and restrictive covenants. At December 31, 2016, we were in compliance with all loan requirements of the 2015 Credit Agreement and had \$267.0 million of outstanding borrowings under this facility. On April 1, 2016, we borrowed \$216.0 million under our 2015 Credit Agreement in connection with the acquisition of Clearlink. See Note 2, Acquisitions, of “Notes to Consolidated Financial Statements” for further information.

Our credit agreements had an average daily utilization of \$222.6 million, \$70.0 million and \$85.9 million during the years ended December 31, 2016, 2015 and 2014, respectively. During the years ended December 31, 2016, 2015, and 2014, the related interest expense, including the commitment fee and excluding the amortization of deferred loan fees, was \$4.0 million, \$1.3 million and \$1.4 million, respectively, which represented weighted average interest rates of 1.8%, 1.9% and 1.7%, respectively.

The 2015 Credit Agreement includes a \$200 million alternate-currency sub-facility, a \$10 million swingline sub-facility and a \$35 million letter of credit sub-facility, and may be used for general corporate purposes including acquisitions, share repurchases, working capital support and letters of credit, subject to certain limitations. We are not currently aware of any inability of our lenders to provide access to the full commitment of funds that exist under the 2015 Credit Agreement, if necessary. However, there can be no assurance that such facility will be available to us, even though it is a binding commitment of the financial institutions. The 2015 Credit Agreement will mature on May 12, 2020.

Borrowings under the 2015 Credit Agreement bear interest at the rates set forth in the 2015 Credit Agreement. In addition, we are required to pay certain customary fees, including a commitment fee determined quarterly based on our leverage ratio and due quarterly in arrears and calculated on the average unused amount of the 2015 Credit Agreement.

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The 2015 Credit Agreement is guaranteed by all of our existing and future direct and indirect material U.S. subsidiaries and secured by a pledge of 100% of the non-voting and 65% of the voting capital stock of all of our direct foreign subsidiaries and those of the guarantors.

We are currently under audit in several tax jurisdictions. We received assessments for the Canadian 2003-2009 audit. Requests for Competent Authority Assistance were filed with both the Canadian Revenue Agency and the U.S. Internal Revenue Service and we paid mandatory security deposits to Canada as part of this process. The total amount of deposits, net of the effects of foreign exchange rate adjustments, were \$13.8 million and \$13.4 million as of December 31, 2016 and 2015, respectively, and are included in “Deferred charges and other assets” in the accompanying Consolidated Balance Sheets. Although the outcome of examinations by taxing authorities is always uncertain, we believe we are adequately reserved for these audits and that resolution is not expected to have a material impact on our financial condition and results of operations.

As part of the April 2016 Clearlink acquisition, we assumed contingent consideration liabilities related to four separate acquisitions made by Clearlink in 2015 and 2016, prior to the Clearlink acquisition. The fair value of the contingent consideration related to these previous acquisitions was \$2.8 million as of April 1, 2016 and was based on achieving targets primarily tied to revenues for varying periods of time during 2016 and 2017. As of December 31, 2016, the fair value of the contingent consideration was \$1.9 million. The estimated future value of the contingent consideration is \$2.0 million and is expected to be paid on varying dates through July 2017.

In July 2015, we completed the acquisition of Qelp B.V. and its subsidiary (together, known as “Qelp”) pursuant to the definitive Share Sale and Purchase Agreement, dated July 2, 2015. The purchase price of \$15.8 million was funded through cash on hand of \$9.8 million and contingent consideration of \$6.0 million. On September 26, 2016, we entered into an addendum to the Qelp Purchase Agreement with the Sellers to settle the outstanding contingent consideration for EUR 4.0 million (\$4.2 million as of December 31, 2016) to be paid on June 30, 2017.

As of December 31, 2016, we had \$266.7 million in cash and cash equivalents, of which approximately 91.4%, or \$243.8 million, was held in international operations and is deemed to be indefinitely reinvested offshore. These funds may be subject to additional taxes if repatriated to the United States, including withholding tax applied by the country of origin and an incremental U.S. income tax, net of allowable foreign tax credits. There are circumstances where we may be unable to repatriate some of the cash and cash equivalents held by our international operations due to country restrictions. We do not intend nor currently foresee a need to repatriate these funds. We expect our current domestic cash levels and cash flows from operations to be adequate to meet our domestic anticipated working capital needs, including investment activities such as capital expenditures and debt repayment for the next twelve months and the foreseeable future. However, from time to time, we may borrow funds under our 2015 Credit Agreement as a result of the timing of our working capital needs, including capital expenditures. Additionally, we expect our current foreign cash levels and cash flows from foreign operations to be adequate to meet our foreign anticipated working capital needs, including investment activities such as capital expenditures for the next twelve months and the foreseeable future.

If we should require more cash in the U.S. than is provided by our domestic operations for significant discretionary unforeseen activities such as acquisitions of businesses and share repurchases, we could elect to repatriate future foreign earnings and/or raise capital in the U.S through additional borrowings or debt/equity issuances. These alternatives could result in higher effective tax rates, interest expense and/or dilution of earnings. We have borrowed funds domestically and continue to have the ability to borrow additional funds domestically at reasonable interest rates.

Our cash resources could also be affected by various risks and uncertainties, including but not limited to, the risks detailed in Item 1A, Risk Factors.

***Off-Balance Sheet Arrangements and Other***

At December 31, 2016, we did not have any material commercial commitments, including guarantees or standby repurchase obligations, or any relationships with unconsolidated entities or financial partnerships, including entities often referred to as structured finance or special purpose entities or variable interest entities, which would have been established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes.

From time to time, during the normal course of business, we may make certain indemnities, commitments and guarantees under which we may be required to make payments in relation to certain transactions. These include, but are not limited to: (i) indemnities to clients, vendors and service providers pertaining to claims based on negligence or willful misconduct and (ii) indemnities involving breach of contract, the accuracy of representations and warranties, or other liabilities assumed by us in certain contracts. In addition, we have agreements whereby we will indemnify certain officers and directors for certain events or occurrences while the officer or director is, or was, serving at our request in such capacity. The indemnification period covers all pertinent events and occurrences during the officer's or director's lifetime. The maximum potential amount of future payments we could be required to make under these indemnification agreements is unlimited; however, we have director and officer insurance coverage that limits our exposure and enables us to recover a portion of any future amounts paid. We believe the applicable insurance coverage is generally adequate to cover any estimated potential liability under these indemnification agreements. The majority of these indemnities, commitments and guarantees do not provide for any limitation of the maximum potential for future payments we could be obligated to make. We have not recorded any liability for these indemnities, commitments and other guarantees in the accompanying Consolidated Balance Sheets. In addition, we have some client contracts that do not contain contractual provisions for the limitation of liability, and other client contracts that contain agreed upon exceptions to limitation of liability. We have not recorded any liability in the accompanying Consolidated Balance Sheets with respect to any client contracts under which we have or may have unlimited liability.

[Table of Contents](#)**Contractual Obligations**

The following table summarizes our contractual cash obligations at December 31, 2016, and the effect these obligations are expected to have on liquidity and cash flow in future periods (in thousands):

	Payments Due By Period					
	Total	Less Than 1 Year	1 - 3 Years	3 - 5 Years	After 5 Years	Other
Operating leases (1)	\$ 218,652	\$ 46,712	\$ 73,440	\$ 49,692	\$ 48,808	\$ —
Purchase obligations (2)	53,773	40,667	11,450	1,322	334	—
Accounts payable (3)	29,163	29,163	—	—	—	—
Accrued employee compensation and benefits (3)	92,541	92,541	—	—	—	—
Income taxes payable (4)	4,487	4,487	—	—	—	—
Other accrued expenses and current liabilities (5)	37,758	37,758	—	—	—	—
Long-term debt (6)	267,000	—	—	267,000	—	—
Long-term tax liabilities (7)	5,516	—	—	—	—	5,516
Other long-term liabilities (8)	4,598	101	1,327	278	2,892	—
	<u>\$ 713,488</u>	<u>\$ 251,429</u>	<u>\$ 86,217</u>	<u>\$ 318,292</u>	<u>\$ 52,034</u>	<u>\$ 5,516</u>

- (1) Amounts represent the expected cash payments under our operating leases.
- (2) Amounts represent the expected cash payments under our purchase obligations, which include agreements to purchase goods or services that are enforceable and legally binding on us and that specify all significant terms, including: fixed or minimum quantities to be purchased; fixed, minimum or variable price provisions; and the approximate timing of the transaction. Purchase obligations exclude agreements that are cancelable without penalty.
- (3) Accounts payable and accrued employee compensation and benefits, which represent amounts due to vendors and employees payable within one year.
- (4) Income taxes payable, which represents amounts due taxing authorities payable within one year.
- (5) Other accrued expenses and current liabilities, which exclude deferred grants, include amounts primarily related to restructuring costs, legal and professional fees, telephone charges, rent, derivative contracts and other accruals.
- (6) Amount represents total outstanding borrowings. See Note 18, Borrowings, to the accompanying Consolidated Financial Statements.
- (7) Long-term tax liabilities include uncertain tax positions and related penalties and interest as discussed in Note 20, Income Taxes, to the accompanying Consolidated Financial Statements, included in “Long-term income tax liabilities” in the accompanying Consolidated Balance Sheet. The amount in the table has been reduced by Canadian mandatory security deposits of \$13.8 million, which are included in “Deferred charges and other assets” in the accompanying Consolidated Balance Sheet. We cannot make reasonably reliable estimates of the cash settlement of \$5.5 million of the long-term liabilities with the taxing authority; therefore, amounts have been excluded from payments due by period.
- (8) Other long-term liabilities, which exclude deferred rent, deferred income taxes and other non-cash long-term liabilities, represent the expected cash payments for contingent consideration related to the Clearlink and Qelp acquisitions, cash payments due under restructuring accruals for lease obligations and pension obligations. See Note 2, Acquisitions, Note 3, Costs Associated with Exit or Disposal Activities, and Note 23, Defined Benefit Pension Plan and Postretirement Benefits, to the accompanying Consolidated Financial Statements.

**Critical Accounting Estimates**

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States requires estimations and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. These estimates and assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results could differ from these estimates under different assumptions or conditions.

We believe the following accounting policies are the most critical since these policies require significant judgment or involve complex estimations that are important to the portrayal of our financial condition and operating results. Unless we need to clarify a point to readers, we will refrain from citing specific section references when discussing the application of accounting principles or addressing new or pending accounting rule changes.

**Recognition of Revenue**

We recognize revenue in accordance with ASC 605 “*Revenue Recognition*”. We primarily recognize revenues from services as the services are performed, which is based on either a per minute, per call, per transaction or per time and material basis, under a fully executed contractual agreement and record reductions to revenues for contractual penalties and holdbacks for failure to meet specified minimum service levels and other performance based contingencies. Revenue recognition is limited to the amount that is not contingent upon delivery of any future product or service or meeting other specified performance conditions. Product sales, accounted for within our fulfillment services, are recognized upon shipment to the customer and satisfaction of all obligations.

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Revenues from fulfillment services account for 0.7%, 1.6% and 1.4% of total consolidated revenues for the years ended December 31, 2016, 2015 and 2014, respectively, some of which contain multiple-deliverables. The service offerings for these fulfillment service contracts typically include pick-pack-and-ship, warehousing, process management, finished goods assembly and pass-through costs. In accordance with ASC 605-25 “*Revenue Recognition — Multiple-Element Arrangements*” (“ASC 605-25”) (as amended by Accounting Standards Update (“ASU”) 2009-13 “*Revenue Recognition (Topic 605): Multiple-Deliverable Revenue Arrangements—a consensus of the FASB Emerging Issues Task Force*”) (“ASU 2009-13”), we determine if the services provided under these contracts with multiple-deliverables represent separate units of accounting. A deliverable constitutes a separate unit of accounting when it has standalone value, and where return rights exist, delivery or performance of the undelivered items is considered probable and substantially within our control. If those deliverables are determined to be separate units of accounting, revenues from these services are recognized as the services are performed under a fully executed contractual agreement. If those deliverables are not determined to be separate units of accounting, revenue for the delivered services are bundled into a single unit of accounting and recognized on the proportional performance method using the straight-line basis over the contract period, or the actual number of operational seats used to serve the client, as appropriate.

We allocate revenue to each of the deliverables based on a selling price hierarchy of vendor specific objective evidence (“VSOE”), third-party evidence, and then estimated selling price. VSOE is based on the price charged when the deliverable is sold separately. Third-party evidence is based on largely interchangeable competitor services in standalone sales to similarly situated customers. Estimated selling price is based on our best estimate of what the selling prices of deliverables would be if they were sold regularly on a standalone basis. Estimated selling price is established considering multiple factors including, but not limited to, pricing practices in different geographies, service offerings, and customer classifications. Once we allocate revenue to each deliverable, we recognize revenue when all revenue recognition criteria are met. As of December 31, 2016, our fulfillment contracts with multiple-deliverables met the separation criteria as outlined in ASC 605-25 and the revenue was accounted for accordingly. Other than these fulfillment contracts, we have no other contracts that contain multiple-deliverables as of December 31, 2016.

### ***Allowance for Doubtful Accounts***

We maintain allowances for doubtful accounts, \$2.9 million as of December 31, 2016, or 0.9% of trade account receivables, for estimated losses arising from the inability of our customers to make required payments. Our estimate is based on qualitative and quantitative analyses, including credit risk measurement tools and methodologies using the publicly available credit and capital market information, a review of the current status of our trade accounts receivable and historical collection experience of our clients. It is reasonably possible that our estimate of the allowance for doubtful accounts will change if the financial condition of our customers were to deteriorate, resulting in a reduced ability to make payments.

### ***Income Taxes***

We reduce deferred tax assets by a valuation allowance if, based on the weight of available evidence, both positive and negative, for each respective tax jurisdiction, it is more likely than not that some portion or all of such deferred tax assets will not be realized. Available evidence which is considered in determining the amount of valuation allowance required includes, but is not limited to, our estimate of future taxable income and any applicable tax-planning strategies. Establishment or reversal of certain valuation allowances may have a significant impact on both current and future results.

As of December 31, 2016, we determined that a total valuation allowance of \$30.2 million was necessary to reduce U.S. deferred tax assets by \$0.6 million and foreign deferred tax assets by \$29.6 million, where it was more likely than not that some portion or all of such deferred tax assets will not be realized. The recoverability of the remaining net deferred tax asset of \$8.9 million as of December 31, 2016 is dependent upon future profitability within each tax jurisdiction. As of December 31, 2016, based on our estimates of future taxable income and any applicable tax-planning strategies within various tax jurisdictions, we believe that it is more likely than not that the remaining net deferred tax assets will be realized.

A provision for income taxes has not been made for the undistributed earnings of foreign subsidiaries of approximately \$418.6 million as of December 31, 2016, as the earnings are indefinitely reinvested in foreign business operations. If these earnings are repatriated or otherwise become taxable in the U.S, we would be subject

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to an incremental U.S. tax expense net of any allowable foreign tax credits, in addition to any applicable foreign withholding tax expense. Determination of any unrecognized deferred tax liability related to investments in foreign subsidiaries is not practicable due to the inherent complexity of the multi-national tax environment in which we operate.

We evaluate tax positions that have been taken or are expected to be taken in our tax returns, and record a liability for uncertain tax positions in accordance with ASC 740. The calculation of our tax liabilities involves dealing with uncertainties in the application of complex tax regulations. ASC 740 contains a two-step approach to recognizing and measuring uncertain tax positions. First, tax positions are recognized if the weight of available evidence indicates that it is more likely than not that the position will be sustained upon examination, including resolution of related appeals or litigation processes, if any. Second, the tax position is measured as the largest amount of tax benefit that has a greater than 50% likelihood of being realized upon settlement. We reevaluate these uncertain tax positions on a quarterly basis. This evaluation is based on factors including, but not limited to, changes in facts or circumstances, changes in tax law, effectively settled issues under audit, and new audit activity. Such a change in recognition or measurement would result in the recognition of a tax benefit or an additional charge to the tax provision.

As of December 31, 2016, we had \$8.5 million of unrecognized tax benefits, a net increase of \$0.4 million from \$8.1 million as of December 31, 2015. Had we recognized these tax benefits, approximately \$8.5 million and \$8.1 million and the related interest and penalties would favorably impact the effective tax rate in 2016 and 2015, respectively. We anticipate that approximately \$0.5 million of the unrecognized tax benefits will be recognized in the next twelve months due to a lapse in the applicable statute of limitations.

Our provision for income taxes is subject to volatility and is impacted by the distribution of earnings in the various domestic and international jurisdictions in which we operate. Our effective tax rate could be impacted by earnings being either proportionally lower or higher in foreign countries where we have tax rates lower than the U.S. tax rates. In addition, we have been granted tax holidays in several foreign tax jurisdictions, which have various expiration dates ranging from 2019 through 2028. If we are unable to renew a tax holiday in any of these jurisdictions, our effective tax rate could be adversely impacted. In some cases, the tax holidays expire without possibility of renewal. In other cases, we expect to renew these tax holidays, but there are no assurances from the respective foreign governments that they will permit a renewal. The tax holidays decreased the provision for income taxes by \$3.3 million, \$4.0 million and \$2.7 million for the years ended December 31, 2016, 2015 and 2014, respectively. Our effective tax rate could also be affected by several additional factors, including changes in the valuation of our deferred tax assets or liabilities, changing legislation, regulations, and court interpretations that impact tax law in multiple tax jurisdictions in which we operate, as well as new requirements, pronouncements and rulings of certain tax, regulatory and accounting organizations.

#### ***Impairment of Long-Lived Assets***

We evaluate the carrying value of property and equipment and definite-lived intangible assets, which had a carrying value of \$309.3 million as of December 31, 2016, for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An asset is considered to be impaired when the forecasted undiscounted cash flows of an asset group are estimated to be less than its carrying value. The amount of impairment recognized is the difference between the carrying value of the asset group and its fair value. Fair value estimates are based on assumptions concerning the amount and timing of estimated future cash flows and assumed discount rates. Future adverse changes in market conditions or poor operating results of the underlying investment could result in losses or an inability to recover the carrying value of the investment and, therefore, might require an impairment charge in the future.

#### ***Impairment of Goodwill***

We evaluate goodwill, which had a carrying value of \$265.4 million as of December 31, 2016, for impairment at least annually, during the third quarter of each year, or whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. To assess the realizability of goodwill, we have the option to first assess qualitative factors to determine whether the existence of events or circumstances leads to a determination that it is more likely than not that the fair value of a reporting unit is less than its carrying amount. We may elect to forgo this option and proceed to the annual two-step goodwill impairment test.

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If we elect to perform the qualitative assessment and it indicates that a significant decline to fair value of a reporting unit is more likely than not, or if a reporting unit's fair value has historically been closer to its carrying value, or we elect to forgo this qualitative assessment, we will proceed to Step 1 testing where we calculate the fair value of a reporting unit based on discounted future probability-weighted cash flows. If Step 1 indicates that the carrying value of a reporting unit is in excess of its fair value, we will proceed to Step 2 where the fair value of the reporting unit will be allocated to assets and liabilities as it would in a business combination. Impairment occurs when the carrying amount of goodwill exceeds its estimated fair value calculated in Step 2.

We estimate fair value using discounted cash flows of the reporting units. The most significant assumptions used in these analyses are those made in estimating future cash flows. In estimating future cash flows, we use financial assumptions in our internal forecasting model such as projected capacity utilization, projected changes in the prices we charge for our services, projected labor costs, as well as contract negotiation status. The financial and credit market volatility directly impacts our fair value measurement through our weighted average cost of capital that we use to determine our discount rate. We use a discount rate we consider appropriate for the country where the services are being provided. If actual results differ substantially from the assumptions used in performing the impairment test, the fair value of the reporting units may be significantly lower, causing the carrying value to exceed the fair value and indicating an impairment has occurred.

### ***Contingencies***

We record a liability for pending litigation and claims where losses are both probable and reasonably estimable. Each quarter, management reviews all litigation and claims on a case-by-case basis and assigns probability of loss and range of loss.

### ***Other***

We have made certain other estimates that, while not involving the same degree of judgment, are important to understanding our financial statements. These estimates are in the areas of measuring our obligations related to our defined benefit plans and self-insurance accruals.

### **New Accounting Standards Not Yet Adopted**

See Note 1, Overview and Summary of Significant Accounting Policies, of the accompanying "Notes to Consolidated Financial Statements" for information related to recent accounting pronouncements.

## **Item 7A. Quantitative and Qualitative Disclosures About Market Risk**

### **Foreign Currency Risk**

Our earnings and cash flows are subject to fluctuations due to changes in currency exchange rates. We are exposed to foreign currency exchange rate fluctuations when subsidiaries with functional currencies other than the U.S. Dollar ("USD") are translated into our USD consolidated financial statements. As exchange rates vary, those results, when translated, may vary from expectations and adversely impact profitability. The cumulative translation effects for subsidiaries using functional currencies other than USD are included in "Accumulated other comprehensive income (loss)" in shareholders' equity. Movements in non-USD currency exchange rates may negatively or positively affect our competitive position, as exchange rate changes may affect business practices and/or pricing strategies of non-U.S. based competitors.

We employ a foreign currency risk management program that periodically utilizes derivative instruments to protect against unanticipated fluctuations in certain earnings and cash flows caused by volatility in foreign currency exchange ("FX") rates. We also utilize derivative contracts to hedge intercompany receivables and payables that are denominated in a foreign currency and to hedge net investments in foreign operations.

We serve a number of U.S.-based clients using customer engagement center capacity in The Philippines and Costa Rica, which are within our Americas segment. Although the contracts with these clients are priced in USDs, a substantial portion of the costs incurred to render services under these contracts are denominated in Philippine Pesos ("PHP") and Costa Rican Colones ("CRC"), which represent FX exposures. Additionally, our EMEA segment services clients in Hungary and Romania where the contracts are priced in Euros ("EUR"), with a substantial portion of the costs incurred to render services under these contracts denominated in Hungarian Forints ("HUF") and Romanian Leis ("RON").

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In order to hedge a portion of our anticipated cash flow requirements denominated in PHP and CRC, we had outstanding forward contracts and options as of December 31, 2016 with counterparties through December 2017 with notional amounts totaling \$96.5 million. As of December 31, 2016, we had net total derivative liabilities associated with these contracts with a fair value of \$1.8 million, which will settle within the next 12 months. If the USD was to weaken against the PHP and CRC by 10% from current period-end levels, we would incur a loss of approximately \$8.2 million on the underlying exposures of the derivative instruments. However, this loss would be mitigated by corresponding gains on the underlying exposures.

We had forward exchange contracts with notional amounts totaling \$76.9 million to hedge net investments in our foreign operations. The purpose of these derivative instruments is to protect against the risk that the net assets of certain foreign subsidiaries will be adversely affected by changes in exchange rates and economic exposures related to our foreign currency-based investments in these subsidiaries. As of December 31, 2016, the fair value of these derivatives was a net asset of \$3.2 million. The potential loss in fair value at December 31, 2016, for these contracts resulting from a hypothetical 10% adverse change in the foreign currency exchange rates is approximately \$7.3 million. However, this loss would be mitigated by corresponding gains on the underlying exposures.

We had forward exchange contracts with notional amounts totaling \$55.6 million that are not designated as hedges. The purpose of these derivative instruments is to protect against FX volatility pertaining to intercompany receivables and payables, and other assets and liabilities that are denominated in currencies other than our subsidiaries' functional currencies. As of December 31, 2016, the fair value of these derivatives was a net asset of \$0.6 million. The potential loss in fair value at December 31, 2016, for these contracts resulting from a hypothetical 10% adverse change in the foreign currency exchange rates is approximately \$1.9 million. However, this loss would be mitigated by corresponding gains on the underlying exposures.

We had embedded derivative contracts with notional amounts totaling \$13.2 million that are not designated as hedges. As of December 31, 2016, the fair value of these derivatives was a net liability of \$0.6 million. The potential loss in fair value at December 31, 2016, for these contracts resulting from a hypothetical 10% adverse change in the foreign currency exchange rates is approximately \$2.1 million. However, this loss would be mitigated by corresponding gains on the underlying exposures.

We evaluate the credit quality of potential counterparties to derivative transactions and only enter into contracts with those considered to have minimal credit risk. We periodically monitor changes to counterparty credit quality as well as our concentration of credit exposure to individual counterparties.

We do not use derivative financial instruments for speculative trading purposes, nor do we hedge our foreign currency exposure in a manner that entirely offsets the effects of changes in foreign exchange rates.

As a general rule, we do not use financial instruments to hedge local currency denominated operating expenses in countries where a natural hedge exists. For example, in many countries, revenue from the local currency services substantially offsets the local currency denominated operating expenses.

### **Interest Rate Risk**

Our exposure to interest rate risk results from variable debt outstanding under our revolving credit facility. We pay interest on outstanding borrowings at interest rates that fluctuate based upon changes in various base rates. As of December 31, 2016, we had \$267.0 million in borrowings outstanding under the revolving credit facility. Based on our level of variable rate debt outstanding during the year ended December 31, 2016, a one-point increase in the weighted average interest rate, which generally equals the LIBOR rate plus an applicable margin, would have had a \$2.2 million impact on our results of operations.

We have not historically used derivative instruments to manage exposure to changes in interest rates.

### **Item 8. Financial Statements and Supplementary Data**

The financial statements and supplementary data required by this item are located beginning on page 52 and page 33 of this report, respectively.

**Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure**

None.

**Item 9A. Controls and Procedures**

**Disclosure Controls and Procedures**

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as of December 31, 2016. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of December 31, 2016.

**Management’s Report on Internal Control Over Financial Reporting**

Management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rule 13a-15(f) under the Securities Exchange Act of 1934, as amended). Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

We assessed the effectiveness of our internal control over financial reporting as of December 31, 2016. In making this assessment, we used the criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on our assessment, management believes that, as of December 31, 2016, our internal control over financial reporting was effective.

On April 1, 2016, we acquired 100% of the outstanding membership units of Clear Link Holdings, LLC (“Clearlink”). See Note 2, Acquisitions, of “Notes to Consolidated Financial Statements” for additional information. As permitted by the Securities and Exchange Commission, companies are allowed to exclude acquisitions from their assessment of internal control over financial reporting during the first year of an acquisition and management elected to exclude Clearlink from its assessment of internal controls over financial reporting as of December 31, 2016. The Clearlink financial statements constitute 18.9% of total assets and 8.4% of revenues of the consolidated financial statement amounts as of and for the year ended December 31, 2016.

There were no changes in our internal controls over financial reporting during the quarter ended December 31, 2016 that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting, except for the change discussed under “Changes to Internal Control Over Financial Reporting” below.

**Attestation Report of Independent Registered Public Accounting Firm**

Our independent registered public accounting firm has issued an attestation report on our internal control over financial reporting. This report appears on page 44.

**Changes to Internal Control Over Financial Reporting**

On April 1, 2016, we acquired Clearlink. We have excluded Clearlink from our assessment of the effectiveness of our internal control over financial reporting as of December 31, 2016. We have completed certain integration activities and Clearlink has designed internal controls over financial reporting. Management will continue to assess the control environment.

**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the Board of Directors and Shareholders of  
Sykes Enterprises, Incorporated  
Tampa, Florida

We have audited the internal control over financial reporting of Sykes Enterprises, Incorporated and subsidiaries (the “Company”) as of December 31, 2016, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. As described in *Management’s Report on Internal Control Over Financial Reporting*, management excluded from its assessment the internal control over financial reporting at Clear Link Holdings, LLC (“Clearlink”), which was acquired on April 1, 2016 and whose financial statements constitute 18.9% of total assets and 8.4% of revenues of the consolidated financial statement amounts as of and for the year ended December 31, 2016. Accordingly, our audit did not include the internal control over financial reporting at Clearlink. The Company’s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying *Management’s Report on Internal Control Over Financial Reporting*. Our responsibility is to express an opinion on the Company’s internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company’s internal control over financial reporting is a process designed by, or under the supervision of, the company’s principal executive and principal financial officers, or persons performing similar functions, and effected by the company’s board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company’s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2016, based on the criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements and financial statement schedule as of and for the year ended December 31, 2016 of the Company and our report dated March 1, 2017 expressed an unqualified opinion on those financial statements and financial statement schedule.

/s/ Deloitte & Touche LLP  
Certified Public Accountants

Tampa, Florida  
March 1, 2017

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**Item 9B. Other Information**

None.

**PART III**

**Items 10. through 14.**

All information required by Items 10 through 14, with the exception of information on Executive Officers which appears in this report in Item 1 under the caption “Executive Officers”, is incorporated by reference to SYKES’ Proxy Statement for the 2017 Annual Meeting of Shareholders.

**PART IV**

**Item 15. Exhibits and Financial Statement Schedules**

The following documents are filed as part of this report:

Consolidated Financial Statements

The Index to Consolidated Financial Statements is set forth on page 52 of this report.

Financial Statements Schedule

Schedule II — Valuation and Qualifying Accounts is set forth on page 109 of this report.

Other schedules have been omitted because they are not required or applicable or the information is included in the Consolidated Financial Statements or notes thereto.

Exhibits:

<b><u>Exhibit Number</u></b>	<b><u>Exhibit Description</u></b>
2.1	Articles of Merger between Sykes Enterprises, Incorporated, a North Carolina Corporation, and Sykes Enterprises, Incorporated, a Florida Corporation, dated March 1, 1996. (1)
2.2	Agreement and Plan of Merger, dated as of October 5, 2009, among ICT Group, Inc., Sykes Enterprises, Incorporated, SH Merger Subsidiary I, Inc., and SH Merger Subsidiary II, LLC (15)
2.3	Agreement and Plan of Merger, dated as of July 27, 2012, by and among Sykes Enterprises, Incorporated, Sykes Acquisition Subsidiary II, Inc., Alpine Access, Inc., and Shareholder Representative Services LLC. (20)
2.4	Agreement and Plan of Merger, dated as of March 6, 2016, by and among Sykes Enterprises, Incorporated, Sykes Acquisition Corporation II, Inc., Clear Link Holdings, LLC, and Pamlico Capital Management, L.P. (28)
3.1	Articles of Incorporation of Sykes Enterprises, Incorporated, as amended. (2)
3.2	Articles of Amendment to Articles of Incorporation of Sykes Enterprises, Incorporated, as amended. (3)
3.3	Bylaws of Sykes Enterprises, Incorporated, as amended. (7)
3.4	Amendment to Bylaws of Sykes Enterprises, Incorporated. (22)
4.1	Specimen certificate for the Common Stock of Sykes Enterprises, Incorporated. (1)
10.1	2004 Non-Employee Directors' Fee Plan. (5)*
10.2	First Amended and Restated 2004 Non-Employee Director's Fee Plan. (12)*
10.3	Second Amended and Restated 2004 Non-Employee Director's Fee Plan. (14)*
10.4	Third Amended and Restated 2004 Non-Employee Director's Fee Plan. (16)*
10.5	Fourth Amended and Restated 2004 Non-Employee Director Fee Plan. (18)*
10.6	Fifth Amended and Restated 2004 Non-Employee Director Fee Plan. (24)*
10.7	Form of Split Dollar Plan Documents. (1)*

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<b>Exhibit Number</b>	<b>Exhibit Description</b>
10.8	Form of Split Dollar Agreement. (1)*
10.9	Form of Indemnity Agreement between Sykes Enterprises, Incorporated and directors & executive officers. (1)
10.10	2001 Equity Incentive Plan. (4)*
10.11	Form of Restricted Share And Stock Appreciation Right Award Agreement dated as of March 29, 2006. (8)*
10.12	Form of Restricted Share And Bonus Award Agreement dated as of March 29, 2006. (8)*
10.13	Form of Restricted Share Award Agreement dated as of May 24, 2006. (9)*
10.14	Form of Restricted Share And Stock Appreciation Right Award Agreement dated as of January 2, 2007. (10)*
10.15	Form of Restricted Share Award Agreement dated as of January 2, 2007. (10)*
10.16	Form of Restricted Share and Stock Appreciation Right Award Agreement dated as of January 2, 2008. (11)*
10.17	2011 Equity Incentive Plan. (27)*
10.18	Founder's Retirement and Consulting Agreement dated December 10, 2004 between Sykes Enterprises, Incorporated and John H. Sykes. (6)*
10.19	Amended and Restated Employment Agreement dated as of December 30, 2008 between Sykes Enterprises, Incorporated and Charles E. Sykes. (17)*
10.20	Amended and Restated Employment Agreement dated as of December 30, 2008 between Sykes Enterprises, Incorporated and W. Michael Kipphut. (17)*
10.21	Amended and Restated Employment Agreement dated as of December 29, 2008 between Sykes Enterprises, Incorporated and Jenna R. Nelson. (17)*
10.22	Amended and Restated Employment Agreement dated as of December 29, 2008 between Sykes Enterprises, Incorporated and James T. Holder. (17)*
10.23	Amended and Restated Employment Agreement dated as of December 29, 2008 between Sykes Enterprises, Incorporated and William N. Rocktoff. (17)*
10.24	Amended and Restated Employment Agreement dated as of December 29, 2008 between Sykes Enterprises, Incorporated and James Hobby, Jr. (17)*
10.25	Amended and Restated Employment Agreement dated as of December 29, 2008 between Sykes Enterprises, Incorporated and Daniel L. Hernandez. (17)*
10.26	Amended and Restated Employment Agreement dated as of December 29, 2008 between Sykes Enterprises, Incorporated and David L. Pearson. (17)*
10.27	Lease Agreement, dated January 25, 2008, Lease Amendment Number One and Lease Amendment Number Two dated February 12, 2008 and May 28, 2008 respectively, between Sykes Enterprises, Incorporated and Kingtree Office One, LLC. (13)
10.28	Credit Agreement, dated May 12, 2015, between Sykes Enterprises, Incorporated, the lenders party thereto and KeyBank National Association, as Lead Arranger, Sole Book Runner and Administrative Agent. (19)

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<b>Exhibit Number</b>	<b>Exhibit Description</b>
10.29	Business Sale and Purchase Agreement, dated as of March 29, 2012, between Sykes Enterprises, Incorporated and Iberphone, S.A.U. (20)
10.30	Stock Purchase Agreement, dated as of March 30, 2012, by and among Sykes Enterprises, Incorporated (not as a Seller), SEI International Services S.a.r.l. (as Seller) and Eugenio Arceu Garcia as Buyer. (20)
10.31	Employment Agreement, dated as of September 13, 2012, between Sykes Enterprises, Incorporated and Lawrence R. Zingale. (21)*
10.32	Employment Agreement, dated as of September 13, 2012, between Sykes Enterprises, Incorporated and Christopher Carrington. (21)*
10.33	Sykes Enterprises, Incorporated Deferred Compensation Plan Amended and Restated as of January 1, 2014. (26)*
10.34	Employment Agreement, dated as of April 15, 2014, between Sykes Enterprises, Incorporated and John Chapman. (23)*
10.35	Employment Agreement, dated as of October 29, 2014, between Sykes Enterprises, Incorporated and Andrew Blanchard. (26)*
10.36	Employment Agreement, dated as of October 29, 2016, between Sykes Enterprises, Incorporated and James D. Farnsworth. *
10.37	Amended and Restated Sykes Enterprises, Incorporated Deferred Compensation Plan, effective as of January 1, 2016. *
10.38	First Amendment to the Amended and Restated Sykes Enterprises, Incorporated Deferred Compensation Plan, effective as of June 30, 2016. *
10.39	Second Amendment to the Amended and Restated Sykes Enterprises, Incorporated Deferred Compensation Plan, effective as of January 1, 2017. *
14.1	Code of Ethics. (25)
21.1	List of subsidiaries of Sykes Enterprises, Incorporated.
23.1	Consent of Independent Registered Public Accounting Firm.
24.1	Power of Attorney relating to subsequent amendments (included on the signature page of this report).
31.1	Certification of Chief Executive Officer, pursuant to Rule 13a-14(a).
31.2	Certification of Chief Financial Officer, pursuant to Rule 13a-14(a).
32.1	Certification of Chief Executive Officer, pursuant to Section 1350.
32.2	Certification of Chief Financial Officer, pursuant to Section 1350.
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document

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\* *Indicates management contract or compensatory plan or arrangement.*

- (1) *Filed as an Exhibit to the Registrant's Registration Statement on Form S-1 (Registration No. 333-2324) and incorporated herein by reference.*
- (2) *Filed as Exhibit 3.1 to the Registrant's Registration Statement on Form S-3 filed with the Commission on October 23, 1997, and incorporated herein by reference.*
- (3) *Filed as Exhibit 3.2 to the Registrant's Form 10-K filed with the Commission on March 29, 1999, and incorporated herein by reference.*
- (4) *Filed as Exhibit 10.32 to Registrant's Form 10-Q filed with the Commission on May 7, 2001, and incorporated herein by reference.*
- (5) *Filed as an Exhibit to Registrant's Form 10-Q filed with the Commission on August 9, 2004, and incorporated herein by reference.*
- (6) *Filed as an Exhibit to Registrant's Current Report on Form 8-K filed with the Commission on December 16, 2004, and incorporated herein by reference.*
- (7) *Filed as an Exhibit to Registrant's Form 10-K filed with the Commission on March 22, 2005, and incorporated herein by reference.*
- (8) *Filed as an Exhibit to the Registrant's Current Report on Form 8-K filed with the Commission on April 4, 2006, and incorporated herein by reference.*
- (9) *Filed as an Exhibit to the Registrant's Current Report on Form 8-K filed with the Commission on May 31, 2006, and incorporated herein by reference.*
- (10) *Filed as an Exhibit to the Registrant's Current Report on Form 8-K filed with the Commission on December 28, 2006, and incorporated herein by reference.*
- (11) *Filed as an Exhibit to the Registrant's Current Report on Form 8-K filed with the Commission on January 8, 2008, and incorporated herein by reference.*
- (12) *Filed as an Exhibit to the Registrant's Form 10-Q filed with the Commission on May 7, 2008, and incorporated herein by reference.*
- (13) *Filed as an Exhibit to the Registrant's Current Report on Form 8-K filed with the Commission on May 29, 2008, and incorporated herein by reference.*
- (14) *Filed as an Exhibit to the Registrant's Form 10-Q filed with the Commission on November 5, 2008, and incorporated herein by reference.*
- (15) *Filed as an Exhibit to the Registrant's Current Report on Form 8-K filed with the Commission on October 9, 2009, and incorporated herein by reference.*
- (16) *Filed as an Exhibit to the Registrant's Proxy Statement for the 2009 annual meeting of shareholders filed with the Commission on April 22, 2009, and incorporated herein by reference.*
- (17) *Filed as an Exhibit to the Registrant's Annual Report on Form 10-K filed with the Commission on March 10, 2009, and incorporated herein by reference.*
- (18) *Filed as an Exhibit to the Registrant's Quarterly Report on Form 10-Q filed with the Commission on August 9, 2011, and incorporated herein by reference.*
- (19) *Filed as an Exhibit to the Registrant's Form 8-K filed with the Commission on May 13, 2015, and incorporated herein by reference.*
- (20) *Filed as an Exhibit to the Registrant's Form 8-K filed with the Commission on July 30, 2012, and incorporated herein by reference.*
- (21) *Filed as an Exhibit to the Registrant's Form 8-K filed with the Commission on September 19, 2012, and incorporated herein by reference.*
- (22) *Filed as an Exhibit to the Registrant's Form 8-K filed with the Commission on March 24, 2014, and incorporated herein by reference.*
- (23) *Filed as an Exhibit to the Registrant's Form 8-K filed with the Commission on April 15, 2014, and incorporated herein by reference.*
- (24) *Filed as an Exhibit to the Registrant's Proxy Statement for the 2012 annual meeting of shareholders filed with the Commission on April 14, 2012, and incorporated herein by reference.*
- (25) *Available on the Registrant's website at [www.sykes.com](http://www.sykes.com), by clicking on "Company," then "Investor Relations" and then "Documents and Charters" under the heading "Corporate Governance."*
- (26) *Filed as an Exhibit to Registrant's Form 10-K filed with the Commission on February 19, 2015, and incorporated herein by reference.*

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- (27) *Filed as an Exhibit to Registrant's Form 10-K filed with the Commission on February 29, 2016, and incorporated herein by reference.*
- (28) *Filed as an Exhibit to Registrant's Form 8-K filed with the Commission on March 8, 2016, and incorporated herein by reference.*

**Item 16. Form 10-K Summary**

Not Applicable.

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**Signatures**

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Tampa, and State of Florida, on this 1<sup>st</sup> day of March 2017.

SYKES ENTERPRISES, INCORPORATED  
(Registrant)

By: /s/ John Chapman  
John Chapman  
Executive Vice President and Chief Financial Officer  
(Principal Financial and Accounting Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated. Each person whose signature appears below constitutes and appoints John Chapman his true and lawful attorney-in-fact and agent, with full power of substitution and revocation, for him and in his name, place and stead, in any and all capacities, to sign any and all amendments to this report and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorney-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in connection therewith, as fully to all intents and purposes as he might or should do in person, thereby ratifying and confirming all that said attorneys-in-fact and agents, or either of them, may lawfully do or cause to be done by virtue hereof.

<b>Signature</b>	<b>Title</b>	<b>Date</b>
<u>/s/ James S. MacLeod</u> James S. MacLeod	Chairman of the Board	March 1, 2017
<u>/s/ Charles E. Sykes</u> Charles E. Sykes	President and Chief Executive Officer and Director (Principal Executive Officer)	March 1, 2017
<u>/s/ Vanessa C.L. Chang</u> Vanessa C.L. Chang	Director	March 1, 2017
<u>/s/ Lt. Gen. Michael P. Delong (Ret.)</u> Lt. Gen. Michael P. Delong (Ret.)	Director	March 1, 2017
<u>/s/ Carlos E. Evans</u> Carlos E. Evans	Director	March 1, 2017
<u>/s/ Lorraine L. Lutton</u> Lorraine L. Lutton	Director	March 1, 2017
<u>/s/ William J. Meurer</u> William J. Meurer	Director	March 1, 2017
<u>/s/ William D. Muir, Jr.</u> William D. Muir, Jr.	Director	March 1, 2017
<u>/s/ Paul L. Whiting</u> Paul L. Whiting	Director	March 1, 2017
<u>/s/ John Chapman</u> John Chapman	Executive Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)	March 1, 2017

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**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the Board of Directors and Shareholders of  
Sykes Enterprises, Incorporated  
Tampa, Florida

We have audited the accompanying consolidated balance sheets of Sykes Enterprises, Incorporated and subsidiaries (the “Company”) as of December 31, 2016 and 2015, and the related consolidated statements of operations, comprehensive income (loss), changes in shareholders’ equity, and cash flows for each of the three years in the period ended December 31, 2016. Our audits also included the financial statement schedule listed in the Index at Item 15. These financial statements and financial statement schedule are the responsibility of the Company’s management. Our responsibility is to express an opinion on the financial statements and financial statement schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Sykes Enterprises, Incorporated and subsidiaries as of December 31, 2016 and 2015 and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2016, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, such financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, present fairly, in all material respects, the information set forth therein.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company’s internal control over financial reporting as of December 31, 2016, based on the criteria established in *Internal Control—Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 1, 2017 expressed an unqualified opinion on the Company’s internal control over financial reporting.

/s/ Deloitte & Touche LLP  
Certified Public Accountants

Tampa, Florida  
March 1, 2017

## SYKES ENTERPRISES, INCORPORATED AND SUBSIDIARIES

## Consolidated Balance Sheets

(in thousands, except per share data)	December 31, 2016	December 31, 2015
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 266,675	\$ 235,358
Receivables, net	318,558	277,096
Prepaid expenses	21,973	17,321
Other current assets	16,030	33,262
Total current assets	<u>623,236</u>	<u>563,037</u>
Property and equipment, net	156,214	111,962
Goodwill, net	265,404	195,733
Intangibles, net	153,055	50,896
Deferred charges and other assets	38,494	26,144
	<u>\$ 1,236,403</u>	<u>\$ 947,772</u>
<b>Liabilities and Shareholders' Equity</b>		
Current liabilities:		
Accounts payable	\$ 29,163	\$ 23,255
Accrued employee compensation and benefits	92,552	77,246
Current deferred income tax liabilities	—	1,120
Income taxes payable	4,487	1,959
Deferred revenue	38,736	28,119
Other accrued expenses and current liabilities	37,919	21,476
Total current liabilities	<u>202,857</u>	<u>153,175</u>
Deferred grants	3,761	4,810
Long-term debt	267,000	70,000
Long-term income tax liabilities	19,326	18,512
Other long-term liabilities	18,937	22,595
Total liabilities	<u>511,881</u>	<u>269,092</u>
Commitments and loss contingency (Note 22)		
Shareholders' equity:		
Preferred stock, \$0.01 par value per share, 10,000 shares authorized; no shares issued and outstanding	—	—
Common stock, \$0.01 par value per share, 200,000 shares authorized; 42,895 and 42,785 shares issued, respectively	429	428
Additional paid-in capital	281,357	275,380
Retained earnings	518,611	458,325
Accumulated other comprehensive income (loss)	(67,027)	(53,662)
Treasury stock at cost: 362 and 113 shares, respectively	(8,848)	(1,791)
Total shareholders' equity	<u>724,522</u>	<u>678,680</u>
	<u>\$ 1,236,403</u>	<u>\$ 947,772</u>

*See accompanying Notes to Consolidated Financial Statements.*

## SYKES ENTERPRISES, INCORPORATED AND SUBSIDIARIES

## Consolidated Statements of Operations

(in thousands, except per share data)	Years Ended December 31,		
	2016	2015	2014
Revenues	<u>\$1,460,037</u>	<u>\$1,286,340</u>	<u>\$1,327,523</u>
Operating expenses:			
Direct salaries and related costs	947,677	836,516	892,110
General and administrative	351,408	297,257	298,129
Depreciation, net	49,013	43,752	45,363
Amortization of intangibles	19,377	14,170	14,396
Net (gain) loss on disposal of property and equipment	314	381	(2,030)
Total operating expenses	<u>1,367,789</u>	<u>1,192,076</u>	<u>1,247,968</u>
Income from operations	<u>92,248</u>	<u>94,264</u>	<u>79,555</u>
Other income (expense):			
Interest income	607	668	958
Interest (expense)	(5,570)	(2,465)	(2,011)
Other income (expense)	1,599	(2,484)	(1,343)
Total other income (expense)	<u>(3,364)</u>	<u>(4,281)</u>	<u>(2,396)</u>
Income before income taxes	<u>88,884</u>	<u>89,983</u>	<u>77,159</u>
Income taxes	<u>26,494</u>	<u>21,386</u>	<u>19,368</u>
Net income	<u>\$ 62,390</u>	<u>\$ 68,597</u>	<u>\$ 57,791</u>
Net income per common share:			
Basic	<u>\$ 1.49</u>	<u>\$ 1.64</u>	<u>\$ 1.36</u>
Diluted	<u>\$ 1.48</u>	<u>\$ 1.62</u>	<u>\$ 1.35</u>
Weighted average common shares outstanding:			
Basic	41,847	41,899	42,609
Diluted	42,239	42,447	42,814

See accompanying Notes to Consolidated Financial Statements.

## SYKES ENTERPRISES, INCORPORATED AND SUBSIDIARIES

## Consolidated Statements of Comprehensive Income (Loss)

(in thousands)	Years Ended December 31,		
	2016	2015	2014
Net income	<u>\$ 62,390</u>	<u>\$ 68,597</u>	<u>\$ 57,791</u>
Other comprehensive income (loss), net of taxes:			
Foreign currency translation gain (loss), net of taxes	(13,792)	(36,525)	(34,827)
Unrealized gain (loss) on net investment hedges, net of taxes	2,096	3,894	3,959
Unrealized actuarial gain (loss) related to pension liability, net of taxes	96	21	(142)
Unrealized gain (loss) on cash flow hedging instruments, net of taxes	(1,698)	(416)	2,424
Unrealized gain (loss) on postretirement obligation, net of taxes	(67)	(75)	28
Other comprehensive income (loss), net of taxes	<u>(13,365)</u>	<u>(33,101)</u>	<u>(28,558)</u>
Comprehensive income (loss)	<u>\$ 49,025</u>	<u>\$ 35,496</u>	<u>\$ 29,233</u>

See accompanying Notes to Consolidated Financial Statements.

**SYKES ENTERPRISES, INCORPORATED AND SUBSIDIARIES**
**Consolidated Statements of Changes in Shareholders' Equity**

(in thousands)	Common Stock		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total
	Shares Issued	Amount					
<b>Balance at January 1, 2014</b>	43,997	\$ 440	\$ 279,513	\$ 349,366	\$ 7,997	\$ (1,612)	\$ 635,704
Stock-based compensation expense	—	—	6,381	—	—	—	6,381
Excess tax benefit (deficiency) from stock-based compensation	—	—	(82)	—	—	—	(82)
Issuance of common stock under equity award plans, net of shares withheld for employee taxes	(76)	(1)	(592)	—	—	156	(437)
Repurchase of common stock	—	—	—	—	—	(12,581)	(12,581)
Retirement of treasury stock	(630)	(6)	(5,932)	(6,643)	—	12,581	—
Comprehensive income (loss)	—	—	—	57,791	(28,558)	—	29,233
<b>Balance at December 31, 2014</b>	43,291	433	279,288	400,514	(20,561)	(1,456)	658,218
Stock-based compensation expense	—	—	8,749	—	—	—	8,749
Excess tax benefit (deficiency) from stock-based compensation	—	—	422	—	—	—	422
Issuance of common stock under equity award plans, net of shares withheld for employee taxes	348	4	(3,159)	—	—	(171)	(3,326)
Repurchase of common stock	—	—	—	—	—	(20,879)	(20,879)
Retirement of treasury stock	(854)	(9)	(9,920)	(10,786)	—	20,715	—
Comprehensive income (loss)	—	—	—	68,597	(33,101)	—	35,496
<b>Balance at December 31, 2015</b>	42,785	428	275,380	458,325	(53,662)	(1,791)	678,680
Stock-based compensation expense	—	—	10,779	—	—	—	10,779
Excess tax benefit (deficiency) from stock-based compensation	—	—	2,098	—	—	—	2,098
Issuance of common stock under equity award plans, net of shares withheld for employee taxes	256	2	(4,724)	—	—	(194)	(4,916)
Repurchase of common stock	—	—	—	—	—	(11,144)	(11,144)
Retirement of treasury stock	(146)	(1)	(2,176)	(2,104)	—	4,281	—
Comprehensive income (loss)	—	—	—	62,390	(13,365)	—	49,025
<b>Balance at December 31, 2016</b>	<u>42,895</u>	<u>\$ 429</u>	<u>\$ 281,357</u>	<u>\$ 518,611</u>	<u>\$ (67,027)</u>	<u>\$ (8,848)</u>	<u>\$ 724,522</u>

See accompanying Notes to Consolidated Financial Statements.

**SYKES ENTERPRISES, INCORPORATED AND SUBSIDIARIES**
**Consolidated Statements of Cash Flows**

(in thousands)	Years Ended December 31,		
	2016	2015	2014
<b>Cash flows from operating activities :</b>			
Net income	\$ 62,390	\$ 68,597	\$ 57,791
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	49,600	44,515	46,255
Amortization of intangibles	19,377	14,170	14,396
Amortization of deferred grants	(845)	(973)	(1,348)
Unrealized foreign currency transaction (gains) losses, net	(1,104)	318	119
Stock-based compensation expense	10,779	8,749	6,381
Excess tax (benefit) from stock-based compensation	(2,098)	(422)	—
Deferred income tax provision (benefit)	2,339	2,515	4,865
Net (gain) loss on disposal of property and equipment	314	381	(2,030)
Bad debt expense (reversals)	89	278	(181)
Write-downs (recoveries) of value added tax receivables	(148)	—	(638)
Unrealized (gains) losses on financial instruments, net	521	1,028	2,352
Foreign exchange (gain) loss on liquidation of foreign entities	(25)	720	113
Amortization of deferred loan fees	269	403	259
Net (gain) on insurance settlement	—	(919)	—
Proceeds from business interruption insurance settlement	—	156	—
Imputed interest expense and fair value adjustments to contingent consideration	(1,496)	408	—
Other	(101)	(106)	(10)
Changes in assets and liabilities, net of acquisition:			
Receivables	(32,905)	2,499	(40,276)
Prepaid expenses	(3,587)	(3,040)	336
Other current assets	(3,398)	(6,972)	(6,673)
Deferred charges and other assets	(1,286)	1,951	3,545
Accounts payable	(2,938)	(124)	2,029
Income taxes receivable / payable	4,999	(5,666)	2,609
Accrued employee compensation and benefits	15,699	(1,481)	5,179
Other accrued expenses and current liabilities	5,090	(1,564)	(5,026)
Deferred revenue	6,343	(2,559)	2,147
Other long-term liabilities	2,850	(2,398)	2,070
Net cash provided by operating activities	<u>130,728</u>	<u>120,464</u>	<u>94,264</u>
<b>Cash flows from investing activities:</b>			
Capital expenditures	(78,342)	(49,662)	(44,683)
Cash paid for business acquisition, net of cash acquired	(205,324)	(9,370)	—
Proceeds from sale of property and equipment	582	616	3,639
Investment in restricted cash	(466)	(45)	(7)
Release of restricted cash	372	13	160
Proceeds from property and equipment insurance settlement	—	1,490	—
Net investment hedge settlement	10,339	—	—
Purchase of intangible assets	(10)	—	—
Net cash (used for) investing activities	<u>(272,849)</u>	<u>(56,958)</u>	<u>(40,891)</u>

## SYKES ENTERPRISES, INCORPORATED AND SUBSIDIARIES

Consolidated Statements of Cash Flows  
(Continued)

(in thousands)	Years Ended December 31,		
	2016	2015	2014
<b>Cash flows from financing activities:</b>			
Payments of long-term debt	(19,000)	(10,000)	(23,000)
Proceeds from issuance of long-term debt	216,000	5,000	—
Excess tax benefit from stock-based compensation	2,098	422	—
Cash paid for repurchase of common stock	(11,144)	(20,879)	(12,581)
Proceeds from grants	202	670	256
Payments on short-term debt	—	(323)	—
Shares repurchased for minimum tax withholding on equity awards	(4,916)	(3,326)	(437)
Cash paid for loan fees related to long-term debt	—	(962)	—
Payments of contingent consideration related to acquisitions	(1,396)	—	—
Net cash provided by (used for) financing activities	181,844	(29,398)	(35,762)
<b>Effects of exchange rates on cash and cash equivalents</b>	<b>(8,406)</b>	<b>(13,887)</b>	<b>(14,459)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>31,317</b>	<b>20,221</b>	<b>3,152</b>
Cash and cash equivalents – beginning	235,358	215,137	211,985
Cash and cash equivalents – ending	<u>\$266,675</u>	<u>\$235,358</u>	<u>\$215,137</u>
<b>Supplemental disclosures of cash flow information:</b>			
Cash paid during period for interest	\$ 4,003	1,476	1,716
Cash paid during period for income taxes	\$ 18,764	\$ 30,467	\$ 16,560
<b>Non-cash transactions:</b>			
Property and equipment additions in accounts payable	\$ 10,692	4,941	5,512
Unrealized gain (loss) on postretirement obligation in accumulated other comprehensive income (loss)	\$ (67)	\$ (75)	\$ 28

See accompanying Notes to Consolidated Financial Statements.

## SYKES ENTERPRISES, INCORPORATED AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

#### Note 1. Overview and Summary of Significant Accounting Policies

**Business** — Sykes Enterprises, Incorporated and consolidated subsidiaries (“SYKES” or the “Company”) provides comprehensive outsourced customer engagement solutions and services in the business process outsourcing arena to companies, primarily within the communications, financial services, technology/consumer, transportation and leisure, healthcare and retail industries. SYKES provides flexible, high-quality outsourced customer engagement services (with an emphasis on inbound technical support, digital support and demand generation, and customer service), which includes customer assistance, healthcare and roadside assistance, technical support and product and service sales to its clients’ customers. Utilizing SYKES’ integrated onshore/offshore global delivery model, SYKES provides its services through multiple communication channels encompassing phone, e-mail, social media, text messaging, chat and digital self-service. SYKES complements its outsourced customer engagement services with various enterprise support services in the United States that encompass services for a company’s internal support operations, from technical staffing services to outsourced corporate help desk services. In Europe, SYKES also provides fulfillment services, which includes order processing, payment processing, inventory control, product delivery and product returns handling. The Company has operations in two reportable segments entitled (1) the Americas, which includes the United States, Canada, Latin America, Australia and the Asia Pacific Rim, in which the client base is primarily companies in the United States that are using the Company’s services to support their customer management needs; and (2) EMEA, which includes Europe, the Middle East and Africa.

#### Acquisitions

On April 1, 2016, the Company completed the acquisition of Clear Link Holdings, LLC (“Clearlink”), pursuant to a definitive Agreement and Plan of Merger (the “Merger Agreement”), dated March 6, 2016. The Company has reflected the operating results in the Consolidated Statements of Operations since April 1, 2016. See Note 2, Acquisitions, for additional information on the acquisition.

In July 2015, the Company completed the acquisition of Qelp B.V. and its subsidiary (together, known as “Qelp”), pursuant to definitive Share Sale and Purchase Agreement, dated July 2, 2015. The Company has reflected the operating results in the Consolidated Statements of Operations since July 2, 2015. See Note 2, Acquisitions, for additional information on the acquisition.

**Principles of Consolidation** — The consolidated financial statements include the accounts of SYKES and its wholly-owned subsidiaries and controlled majority-owned subsidiaries. All intercompany transactions and balances have been eliminated in consolidation.

**Use of Estimates** — The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America (“generally accepted accounting principles” or “U.S. GAAP”) requires the Company to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Subsequent Events** — Subsequent events or transactions have been evaluated through the date and time of issuance of the consolidated financial statements. There were no material subsequent events that required recognition or disclosure in the accompanying consolidated financial statements.

**Recognition of Revenue** — The Company recognizes revenue in accordance with Accounting Standards Codification (“ASC”) 605 “*Revenue Recognition*” (“ASC 605”). The Company primarily recognizes revenues from services as the services are performed, which is based on either a per minute, per call, per transaction or per time and material basis, under a fully executed contractual agreement and record reductions to revenues for contractual penalties and holdbacks for failure to meet specified minimum service levels and other performance based contingencies. Revenue recognition is limited to the amount that is not contingent upon delivery of any future product or service or meeting other specified performance conditions. Product sales, accounted for within our fulfillment services, are recognized upon shipment to the customer and satisfaction of all obligations.

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Revenues from fulfillment services account for 0.7%, 1.6% and 1.4% of total consolidated revenues for the years ended December 31, 2016, 2015 and 2014, respectively, some of which contain multiple-deliverables. The service offerings for these fulfillment service contracts typically include pick-pack-and-ship, warehousing, process management, finished goods assembly and pass-through costs. In accordance with ASC 605-25 “*Revenue Recognition — Multiple-Element Arrangements*” (“ASC 605-25”) [as amended by Accounting Standards Update (“ASU”) 2009-13 “*Revenue Recognition (Topic 605): Multiple-Deliverable Revenue Arrangements — a consensus of the FASB Emerging Issues Task Force*” (“ASU 2009-13”)], the Company determines if the services provided under these contracts with multiple-deliverables represent separate units of accounting. A deliverable constitutes a separate unit of accounting when it has standalone value, and where return rights exist, delivery or performance of the undelivered items is considered probable and substantially within our control. If those deliverables are determined to be separate units of accounting, revenues from these services are recognized as the services are performed under a fully executed contractual agreement. If those deliverables are not determined to be separate units of accounting, revenue for the delivered services are bundled into a single unit of accounting and recognized on the proportional performance method using the straight-line basis over the contract period, or the actual number of operational seats used to serve the client, as appropriate.

The Company allocates revenue to each of the deliverables based on a selling price hierarchy of vendor specific objective evidence (“VSOE”), third-party evidence, and then estimated selling price. VSOE is based on the price charged when the deliverable is sold separately. Third-party evidence is based on largely interchangeable competitor services in standalone sales to similarly situated customers. Estimated selling price is based on the Company’s best estimate of what the selling prices of deliverables would be if they were sold regularly on a standalone basis. Estimated selling price is established considering multiple factors including, but not limited to, pricing practices in different geographies, service offerings, and customer classifications. Once the Company allocates revenue to each deliverable, the Company recognizes revenue when all revenue recognition criteria are met. As of December 31, 2016, the Company’s fulfillment contracts with multiple-deliverables met the separation criteria as outlined in ASC 605-25 and the revenue was accounted for accordingly. Other than these fulfillment contracts, the Company had no other contracts that contain multiple-deliverables as of December 31, 2016.

**Cash and Cash Equivalents** — Cash and cash equivalents consist of cash and highly liquid short-term investments. Cash in the amount of \$266.7 million and \$235.4 million at December 31, 2016 and 2015, respectively, was primarily held in non-interest bearing investments, which have original maturities of less than 90 days. Cash and cash equivalents of \$243.8 million and \$221.7 million at December 31, 2016 and 2015, respectively, were held in international operations and may be subject to additional taxes if repatriated to the United States (“U.S.”).

**Restricted Cash** — Restricted cash includes cash whereby the Company’s ability to use the funds at any time is contractually limited or is generally designated for specific purposes arising out of certain contractual or other obligations. Restricted cash is included in “Other current assets” and “Deferred charges and other assets” in the accompanying Consolidated Balance Sheets.

**Allowance for Doubtful Accounts** — The Company maintains allowances for doubtful accounts on trade account receivables for estimated losses arising from the inability of its customers to make required payments. The Company’s estimate is based on qualitative and quantitative analyses, including credit risk measurement tools and methodologies using the publicly available credit and capital market information, a review of the current status of the Company’s trade accounts receivable and historical collection experience of the Company’s clients. It is reasonably possible that the Company’s estimate of the allowance for doubtful accounts will change if the financial condition of the Company’s customers were to deteriorate, resulting in a reduced ability to make payments.

**Property and Equipment** — Property and equipment is recorded at cost and depreciated using the straight-line method over the estimated useful lives of the respective assets. Improvements to leased premises are amortized over the shorter of the related lease term or the estimated useful lives of the improvements. Cost and related accumulated depreciation on assets retired or disposed of are removed from the accounts and any resulting gains or losses are credited or charged to income. The Company capitalizes certain costs incurred, if any, to internally develop software upon the establishment of technological feasibility. Costs incurred prior to the establishment of technological feasibility are expensed as incurred.

The carrying value of property and equipment to be held and used is evaluated for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable in accordance with ASC 360 “*Property, Plant and Equipment*.” For purposes of recognition and measurement of an impairment loss, assets are grouped at the lowest levels for which there are identifiable cash flows (the “asset group”). An asset is considered to

be impaired when the sum of the undiscounted future net cash flows expected to result from the use of the asset and its eventual disposition does not exceed its carrying amount. The amount of the impairment loss, if any, is measured as the amount by which the carrying value of the asset exceeds its estimated fair value, which is generally determined based on appraisals or sales prices of comparable assets or independent third party offers. Occasionally, the Company redeploys property and equipment from under-utilized centers to other locations to improve capacity utilization if it is determined that the related undiscounted future cash flows in the under-utilized centers would not be sufficient to recover the carrying amount of these assets. The Company determined that its property and equipment were not impaired as of December 31, 2016 and 2015.

**Rent Expense** — The Company has entered into operating lease agreements, some of which contain provisions for future rent increases, rent free periods, or periods in which rent payments are reduced. The total amount of the rental payments due over the lease term is being charged to rent expense on the straight-line method over the term of the lease in accordance with ASC 840 “*Leases*.”

**Goodwill** — The Company accounts for goodwill and other intangible assets under ASC 350 “*Intangibles — Goodwill and Other*” (“ASC 350”). The Company expects to receive future benefits from previously acquired goodwill over an indefinite period of time. For goodwill and other intangible assets with indefinite lives not subject to amortization, the Company reviews goodwill and intangible assets for impairment at least annually in the third quarter, and more frequently in the presence of certain circumstances. The Company has the option to first assess qualitative factors to determine whether the existence of events or circumstances leads to a determination that it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If, after assessing the totality of events or circumstances, the Company determines it is not more likely than not that the fair value of a reporting unit is less than its carrying amount, then performing the two-step impairment test is unnecessary. However, if the Company concludes otherwise, then it is required to perform the first step of the two-step impairment test by calculating the fair value of the reporting unit and comparing the fair value with the carrying amount of the reporting unit. If the carrying amount of a reporting unit exceeds its fair value, then the Company is required to perform the second step of the goodwill impairment test to measure the amount of the impairment loss, if any.

**Intangible Assets** — Intangible assets, primarily customer relationships and trade names, are amortized using the straight-line method over their estimated useful lives which approximate the pattern in which the economic benefits of the assets are consumed. The Company periodically evaluates the recoverability of intangible assets and takes into account events or changes in circumstances that warrant revised estimates of useful lives or that indicate that impairment exists. Fair value for intangible assets is based on discounted cash flows, market multiples and/or appraised values, as appropriate.

**Income Taxes** — The Company accounts for income taxes under ASC 740 “*Income Taxes*” (“ASC 740”) which requires recognition of deferred tax assets and liabilities to reflect tax consequences of differences between the tax bases of assets and liabilities and their reported amounts in the accompanying consolidated financial statements. Deferred tax assets are reduced by a valuation allowance if, based on the weight of available evidence, both positive and negative, for each respective tax jurisdiction, it is more likely than not that the deferred tax assets will not be realized in accordance with the criteria of ASC 740. Valuation allowances are established against deferred tax assets due to an uncertainty of realization. Valuation allowances are reviewed each period on a tax jurisdiction by tax jurisdiction basis to analyze whether there is sufficient positive or negative evidence, in accordance with criteria of ASC 740, to support a change in judgment about the ability to realize the related deferred tax assets. Uncertainties regarding expected future income in certain jurisdictions could affect the realization of deferred tax assets in those jurisdictions.

The Company evaluates tax positions that have been taken or are expected to be taken in its tax returns, and records a liability for uncertain tax positions in accordance with ASC 740. ASC 740 contains a two-step approach to recognizing and measuring uncertain tax positions. First, tax positions are recognized if the weight of available evidence indicates that it is more likely than not that the position will be sustained upon examination, including resolution of related appeals or litigation processes, if any. Second, the tax position is measured as the largest amount of tax benefit that has a greater than 50% likelihood of being realized upon settlement. The Company recognizes interest and penalties related to unrecognized tax benefits in the provision for income taxes in the accompanying consolidated financial statements.

**Self-Insurance Programs** — The Company self-insures for certain levels of workers’ compensation and self-funds the medical, prescription drug and dental benefit plans in the United States. Estimated costs are accrued at the

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projected settlements for known and anticipated claims. Amounts related to these self-insurance programs are included in “Accrued employee compensation and benefits” and “Other long-term liabilities” in the accompanying Consolidated Balance Sheets.

**Deferred Grants** — Recognition of income associated with grants for land and the acquisition of property, buildings and equipment (together, “property grants”) is deferred until after the completion and occupancy of the building and title has passed to the Company, and the funds have been released from escrow. The deferred amounts for both land and building are amortized and recognized as a reduction of depreciation expense over the corresponding useful lives of the related assets. Amounts received in excess of the cost of the building are allocated to the cost of equipment and, only after the grants are released from escrow, recognized as a reduction of depreciation expense over the weighted average useful life of the related equipment, which approximates five years. Upon sale of the related facilities, any deferred grant balance is recognized in full and is included in the gain on sale of property and equipment.

The Company receives government employment grants as an incentive to create and maintain permanent employment positions for a specified time period. These grants are repayable, under certain terms and conditions, if the Company’s relevant employment levels do not meet or exceed the employment levels set forth in the grant agreements. Accordingly, grant monies received are deferred and amortized primarily as a reduction to “Direct salaries and related costs” using the proportionate performance model over the required employment period.

The Company receives government lease grants as an incentive for leasing space at specific locations or locating engagement centers in a government’s jurisdiction. These grants are repayable, under certain terms and conditions, as set forth in the grant agreements. Accordingly, grant monies received are deferred and amortized primarily as a reduction to rent expense included in “General and administrative” over the required lease period.

**Deferred Revenue** — The Company receives up-front fees in connection with certain contracts. The deferred revenue is earned over the service periods of the respective contracts, which range from 30 days to seven years. Deferred revenue included in current liabilities in the accompanying Consolidated Balance Sheets includes the up-front fees associated with services to be provided over the ensuing twelve month period and the up-front fees associated with services to be provided over multiple years in connection with contracts that contain cancellation and refund provisions, whereby the manufacturers or customers can terminate the contracts and demand pro-rata refunds of the up-front fees with short notice. Deferred revenue from estimated penalties and holdbacks results from the failure to meet specified minimum service levels in certain contracts and other performance based contingencies. Deferred revenue from estimated chargebacks reflects the right of certain of the Company’s clients to chargeback accounts that do not meet certain requirements for specified periods after a sale has occurred.

**Customer-Acquisition Advertising Costs** — The Company utilizes direct-response advertising the primary purpose of which is to elicit purchases from its clients’ customers. These costs are capitalized when they are expected to result in probable future benefits and are amortized over the period during which future benefits are expected to be received, which is generally less than one month. All other advertising costs are expensed as incurred. As of December 31, 2016, the Company had less than \$0.1 million of capitalized direct-response advertising costs included in “Prepaid expenses” in the accompanying Consolidated Balance Sheet (none in 2015 or 2014). Total advertising costs included in “Direct salaries and related costs” in the accompanying Consolidated Income Statement for the year ended December 31, 2016 was \$28.1 million (none in 2015 or 2014).

**Stock-Based Compensation** — The Company has three stock-based compensation plans: the 2011 Equity Incentive Plan (for employees and certain non-employees), the Non-Employee Director Fee Plan (for non-employee directors), both approved by the shareholders, and the Deferred Compensation Plan (for certain eligible employees). All of these plans are discussed more fully in Note 24, Stock-Based Compensation. Stock-based awards under these plans may consist of common stock, stock options, cash-settled or stock-settled stock appreciation rights, restricted stock and other stock-based awards. The Company issues common stock and uses treasury stock to satisfy stock option exercises or vesting of stock awards.

In accordance with ASC 718 “*Compensation — Stock Compensation*” (“ASC 718”), the Company recognizes in its accompanying Consolidated Statements of Operations the grant-date fair value of stock options and other equity-based compensation issued to employees and directors. Compensation expense for equity-based awards is recognized over the requisite service period, usually the vesting period, while compensation expense for liability-based awards (those usually settled in cash rather than stock) is re-measured to fair value at each balance sheet date until the awards are settled.

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**Fair Value of Financial Instruments** — The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value:

- Cash, short-term and other investments, investments held in rabbi trust and accounts payable — The carrying values for cash, short-term and other investments, investments held in rabbi trust and accounts payable approximate their fair values.
- Foreign currency forward contracts and options — Foreign currency forward contracts and options, including premiums paid on options, are recognized at fair value based on quoted market prices of comparable instruments or, if none are available, on pricing models or formulas using current market and model assumptions, including adjustments for credit risk.
- Embedded derivatives — Embedded derivatives within certain hybrid lease agreements are bifurcated from the host contract and recognized at fair value based on pricing models or formulas using significant unobservable inputs, including adjustments for credit risk.
- Long-term debt — The carrying value of long-term debt approximates its estimated fair value as it re-prices at varying interest rates.
- Contingent consideration — Contingent consideration is recognized at fair value based on the discounted cash flow method.

**Fair Value Measurements** — ASC 820 “*Fair Value Measurements and Disclosures*” (“ASC 820”) defines fair value, establishes a framework for measuring fair value in accordance with generally accepted accounting principles and expands disclosures about fair value measurements. ASC 820-10-20 clarifies that fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants.

ASC 825 “*Financial Instruments*” (“ASC 825”) permits an entity to measure certain financial assets and financial liabilities at fair value with changes in fair value recognized in earnings each period. The Company has not elected to use the fair value option permitted under ASC 825 for any of its financial assets and financial liabilities that are not already recorded at fair value.

A description of the Company’s policies regarding fair value measurement is summarized below.

**Fair Value Hierarchy** — ASC 820-10-35 requires disclosure about how fair value is determined for assets and liabilities and establishes a hierarchy for which these assets and liabilities must be grouped, based on significant levels of observable or unobservable inputs. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the Company’s market assumptions. This hierarchy requires the use of observable market data when available. These two types of inputs have created the following fair value hierarchy:

- Level 1 — Quoted prices for identical instruments in active markets.
- Level 2 — Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs and significant value drivers are observable in active markets.
- Level 3 — Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable.

**Determination of Fair Value** — The Company generally uses quoted market prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access to determine fair value, and classifies such items in Level 1. Fair values determined by Level 2 inputs utilize inputs other than quoted market prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted market prices in active markets for similar assets or liabilities, and inputs other than quoted market prices that are observable for the asset or liability. Level 3 inputs are unobservable inputs for the asset or liability, and include situations where there is little, if any, market activity for the asset or liability.

If quoted market prices are not available, fair value is based upon internally developed valuation techniques that use, where possible, current market-based or independently sourced market parameters, such as interest rates, currency rates, etc. Assets or liabilities valued using such internally generated valuation techniques are classified according to the lowest level input or value driver that is significant to the valuation. Thus, an item may be classified in Level 3 even though there may be some significant inputs that are readily observable.

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The following section describes the valuation methodologies used by the Company to measure assets and liabilities at fair value on a recurring basis, including an indication of the level in the fair value hierarchy in which each asset or liability is generally classified.

**Money market and open-end mutual funds**— The Company uses quoted market prices in active markets to determine the fair value. These items are classified in Level 1 of the fair value hierarchy.

**Foreign currency forward contracts and options**— The Company enters into foreign currency forward contracts and options over-the-counter and values such contracts using quoted market prices of comparable instruments or, if none are available, on pricing models or formulas using current market and model assumptions, including adjustments for credit risk. The key inputs include forward or option foreign currency exchange rates and interest rates. These items are classified in Level 2 of the fair value hierarchy.

**Embedded Derivatives**— The Company uses significant unobservable inputs to determine the fair value of embedded derivatives, which are classified in Level 3 of the fair value hierarchy. These unobservable inputs include expected cash flows associated with the lease, currency exchange rates on the day of commencement, as well as forward currency exchange rates; results of which are adjusted for credit risk. These items are classified in Level 3 of the fair value hierarchy. See Note 10, Financial Derivatives, for further information.

**Investments held in rabbi trust**— The investment assets of the rabbi trust are valued using quoted market prices in active markets, which are classified in Level 1 of the fair value hierarchy. For additional information about the deferred compensation plan, refer to Note 11, Investments Held in Rabbi Trust, and Note 24, Stock-Based Compensation.

**Contingent consideration**— The Company uses significant unobservable inputs to determine the fair value of contingent consideration, which is classified in Level 3 of the fair value hierarchy. The contingent consideration recorded related to the Qelp acquisition and liabilities assumed as part of the Clearlink acquisition was recognized at fair value using a discounted cash flow methodology and a discount rate of approximately 14.0% and 10.0%, respectively. The discount rates vary dependent on the specific risks of each acquisition including the country of operation, the nature of services and complexity of the acquired business, and other similar factors, all of which are significant inputs not observable in the market. Significant increases or decreases in any of the inputs in isolation would result in a significantly higher or lower fair value measurement.

**Foreign Currency Translation**— The assets and liabilities of the Company’s foreign subsidiaries, whose functional currency is other than the U.S. Dollar, are translated at the exchange rates in effect on the reporting date, and income and expenses are translated at the weighted average exchange rate during the period. The net effect of translation gains and losses is not included in determining net income, but is included in “Accumulated other comprehensive income (loss)” (“AOCI”), which is reflected as a separate component of shareholders’ equity until the sale or until the complete or substantially complete liquidation of the net investment in the foreign subsidiary. Foreign currency transactional gains and losses are included in “Other income (expense)” in the accompanying Consolidated Statements of Operations.

**Foreign Currency and Derivative Instruments**— The Company accounts for financial derivative instruments under ASC 815 “*Derivatives and Hedging*” (“ASC 815”). The Company generally utilizes non-deliverable forward contracts and options expiring within one to 24 months to reduce its foreign currency exposure due to exchange rate fluctuations on forecasted cash flows denominated in non-functional foreign currencies and net investments in foreign operations. In using derivative financial instruments to hedge exposures to changes in exchange rates, the Company exposes itself to counterparty credit risk.

The Company designates derivatives as either (1) a hedge of a forecasted transaction or of the variability of cash flows to be received or paid related to a recognized asset or liability (“cash flow” hedge); (2) a hedge of a net investment in a foreign operation; or (3) a derivative that does not qualify for hedge accounting. To qualify for hedge accounting treatment, a derivative must be highly effective in mitigating the designated risk of the hedged item. Effectiveness of the hedge is formally assessed at inception and throughout the life of the hedging relationship. Even if a derivative qualifies for hedge accounting treatment, there may be an element of ineffectiveness of the hedge.

Changes in the fair value of derivatives that are highly effective and designated as cash flow hedges are recorded in AOCI, until the forecasted underlying transactions occur. Any realized gains or losses resulting from the cash flow

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hedges are recognized together with the hedged transaction within “Revenues”. Changes in the fair value of derivatives that are highly effective and designated as a net investment hedge are recorded in cumulative translation adjustment in AOCI, offsetting the change in cumulative translation adjustment attributable to the hedged portion of the Company’s net investment in the foreign operation. Any realized gains and losses from settlements of the net investment hedge remain in AOCI until partial or complete liquidation of the net investment. Ineffectiveness is measured based on the change in fair value of the forward contracts and options and the fair value of the hypothetical derivatives with terms that match the critical terms of the risk being hedged. Hedge ineffectiveness is recognized within “Revenues” for cash flow hedges and within “Other income (expense)” for net investment hedges. Cash flows from the derivative contracts are classified within the operating section in the accompanying Consolidated Statements of Cash Flows.

The Company formally documents all relationships between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedging activities. This process includes linking all derivatives that are designated as cash flow hedges to forecasted transactions. Hedges of a net investment in a foreign operation are linked to the specific foreign operation. The Company also formally assesses, both at the hedge’s inception and on an ongoing basis, whether the derivatives that are used in hedging transactions are highly effective on a prospective and retrospective basis. When it is determined that a derivative is not highly effective as a hedge or that it has ceased to be a highly effective hedge or if a forecasted hedge is no longer probable of occurring, or if the Company de-designates a derivative as a hedge, the Company discontinues hedge accounting prospectively. At December 31, 2016 and 2015, all hedges were determined to be highly effective.

The Company also periodically enters into forward contracts that are not designated as hedges as defined under ASC 815. The purpose of these derivative instruments is to reduce the effects from fluctuations caused by volatility in currency exchange rates on the Company’s operating results and cash flows. Changes in the fair value of the derivative instruments are included in “Revenues” or “Other income (expense)”, depending on the underlying risk exposure. See Note 10, Financial Derivatives, for further information on financial derivative instruments.

**Reclassifications** — Certain balances in prior years have been reclassified to conform to current year presentation.

### ***New Accounting Standards Not Yet Adopted***

In May 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2014-09, “*Revenue from Contracts with Customers (Topic 606)*” (“ASU 2014-09”). The amendments in ASU 2014-09 outline a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and indicate that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. To achieve this, an entity should identify the contract(s) with a customer, identify the performance obligations in the contract, determine the transaction price, allocate the transaction price to the performance obligations in the contract and recognize revenue when (or as) the entity satisfies a performance obligation. In August 2015, the FASB issued ASU 2015-14, “*Revenue from Contracts with Customers (Topic 606) Deferral of the Effective Date*” (“ASU 2015-14”). The amendments in ASU 2015-14 defer the effective date of ASU 2014-09 to annual reporting periods beginning after December 15, 2017, including interim periods within that reporting period. Earlier application is permitted only as of annual reporting periods beginning after December 15, 2016, including interim reporting periods within that period. An entity should apply the amendments using either the full retrospective approach or retrospectively with a cumulative effect of initially applying the amendments recognized at the date of initial application. In 2016, the FASB issued additional ASUs that are part of the overall new revenue guidance including: ASU 2016-08, “*Revenue from Contracts with Customers (Topic 606) – Principal versus Agent Considerations (Reporting Revenue Gross versus Net)*”, ASU 2016-10, “*Revenue from Contracts with Customers (Topic 606) – Identifying Performance Obligations and Licensing*”, ASU 2016-11, “*Revenue Recognition and Derivatives and Hedging: Rescission of SEC Guidance Because of Accounting Standards Updates 2014-09 and 2014-16 Pursuant to Staff Announcements at the March 3, 2016 Emerging Issues Task Force Meeting (“EITF”)*” and ASU 2016-12, “*Revenue from Contracts with Customers (Topic 606) – Narrow-Scope Improvements and Practical Expedients*”.

The Company is evaluating the impact of ASU 2014-09 and the related ASUs. Based on the preliminary results of its evaluation, the Company does not expect the adoption of these ASUs on January 1, 2018 to have a material impact on the recognition of revenue. The Company expects to complete its assessment by the end of the third quarter of 2017, including selecting a transition method.

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In January 2016, the FASB issued ASU 2016-01, “*Financial Instruments - Overall (Subtopic 825-10) Recognition and Measurement of Financial Assets and Financial Liabilities*” (“ASU 2016-01”). These amendments modify how entities measure equity investments and present changes in the fair value of financial liabilities. Under the new guidance, entities will have to measure equity investments that do not result in consolidation and are not accounted for under the equity method at fair value and recognize any changes in fair value in net income unless the investments qualify for the new practicality exception. A practicality exception will apply to those equity investments that do not have a readily determinable fair value and do not qualify for the practical expedient to estimate fair value under Accounting Standards Codification (“ASC”) 820, “*Fair Value Measurements*”, and as such, these investments may be measured at cost. These amendments are effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. The Company does not expect the adoption of ASU 2016-01 to materially impact its financial condition, results of operations and cash flows.

In February 2016, the FASB issued ASU 2016-02, “*Leases (Topic 842)*” (“ASU 2016-02”). These amendments require the recognition of lease assets and lease liabilities on the balance sheet by lessees for those leases currently classified as operating leases under ASC 840, “*Leases*”. These amendments also require qualitative disclosures along with specific quantitative disclosures. These amendments are effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. Early application is permitted. Entities are required to apply the amendments at the beginning of the earliest period presented using a modified retrospective approach. The Company is currently evaluating the impact that the adoption of ASU 2016-02 will have on its financial condition, results of operations and cash flows.

In March 2016, the FASB issued ASU 2016-05, “*Derivatives and Hedging (Topic 815) – Effect of Derivative Contract Novations on Existing Hedge Accounting Relationships*” (“ASU 2016-05”). These amendments clarify that a change in the counterparty to a derivative instrument that has been designated as the hedging instrument under Topic 815 does not, in and of itself, require dedesignation of that hedging relationship provided that all other hedge accounting criteria continue to be met. These amendments are effective for fiscal years beginning after December 15, 2016, including interim periods within those fiscal years. The Company does not expect the prospective adoption of ASU 2016-05 to have a material impact on its financial condition, results of operations and cash flows.

In March 2016, the FASB issued ASU 2016-09, “*Compensation – Stock Compensation (Topic 718) – Improvements to Employee Share-Based Payment Accounting*” (“ASU 2016-09”). These amendments are intended to simplify several aspects of the accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. These amendments are effective for annual periods beginning after December 15, 2016, and interim periods within those annual periods. The Company is currently evaluating the impact the guidance will have on its financial condition, results of operations and cash flows.

In June 2016, the FASB issued ASU 2016-13, “*Financial Instruments – Credit Losses (Topic 326) – Measurement of Credit Losses on Financial Instruments*” (“ASU 2016-13”). These amendments require measurement and recognition of expected versus incurred credit losses for financial assets held. These amendments are effective for fiscal years beginning after December 15, 2019, and interim periods within those fiscal years. Early adoption is permitted. The Company is currently evaluating the impact the guidance will have on its financial condition, results of operations and cash flows.

In August 2016, the FASB issued ASU 2016-15, “*Statement of Cash Flows (Topic 230) – Classification of Certain Cash Receipts and Cash Payments*” (“ASU 2016-15”). These amendments clarify the presentation of cash receipts and payments in eight specific situations. These amendments are effective for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. These amendments will be applied using a retrospective transition method to each period presented. Early adoption is permitted, including adoption in an interim period. The Company does not expect the adoption of ASU 2016-15 to materially impact its financial condition, results of operations and cash flows.

In October 2016, the FASB issued ASU 2016-16, “*Income Taxes (Topic 740) – Intra-Entity Transfers of Assets Other than Inventory*” (“ASU 2016-16”). These amendments require recognition of the income tax consequences of an intra-entity transfer of an asset other than inventory when the transfer occurs. These amendments are effective for annual reporting periods beginning after December 15, 2017, including interim reporting periods within those annual reporting periods. These amendments will be applied using a modified retrospective basis through a cumulative-effect adjustment directly to retained earnings as of the beginning of the period of adoption. Early adoption is permitted as of the beginning of an annual reporting period for which financial statements (interim or annual) have not been issued. The Company does not expect the adoption of ASU 2016-16 to materially impact its financial condition, results of operations and cash flows.

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In November 2016, the FASB issued ASU 2016-18, “*Statement of Cash Flows (Topic 230) – Restricted Cash (A Consensus of the FASB Emerging Issues Task Force)*” (“ASU 2016-18”). These amendments clarify how entities should present restricted cash and restricted cash equivalents in the statement of cash flows, requiring entities to show the changes in the total of cash, cash equivalents, restricted cash and restricted cash equivalents. These amendments are effective for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. These amendments will be applied using a retrospective transition method to each period presented. Early adoption is permitted, including adoption in an interim period. The Company does not expect the adoption of ASU 2016-18 to materially impact its financial condition, results of operations and cash flows.

In January 2017, the FASB issued ASU 2017-01, “*Business Combinations (Topic 805) – Clarifying the Definition of a Business*” (“ASU 2017-01”). These amendments clarify the definition of a business to help companies evaluate whether transactions should be accounted for as acquisitions or disposals of assets or businesses. These amendments are effective for annual periods beginning after December 15, 2017, including interim periods within those periods. These amendments will be applied prospectively. Early adoption is permitted in certain circumstances. The Company does not expect the adoption of ASU 2017-01 to materially impact its financial condition, results of operations and cash flows.

In January 2017, the FASB issued ASU 2017-04, “*Intangibles – Goodwill and Other (Topic 350) – Simplifying the Test for Goodwill Impairment*” (“ASU 2017-04”). These amendments simplify the test for goodwill impairment by eliminating Step 2 from the impairment test, which required the entity to perform procedures to determine the fair value at the impairment testing date of its assets and liabilities following the procedure that would be required in determining fair value of assets acquired and liabilities assumed in a business combination. A goodwill impairment will now be the amount by which a reporting unit’s carrying value exceeds its fair value, not to exceed the carrying amount of goodwill. These amendments are effective for annual or any interim goodwill impairment tests in fiscal years beginning after December 15, 2019. These amendments will be applied on a prospective basis, with early adoption permitted for interim or annual goodwill impairment tests performed on testing dates after January 1, 2017. The Company does not expect the adoption of ASU 2017-04 to materially impact its financial condition, results of operations and cash flows.

### ***New Accounting Standards Recently Adopted***

In June 2014, the FASB issued ASU 2014-12, “*Compensation – Stock Compensation (Topic 718) Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved after the Requisite Service Period*” (“ASU 2014-12”). The amendments in ASU 2014-12 require that a performance target that affects vesting and that could be achieved after the requisite service period be treated as a performance condition. A reporting entity should apply existing guidance in ASC 718, “*Compensation — Stock Compensation*” (“ASC 718”), as it relates to awards with performance conditions that affect vesting to account for such awards. These amendments, adopted prospectively, were effective for annual periods and interim periods within those annual periods beginning after December 15, 2015. The adoption of ASU 2014-12 on January 1, 2016 did not have a material impact on the financial condition, results of operations and cash flows of the Company.

In January 2015, the FASB issued ASU 2015-01, “*Income Statement – Extraordinary and Unusual Items (Subtopic 225-20) Simplifying Income Statement Presentation by Eliminating the Concept of Extraordinary Items*” (“ASU 2015-01”). The amendments eliminate from U.S. GAAP the concept of extraordinary items as part of the FASB’s initiative to reduce complexity in accounting standards. These amendments, adopted prospectively, were effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2015. The adoption of ASU 2015-01 on January 1, 2016 did not have a material impact on the financial condition, results of operations and cash flows of the Company.

In February 2015, the FASB issued ASU 2015-02, “*Consolidation (Topic 810) Amendments to the Consolidation Analysis*” (“ASU 2015-02”). The amendments are intended to improve targeted areas of the consolidation guidance for legal entities such as limited partnerships, limited liability corporations and securitization structures. These amendments affect the consolidation evaluation for reporting organizations. In addition, the amendments simplify and improve current U.S. GAAP by reducing the number of consolidation models. These amendments, adopted retrospectively, were effective for fiscal years, and for interim periods within those fiscal years, beginning after December 15, 2015. The adoption of ASU 2015-02 on January 1, 2016 did not have a material impact on the financial condition, results of operations and cash flows of the Company.

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In April 2015, the FASB issued ASU 2015-03, “*Interest – Imputation of Interest (Subtopic 835-30) Simplifying the Presentation of Debt Issuance Costs*” (“ASU 2015-03”). These amendments require that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. These amendments were effective for fiscal years beginning after December 15, 2015, and interim periods within those fiscal years. The adoption of ASU 2015-03 on January 1, 2016 did not have a material impact on the financial condition, results of operations and cash flows of the Company.

In April 2015, the FASB issued ASU 2015-05, “*Intangibles – Goodwill and Other – Internal-Use Software (Subtopic 350-40) Customer’s Accounting for Fees Paid in a Cloud Computing Arrangement*” (“ASU 2015-05”). These amendments provide guidance to customers about whether a cloud computing arrangement includes a software license. If a cloud computing arrangement includes a software license, the customer should account for the software license element of the arrangement consistent with the acquisition of other software licenses. If a cloud computing arrangement does not include a software license, the customer should account for the arrangement as a service contract. The new guidance does not change the accounting for a customer’s accounting for service contracts. These amendments, adopted prospectively, were effective for annual periods, including interim periods within those annual periods, beginning after December 15, 2015. The adoption of ASU 2015-05 on January 1, 2016 did not have a material impact on the financial condition, results of operations and cash flows of the Company.

In September 2015, the FASB issued ASU 2015-16, “*Business Combinations (Topic 805) Simplifying the Accounting for Measurement-Period Adjustments*” (“ASU 2015-16”). These amendments eliminate the requirement for an acquirer to retrospectively adjust provisional amounts recorded in a business combination to reflect new information about the facts and circumstances that existed as of the acquisition date and that, if known, would have affected measurement or recognition of amounts initially recognized. As an alternative, the amendment requires that an acquirer recognize adjustments to provisional amounts that are identified during the measurement period in the reporting period in which the adjustment amounts are determined. The amendments require that the acquirer record, in the financial statements of the period in which adjustments to provisional amounts are determined, the effect on earnings of changes in depreciation, amortization, or other income effects, if any, as a result of the change to the provisional amounts, calculated as if the accounting had been completed at the acquisition date. These amendments, adopted prospectively, were effective for fiscal years beginning after December 15, 2015, including interim periods within those fiscal years. The adoption of ASU 2015-16 on January 1, 2016 did not have a material impact on the financial condition, results of operations and cash flows of the Company.

In November 2015, the FASB issued ASU 2015-17, “*Income Taxes (Topic 740) Balance Sheet Classification of Deferred Taxes*” (“ASU 2015-17”). These amendments require that deferred tax liabilities and assets be classified as noncurrent in a classified statement of financial position. The existing requirement that deferred tax liabilities and assets of a tax-paying component of an entity be offset and presented as a single amount is not affected by these amendments. These amendments, adopted prospectively, were effective for annual periods beginning after December 15, 2016, and interim periods within those annual periods, with early adoption permitted. The adoption of ASU 2015-17 on January 1, 2016 resulted in the reclassification of \$12.0 million of current deferred tax assets included in “Other current assets” and \$1.1 million of current deferred tax liabilities included in “Current deferred income tax liabilities” to noncurrent deferred income tax assets and liabilities. All future deferred tax assets and liabilities will be classified as noncurrent. No prior periods were adjusted.

**Note 2. Acquisitions**

**Clearlink**

On April 1, 2016, the Company acquired 100% of the outstanding membership units of Clearlink through a merger of Clearlink with and into a subsidiary of the Company (the “Merger”). Clearlink, with its operations located in the United States, is an inbound demand generation and sales conversion platform serving numerous Fortune 500 business-to-consumer and business-to-business clients across various industries and subsectors, including telecommunications, satellite television, home security and insurance. The results of Clearlink’s operations have been included in the Company’s consolidated financial statements since April 1, 2016 (the “Clearlink acquisition date”). The strategic acquisition of Clearlink expands the Company’s suite of service offerings while creating differentiation in the marketplace, broadening its addressable market opportunity and extending executive level reach within the Company’s existing clients’ organizations. This resulted in the Company paying a substantial premium for Clearlink resulting in the recognition of goodwill. Pursuant to Federal income tax laws, intangible assets and goodwill from the Clearlink acquisition are deductible over a 15-year amortization period.

The Clearlink purchase price totaled \$207.9 million, consisting of the following:

	<b>Total</b>
Cash (1)	\$209,186
Working capital adjustment	(1,278)
	<u>\$207,908</u>

(1) Funded through borrowings under the Company’s credit agreement. See Note 18, Borrowings, for more information.

Approximately \$2.6 million of the purchase price was placed in an escrow account as security for the indemnification obligations of Clearlink’s members under the merger agreement.

The following table summarizes the estimated Clearlink acquisition date fair values of the assets acquired and liabilities assumed (all included in the Americas segment), the measurement period adjustments and the final purchase price allocation (in thousands):

	<b>Initial Purchase Price Allocation</b>	<b>Measurement Period Adjustments</b>	<b>Final Purchase Price Allocation</b>
Cash and cash equivalents	\$ 2,584	\$ —	\$ 2,584
Receivables (1)	16,801	—	16,801
Prepaid expenses	1,553	—	1,553
Total current assets	20,938	—	20,938
Property and equipment	12,869	—	12,869
Goodwill	70,223	340	70,563
Intangibles	121,400	—	121,400
Deferred charges and other assets	229	—	229
Accounts payable	(3,564)	—	(3,564)
Accrued employee compensation and benefits	(1,610)	—	(1,610)
Income taxes payable	—	(340)	(340)
Deferred revenue	(4,620)	—	(4,620)
Other accrued expenses and current liabilities	(6,324)	—	(6,324)
Total current liabilities	(16,118)	(340)	(16,458)
Other long-term liabilities	(1,633)	—	(1,633)
	<u>\$ 207,908</u>	<u>\$ —</u>	<u>\$ 207,908</u>

(1) The fair value equals the gross contractual value of the receivables.

The Company accounted for the Clearlink acquisition in accordance with ASC 805, “*Business Combinations*” (“ASC 805”), whereby the purchase price paid was allocated to the tangible and identifiable intangibles acquired and liabilities assumed from Clearlink based on their estimated fair values as of the closing date. The Company completed its analysis of the purchase price allocation during the fourth quarter of 2016 and the resulting adjustments of \$0.3 million to income taxes payable and goodwill were recorded in accordance with ASU 2015-16, “*Business Combinations (Topic 805) Simplifying the Accounting for Measurement-Period Adjustments*.”

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Fair values are based on management's estimates and assumptions including variations of the income approach, the cost approach and the market approach.

The following table presents the Company's purchased intangibles assets as of April 1, 2016, the Clearlink acquisition date (in thousands):

	<u>Amount Assigned</u>	<u>Weighted Average Amortization Period (years)</u>
Customer relationships	\$ 63,800	13
Trade name	2,400	7
Non-compete agreements	1,800	3
Proprietary software	700	5
Indefinite-lived domain names	52,700	N/A
	<u>\$ 121,400</u>	7

The amount of Clearlink's revenues and net income since the April 1, 2016 acquisition date, included in the Company's Consolidated Statements of Operations for the period indicated below, was as follows (in thousands):

	<u>From April 1, 2016 Through December 31, 2016</u>
Revenues	\$ 123,289
Net income	\$ 1,563

The following table presents the unaudited pro forma combined revenues and net earnings as if Clearlink had been included in the consolidated results of the Company for the entire years ended December 31, 2016 and 2015. The pro forma financial information is not indicative of the results of operations that would have been achieved if the acquisition and related borrowings had taken place on January 1, 2016 and 2015 (in thousands):

	<u>Years Ended December 31,</u>	
	<u>2016</u>	<u>2015</u>
Revenues	\$1,493,866	\$1,407,850
Net income	\$ 65,662	\$ 69,801
Net income per common share:		
Basic	\$ 1.57	\$ 1.67
Diluted	\$ 1.55	\$ 1.64

These amounts have been calculated to reflect the additional depreciation, amortization, interest expense and rent expense that would have been incurred assuming the fair value adjustments and borrowings occurred on January 1, 2016 and January 1, 2015, together with the consequential tax effects. In addition, these amounts exclude costs incurred which are directly attributable to the acquisition, and which do not have a continuing impact on the combined companies' operating results. Included in these costs are advisory and legal costs, net of the tax effects.

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Merger and integration costs associated with Clearlink included in “General and administrative” costs in the accompanying Consolidated Statement of Operations for the year ended December 31, 2016 were as follows (none in 2015 or 2014) (in thousands):

	<u>Year Ended</u> <u>December 31, 2016</u>
Severance costs:	
Americas	\$ 135
Transaction and integration costs:	
Americas	29
Other	4,470
	<u>4,499</u>
Total merger and integration costs	<u>\$ 4,634</u>

### ***Qelp***

On July 2, 2015, the Company’s wholly-owned subsidiaries, Sykes Enterprises Incorporated B.V. and Sykes Enterprises Incorporated Holdings B.V., both Netherlands companies, entered into a definitive Share Sale and Purchase Agreement (the “Purchase Agreement”) with MobileTimes B.V., Yarra B.V., From The Mountain Consultancy B.V. and Sticting Administratiekantoor Qelp (the “Sellers”), all of which are Netherlands companies, to acquire all of the outstanding shares of Qelp B.V. and its wholly owned subsidiary (together, known as “Qelp”). The strategic acquisition of Qelp (the “Qelp acquisition”) was to further broaden and strengthen the Company’s service portfolio around digital self-service customer support and extend its reach into adjacent, but complementary, markets. Pursuant to Federal income tax regulations, no amount of intangibles or goodwill from this acquisition will be deductible for tax purposes. The results of Qelp’s operations have been included in the Company’s consolidated financial statements since its acquisition on July 2, 2015 (the “acquisition date”).

As of the acquisition date, the total consideration paid or to be paid by the Company for the Qelp acquisition is summarized below (in thousands):

	<u>Total</u>
Cash	\$ 9,885
Contingent consideration	6,000
Working capital adjustment	(65)
	<u>\$15,820</u>

The consideration consists of an initial purchase price and a contingent purchase price. The initial purchase price of \$9.8 million, including certain post-closing adjustments relating to Qelp’s working capital, was funded through cash on hand upon the closing of the transaction on July 2, 2015. The contingent purchase price to be paid over a three-year period is based on achieving targets tied to revenues and earnings before interest, income taxes, depreciation and amortization (“EBITDA”) for the years ended December 31, 2016, 2017 and 2018, not to exceed EUR 10.0 million.

The fair value of the contingent consideration was estimated using the discounted cash flow method, and was included in “Other long-term liabilities” in the accompanying Consolidated Balance Sheet (see Note 4, Fair Value, for further information). As part of the discounted cash flow method, the Company calculated an adjusted weighted average cost of capital (“WACC”) specifically attributable to the future payments of the contingent consideration. Based on the forecasted revenue and profitability scenarios and their respective probabilities of occurrence, the Company estimated the present value of the probability-adjusted future payments utilizing an adjusted WACC for the potential future payments. The Company believes that its estimates and assumptions are reasonable, but there is significant judgment involved. Changes in the fair value of the contingent consideration liabilities subsequent to the acquisition were recorded in the Company’s Consolidated Statements of Operations.

On September 26, 2016, the Company entered into an addendum to the Qelp Purchase Agreement with the Sellers to settle the outstanding contingent consideration for EUR 4.0 million (\$4.2 million as of December 31, 2016) to be paid on June 30, 2017.

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The Company accounted for the Qelp acquisition in accordance with ASC 805 (“ASC 805”) “*Business Combinations*,” whereby the fair value of the purchase price was allocated to the tangible and identifiable intangible assets acquired and liabilities assumed from Qelp based on their estimated fair values as of the closing date. The Company completed its analysis of the purchase price allocation during the fourth quarter of 2015.

The following table summarizes the estimated acquisition date fair values of the assets acquired and liabilities assumed, all included in the EMEA segment (in thousands):

	July 2, 2015 (As Initially Reported)	Measurement Period Adjustments	July 2, 2015 (As Adjusted)
Cash and cash equivalents	\$ 450	\$ —	\$ 450
Receivables (1)	1,541	(70)	1,471
Prepaid expenses	24	—	24
Total current assets	2,015	(70)	1,945
Property and equipment	2,168	—	2,168
Goodwill	9,574	480	10,054
Intangibles	6,000	—	6,000
Deferred charges and other assets	55	—	55
Short-term debt	(323)	—	(323)
Accrued employee compensation and benefits	(207)	—	(207)
Income taxes payable	(62)	(32)	(94)
Deferred revenue	(967)	—	(967)
Other accrued expenses and current liabilities	(1,030)	—	(1,030)
Total current liabilities	(2,589)	(32)	(2,621)
Other long-term liabilities (2)	(1,403)	(378)	(1,781)
	<u>\$ 15,820</u>	<u>\$ —</u>	<u>\$ 15,820</u>

(1) The fair value equals the gross contractual value of the receivables.

(2) Primarily includes long-term deferred tax liabilities.

Fair values are based on management’s estimates and assumptions including variations of the income approach, the cost approach and the market approach.

The following table presents the Company’s purchased intangibles assets as of July 2, 2015, the acquisition date (in thousands):

	Amount Assigned	Weighted Average Amortization Period (years)
Customer relationships	\$ 5,400	7
Trade name and trademarks	100	3
Content library	500	2
	<u>\$ 6,000</u>	7

The amount of Qelp’s revenues and net (loss) since the July 2, 2015 acquisition date, included in the Company’s Consolidated Statement of Operations for the year ended December 31, 2015 were as follows (in thousands):

	From July 2, 2015 Through December 31, 2015
Revenues	\$ 2,661
Net (loss)	\$ (162)

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Merger and integration costs associated with Qelp included in “General and administrative” costs in the accompanying Consolidated Statement of Operations in the Other segment for the year ended December 31, 2015 were as follows (none in 2016 and 2014) (in thousands):

	Year Ended December 31, 2015
Transaction costs	<u>\$ 455</u>

**Note 3. Costs Associated with Exit or Disposal Activities**

During 2011 and 2010, the Company announced several initiatives to streamline excess capacity through targeted seat reductions (the “Exit Plans”) in an on-going effort to manage and optimize capacity utilization. These Exit Plans included, but were not limited to, closing customer engagement centers in The Philippines, the United Kingdom, Ireland and South Africa and consolidating leased space in various locations in the U.S. and the Netherlands. These Exit Plans impacted approximately 800 employees. The Company has paid \$16.2 million in cash through December 31, 2016 under these Exit Plans.

The cumulative costs expected and incurred as a result of the Exit Plans were as follows as of December 31, 2016 (in thousands):

	Americas Fourth Quarter 2011 Exit Plan	EMEA Fourth Quarter 2011 Exit Plan	EMEA Fourth Quarter 2010 Exit Plan	Americas Third Quarter 2010 Exit Plan	Total
Lease obligations and facility exit costs	\$ 1,365	\$ 19	\$ 1,914	\$ 6,729	\$10,027
Severance and related costs	—	5,857	185	—	6,042
Legal-related costs	—	110	—	—	110
Non-cash impairment charges	480	474	159	3,847	4,960
<b>Total</b>	<u>\$ 1,845</u>	<u>\$ 6,460</u>	<u>\$ 2,258</u>	<u>\$ 10,576</u>	<u>\$21,139</u>

The following table summarizes the accrued liability associated with the Exit Plans’ exit or disposal activities and related charges (reversals) for the years ended December 31, 2016, 2015 and 2014 (in thousands):

	Lease Obligation and Facility Exit Costs	Severance and Related Costs	Total
<b>Balance at January 1, 2014</b>	\$ 2,843	\$ 131	\$ 2,974
Charges (reversals) (1)	(185)	(129)	(314)
Cash payments	(1,095)	—	(1,095)
Other non-cash changes (2)	(5)	(2)	(7)
<b>Balance at December 31, 2014</b>	1,558	—	1,558
Charges (reversals)	—	—	—
Cash payments	(825)	—	(825)
Other non-cash changes (2)	—	—	—
<b>Balance at December 31, 2015</b>	733	—	733
Charges (reversals)	—	—	—
Cash payments	(733)	—	(733)
Other non-cash changes (2)	—	—	—
<b>Balance at December 31, 2016</b>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>

- (1) During 2014, the Company reversed accruals related to the final settlement of lease obligations and facility exit costs as well as severance and related costs in EMEA for the Ireland sites, which reduced “General and administrative” costs in the accompanying Consolidated Statement of Operations.
- (2) Effect of foreign currency translation.

**Restructuring Liability Classification**

The following table summarizes the Company's short-term and long-term accrued liabilities associated with its exit and disposal activities, by plan, as of December 31, 2016 and 2015 (in thousands):

	Americas Fourth Quarter 2011 Exit Plan	Americas Third Quarter 2010 Exit Plan	Total
<b>December 31, 2016</b>			
Short-term accrued restructuring liability (1)	\$ —	\$ —	\$—
Long-term accrued restructuring liability (2)	—	—	—
Ending accrual at December 31, 2016	<u>\$ —</u>	<u>\$ —</u>	<u>\$—</u>
<b>December 31, 2015</b>			
Short-term accrued restructuring liability (1)	\$ 144	\$ 487	\$631
Long-term accrued restructuring liability (2)	22	80	102
Ending accrual at December 31, 2015	<u>\$ 166</u>	<u>\$ 567</u>	<u>\$733</u>

(1) Included in "Other accrued expenses and current liabilities" in the accompanying Consolidated Balance Sheets.

(2) Included in "Other long-term liabilities" in the accompanying Consolidated Balance Sheets.

As of December 31, 2016, there is no future restructuring liability outstanding for the remainder of the lease terms, the last of which ends in February 2017, for the Americas Fourth Quarter 2011 and Americas Third Quarter 2010 Exit Plans. The EMEA Fourth Quarter 2011 and EMEA Fourth Quarter 2010 Exit Plans were settled during 2014.

**Note 4. Fair Value**

The Company's assets and liabilities measured at fair value on a recurring basis subject to the requirements of ASC 820 consist of the following (in thousands):

	Balance at December 31, 2016	Fair Value Measurements at December 31, 2016 Using:		
		Quoted Prices in Active Markets For Identical Assets Level (1)	Significant Other Observable Inputs Level (2)	Significant Unobservable Inputs Level (3)
<b>Assets:</b>				
Foreign currency forward and option contracts (1)	\$ 3,921	\$ —	\$ 3,921	\$ —
Embedded derivatives (1)	12	—	—	12
Equity investments held in rabbi trust for the Deferred Compensation Plan (2)	7,470	7,470	—	—
Debt investments held in rabbi trust for the Deferred Compensation Plan (2)	1,944	1,944	—	—
	<u>\$ 13,347</u>	<u>\$ 9,414</u>	<u>\$ 3,921</u>	<u>\$ 12</u>
<b>Liabilities:</b>				
Long-term debt (3)	\$ 267,000	\$ —	\$ 267,000	\$ —
Foreign currency forward and option contracts (1)	1,912	—	1,912	—
Embedded derivatives (1)	567	—	—	567
Contingent consideration included in "Other accrued expenses and current liabilities" (4)	6,100	—	—	6,100
	<u>\$ 275,579</u>	<u>\$ —</u>	<u>\$ 268,912</u>	<u>\$ 6,667</u>
		Fair Value Measurements at December 31, 2015 Using:		
	Balance at December 31, 2015	Quoted Prices in Active Markets For Identical Assets Level (1)	Significant Other Observable Inputs Level (2)	Significant Unobservable Inputs Level (3)
<b>Assets:</b>				
Foreign currency forward and option contracts (1)	\$ 10,962	\$ —	\$ 10,962	\$ —
Equity investments held in rabbi trust for the Deferred Compensation Plan (2)	6,229	6,229	—	—
Debt investments held in rabbi trust for the Deferred Compensation Plan (2)	1,622	1,622	—	—
Guaranteed investment certificates (5)	86	—	86	—
	<u>\$ 18,899</u>	<u>\$ 7,851</u>	<u>\$ 11,048</u>	<u>\$ —</u>
<b>Liabilities:</b>				
Long-term debt (3)	\$ 70,000	\$ —	\$ 70,000	\$ —
Foreign currency forward and option contracts (1)	835	—	835	—
Contingent consideration included in "Other long-term liabilities" (4)	6,280	—	—	6,280
	<u>\$ 77,115</u>	<u>\$ —</u>	<u>\$ 70,835</u>	<u>\$ 6,280</u>

(1) See Note 10, Financial Derivatives, for the classification in the accompanying Consolidated Balance Sheets.

(2) Included in "Other current assets" in the accompanying Consolidated Balance Sheets. See Note 11, Investments Held in Rabbi Trust.

(3) The carrying value of long-term debt approximates its estimated fair value as it re-prices at varying interest rates. See Note 18, Borrowings.

(4) In the accompanying Consolidated Balance Sheets.

(5) Included in "Deferred charges and other assets" in the accompanying Consolidated Balance Sheets.

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**Reconciliations of Fair Value Measurements Categorized within Level 3 of the Fair Value Hierarchy**

Embedded Derivatives in Lease Agreements

A rollforward of the net asset (liability) activity in the Company's fair value of the embedded derivatives is as follows (in thousands) (none in 2015 or 2014):

	<u>Fair Value</u>
<b>Balance at January 1, 2016</b>	\$ —
Gain (loss) recognized in "Other income (expense)" (1)	(714)
Effect of foreign currency	159
<b>Balance at December 31, 2016</b>	<u>\$ (555)</u>
Unrealized gain (loss) for the year ended December 31, 2016	<u>\$ (721)</u>

(1) Includes realized and unrealized gain (loss).

Contingent Consideration

A rollforward of the activity in the Company's fair value of the contingent consideration is as follows (in thousands) (none in 2014):

	<u>Fair Value</u>
<b>Balance at January 1, 2015</b>	\$ —
Acquisition (1)	6,000
Payments	—
Imputed interest	408
Fair value adjustments	—
Effect of foreign currency	(128)
<b>Balance at December 31, 2015</b>	6,280
Acquisition (2)	2,779
Payments	(1,396)
Imputed interest	754
Fair value adjustments	(2,250)
Effect of foreign currency	(67)
<b>Balance at December 31, 2016</b>	<u>\$ 6,100</u>

(1) Related to the Qelp acquisition on July 2, 2015. See Note 2, Acquisitions.

(2) Liability acquired as part of the Clearlink acquisition on April 1, 2016. See Note 2, Acquisitions.

The Company recorded a fair value adjustment of \$2.6 million to the Qelp contingent consideration in "General and administrative" in the accompanying Consolidated Statements of Operations for the year ended December 31, 2016 due to the execution of an addendum to the Qelp Purchase Agreement with the Sellers dated September 26, 2016, subject to which the Company will pay the Sellers EUR 4.0 million on June 30, 2017 (\$4.2 million as of December 31, 2016).

The Company recorded a fair value adjustment of \$(0.3) million to the Clearlink contingent consideration in "General and administrative" in the accompanying Consolidated Statements of Operations in the year ended December 31, 2016 due to changes in the probability of achievement of certain revenue targets.

The Company accretes interest expense each period using the effective interest method until the contingent consideration reaches its estimated future value. Interest expense related to the contingent consideration is included in "Interest (expense)" in the accompanying Consolidated Statements of Operations.

**Non-Recurring Fair Value**

Certain assets, under certain conditions, are measured at fair value on a nonrecurring basis utilizing Level 3 inputs, as described in Note 1, Overview and Summary of Significant Accounting Policies, like those associated with acquired businesses, including goodwill, other intangible assets and other long-lived assets. For these assets, measurement at fair value in periods subsequent to their initial recognition would be applicable if these assets were determined to be impaired. The adjusted carrying values for assets measured at fair value on a nonrecurring basis (no liabilities) subject to the requirements of ASC 820 were not material at December 31, 2016 and 2015.

**Note 5. Goodwill and Intangible Assets**

**Intangible Assets**

The following table presents the Company's purchased intangible assets as of December 31, 2016 (in thousands):

	<u>Gross Intangibles</u>	<u>Accumulated Amortization</u>	<u>Net Intangibles</u>	<u>Weighted Average Amortization Period (years)</u>
<b>Intangible assets subject to amortization:</b>				
Customer relationships	\$ 166,634	\$ (75,364)	\$ 91,270	10
Trade names and trademarks	14,095	(7,083)	7,012	7
Non-compete agreements	2,993	(1,643)	1,350	2
Content library	475	(357)	118	2
Proprietary software	1,550	(955)	595	3
Favorable lease agreement	449	(449)	—	2
<b>Intangible assets not subject to amortization:</b>				
Domain names	52,710	—	52,710	N/A
	<u>\$ 238,906</u>	<u>\$ (85,851)</u>	<u>\$ 153,055</u>	6

The following table presents the Company's purchased intangible assets as of December 31, 2015 (in thousands):

	<u>Gross Intangibles</u>	<u>Accumulated Amortization</u>	<u>Net Intangibles</u>	<u>Weighted Average Amortization Period (years)</u>
<b>Intangible assets subject to amortization:</b>				
Customer relationships	\$ 102,594	\$ (58,294)	\$ 44,300	8
Trade names and trademarks	11,698	(5,470)	6,228	8
Content library	491	(123)	368	2
Non-compete agreements	1,190	(1,190)	—	2
Proprietary software	850	(850)	—	2
Favorable lease agreement	449	(449)	—	2
	<u>\$ 117,272</u>	<u>\$ (66,376)</u>	<u>\$ 50,896</u>	8

The Company's estimated future amortization expense for the succeeding years relating to the purchased intangible assets resulting from acquisitions completed prior to December 31, 2016, is as follows (in thousands):

<u>Years Ending December 31,</u>	<u>Amount</u>
2017	\$20,759
2018	14,571
2019	13,526
2020	10,871
2021	6,396
2022 and thereafter	34,222

**Goodwill**

Changes in goodwill for the year ended December 31, 2016 consist of the following (in thousands):

	<b>January 1, 2016</b>	<b>Acquisition (1)</b>	<b>Effect of Foreign Currency</b>	<b>December 31, 2016</b>
Americas	\$ 186,049	\$ 70,563	\$ (770)	\$ 255,842
EMEA	9,684	—	(122)	9,562
	<u>\$ 195,733</u>	<u>\$ 70,563</u>	<u>\$ (892)</u>	<u>\$ 265,404</u>

(1) See Note 2, Acquisitions, for further information.

Changes in goodwill for the year ended December 31, 2015 consist of the following (in thousands):

	<b>January 1, 2015</b>	<b>Acquisition (1)</b>	<b>Effect of Foreign Currency</b>	<b>December 31, 2015</b>
Americas	\$ 193,831	\$ —	\$ (7,782)	\$ 186,049
EMEA	—	10,054	(370)	9,684
	<u>\$ 193,831</u>	<u>\$ 10,054</u>	<u>\$ (8,152)</u>	<u>\$ 195,733</u>

(1) See Note 2, Acquisitions, for further information.

The Company performs its annual goodwill impairment test during the third quarter, or more frequently, if indicators of impairment exist.

For the annual goodwill impairment test, the Company elected to forgo the option to first assess qualitative factors and performed its annual two-step goodwill impairment test as of July 31, 2016. Under ASC 350, the carrying value of assets is calculated at the reporting unit level. The quantitative assessment of goodwill includes comparing a reporting unit's calculated fair value to its carrying value. The calculation of fair value requires significant judgments including estimation of future cash flows, which is dependent on internal forecasts, estimation of the long-term rate of growth, the useful life over which cash flows will occur and determination of the Company's weighted average cost of capital. Changes in these estimates and assumptions could materially affect the determination of fair value and/or conclusions on goodwill impairment for each reporting unit. If the fair value of the reporting unit is less than its carrying value, goodwill is considered impaired and an impairment loss is recorded to the extent that the fair value of the goodwill within the reporting unit is less than its carrying value.

The process of evaluating the fair value of the reporting units is highly subjective and requires significant judgment and estimates as the reporting units operate in a number of markets and geographical regions. The Company used an average of the income and market approaches to determine its best estimates of fair value which incorporated the following significant assumptions:

- Revenue projections, including revenue growth during the forecast periods;
- EBITDA margin projections over the forecast periods;
- Estimated income tax rates;
- Estimated capital expenditures; and
- Discount rates based on various inputs, including the risks associated with the specific reporting units as well as their revenue growth and EBITDA margin assumptions.

As of July 31, 2016, the Company concluded that goodwill was not impaired for all six of its reporting units with goodwill, based on generally accepted valuation techniques and the significant assumptions outlined above. While the fair values of four of the six reporting units were substantially in excess of their carrying value, the Qelp reporting unit's fair value exceeded its carrying value (although not substantially) and the newly acquired Clearlink reporting unit's fair value approximated its carrying value due to the proximity to the acquisition date of April 1, 2016. The Clearlink reporting unit's fair value of \$207.9 million includes \$70.6 million of goodwill.

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The Qelp and Clearlink reporting units are at risk of future impairment if projected operating results are not met or other inputs into the fair value measurement change. However, as of December 31, 2016, there were no indicators of impairment for either reporting unit.

**Note 6. Concentrations of Credit Risk**

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of trade receivables. The Company's credit concentrations are limited due to the wide variety of customers and markets in which the Company's services are sold. See Note 10, Financial Derivatives, for a discussion of the Company's credit risk relating to financial derivative instruments, and Note 25, Segments and Geographic Information, for a discussion of the Company's customer concentration.

**Note 7. Receivables, Net**

Receivables, net consist of the following (in thousands):

	December 31,	
	2016	2015
Trade accounts receivable	\$316,311	\$271,729
Income taxes receivable	1,309	4,976
Other	3,863	3,965
	<u>321,483</u>	<u>280,670</u>
Less: Allowance for doubtful accounts	2,925	3,574
	<u>\$318,558</u>	<u>\$277,096</u>
Allowance for doubtful accounts as a percent of trade receivables	<u>0.9%</u>	<u>1.3%</u>

**Note 8. Prepaid Expenses**

Prepaid expenses consist of the following (in thousands):

	December 31,	
	2016	2015
Prepaid maintenance	\$ 8,279	\$ 7,509
Prepaid insurance	4,161	4,207
Prepaid rent	2,920	1,919
Prepaid other	6,613	3,686
	<u>\$21,973</u>	<u>\$17,321</u>

**Note 9. Other Current Assets**

Other current assets consist of the following (in thousands):

	December 31,	
	2016	2015
Deferred tax assets (Note 20)	\$ —	\$12,009
Investments held in rabbi trust (Note 11)	9,414	7,851
Financial derivatives (Note 10)	3,929	10,962
Other current assets	2,687	2,440
	<u>\$16,030</u>	<u>\$33,262</u>

**Note 10. Financial Derivatives**

**Cash Flow Hedges** – The Company has derivative assets and liabilities relating to outstanding forward contracts and options, designated as cash flow hedges, as defined under ASC 815 “*Derivatives and Hedging*” (“ASC 815”), consisting of Philippine Peso and Costa Rican Colon contracts. These contracts are entered into to protect against the risk that the eventual cash flows resulting from such transactions will be adversely affected by changes in exchange rates.

The deferred gains (losses) and related taxes on the Company’s cash flow hedges recorded in “Accumulated other comprehensive income (loss)” (“AOCI”) in the accompanying Consolidated Balance Sheets are as follows (in thousands):

	<b>December 31,</b>	
	<b>2016</b>	<b>2015</b>
Deferred gains (losses) in AOCI	<b><u>\$(2,295)</u></b>	<b><u>\$(558)</u></b>
Tax on deferred gains (losses) in AOCI	<b><u>69</u></b>	<b><u>31</u></b>
Deferred gains (losses) in AOCI, net of taxes	<b><u>\$(2,226)</u></b>	<b><u>\$(527)</u></b>
Deferred gains (losses) expected to be reclassified to “Revenues” from AOCI during the next twelve months	<b><u>\$(2,295)</u></b>	

Deferred gains (losses) and other future reclassifications from AOCI will fluctuate with movements in the underlying market price of the forward contracts and options.

**Net Investment Hedge** – The Company enters into foreign exchange forward contracts to hedge its net investment in certain foreign operations, as defined under ASC 815. The purpose of these derivative instruments is to protect the Company’s interests against the risk that the net assets of certain foreign subsidiaries will be adversely affected by changes in exchange rates and economic exposures related to the Company’s foreign currency-based investments in these subsidiaries.

**Non-Designated Hedges**

**Foreign Currency Forward Contracts** – The Company also periodically enters into foreign currency hedge contracts that are not designated as hedges as defined under ASC 815. The purpose of these derivative instruments is to protect the Company’s interests against adverse foreign currency moves relating primarily to intercompany receivables and payables, and other assets and liabilities that are denominated in currencies other than the Company’s subsidiaries’ functional currencies. These contracts generally do not exceed 180 days in duration. See Note 1, Overview and Summary of Significant Accounting Policies, for additional information on the Company’s purpose for entering into derivatives not designated as hedging instruments and its overall risk management strategies.

**Embedded Derivatives** – The Company enters into certain lease agreements which require payments not denominated in the functional currency of any substantial party to the agreements. The foreign currency component of these contracts meets the criteria under ASC 815 as embedded derivatives. The Company has determined that the embedded derivatives are not clearly and closely related to the economic characteristics and risks of the host contracts (lease agreements), and separate, stand-alone instruments with the same terms as the embedded derivative instruments would otherwise qualify as derivative instruments, thereby requiring separation from the lease agreements and recognition at fair value. Such instruments do not qualify for hedge accounting under ASC 815.

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The Company had the following outstanding foreign currency forward contracts and options (in thousands):

<b>Contract Type</b>	<b>As of December 31, 2016</b>		<b>As of December 31, 2015</b>	
	<b>Notional Amount in USD</b>	<b>Settle Through Date</b>	<b>Notional Amount in USD</b>	<b>Settle Through Date</b>
<b>Cash flow hedges:</b>				
Options:				
Philippine Pesos	\$ 51,000	December 2017	\$ 71,750	December 2016
Forwards:				
Costa Rican Colones	45,500	December 2017	34,500	November 2016
<b>Net investment hedges:</b>				
Forwards:				
Euros	76,933	September 2017	63,470	March 2016
<b>Non-designated hedges:</b>				
Forwards	55,614	March 2017	50,603	March 2016
Embedded derivatives	13,234	April 2030	—	—

Master netting agreements exist with each respective counterparty to reduce credit risk by permitting net settlement of derivative positions. In the event of default by the Company or one of its counterparties, these agreements include a set-off clause that provides the non-defaulting party the right to net settle all derivative transactions, regardless of the currency and settlement date. The maximum amount of loss due to credit risk that, based on gross fair value, the Company would incur if parties to the derivative transactions that make up the concentration failed to perform according to the terms of the contracts was \$3.9 million and \$11.0 million as of December 31, 2016 and 2015, respectively. After consideration of these netting arrangements and offsetting positions by counterparty, the total net settlement amount as it relates to these positions are asset positions of \$3.6 million and \$10.2 million, and liability positions of \$1.6 million and \$0.1 million as of December 31, 2016 and 2015, respectively.

Although legally enforceable master netting arrangements exist between the Company and each counterparty, the Company has elected to present the derivative assets and derivative liabilities on a gross basis in the accompanying Consolidated Balance Sheets. Additionally, the Company is not required to pledge, nor is it entitled to receive, cash collateral related to these derivative transactions.

The following tables present the fair value of the Company's derivative instruments included in the accompanying Consolidated Balance Sheets (in thousands):

	Derivative Assets	
	December 31, 2016 Fair Value	December 31, 2015 Fair Value
<b>Derivatives designated as cash flow hedging instruments under ASC 815:</b>		
Foreign currency forward and option contracts (1)	\$ —	\$ 544
<b>Derivatives designated as net investment hedging instruments under ASC 815:</b>		
Foreign currency forward contracts (1)	3,230	10,161
	<u>3,230</u>	<u>10,705</u>
<b>Derivatives not designated as hedging instruments under ASC 815:</b>		
Foreign currency forward contracts (1)	691	257
Embedded derivatives (1)	8	—
Embedded derivatives (2)	4	—
<b>Total derivative assets</b>	<u>\$ 3,933</u>	<u>\$ 10,962</u>
	<b>Derivative Liabilities</b>	
	December 31, 2016 Fair Value	December 31, 2015 Fair Value
<b>Derivatives designated as cash flow hedging instruments under ASC 815:</b>		
Foreign currency forward and option contracts (3)	\$ 1,806	\$ 396
<b>Derivatives not designated as hedging instruments under ASC 815:</b>		
Foreign currency forward contracts (3)	106	439
Embedded derivatives (3)	174	—
Embedded derivatives (4)	393	—
<b>Total derivative liabilities</b>	<u>\$ 2,479</u>	<u>\$ 835</u>

(1) Included in "Other current assets" in the accompanying Consolidated Balance Sheets.

(2) Included in "Deferred charges and other assets" in the accompanying Consolidated Balance Sheets.

(3) Included in "Other accrued expenses and current liabilities" in the accompanying Consolidated Balance Sheets.

(4) Included in "Other long-term liabilities" in the accompanying Consolidated Balance Sheets.

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The following tables present the effect of the Company's derivative instruments included in the accompanying Consolidated Financial Statements for the years ended December 31, 2016, 2015 and 2014 (in thousands):

	Gain (Loss) Recognized in AOCI on Derivatives (Effective Portion)			Gain (Loss) Reclassified From Accumulated AOCI Into "Revenues" (Effective Portion)			Gain (Loss) Recognized in "Revenues" on Derivatives (Ineffective Portion and Amount Excluded from Effectiveness Testing)		
	December 31,			December 31,			December 31,		
	2016	2015	2014	2016	2015	2014	2016	2015	2014
<b>Derivatives designated as cash flow hedging instruments under ASC 815:</b>									
Foreign currency forward and option contracts	\$ (2,308)	\$ 1,696	\$ (2,787)	\$ (553)	\$ 2,138	\$ (5,339)	\$ (5)	\$ 12	\$ (3)
<b>Derivatives designated as net investment hedging instruments under ASC 815:</b>									
Foreign currency forward contracts	3,409	6,101	6,344	—	—	—	—	—	—
	<u>\$ 1,101</u>	<u>\$ 7,797</u>	<u>\$ 3,557</u>	<u>\$ (553)</u>	<u>\$ 2,138</u>	<u>\$ (5,339)</u>	<u>\$ (5)</u>	<u>\$ 12</u>	<u>\$ (3)</u>

	Gain (Loss) Recognized in "Other income (expense)" on Derivatives		
	December 31,		
	2016	2015	2014
<b>Derivatives not designated as hedging instruments under ASC 815:</b>			
Foreign currency forward contracts	\$ (1,556)	\$ 1,374	\$ (44)
Embedded derivatives	(714)	—	—
	<u>\$ (2,270)</u>	<u>\$ 1,374</u>	<u>\$ (44)</u>

**Note 11. Investments Held in Rabbi Trust**

The Company's investments held in rabbi trust, classified as trading securities and included in "Other current assets" in the accompanying Consolidated Balance Sheets, at fair value, consist of the following (in thousands):

	December 31, 2016		December 31, 2015	
	Cost	Fair Value	Cost	Fair Value
Mutual funds	<u>\$ 7,257</u>	<u>\$ 9,414</u>	<u>\$ 6,217</u>	<u>\$ 7,851</u>

The mutual funds held in the rabbi trust were 79% equity-based and 21% debt-based as of December 31, 2016. Net investment income (losses), included in "Other income (expense)" in the accompanying Consolidated Statements of Operations consists of the following (in thousands):

	Years Ended December 31,		
	2016	2015	2014
Gross realized gains from sale of trading securities	\$ 245	\$ 356	\$ 586
Gross realized (losses) from sale of trading securities	(4)	(1)	—
Dividend and interest income	92	79	58
Net unrealized holding gains (losses)	249	(597)	(276)
Net investment income (losses)	<u>\$ 582</u>	<u>\$ (163)</u>	<u>\$ 368</u>

[Table of Contents](#)**Note 12. Property and Equipment**

Property and equipment consist of the following (in thousands):

	December 31,	
	2016	2015
Land	\$ 3,360	\$ 3,447
Buildings and leasehold improvements	126,323	96,926
Equipment, furniture and fixtures	306,443	291,993
Capitalized internally developed software costs	29,176	17,299
Transportation equipment	531	546
Construction in progress	10,693	8,703
	<u>476,526</u>	<u>418,914</u>
Less: Accumulated depreciation	<u>320,312</u>	<u>306,952</u>
	<u>\$156,214</u>	<u>\$111,962</u>

Capitalized internally developed software, net of depreciation, included in "Property and equipment, net" in the accompanying Consolidated Balance Sheets was as follows (in thousands):

	December 31,	
	2016	2015
Capitalized internally developed software costs, net	<u>\$15,156</u>	<u>\$8,135</u>

***Sale of Fixed Assets, Land and Building Located in Morganfield, Kentucky***

In December 2016, the Company sold the fixed assets, land and building located in Morganfield, Kentucky, with a net carrying value of \$0.3 million, for cash of \$0.5 million (net of selling costs of less than \$0.1 million). This resulted in a net gain on disposal of property and equipment of \$0.2 million, which is included in "Net gain (loss) on disposal of property and equipment" in the accompanying Consolidated Statement of Operations for the year ended December 31, 2016.

***Winter Storm Damage***

In February 2015, customer engagement centers (the "facilities") located in Perry County, Kentucky, Buchanan County, Virginia, and Wise, Virginia experienced damage to the buildings and contents as a result of winter storms. The Company filed an insurance claim with its property insurance company to recover losses of \$1.6 million. The Company received \$0.5 million and \$1.1 million in April 2015 and July 2015, respectively, for costs to clean up and repair the facilities and business interruption. The Company completed the necessary clean up and repairs. The claim was finalized during the third quarter of 2015, resulting in a \$0.9 million net gain on insurance settlement included in "General and administrative" in the accompanying Consolidated Statement of Operations for the year ended December 31, 2015.

***Sale of Fixed Assets, Land and Building Located in Bismarck, North Dakota***

In November 2014, the Company sold the fixed assets, land and building located in Bismarck, North Dakota, with a net carrying value of \$0.5 million, for cash of \$3.1 million (net of selling costs of \$0.2 million). This resulted in a net gain on disposal of property and equipment of \$2.6 million, which is included in "Net gain (loss) on disposal of property and equipment" in the accompanying Consolidated Statement of Operations for the year ended December 31, 2014.

**Note 13. Deferred Charges and Other Assets**

Deferred charges and other assets consist of the following (in thousands):

	December 31,	
	2016	2015
Non-current mandatory tax security deposits (Note 20)	\$13,810	\$13,418
Non-current deferred tax assets (Note 20)	12,983	1,899
Rent and other deposits	4,816	3,803
Non-current value added tax receivables	581	673
Other	6,304	6,351
	<u>\$38,494</u>	<u>\$26,144</u>

**Note 14. Accrued Employee Compensation and Benefits**

Accrued employee compensation and benefits consist of the following (in thousands):

	December 31,	
	2016	2015
Accrued compensation	\$38,774	\$28,215
Accrued vacation	17,607	16,439
Accrued bonus and commissions	17,540	17,754
Accrued employment taxes	12,134	8,465
Other	6,497	6,373
	<u>\$92,552</u>	<u>\$77,246</u>

**Note 15. Deferred Revenue**

Deferred revenue consists of the following (in thousands):

	December 31,	
	2016	2015
Future service	\$27,116	\$22,112
Estimated potential penalties and holdbacks	6,593	6,007
Estimated chargebacks	5,027	—
	<u>\$38,736</u>	<u>\$28,119</u>

**Note 16. Other Accrued Expenses and Current Liabilities**

Other accrued expenses and current liabilities consist of the following (in thousands):

	December 31,	
	2016	2015
Contingent consideration (Note 4)	\$ 6,100	\$ —
Accrued legal and professional fees	2,956	3,079
Accrued rent	2,911	1,812
Customer deposits	2,291	714
Financial derivatives (Note 10)	2,086	835
Accrued roadside assistance claim costs	1,997	1,405
Accrued utilities	1,704	1,097
Accrued telephone charges	1,444	1,381
Accrued equipment and software	745	935
Accrued restructuring (Note 3)	—	631
Other	15,685	9,587
	<u>\$37,919</u>	<u>\$21,476</u>

**Note 17. Deferred Grants**

Deferred grants consist of the following (in thousands):

	<b>December 31,</b>	
	<b>2016</b>	<b>2015</b>
Property grants	<b>\$3,353</b>	\$4,377
Lease grants	<b>502</b>	513
Employment grants	<b>67</b>	149
Total deferred grants	<b>3,922</b>	5,039
Less: Property grants - short-term (1)	<b>—</b>	—
Less: Lease grants - short-term (1)	<b>(94)</b>	(80)
Less: Employment grants - short-term (1)	<b>(67)</b>	(149)
Total long-term deferred grants	<b><u>\$3,761</u></b>	<b><u>\$4,810</u></b>

(1) Included in “Other accrued expenses and current liabilities” in the accompanying Consolidated Balance Sheets.

**Note 18. Borrowings**

On May 12, 2015, the Company entered into a \$440 million revolving credit facility (the “2015 Credit Agreement”) with a group of lenders and KeyBank National Association, as Lead Arranger, Sole Book Runner, Administrative Agent, Swing Line Lender and Issuing Lender (“KeyBank”). The 2015 Credit Agreement replaced the Company’s previous \$245 million revolving credit facility dated May 3, 2012 (the “2012 Credit Agreement”), as amended, which agreement was terminated simultaneous with entering into the 2015 Credit Agreement. The 2015 Credit Agreement is subject to certain borrowing limitations and includes certain customary financial and restrictive covenants.

The 2015 Credit Agreement includes a \$200 million alternate-currency sub-facility, a \$10 million swingline sub-facility and a \$35 million letter of credit sub-facility, and may be used for general corporate purposes including acquisitions, share repurchases, working capital support and letters of credit, subject to certain limitations. The Company is not currently aware of any inability of its lenders to provide access to the full commitment of funds that exist under the revolving credit facility, if necessary. However, there can be no assurance that such facility will be available to the Company, even though it is a binding commitment of the financial institutions.

Borrowings consist of the following (in thousands):

	<b>December 31,</b>	
	<b>2016</b>	<b>2015</b>
Revolving credit facility	<b>\$267,000</b>	\$70,000
Less: Current portion	<b>—</b>	—
Total long-term debt	<b><u>\$267,000</u></b>	<b><u>\$70,000</u></b>

On April 1, 2016, the Company borrowed \$216.0 million under its 2015 Credit Agreement in connection with the acquisition of Clearlink, of which \$4.0 million represented a short-term loan to Clearlink for working capital purposes.

The 2015 Credit Agreement matures on May 12, 2020 and has no varying installments due.

Borrowings under the 2015 Credit Agreement will bear interest at the rates set forth in the 2015 Credit Agreement. In addition, the Company is required to pay certain customary fees, including a commitment fee determined quarterly based on the Company’s leverage ratio and due quarterly in arrears and calculated on the average unused amount of the 2015 Credit Agreement.

The 2015 Credit Agreement is guaranteed by all of the Company’s existing and future direct and indirect material U.S. subsidiaries and secured by a pledge of 100% of the non-voting and 65% of the voting capital stock of all the direct foreign subsidiaries of the Company and those of the guarantors.

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In May 2015, the Company paid an underwriting fee of \$0.9 million for the 2015 Credit Agreement, which is deferred and amortized over the term of the loan, along with the deferred loan fees of \$0.4 million related to the 2012 Credit Agreement.

The following table presents information related to our credit agreements (dollars in thousands):

	Years Ended December 31,		
	2016	2015	2014
Average daily utilization	\$222,612	\$69,964	\$85,874
Interest expense, including commitment fee (1)	\$ 3,952	\$ 1,307	\$ 1,425
Weighted average interest rate (2)	1.8%	1.9%	1.7%

(1) Excludes the amortization of deferred loan fees.

(2) Includes the commitment fee.

**Note 19. Accumulated Other Comprehensive Income (Loss)**

The Company presents data in the Consolidated Statements of Changes in Shareholders' Equity in accordance with ASC 220 "Comprehensive Income" ("ASC 220"). ASC 220 establishes rules for the reporting of comprehensive income (loss) and its components. The components of accumulated other comprehensive income (loss) consist of the following (in thousands):

	Foreign Currency Translation Gain (Loss)	Unrealized Gain (Loss) on Net Investment Hedges	Unrealized Actuarial Gain (Loss) Related to Pension Liability	Unrealized Gain (Loss) on Cash Flow Hedging Instruments	Unrealized Gain (Loss) on Post Retirement Obligation	Total
<b>Balance at January 1, 2014</b>	\$ 12,751	\$ (3,683)	\$ 1,150	\$ (2,535)	\$ 314	\$ 7,997
Pre-tax amount	(34,947)	6,344	(50)	(2,790)	77	(31,366)
Tax (provision) benefit	—	(2,385)	57	(17)	—	(2,345)
Reclassification of (gain) loss to net income	—	—	(35)	5,237	(49)	5,153
Foreign currency translation	120	—	(114)	(6)	—	—
<b>Balance at December 31, 2014</b>	(22,076)	276	1,008	(111)	342	(20,561)
Pre-tax amount	(37,178)	6,101	121	1,708	(12)	(29,260)
Tax (provision) benefit	—	(2,207)	(2)	32	—	(2,177)
Reclassification of (gain) loss to net income	647	—	(53)	(2,195)	(63)	(1,664)
Foreign currency translation	6	—	(45)	39	—	—
<b>Balance at December 31, 2015</b>	(58,601)	4,170	1,029	(527)	267	(53,662)
Pre-tax amount	(13,832)	3,409	212	(2,313)	(9)	(12,533)
Tax (provision) benefit	—	(1,313)	(8)	72	—	(1,249)
Reclassification of (gain) loss to net income	—	—	(52)	527	(58)	417
Foreign currency translation	40	—	(56)	16	—	—
<b>Balance at December 31, 2016</b>	<u>\$ (72,393)</u>	<u>\$ 6,266</u>	<u>\$ 1,125</u>	<u>\$ (2,225)</u>	<u>\$ 200</u>	<u>\$ (67,027)</u>

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The following table summarizes the amounts reclassified to net income from accumulated other comprehensive income (loss) and the associated line item in the accompanying Consolidated Statements of Operations (in thousands):

	<u>Years Ended December 31,</u>			<u>Statements of Operations</u>
	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>Location</u>
<b>Foreign Currency Translation Gain (Loss): (1)</b>				
Pre-tax amount	\$ —	\$ (647)	\$ —	Other income (expense)
Tax (provision) benefit	—	—	—	Income taxes
Reclassification to net income	—	(647)	—	
<b>Actuarial Gain (Loss) Related to Pension Liability: (2)</b>				
Pre-tax amount	40	41	50	Direct salaries and related costs
Tax (provision) benefit	12	12	(15)	Income taxes
Reclassification to net income	52	53	35	
<b>Gain (Loss) on Cash Flow Hedging Instruments: (3)</b>				
Pre-tax amount	(558)	2,150	(5,342)	Revenues
Tax (provision) benefit	31	45	105	Income taxes
Reclassification to net income	(527)	2,195	(5,237)	
<b>Gain (Loss) on Post Retirement Obligation: (2)</b>				
Pre-tax amount	58	63	49	General and administrative
Tax (provision) benefit	—	—	—	Income taxes
Reclassification to net income	58	63	49	
<b>Total reclassification of gain (loss) to net income</b>	<b><u>\$(417)</u></b>	<b><u>\$1,664</u></b>	<b><u>\$(5,153)</u></b>	

(1) See Note 26, Other Income (Expense), for further information.

(2) See Note 23, Defined Benefit Pension Plan and Postretirement Benefits, for further information.

(3) See Note 10, Financial Derivatives, for further information.

Except as discussed in Note 20, Income Taxes, earnings associated with the Company's investments in its foreign subsidiaries are considered to be indefinitely reinvested and no provision for income taxes on those earnings or translation adjustments have been provided.

**Note 20. Income Taxes**

The income before income taxes includes the following components (in thousands):

	<u>Years Ended December 31,</u>		
	<u>2016</u>	<u>2015</u>	<u>2014</u>
Domestic (U.S., state and local)	<b><u>\$34,761</u></b>	<u>\$41,178</u>	<u>\$28,563</u>
Foreign	<b><u>54,123</u></b>	<u>48,805</u>	<u>48,596</u>
Total income before income taxes	<b><u>\$88,884</u></b>	<u>\$89,983</u>	<u>\$77,159</u>

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Significant components of the income tax provision are as follows (in thousands):

	Years Ended December 31,		
	2016	2015	2014
<b>Current:</b>			
U.S. federal	\$ 9,514	\$ 7,374	\$ 2,579
State and local	1,958	1,051	542
Foreign	12,683	10,446	11,382
Total current provision for income taxes	<u>24,155</u>	<u>18,871</u>	<u>14,503</u>
<b>Deferred:</b>			
U.S. federal	2,007	3,873	5,437
State and local	(526)	(1,227)	(446)
Foreign	858	(131)	(126)
Total deferred provision (benefit) for income taxes	<u>2,339</u>	<u>2,515</u>	<u>4,865</u>
Total provision for income taxes	<u>\$26,494</u>	<u>\$21,386</u>	<u>\$19,368</u>

The temporary differences that give rise to significant portions of the deferred income tax provision (benefit) are as follows (in thousands):

	Years Ended December 31,		
	2016	2015	2014
Net operating loss and tax credit carryforwards	\$ 285	\$ 3,564	\$19,335
Accrued expenses/liabilities	1,173	2,856	(4,505)
Depreciation and amortization	1,286	(2,231)	(6,220)
Valuation allowance	901	(1,958)	(3,706)
Deferred statutory income	(1,394)	266	(29)
Other	88	18	(10)
Total deferred provision (benefit) for income taxes	<u>\$ 2,339</u>	<u>\$ 2,515</u>	<u>\$ 4,865</u>

The reconciliation of the income tax provision computed at the U.S. federal statutory tax rate to the Company's effective income tax provision is as follows (in thousands):

	Years Ended December 31,		
	2016	2015	2014
Tax at U.S. federal statutory tax rate	\$ 31,109	\$ 31,494	\$ 27,005
State income taxes, net of federal tax benefit	1,432	(177)	934
Foreign rate differential	(15,837)	(14,030)	(13,164)
Tax holidays	(3,314)	(4,031)	(2,749)
Permanent differences	12,768	11,737	10,170
Tax credits	(4,396)	(4,102)	(4,894)
Foreign withholding and other taxes	2,667	2,321	2,541
Change in valuation allowance, net of related adjustments	994	(631)	(7)
Changes in uncertain tax positions	398	(1,858)	(468)
Other	673	663	—
Total provision for income taxes	<u>\$ 26,494</u>	<u>\$ 21,386</u>	<u>\$ 19,368</u>

Withholding taxes on offshore cash movements assessed by certain foreign governments of \$2.0 million, \$1.7 million and \$1.8 million were included in the provision for income taxes in the accompanying Consolidated Statements of Operations for the years ended December 31, 2016, 2015 and 2014, respectively.

Earnings associated with the investments in the Company's foreign subsidiaries of \$418.6 million at December 31, 2016 are considered to be indefinitely reinvested outside of the U.S. Therefore, a U.S. provision for income taxes on those earnings or translation adjustments has not been recorded, as permitted by criterion outlined in ASC 740 "Income Taxes." Determination of any unrecognized deferred tax liability related to these investments in foreign subsidiaries is not practicable due to the inherent complexity of the multi-national tax environment in which the Company operates.

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The Company has been granted tax holidays in The Philippines, Colombia, Costa Rica and El Salvador. The tax holidays have various expiration dates ranging from 2019 through 2028. In some cases, the tax holidays expire without possibility of renewal. In other cases, the Company expects to renew these tax holidays, but there are no assurances from the respective foreign governments that they will renew them. This could potentially result in future adverse tax consequences in the local jurisdiction, the impact of which is not practicable to estimate due to the inherent complexity of estimating critical variables such as long-term future profitability, tax regulations and rates in the multi-national tax environment in which the Company operates. The Company's tax holidays decreased the provision for income taxes by \$3.3 million (\$0.08 per diluted share), \$4.0 million (\$0.09 per diluted share) and \$2.7 million (\$0.06 per diluted share) for the years ended December 31, 2016, 2015 and 2014, respectively.

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for income taxes. The temporary differences that give rise to significant portions of the deferred tax assets and liabilities are presented below (in thousands):

	<u>December 31,</u>	
	<u>2016</u>	<u>2015</u>
<b>Deferred tax assets:</b>		
Net operating loss and tax credit carryforwards	\$ 31,297	\$ 32,328
Valuation allowance	(30,221)	(30,065)
Accrued expenses	25,593	24,276
Deferred revenue	7,031	3,193
Depreciation and amortization	1,062	953
Other	15	54
	<u>34,777</u>	<u>30,739</u>
<b>Deferred tax liabilities:</b>		
Depreciation and amortization	(23,177)	(19,826)
Deferred statutory income	(986)	(579)
Accrued liabilities	(1,604)	(1,104)
Other	(104)	(119)
	<u>(25,871)</u>	<u>(21,628)</u>
Net deferred tax assets	<u>\$ 8,906</u>	<u>\$ 9,111</u>
	<u>December 31,</u>	
	<u>2016</u>	<u>2015</u>
<b>Classified as follows:</b>		
Other current assets (Note 9)	\$ —	\$ 12,009
Deferred charges and other assets (Note 13)	12,983	1,899
Current deferred income tax liabilities	—	(1,120)
Other long-term liabilities	(4,077)	(3,677)
Net deferred tax assets	<u>\$ 8,906</u>	<u>\$ 9,111</u>

There are approximately \$145.4 million of income tax loss carryforwards as of December 31, 2016, with varying expiration dates, approximately \$109.5 million relating to foreign operations and \$35.9 million relating to U.S. state operations. With respect to foreign operations, \$88.9 million of the net operating loss carryforwards have an indefinite expiration date and the remaining \$20.6 million net operating loss carryforwards have varying expiration dates through December 2037. Regarding the U.S. state and foreign aforementioned tax loss carryforwards, no benefit has been recognized for \$20.0 million and \$106.0 million, respectively, as the Company does not anticipate that the losses will more likely than not be fully utilized.

The Company has accrued \$8.5 million and \$8.1 million as of December 31, 2016 and 2015, respectively, excluding penalties and interest, for the liability for unrecognized tax benefits. The increase is primarily due to the effects of foreign exchange rate adjustments. The \$8.5 million and \$8.1 million of the unrecognized tax benefits at December 31, 2016 and 2015, respectively, were recorded in "Long-term income tax liabilities" in the accompanying Consolidated Balance Sheets. Had the Company recognized these tax benefits, approximately \$8.5 million and \$8.1 million, and the related interest and penalties, would have favorably impacted the effective tax rate in 2016 and 2015, respectively. The Company anticipates that approximately \$0.5 million of the unrecognized tax benefits will be recognized in the next twelve months due to a lapse in the applicable statute of limitations.

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The Company recognizes interest and penalties related to unrecognized tax benefits in the provision for income taxes. The Company had \$10.8 million and \$10.4 million accrued for interest and penalties as of December 31, 2016 and 2015, respectively. Of the accrued interest and penalties at December 31, 2016 and 2015, \$3.5 million and \$3.4 million, respectively, relate to statutory penalties. The amount of interest and penalties, net, included in the provision for income taxes in the accompanying Consolidated Statements of Operations for the years ended December 31, 2016, 2015 and 2014 was \$0.4 million, \$0.3 million and \$(0.5) million, respectively.

The tabular reconciliation of the amounts of unrecognized net tax benefits is presented below (in thousands):

	<b>Years Ended December 31,</b>		
	<b>2016</b>	<b>2015</b>	<b>2014</b>
<b>Gross unrecognized tax benefits as of January 1,</b>	<b>\$8,116</b>	<b>\$13,285</b>	<b>\$14,991</b>
Decreases due to lapse in applicable statute of limitations	—	(2,206)	—
Foreign currency translation increases (decreases)	<b>415</b>	<b>(2,963)</b>	<b>(1,706)</b>
<b>Gross unrecognized tax benefits as of December 31,</b>	<b>\$8,531</b>	<b>\$ 8,116</b>	<b>\$13,285</b>

The Company is currently under audit in several tax jurisdictions. The Company received assessments for the Canadian 2003-2009 audit. Requests for Competent Authority Assistance were filed with both the Canadian Revenue Agency and the U.S. Internal Revenue Service and the Company paid mandatory security deposits to Canada as part of this process. The total amount of deposits, net of the effects of foreign exchange rate adjustments, were \$13.8 million and \$13.4 million as of December 31, 2016 and 2015, respectively, and are included in “Deferred charges and other assets” in the accompanying Consolidated Balance Sheets. Although the outcome of examinations by taxing authorities is always uncertain, the Company believes it is adequately reserved for these audits and that resolution is not expected to have a material impact on its financial condition and results of operations.

The significant tax jurisdictions currently under audit are as follows:

<b>Tax Jurisdiction</b>	<b>Tax Year Ended</b>
Canada	2003 to 2009

The Company and its subsidiaries file federal, state and local income tax returns as required in the U.S. and in various foreign tax jurisdictions. The following table presents the major tax jurisdictions and tax years that are open and subject to examination by the respective tax authorities as of December 31, 2016:

<b>Tax Jurisdiction</b>	<b>Tax Year Ended</b>
Canada	2003 to present
United States (1)	2013 to present

(1) The 2002 to 2012 tax years are open to the extent of the tax credit carryforward amounts.

**Note 21. Earnings Per Share**

Basic earnings per share is based on the weighted average number of common shares outstanding during the periods. Diluted earnings per share includes the weighted average number of common shares outstanding during the respective periods and the further dilutive effect, if any, from stock appreciation rights, restricted stock, restricted stock units and shares held in a rabbi trust using the treasury stock method.

The numbers of shares used in the earnings per share computation are as follows (in thousands):

	Years Ended December 31,		
	2016	2015	2014
Basic:			
Weighted average common shares outstanding	41,847	41,899	42,609
Diluted:			
Dilutive effect of stock appreciation rights, restricted stock, restricted stock units and shares held in rabbi trust	392	548	205
Total weighted average diluted shares outstanding	<u>42,239</u>	<u>42,447</u>	<u>42,814</u>
Anti-dilutive shares excluded from the diluted earnings per share calculation	<u>20</u>	<u>20</u>	<u>37</u>

On August 18, 2011, the Company’s Board of Directors (the “Board”) authorized the Company to purchase up to 5.0 million shares of its outstanding common stock (the “2011 Share Repurchase Program”). On March 16, 2016, the Board authorized an increase of 5.0 million shares to the 2011 Share Repurchase Program for a total of 10.0 million shares. A total of 5.3 million shares have been repurchased under the 2011 Share Repurchase Program since inception. The shares are purchased, from time to time, through open market purchases or in negotiated private transactions, and the purchases are based on factors, including but not limited to, the stock price, management discretion and general market conditions. The 2011 Share Repurchase Program has no expiration date.

The shares repurchased under the Company’s share repurchase programs were as follows (in thousands, except per share amounts):

For the Years Ended	Total Number of Shares Repurchased	Range of Prices Paid Per Share		Total Cost of Shares Repurchased
		Low	High	
December 31, 2016	390	\$ 27.81	\$ 30.00	\$ 11,144
December 31, 2015	860	\$ 22.81	\$ 25.00	\$ 20,879
December 31, 2014	630	\$ 19.80	\$ 20.00	\$ 12,581

**Note 22. Commitments and Loss Contingency**

*Lease and Purchase Commitments*

The Company leases certain equipment and buildings under operating leases, which expire at various dates through 2035, many with options to cancel at varying points during the lease. Fair value renewal and escalation clauses exist for many of the operating leases. Rental expense under operating leases was as follows (in thousands):

	Years Ended December 31,		
	2016	2015	2014
Rental expense	<u>\$55,584</u>	<u>\$47,208</u>	<u>\$44,916</u>

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The following is a schedule of future minimum rental payments required under operating leases that have noncancelable lease terms as of December 31, 2016 (in thousands):

	<u>Amount</u>
2017	\$ 46,712
2018	39,774
2019	33,666
2020	27,680
2021	22,012
2022 and thereafter	48,808
Total minimum payments required	<u>\$218,652</u>

The Company enters into agreements with third-party vendors in the ordinary course of business whereby the Company commits to purchase goods and services used in its normal operations. These agreements generally are not cancelable, range from one to five year periods and may contain fixed or minimum annual commitments. Certain of these agreements allow for renegotiation of the minimum annual commitments based on certain conditions.

The following is a schedule of future minimum purchases remaining under the agreements as of December 31, 2016 (in thousands):

	<u>Amount</u>
2017	\$40,667
2018	7,359
2019	4,091
2020	1,083
2021	239
2022 and thereafter	334
Total minimum payments required	<u>\$53,773</u>

On July 2, 2015, the Company completed the Qelp acquisition, which included contingent consideration based on achieving targets tied to revenues and EBITDA for the years ended December 31, 2016, 2017 and 2018. On September 26, 2016, the Company entered into an addendum to the Qelp Purchase Agreement with the Sellers to settle the outstanding contingent consideration for EUR 4.0 million (\$4.2 million as of December 31, 2016) to be paid on June 30, 2017.

As part of the April 2016 Clearlink acquisition, the Company assumed contingent consideration liabilities related to four separate acquisitions made by Clearlink in 2015 and 2016, prior to the Clearlink acquisition. The fair value of the contingent consideration related to these previous acquisitions was \$2.8 million as of April 1, 2016 and was based on achieving targets primarily tied to revenues for varying periods of time during 2016 and 2017. As of December 31, 2016, the fair value of the contingent consideration was \$1.9 million. The estimated future value of the contingent consideration is \$2.0 million and is expected to be paid on varying dates through July 2017.

***Indemnities, Commitments and Guarantees***

From time to time, during the normal course of business, the Company may make certain indemnities, commitments and guarantees under which it may be required to make payments in relation to certain transactions. These include, but are not limited to: (i) indemnities to clients, vendors and service providers pertaining to claims based on negligence or willful misconduct of the Company and (ii) indemnities involving breach of contract, the accuracy of representations and warranties of the Company, or other liabilities assumed by the Company in certain contracts. In addition, the Company has agreements whereby it will indemnify certain officers and directors for certain events or occurrences while the officer or director is, or was, serving at the Company's request in such capacity. The indemnification period covers all pertinent events and occurrences during the officer's or director's lifetime. The maximum potential amount of future payments the Company could be required to make under these indemnification agreements is unlimited; however, the Company has director and officer insurance coverage that limits its exposure and enables it to recover a portion of any future amounts paid. The Company believes the applicable insurance coverage is generally adequate to cover any estimated potential liability under these indemnification agreements.

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The majority of these indemnities, commitments and guarantees do not provide for any limitation of the maximum potential for future payments the Company could be obligated to make. The Company has not recorded any liability for these indemnities, commitments and guarantees in the accompanying Consolidated Balance Sheets. In addition, the Company has some client contracts that do not contain contractual provisions for the limitation of liability, and other client contracts that contain agreed upon exceptions to limitation of liability. The Company has not recorded any liability in the accompanying Consolidated Balance Sheets with respect to any client contracts under which the Company has or may have unlimited liability.

**Loss Contingency**

The Company, from time to time, is involved in legal actions arising in the ordinary course of business. With respect to these matters, management believes that the Company has adequate legal defenses and/or when possible and appropriate, provided adequate accruals related to those matters such that the ultimate outcome will not have a material adverse effect on the Company's financial position or results of operations.

**Note 23. Defined Benefit Pension Plan and Postretirement Benefits****Defined Benefit Pension Plans**

The Company sponsors non-contributory defined benefit pension plans (the "Pension Plans") for its covered employees in The Philippines. The Pension Plans provide defined benefits based on years of service and final salary. All permanent employees meeting the minimum service requirement are eligible to participate in the Pension Plans. As of December 31, 2016, the Pension Plans were unfunded. The Company expects to make no cash contributions to its Pension Plans during 2017.

The following table provides a reconciliation of the change in the benefit obligation for the Pension Plans and the net amount recognized, included in "Other long-term liabilities", in the accompanying Consolidated Balance Sheets (in thousands):

	December 31,	
	2016	2015
Beginning benefit obligation	\$ 3,409	\$ 3,100
Service cost	443	433
Interest cost	165	135
Actuarial (gains) losses	(212)	(121)
Benefits paid	(72)	—
Effect of foreign currency translation	(182)	(138)
<b>Ending benefit obligation</b>	<b>\$ 3,551</b>	<b>\$ 3,409</b>
Unfunded status	(3,551)	(3,409)
<b>Net amount recognized</b>	<b>\$(3,551)</b>	<b>\$(3,409)</b>

The actuarial assumptions used to determine the benefit obligations and net periodic benefit cost for the Pension Plans were as follows:

	Years Ended December 31,		
	2016	2015	2014
Discount rate	5.5-5.6%	5.0-5.4%	4.5-4.9%
Rate of compensation increase	2.0%	2.0%	2.0%

The Company evaluates these assumptions on a periodic basis taking into consideration current market conditions and historical market data. The discount rate is used to calculate expected future cash flows at a present value on the measurement date, which is December 31. This rate represents the market rate for high-quality fixed income investments. A lower discount rate would increase the present value of benefit obligations. Other assumptions include demographic factors such as retirement, mortality and turnover.

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The following table provides information about the net periodic benefit cost and other accumulated comprehensive income for the Pension Plans (in thousands):

	<u>Years Ended December 31,</u>		
	<u>2016</u>	<u>2015</u>	<u>2014</u>
Service cost	\$ 443	\$ 433	\$ 387
Interest cost	165	135	104
Recognized actuarial (gains)	(40)	(41)	(50)
Net periodic benefit cost	568	527	441
Unrealized net actuarial (gains), net of tax	(1,126)	(1,029)	(1,008)
Total amount recognized in net periodic benefit cost and other accumulated comprehensive income (loss)	<u>\$ (558)</u>	<u>\$ (502)</u>	<u>\$ (567)</u>

The estimated future benefit payments, which reflect expected future service, as appropriate, are as follows (in thousands):

<u>Years Ending December 31,</u>	<u>Amount</u>
2017	\$ 101
2018	42
2019	244
2020	133
2021	146
2022 - 2026	1,136

The Company expects to recognize less than \$0.1 million of net actuarial gains as a component of net periodic benefit cost in 2017.

#### Employee Retirement Savings Plans

The Company maintains a 401(k) plan covering defined employees who meet established eligibility requirements. Under the plan provisions, the Company matches 50% of participant contributions to a maximum matching amount of 2% of participant compensation. The Company's contributions included in the accompanying Consolidated Statements of Operations were as follows (in thousands):

	<u>Years Ended December 31,</u>		
	<u>2016</u>	<u>2015</u>	<u>2014</u>
401(k) plan contributions	<u>\$ 969</u>	<u>\$ 832</u>	<u>\$ 870</u>

#### Split-Dollar Life Insurance Arrangement

In 1996, the Company entered into a split-dollar life insurance arrangement to benefit the former Chairman and Chief Executive Officer of the Company. Under the terms of the arrangement, the Company retained a collateral interest in the policy to the extent of the premiums paid by the Company. The postretirement benefit obligation included in "Other long-term liabilities" and the unrealized gains (losses) included in "Accumulated other comprehensive income" in the accompanying Consolidated Balance Sheets were as follows (in thousands):

	<u>December 31,</u>	
	<u>2016</u>	<u>2015</u>
Postretirement benefit obligation	\$ 27	\$ 37
Unrealized gains (losses) in AOCI (1)	200	267

(1) Unrealized gains (losses) are due to changes in discount rates related to the postretirement obligation.

### Post-Retirement Defined Contribution Healthcare Plan

On January 1, 2005, the Company established a Post-Retirement Defined Contribution Healthcare Plan for eligible employees meeting certain service and age requirements. The plan is fully funded by the participants and accordingly, the Company does not recognize expense relating to the plan.

### Note 24. Stock-Based Compensation

The Company's stock-based compensation plans include the 2011 Equity Incentive Plan, the Non-Employee Director Fee Plan and the Deferred Compensation Plan. The following table summarizes the stock-based compensation expense (primarily in the Americas), income tax benefits related to the stock-based compensation and excess tax benefits (deficiencies) (in thousands):

	Years Ended December 31,		
	2016	2015	2014
Stock-based compensation (expense) (1)	<b>\$ (10,779)</b>	<b>\$ (8,749)</b>	<b>\$ (6,381)</b>
Income tax benefit (2)	<b>4,150</b>	3,281	2,233
Excess tax benefit (deficiency) from stock-based compensation (3)	<b>2,098</b>	422	(82)

(1) Included in "General and administrative" costs in the accompanying Consolidated Statements of Operations.

(2) Included in "Income taxes" in the accompanying Consolidated Statements of Operations.

(3) Included in "Additional paid-in capital" in the accompanying Consolidated Statements of Changes in Shareholders' Equity .

There were no capitalized stock-based compensation costs at December 31, 2016, 2015 and 2014.

**2011 Equity Incentive Plan** — The Company's Board adopted the Sykes Enterprises, Incorporated 2011 Equity Incentive Plan (the "2011 Plan") on March 23, 2011, as amended on May 11, 2011 to reduce the number of shares of common stock available to 4.0 million shares. The 2011 Plan was approved by the shareholders at the May 2011 annual shareholders meeting. The 2011 Plan replaced and superseded the Company's 2001 Equity Incentive Plan (the "2001 Plan"), which expired on March 14, 2011. The outstanding awards granted under the 2001 Plan will remain in effect until their exercise, expiration or termination. The 2011 Plan permits the grant of restricted stock, stock appreciation rights, stock options and other stock-based awards to certain employees of the Company, members of the Company's Board of Directors and certain non-employees who provide services to the Company in order to encourage them to remain in the employment of, or to faithfully provide services to, the Company and to increase their interest in the Company's success.

**Stock Appreciation Rights** — The Board, at the recommendation of the Compensation and Human Resources Development Committee (the "Compensation Committee"), has approved in the past, and may approve in the future, awards of stock-settled stock appreciation rights ("SARs") for eligible participants. SARs represent the right to receive, without payment to the Company, a certain number of shares of common stock, as determined by the Compensation Committee, equal to the amount by which the fair market value of a share of common stock at the time of exercise exceeds the grant price.

The SARs are granted at the fair market value of the Company's common stock on the date of the grant and vest one-third on each of the first three anniversaries of the date of grant, provided the participant is employed by the Company on such date. The SARs have a term of 10 years from the date of grant. In the event of a change in control, the SARs will vest on the date of the change in control, provided that the participant is employed by the Company on the date of the change in control.

All currently outstanding SARs are exercisable within three months after the death, disability, retirement or termination of the participant's employment with the Company, if and to the extent the SARs were exercisable immediately prior to such termination. If the participant's employment is terminated for cause, or the participant terminates his or her own employment with the Company, any portion of the SARs not yet exercised (whether or not vested) terminates immediately on the date of termination of employment.

The fair value of each SAR is estimated on the date of grant using the Black-Scholes valuation model that uses various assumptions. The fair value of the SARs is expensed on a straight-line basis over the requisite service

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period. Expected volatility is based on the historical volatility of the Company's stock. The risk-free rate for periods within the contractual life of the award is based on the yield curve of a zero-coupon U.S. Treasury bond on the date the award is granted with a maturity equal to the expected term of the award. Exercises and forfeitures are estimated within the valuation model using employee termination and other historical data. The expected term of the SARs granted represents the period of time the SARs are expected to be outstanding.

The following table summarizes the assumptions used to estimate the fair value of SARs granted:

	Years Ended December 31,		
	2016	2015	2014
Expected volatility	25.3%	34.1%	38.9%
Weighted-average volatility	25.3%	34.1%	38.9%
Expected dividend rate	0.0%	0.0%	0.0%
Expected term (in years)	5.0	5.0	5.0
Risk-free rate	1.5%	1.6%	1.7%

The following table summarizes SARs activity as of December 31, 2016 and for the year then ended:

Stock Appreciation Rights	Shares (000s)	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value (000s)
Outstanding at January 1, 2016	481	\$ —		
Granted	323	\$ —		
Exercised	(151)	\$ —		
Forfeited or expired	(20)	\$ —		
<b>Outstanding at December 31, 2016</b>	<b>633</b>	<b>\$ —</b>	<b>8.2</b>	<b>\$ 1,941</b>
<b>Vested or expected to vest at December 31, 2016</b>	<b>633</b>	<b>\$ —</b>	<b>8.2</b>	<b>\$ 1,941</b>
<b>Exercisable at December 31, 2016</b>	<b>118</b>	<b>\$ —</b>	<b>5.8</b>	<b>\$ 785</b>

The following table summarizes information regarding SARs granted and exercised (in thousands, except per SAR amounts):

	Years Ended December 31,		
	2016	2015	2014
Number of SARs granted	323	217	246
Weighted average grant-date fair value per SAR	\$ 7.68	\$ 8.17	\$ 7.20
Intrinsic value of SARs exercised	\$1,691	\$5,957	\$ 391
Fair value of SARs vested	\$1,520	\$1,302	\$1,553

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The following table summarizes nonvested SARs activity as of December 31, 2016 and for the year then ended:

<b>Nonvested Stock Appreciation Rights</b>	<b>Shares (000s)</b>	<b>Weighted Average Grant- Date Fair Value</b>
Nonvested at January 1, 2016	424	\$ 7.50
Granted	323	\$ 7.68
Vested	(213)	\$ 7.14
Forfeited or expired	(19)	\$ 7.68
<b>Nonvested at December 31, 2016</b>	<b>515</b>	<b>\$ 7.76</b>

As of December 31, 2016, there was \$2.5 million of total unrecognized compensation cost, net of estimated forfeitures, related to nonvested SARs granted under the 2011 Plan. This cost is expected to be recognized over a weighted average period of 1.4 years.

*Restricted Shares* – The Board, at the recommendation of the Compensation Committee, has approved in the past, and may approve in the future, awards of performance and employment-based restricted shares (“restricted shares”) for eligible participants. In some instances, where the issuance of restricted shares has adverse tax consequences to the recipient, the Board may instead issue restricted stock units (“RSUs”). The restricted shares are shares of the Company’s common stock (or in the case of RSUs, represent an equivalent number of shares of the Company’s common stock) which are issued to the participant subject to (a) restrictions on transfer for a period of time and (b) forfeiture under certain conditions. The performance goals, including revenue growth and income from operations targets, provide a range of vesting possibilities from 0% to 100% and will be measured at the end of the performance period. If the performance conditions are met for the performance period, the shares will vest and all restrictions on the transfer of the restricted shares will lapse (or in the case of RSUs, an equivalent number of shares of the Company’s common stock will be issued to the recipient). The Company recognizes compensation cost, net of estimated forfeitures, based on the fair value (which approximates the current market price) of the restricted shares (and RSUs) on the date of grant ratably over the requisite service period based on the probability of achieving the performance goals.

Changes in the probability of achieving the performance goals from period to period will result in corresponding changes in compensation expense. The employment-based restricted shares currently outstanding vest one-third on each of the first three anniversaries of the date of grant, provided the participant is employed by the Company on such date. In the event of a change in control (as defined in the 2011 Plan) prior to the date the restricted shares vest, all of the restricted shares will vest and the restrictions on transfer will lapse with respect to such vested shares on the date of the change in control, provided that participant is employed by the Company on the date of the change in control.

If the participant’s employment with the Company is terminated for any reason, either by the Company or participant, prior to the date on which the restricted shares have vested and the restrictions have lapsed with respect to such vested shares, any restricted shares remaining subject to the restrictions (together with any dividends paid thereon) will be forfeited, unless there has been a change in control prior to such date.

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The following table summarizes nonvested restricted shares/RsUs activity as of December 31, 2016 and for the year then ended:

<b>Nonvested Restricted Shares and RsUs</b>	<b>Shares (000s)</b>	<b>Weighted Average Grant- Date Fair Value</b>
Nonvested at January 1, 2016	1,246	\$ 20.03
Granted	451	\$ 30.32
Vested	(421)	\$ 16.10
Forfeited or expired	(140)	\$ 20.87
<b>Nonvested at December 31, 2016</b>	<b>1,136</b>	<b>\$ 25.47</b>

The following table summarizes information regarding restricted shares/RsUs granted and vested (in thousands, except per restricted share/RsU amounts):

	<b>Years Ended December 31,</b>		
	<b>2016</b>	<b>2015</b>	<b>2014</b>
Number of restricted shares/RsUs granted	451	441	500
Weighted average grant-date fair value per restricted share/RsU	\$30.32	\$25.06	\$19.77
Fair value of restricted shares/RsUs vested	\$6,785	\$2,019	\$ 895

As of December 31, 2016, based on the probability of achieving the performance goals, there was \$17.5 million of total unrecognized compensation cost, net of estimated forfeitures, related to nonvested restricted shares/RsUs granted under the 2011 Plan. This cost is expected to be recognized over a weighted average period of 1.7 years.

**Non-Employee Director Fee Plan** — The Company’s 2004 Non-Employee Director Fee Plan (the “2004 Fee Plan”), as amended on May 17, 2012, provided that all new non-employee directors joining the Board would receive an initial grant of shares of common stock on the date the new director is elected or appointed, the number of which will be determined by dividing \$60,000 by the closing price of the Company’s common stock on the trading day immediately preceding the date a new director is elected or appointed, rounded to the nearest whole number of shares. The initial grant of shares vested in twelve equal quarterly installments, one-twelfth on the date of grant and an additional one-twelfth on each successive third monthly anniversary of the date of grant. The award lapses with respect to all unvested shares in the event the non-employee director ceases to be a director of the Company, and any unvested shares are forfeited.

The 2004 Fee Plan also provided that each non-employee director would receive, on the day after the annual shareholders meeting, an annual retainer for service as a non-employee director (the “Annual Retainer”). Prior to May 17, 2012, the Annual Retainer was \$95,000, of which \$50,000 was payable in cash, and the remainder was paid in stock. The annual grant of cash vested in four equal quarterly installments, one-fourth on the day following the annual meeting of shareholders, and an additional one-fourth on each successive third monthly anniversary of the date of grant. The annual grant of shares paid to non-employee directors prior to May 17, 2012 vests in eight equal quarterly installments, one-eighth on the day following the annual meeting of shareholders, and an additional one-eighth on each successive third monthly anniversary of the date of grant. On May 17, 2012, upon the recommendation of the Compensation Committee, the Board adopted the Fifth Amended and Restated Non-Employee Director Fee Plan (the “Amendment”), which increased the common stock component of the Annual Retainer by \$30,000, resulting in a total Annual Retainer of \$125,000, of which \$50,000 was payable in cash and the remainder paid in stock. In addition, the Amendment also changed the vesting period for the annual equity award, from a two-year vesting period, to a one-year vesting period (consisting of four equal quarterly installments, one-fourth on the date of grant and an additional one-fourth on each successive third monthly anniversary of the date of grant). The award lapses with respect to all unpaid cash and unvested shares in the event the non-employee director ceases to be a director of the Company, and any unvested shares and unpaid cash are forfeited.

In addition to the Annual Retainer award, the 2004 Fee Plan also provided for any non-employee Chairman of the Board to receive an additional annual cash award of \$100,000, and each non-employee director serving on a committee of the Board to receive an additional annual cash award. The additional annual cash award for the

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Chairperson of the Audit Committee is \$20,000 and Audit Committee members' are entitled to an annual cash award of \$10,000. The annual cash awards for the Chairpersons of the Compensation Committee, Finance Committee and Nominating and Corporate Governance Committee are \$15,000, \$12,500 and \$12,500, respectively, and all other members of such committees are entitled to an annual cash award of \$7,500.

The 2004 Fee Plan expired in May 2014, prior to the 2014 Annual Shareholder Meeting. In March 2014, upon the recommendation of the Compensation Committee, the Board determined that, following the expiration of the 2004 Fee Plan, the compensation of non-employee Directors should continue on the same terms as provided in the Fifth Amended and Restated Non-Employee Director Fee Plan, except the amounts of cash and equity grants shall be determined annually by the Board, and that the stock portion of such compensation would be issued under the 2011 Plan.

At the Board's regularly scheduled meeting on December 10, 2014, upon the recommendation of the Compensation Committee, the Board determined that the amount of the cash and equity compensation payable to non-employee directors beginning on the date of the 2015 annual shareholder meeting would be increased as follows: cash compensation would be increased by \$5,000 per year to a total of \$55,000 and equity compensation would be increased by \$25,000 per year to a total of \$100,000. No change would be made in the additional amounts payable to the Chairman of the Board or the Chairs or members of the various Board committees for their service on such committees, and no changes would be made in the payment terms described above for such cash and equity compensation.

At the Board's regularly scheduled meeting on December 9, 2015, upon the recommendation of the Compensation Committee, the Board determined that the amount of the cash and equity compensation payable to non-employee directors beginning on the date of the 2016 annual shareholders' meeting would remain unchanged.

At the Board's regularly scheduled meeting on December 6, 2016, upon the recommendation of the Compensation Committee, the Board determined that the amount of the cash compensation payable to non-employee directors beginning on the date of the 2017 annual shareholder meeting would be increased by \$15,000 per year to a total of \$70,000.

The Board may pay additional cash compensation to any non-employee director for services on behalf of the Board over and above those typically expected of directors, including but not limited to service on a special committee of the Board.

The following table summarizes nonvested common stock share award activity as of December 31, 2016 and for the year then ended:

<b>Nonvested Common Stock Share Awards</b>	<b>Shares (000s)</b>	<b>Weighted Average Grant-Date Fair Value</b>
Nonvested at January 1, 2016	11	\$ 23.74
Granted	32	\$ 29.04
Vested	(32)	\$ 27.49
Forfeited or expired	(1)	\$ 24.70
<b>Nonvested at December 31, 2016</b>	<b>10</b>	<b>\$ 28.69</b>

The following table summarizes information regarding common stock share awards granted and vested (in thousands, except per share award amounts):

	<b>Years Ended December 31,</b>		
	<b>2016</b>	<b>2015</b>	<b>2014</b>
Number of share awards granted	32	32	36
Weighted average grant-date fair value per share award	\$ 29.04	\$ 24.70	\$ 20.15
Fair value of share awards vested	\$ 850	\$ 790	\$ 630

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As of December 31, 2016, there was \$0.2 million of total unrecognized compensation costs, net of estimated forfeitures, related to nonvested common stock share awards granted under the 2004 Fee Plan. This cost is expected to be recognized over a weighted average period of 0.6 years.

**Deferred Compensation Plan** — The Company’s non-qualified Deferred Compensation Plan (the “Deferred Compensation Plan”), which is not shareholder-approved, was adopted by the Board effective December 17, 1998. It was last amended and restated on December 9, 2015, effective as of January 1, 2016, and was subsequently amended on May 18, 2016, effective as of June 30, 2016, and August 17, 2016, effective as of January 1, 2017. Eligibility is limited to a select group of key management and employees who are expected to receive an annualized base salary (which will not take into account bonuses or commissions) that exceeds the amount taken into account for purposes of determining highly compensated employees under Section 414(q) of the Internal Revenue Code of 1986 based on the current year’s base salary and applicable dollar amounts. The Deferred Compensation Plan provides participants with the ability to defer between 1% and 80% of their compensation (between 1% and 100% prior to June 30, 2016, the effective date of the first amendment) until the participant’s retirement, termination, disability or death, or a change in control of the Company. Using the Company’s common stock, the Company matches 50% of the amounts deferred by participants on a quarterly basis up to a total of \$12,000 per year for the president, chief executive officer and executive vice presidents, \$7,500 per year for senior vice presidents, global vice presidents and vice presidents, and, effective January 1, 2017, \$5,000 per year for all other participants (there was no match for other participants prior to January 1, 2017, the effective date of the second amendment). Matching contributions and the associated earnings vest over a seven-year service period. Vesting will be accelerated in the event of the participant’s death or disability, a change in control or retirement (defined as separate from service after age 65). In the event of a distribution of benefits as a result of a change in control of the Company, the Company will increase the benefit by an amount sufficient to offset the income tax obligations created by the distribution of benefits. Deferred compensation amounts used to pay benefits, which are held in a rabbi trust, include investments in various mutual funds and shares of the Company’s common stock (see Note 11, Investments Held in Rabbi Trust). As of December 31, 2016 and 2015, liabilities of \$9.4 million and \$7.9 million, respectively, of the Deferred Compensation Plan were recorded in “Accrued employee compensation and benefits” in the accompanying Consolidated Balance Sheets.

Additionally, the Company’s common stock match associated with the Deferred Compensation Plan, with a carrying value of approximately \$1.8 million and \$1.6 million at December 31, 2016 and 2015, respectively, is included in “Treasury stock” in the accompanying Consolidated Balance Sheets.

The following table summarizes nonvested common stock activity as of December 31, 2016 and for the year then ended:

<b>Nonvested Common Stock</b>	<b>Shares (000s)</b>	<b>Weighted Average Grant- Date Fair Value</b>
Nonvested at January 1, 2016	3	\$ 19.53
Granted	8	\$ 29.36
Vested	(9)	\$ 27.91
Forfeited or expired	—	\$ 23.49
<b>Nonvested at December 31, 2016</b>	<b>2</b>	<b>\$ 22.77</b>

The following table summarizes information regarding shares of common stock granted and vested (in thousands, except per common stock amounts):

	<b>Years Ended December 31,</b>		
	<b>2016</b>	<b>2015</b>	<b>2014</b>
Number of shares of common stock granted	8	8	10
Weighted average grant-date fair value per common stock	\$ 29.36	\$ 25.06	\$ 20.54
Fair value of common stock vested	\$ 255	\$ 244	\$ 212
Cash used to settle the obligation	\$ 396	\$ 65	\$ 1,493

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As of December 31, 2016, there was less than \$0.1 million of total unrecognized compensation cost, net of estimated forfeitures, related to nonvested common stock granted under the Deferred Compensation Plan. This cost is expected to be recognized over a weighted average period of 2.7 years.

**Note 25. Segments and Geographic Information**

The Company operates within two regions, the Americas and EMEA. Each region represents a reportable segment comprised of aggregated regional operating segments, which portray similar economic characteristics. The Company aligns its business into two segments to effectively manage the business and support the customer care needs of every client and to respond to the demands of the Company's global customers.

The reportable segments consist of (1) the Americas, which includes the United States, Canada, Latin America, Australia and the Asia Pacific Rim, and provides outsourced customer engagement solutions (with an emphasis on inbound technical support, digital marketing and demand generation, and customer service) and technical staffing and (2) EMEA, which includes Europe, the Middle East and Africa, and provides outsourced customer engagement solutions (with an emphasis on technical support and customer service) and fulfillment services. The sites within Latin America, Australia and the Asia Pacific Rim are included in the Americas segment given the nature of the business and client profile, which is primarily made up of U.S.-based companies that are using the Company's services in these locations to support their customer engagement needs.

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Information about the Company's reportable segments was as follows (in thousands):

	<u>Americas</u>	<u>EMEA</u>	<u>Other (1)</u>	<u>Consolidated</u>
<b>Year Ended December 31, 2016:</b>				
Revenues	\$1,220,818	\$ 239,089	\$ 130	\$ 1,460,037
Percentage of revenues	83.6%	16.4%	0.0%	100.0%
Depreciation, net	\$ 42,436	\$ 4,532	\$ 2,045	\$ 49,013
Amortization of intangibles	\$ 18,329	\$ 1,048	\$ —	\$ 19,377
Income (loss) from operations	\$ 140,131	\$ 18,380	\$ (66,263)	\$ 92,248
Other (expense), net			(3,364)	(3,364)
Income taxes			(26,494)	(26,494)
Net income				<u>\$ 62,390</u>
<b>Total assets as of December 31, 2016</b>	<u><b>\$1,777,546</b></u>	<u><b>\$1,493,764</b></u>	<u><b>\$(2,034,907)</b></u>	<u><b>\$ 1,236,403</b></u>
<b>Year Ended December 31, 2015:</b>				
Revenues	\$1,045,415	\$ 240,826	\$ 99	\$ 1,286,340
Percentage of revenues	81.3%	18.7%	0.0%	100.0%
Depreciation, net	\$ 37,842	\$ 4,559	\$ 1,351	\$ 43,752
Amortization of intangibles	\$ 13,648	\$ 522	\$ —	\$ 14,170
Income (loss) from operations	\$ 135,443	\$ 15,336	\$ (56,515)	\$ 94,264
Other (expense), net			(4,281)	(4,281)
Income taxes			(21,386)	(21,386)
Net income				<u>\$ 68,597</u>
<b>Total assets as of December 31, 2015</b>	<u><b>\$1,058,467</b></u>	<u><b>\$1,419,578</b></u>	<u><b>\$(1,530,273)</b></u>	<u><b>\$ 947,772</b></u>
<b>Year Ended December 31, 2014:</b>				
Revenues	\$1,070,824	\$ 256,699	\$ —	\$ 1,327,523
Percentage of revenues	80.7%	19.3%	0.0%	100.0%
Depreciation, net	\$ 40,557	\$ 4,806	\$ —	\$ 45,363
Amortization of intangibles	\$ 14,396	\$ —	\$ —	\$ 14,396
Income (loss) from operations	\$ 113,549	\$ 16,208	\$ (50,202)	\$ 79,555
Other (expense), net			(2,396)	(2,396)
Income taxes			(19,368)	(19,368)
Net income				<u>\$ 57,791</u>
<b>Total assets as of December 31, 2014</b>	<u><b>\$1,080,010</b></u>	<u><b>\$1,373,590</b></u>	<u><b>\$(1,509,100)</b></u>	<u><b>\$ 944,500</b></u>

- (1) Other items (including corporate and other costs, impairment costs, other income and expense, and income taxes) are shown for purposes of reconciling to the Company's consolidated totals as shown in the tables above for the years ended December 31, 2016, 2015 and 2014. Inter-segment revenues are not material to the Americas and EMEA segment results. The Company evaluates the performance of its geographic segments based on revenues and income (loss) from operations, and does not include segment assets or other income and expense items for management reporting purposes.

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Total revenues by segment from AT&T Corporation (“AT&T”), a major provider of communication services for which the Company provides various customer support services over several distinct lines of AT&T businesses, were as follows (in thousands):

	Years Ended December 31,					
	2016		2015		2014	
	Amount	% of Revenues	Amount	% of Revenues	Amount	% of Revenues
Americas	\$239,033	19.6%	\$217,449	20.8%	\$212,607	19.9%
EMEA	—	0.0%	3,003	1.2%	3,519	1.4%
	<u>\$239,033</u>	<u>16.4%</u>	<u>\$220,452</u>	<u>17.1%</u>	<u>\$216,126</u>	<u>16.3%</u>

The Company has multiple distinct contracts with AT&T spread across multiple lines of businesses, which expire at varying dates between 2017 and 2018. The Company has historically renewed most of these contracts. However, there is no assurance that these contracts will be renewed, or if renewed, will be on terms as favorable as the existing contracts. Each line of business is governed by separate business terms, conditions and metrics. Each line of business also has a separate decision maker such that a loss of one line of business would not necessarily impact the Company’s relationship with the client and decision makers on other lines of business. The loss of (or the failure to retain a significant amount of business with) any of the Company’s key clients, including AT&T, could have a material adverse effect on its performance. Many of the Company’s contracts contain penalty provisions for failure to meet minimum service levels and are cancelable by the client at any time or on short notice. Also, clients may unilaterally reduce their use of the Company’s services under the contracts without penalty.

Total revenues by segment from the Company’s next largest client, which was in the financial services vertical in each of the years, were as follows (in thousands):

	Years Ended December 31,					
	2016		2015		2014	
	Amount	% of Revenues	Amount	% of Revenues	Amount	% of Revenues
Americas	\$ 90,508	7.4%	\$ 62,980	6.0%	\$ 70,255	6.6%
EMEA	—	0.0%	—	0.0%	—	0.0%
	<u>\$ 90,508</u>	<u>6.2%</u>	<u>\$ 62,980</u>	<u>4.9%</u>	<u>\$ 70,255</u>	<u>5.3%</u>

Other than AT&T, total revenues by segment of the Company’s clients that each individually represents 10% or greater of that segment’s revenues in each of the periods were as follows (in thousands):

	Years Ended December 31,					
	2016		2015		2014	
	Amount	% of Revenues	Amount	% of Revenues	Amount	% of Revenues
Americas	\$ —	0.0%	\$ —	0.0%	\$ —	0.0%
EMEA	96,115	40.2%	68,720	28.5%	79,811	31.1%
	<u>\$ 96,115</u>	<u>6.6%</u>	<u>\$ 68,720</u>	<u>5.3%</u>	<u>\$ 79,811</u>	<u>6.0%</u>

The Company’s top ten clients accounted for approximately 49.2%, 48.5% and 46.8% of its consolidated revenues during the years ended December 31, 2016, 2015 and 2014, respectively.

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Information about the Company's revenues by geographic location was as follows (in thousands):

	Years Ended December 31,		
	2016	2015	2014
<b>Revenues:</b> <sup>(1)</sup>			
United States	\$ 578,753	\$ 422,584	\$ 425,746
The Philippines	235,333	216,170	205,332
Costa Rica	124,823	114,483	97,295
Canada	115,226	133,549	195,739
El Salvador	69,937	63,462	52,609
China	34,851	36,270	32,167
Australia	24,267	23,960	33,126
Mexico	18,167	18,338	20,439
Colombia	8,901	7,381	3,073
Brazil	6,474	5,442	3,005
India	4,086	3,776	2,293
Total Americas	<u>1,220,818</u>	<u>1,045,415</u>	<u>1,070,824</u>
Germany	78,982	82,120	88,887
Sweden	59,313	56,600	68,057
United Kingdom	38,167	50,209	42,328
Romania	21,387	15,474	18,288
Hungary	10,762	9,164	8,723
Norway	8,815	8,382	10,265
Finland	6,827	4,643	4,295
Netherlands	6,080	3,783	3,126
Egypt	4,766	3,552	4,633
Denmark	3,990	3,898	4,578
Slovakia	—	3,001	3,519
Total EMEA	<u>239,089</u>	<u>240,826</u>	<u>256,699</u>
Total Other	<u>130</u>	<u>99</u>	<u>—</u>
	<u><b>\$1,460,037</b></u>	<u><b>\$1,286,340</b></u>	<u><b>\$1,327,523</b></u>

- (1) Revenues are attributed to countries based on location of customer, except for revenues for Costa Rica, The Philippines, China and India which are primarily comprised of customers located in the U.S., but serviced by centers in those respective geographic locations.

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Information about the Company's long-lived assets by geographic location was as follows (in thousands):

	December 31,	
	2016	2015
<b>Long-Lived Assets:</b> <sup>(1)</sup>		
United States	\$ 230,001	\$ 93,941
The Philippines	14,149	10,844
Costa Rica	10,848	7,382
Canada	7,810	10,278
El Salvador	3,860	3,329
China	2,949	3,523
Australia	1,625	2,396
Mexico	1,114	1,307
Colombia	2,132	1,299
Brazil	1,316	1,047
India	928	301
Total Americas	<u>276,732</u>	<u>135,647</u>
Germany	1,934	1,973
Sweden	1,165	1,681
United Kingdom	2,570	3,652
Romania	2,061	678
Hungary	527	536
Norway	458	278
Finland	481	226
Netherlands	5,746	7,243
Egypt	109	105
Denmark	42	81
Slovakia	—	—
Total EMEA	<u>15,093</u>	<u>16,453</u>
Total Other	<u>17,444</u>	<u>10,758</u>
	<u>\$ 309,269</u>	<u>\$ 162,858</u>

(1) Long-lived assets include property and equipment, net, and intangibles, net.

Goodwill by segment was as follows (in thousands):

	December 31,	
	2016	2015
Americas	\$ 255,842	\$ 186,049
EMEA	9,562	9,684
	<u>\$ 265,404</u>	<u>\$ 195,733</u>

Revenues for the Company's products and services were as follows (in thousands):

	Years Ended December 31,		
	2016	2015	2014
Customer engagement services	\$ 1,448,621	\$ 1,261,465	\$ 1,303,607
Fulfillment services	10,422	21,434	18,392
Enterprise support services	994	3,441	5,524
	<u>\$ 1,460,037</u>	<u>\$ 1,286,340</u>	<u>\$ 1,327,523</u>

**Note 26. Other Income (Expense)**

Other income (expense) consists of the following (in thousands):

	<b>Years Ended December 31,</b>		
	<b>2016</b>	<b>2015</b>	<b>2014</b>
Foreign currency transaction gains (losses)	<b>\$ 3,348</b>	\$ (2,924)	\$ (1,740)
Gains (losses) on foreign currency derivative instruments not designated as hedges	<b>(2,270)</b>	1,374	(44)
Gains (losses) on liquidation of foreign subsidiaries	—	(647)	—
Other miscellaneous income (expense)	<b>521</b>	(287)	441
	<b><u>\$ 1,599</u></b>	<b><u>\$ (2,484)</u></b>	<b><u>\$ (1,343)</u></b>

**Note 27. Related Party Transactions**

In January 2008, the Company entered into a lease for a customer engagement center located in Kingstree, South Carolina. The landlord, Kingstree Office One, LLC, is an entity controlled by John H. Sykes, the founder, former Chairman and Chief Executive Officer of the Company and the father of Charles Sykes, President and Chief Executive Officer of the Company. The lease payments on the 20-year lease were negotiated at or below market rates, and the lease is cancellable at the option of the Company. There are penalties for early cancellation which decrease over time. The Company paid \$0.4 million to the landlord during each of the years ended December 31, 2016, 2015 and 2014 under the terms of the lease.

**Schedule II — Valuation and Qualifying Accounts**

Years ended December 31, 2016, 2015 and 2014:

<u>(in thousands)</u>	<u>Balance at Beginning of Period</u>	<u>Charged (Credited) to Costs and Expenses</u>	<u>Additions (Deductions) (1)</u>	<u>Balance at End of Period</u>
<b>Allowance for doubtful accounts:</b>				
<b>Year ended December 31, 2016</b>	<b>\$ 3,574</b>	<b>89</b>	<b>\$ (738)</b>	<b>\$ 2,925</b>
Year ended December 31, 2015	4,661	278	(1,365)	3,574
Year ended December 31, 2014	4,987	(181)	(145)	4,661
<b>Valuation allowance for net deferred tax assets:</b>				
<b>Year ended December 31, 2016</b>	<b>\$ 30,065</b>	<b>\$ 156</b>	<b>\$ —</b>	<b>\$ 30,221</b>
Year ended December 31, 2015	34,146	(4,081)	—	30,065
Year ended December 31, 2014	42,664	(8,518)	—	34,146
<b>Reserves for value added tax receivables:</b>				
<b>Year ended December 31, 2016</b>	<b>\$ 283</b>	<b>\$ (148)</b>	<b>\$ (58)</b>	<b>\$ 77</b>
Year ended December 31, 2015	275	—	8	283
Year ended December 31, 2014	2,530	(638)	(1,617)	275

(1) Net write-offs and recoveries, including the effect of foreign currency translation.



## EMPLOYMENT AGREEMENT

PLEASE READ THIS AGREEMENT CAREFULLY. THIS AGREEMENT DESCRIBES THE BASIC LEGAL AND ETHICAL RESPONSIBILITIES THAT YOU ARE REQUIRED TO OBSERVE AS AN EXECUTIVE EXPOSED TO HIGHLY SENSITIVE TECHNOLOGY AND STRATEGIC INFORMATION. CONSULT WITH YOUR LEGAL COUNSEL IF ALL THE TERMS AND PROVISIONS OF THIS AGREEMENT ARE NOT FULLY UNDERSTOOD BY YOU.

THIS EMPLOYMENT AGREEMENT is made as of the 18th day of November, 2016, by and between SYKES ENTERPRISES, INCORPORATED, a Florida corporation (the "Company"), and **JAMES D. FARNSWORTH** (the "Executive").

### WITNESSETH:

**WHEREAS**, the Company desires to employ Executive in an executive capacity pursuant to an Offer Letter dated October 13, 2016 ("Offer Letter");

**WHEREAS**, the Company will employ Executive under the terms and conditions of the Offer Letter, this Employment Agreement and all applicable Company employment policies, compensation plans, and benefit plans in accordance with their terms; and

**WHEREAS**, the Executive acknowledges and agrees to be employed by the Company under the terms and conditions of the Offer Letter, this Employment Agreement and all Company employment policies, compensation and benefit plans.

NOW, THEREFORE, in consideration of the mutual covenants and agreements of the parties contained herein, and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto covenant and agree as follows:

#### 1. EMPLOYMENT AND DUTIES.

(a) Job Duties. Subject to the terms and conditions of this Agreement, the Company shall employ the Executive during the Term (as hereinafter defined) in such management capacities as may be designated from time to time by the Company's Chief Executive Officer and/or the Chief Executive Officer's designee. The Executive accepts such employment and agrees to devote his/her best efforts and entire business time, skill, labor, and attention to the performance of such duties.

(b) Disclosure of Outside Business Interests. The Executive agrees to promptly provide a description of any other commercial duties or pursuits engaged in by the Executive (beyond that disclosed in Exhibit B attached hereto) to the Company's Chief Executive Officer. If the Company's Chief Executive Officer determines in good faith that such activities conflict with the Executive's performance of his/her duties hereunder, the Chief Executive Officer shall notify Executive within thirty (30) days and the Executive shall promptly cease such activities to

*Executive Evergreen Ver. 12/2008*  
*James D. Farnsworth*

*Sykes Enterprises Incorporated*  
*Page Number 1*

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the extent as directed by the Chief Executive Officer. The failure of the Executive to promptly cease such activities shall enable the Company to terminate the Executive for Cause (as provided in Section 6(c) hereof). If the Chief Executive Officer does not provide such notice, Executive shall be free to engage in such commercial duties or pursuits. It is acknowledged and agreed that such description shall be made regarding any such activities in which the Executive owns more than 5% of the ownership of the organization or which may be in violation of Section 5 hereof, and that the failure of the Executive to provide any such description shall enable the Company to terminate the Executive for Cause (as provided in Section 6(c) hereof). The Company agrees to hold any such information provided by the Executive confidential and not disclose the same to any person other than a person to whom disclosure is reasonably necessary or appropriate in light of the circumstances.

(c) Other Offices or Positions. In addition, the Executive agrees to serve without additional compensation if elected or appointed to any office or position, including as a director, of the Company or any subsidiary or affiliate of the Company; provided; however, that the Executive shall be entitled to receive such benefits and additional compensation, if any, that is paid to executive officers of the Company in connection with such service.

**2. TERM.**

Subject to the terms and conditions of this Agreement, including, but not limited to, the provisions for termination set forth in Section 6 hereof, the employment of the Executive under this Agreement shall commence on the effective date hereof and shall continue until terminated as provided herein (such term shall herein be defined as the "Term"). The Executive agrees that some portions of this Agreement, including the Sections entitled "Confidential Information," "Covenant Not-To-Compete And No Solicitation," "Termination," and "Arbitration of Disputes," will remain in force after the termination of this Agreement.

**3. COMPENSATION.**

(a) Base Salary and Bonus. As compensation for the Executive's services under this Agreement, the Executive shall receive and the Company shall pay a weekly base salary set forth on Exhibit "A". Such base salary may be increased but not decreased during the Term in the Company's discretion based upon the Executive's performance and any other factors the Company deems relevant. Such base salary shall be payable in accordance with the policy then prevailing for the Company's executives. In addition to such base salary, the Executive shall be entitled during the Term to a performance bonus and shall be eligible to participate in and receive payments or awards from all other bonus and other incentive compensation, stock option and restricted stock plans as may be adopted by the Company, all as determined by the Compensation Committee of the Board of Directors in its sole discretion, and in each case payable to Executive in accordance with the terms and conditions of the applicable plan.

(b) Payments. All amounts paid pursuant to this Agreement shall be subject to withholding or deduction by reason of the Federal Insurance Contribution Act, federal income tax, state and local income tax, if any, and comparable laws and regulations.

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(c) Other Benefits. The Executive shall be reimbursed by the Company for all reasonable and customary travel and other business expenses incurred by the Executive in the performance of the Executive's duties hereunder in accordance with the Company's standard policy regarding expense verification practices. The Executive shall be entitled to that number of weeks paid vacation per year that is available to other executive officers of the Company in accordance with the Company's standard policy regarding vacations and such other fringe benefits as may be set forth on Exhibit "A" and shall be eligible to participate in such pension, life insurance, health insurance, disability insurance, and other executive benefits plans, if any, which the Company may from time to time make available to its executive officers generally. Benefits under such plans, if any, shall be paid or provided to Executive in accordance with the terms and conditions of the applicable plan.

**4. CONFIDENTIAL INFORMATION.**

(a) The Executive has acquired and will acquire information and knowledge respecting the intimate and confidential affairs of the Company, including, without limitation, confidential information with respect to the Company's technical data, research and development projects, methods, products, software, financial data, business plans, financial plans, customer lists, business methodology, processes, production methods and techniques, promotional materials and information, and other similar matters treated by the Company as confidential (the "Confidential Information"). Accordingly, the Executive covenants and agrees that during the Executive's employment by the Company (whether during the Term hereof or otherwise) and thereafter, the Executive shall not, without the prior written consent of the Company, disclose to any person, other than a person to whom disclosure is reasonably necessary or appropriate in connection with the performance by the Executive of the Executive's duties hereunder, any Confidential Information obtained by the Executive while in the employ of the Company.

(b) The Executive agrees that all memoranda; notes; records; papers or other documents; computer disks; computer, video or audio tapes; CD-ROMs; all other media and all copies thereof relating to the Company's operations or business, some of which may be prepared by the Executive; and all objects associated therewith in any way obtained by the Executive shall be the Company's property. This shall include, but is not limited to, documents; computer disks; computer, video and audio tapes; CD-ROMs; all other media and objects concerning any technical data, methods, products, software, research and development projects, financial data, financial plans, business plans, customer lists, contracts, price lists, manuals, mailing lists, advertising materials; and all other materials and records of any kind that may be in the Executive's possession or under the Executive's control. The Executive shall not, except for the Company's use, copy or duplicate any of the aforementioned documents or objects, nor remove them from the Company's facilities, nor use any information concerning them except for the Company's benefit, either during the Executive's employment or thereafter. The Executive covenants and agrees that the Executive will deliver all of the aforementioned documents and objects, if any, that may be in the Executive's possession to the Company upon termination of the Executive's employment, or at any other time at the Company's request.

(c) In any action to enforce or challenge these Confidential Information provisions, the prevailing party is entitled to recover its attorney's fees and costs.

**5. COVENANT NOT-TO-COMPETE AND NO SOLICITATION.**

Executive recognizes that the Company is in the business of employing individuals to provide specialized and technical services to the Company's Clients. The purpose of these Covenant Not-to-Compete and No Solicitation provisions are to protect the relationship which exists between the Company and its Clients while Executive is employed and after Executive leaves the employ of the Company. The consideration for these Covenant Not-to-Compete and No Solicitation provisions is the Executive's employment with the Company.

(a) Executive acknowledges the following:

- (1) The Company expended considerable resources in obtaining contracts with its Clients;
- (2) The Company expended considerable resources to recruit and hire employees who could perform services for its Clients;
- (3) Through his/her employ with the Company, Executive will develop a substantial relationship with the Company's existing or potential Clients, including, but not limited to, being the sole or primary contact between the Client and the Company;
- (4) Executive will be exposed to valuable confidential business information about the Company, its Clients, and the Company's relationship with its Clients;
- (5) By providing services on behalf of the Company, Executive will develop and enhance the valuable business relationship between the Company and its Clients;
- (6) The relationship between the Company and its Clients depends on the quality and quantity of the services Executive performs;
- (7) Through employment with the Company, Executive will increase his/her opportunity to work directly for the Clients or for a competitor of the Company; and
- (8) The Company will suffer irreparable harm if Executive breaches these Covenant Not-to-Compete and No Solicitation provisions of this Agreement.

(b) Executive agrees that:

- (1) The relationship between the Company and its Clients (developed and enhanced when the Executive performs services on behalf of the Company) is a legitimate business interest for the Company to protect;

(2) The Company's legitimate business interest is protected by the existence and enforcement of these Covenant Not-to-Compete and No Solicitation provisions;

(3) The business relationship which is created or exists between the Company and its Client, or the goodwill resulting from it, is a business asset of the Company and not the Executive; and

(4) Executive will not seek to take advantage of opportunities which result from his/her employment with the Company and that entering into the Agreement containing Covenant Not-to-Compete and No Solicitation provisions is reasonable to protect the Company's business relationship with its Clients.

(c) Restrictions on Executive. During the Term of this Agreement and for the greater of one (1) year or such other period during which Executive may receive Liquidated Damages hereunder, after the termination of this Agreement, for whatever reason, whether such termination was by the Company or the Executive, voluntarily or involuntarily, and whether with or without cause, Executive agrees that he/she shall not, as a principal, employer, stockholder, partner, agent, consultant, independent contractor, employee, or in any other individual or representative capacity:

(1) Directly or indirectly engage in, continue in, or carry on the business of the Company or any business substantially similar thereto, including owning or controlling any financial interest in any corporation, partnership, firm, or other form of business organization which competes with or is engaged in or carries on any aspect of such business or any business substantially similar thereto;

(2) Consult with, advise, or assist in any way, whether or not for consideration of any kind, any corporation, partnership, firm, or other business organization which is now, becomes, or may become a competitor of the Company in any aspect of the Company's business during the Executive's employment with the Company, including, but not limited to, advertising or otherwise endorsing the products of any such competitor or loaning money or rendering any other form of financial assistance to or engaging in any form of transaction whether or not on an arm's length basis with any such competitor;

(3) Provide or attempt to provide or solicit the opportunity to provide or advise others of the opportunity to provide any services of the type Executive performed for the Company or the Company's Clients (regardless of whether and how such services are to be compensated, whether on a salaried, time and materials, contingent compensation, or other basis) to or for the benefit of any Client (i) to which Executive has provided services in any capacity on behalf of the Company, or (ii) to which Executive has been introduced to or about which the Executive has received information through the Company or through any Client from which Executive has performed services in any capacity on behalf of the Company;

(4) Retain or attempt to retain, directly or indirectly, for itself or any other party, the services of any person, including any of the Company's employees, who were providing services to or on behalf of the Company while Executive was "employed by the Company and to whom Executive has been introduced or about whom Executive has received information through the Company or through any Client for which Executive has performed services in any capacity on behalf of the Company;

(5) Engage in any practice, the purpose of which is to evade the provisions of this Agreement or to commit any act which is detrimental to the successful continuation of or which adversely affects the business or the Company; provided, however, that the foregoing shall not preclude the Executive's ownership of not more than 2% of the equity securities of a company whose securities are registered under Section 12 of the Securities Exchange Act of 1934, as amended;

(6) For purpose of these Covenant Not-to-Compete and No Solicitation provisions, Client includes any subsidiaries, affiliates, customers, and clients of the Company's Clients. The Executive agrees that the geographic scope of this Covenant Not-to-Compete shall extend to the geographic area where the Company's Clients conduct business at any time during the Term of this Agreement. For purposes of this Agreement, "Clients" means any person or entity to which the Company provides or has provided within a period of one (1) year prior to the Executive's termination of employment, labor, materials or services for the furtherance of such entity's or person's business or any person or entity that within such period of one (1) year the Company has pursued or communicated with for the purpose of obtaining business for the Company.

(d) Enforcement. These Covenant Not-to-Compete and No Solicitation provisions shall be construed and enforced under the laws of the State of Florida. In the event of any breach of this Covenant Not-to-Compete, the Executive recognizes that the remedies at law will be inadequate, and that in addition to any relief at law which may be available to the Company for such violation or breach and regardless of any other provision contained in this Agreement, the Company shall be entitled to equitable remedies (including an injunction) and such other relief as a court may grant after considering the intent of this Section 5. It is further acknowledged and agreed that the existence of any claim or cause of action on the part of the Executive against the Company, whether arising from this Agreement or otherwise, shall in no way constitute a defense to the enforcement of this Covenant Not-to-Compete, and the duration of this Covenant Not-to-Compete shall be extended in an amount which equals the time period during which the Executive is or has been in violation of this Covenant Not-to-Compete. In the event a court of competent jurisdiction determines that the provisions of this Covenant Not-to-Compete are excessively broad as to duration, geographic scope, prohibited activities or otherwise, the parties agree that this covenant shall be reduced or curtailed only to the extent necessary to render it enforceable.

(e) In an action to enforce or challenge these Covenant Not-to-Compete and No Solicitation provisions, the prevailing party is entitled to recover its attorney's fees and costs.

(f) By signing this Agreement, the Executive acknowledges that he/she understands the effects of these Covenant Not-to-Compete and No Solicitation provisions, that they are reasonable in nature to protect the legitimate business interests of the Company, and that he/she agrees to abide by them.

**6. TERMINATION**

(a) Death. The Executive's employment hereunder shall terminate upon his/her death.

(b) Disability. If during the Term of this Agreement the Executive becomes physically or mentally disabled in accordance with the terms and conditions of any disability insurance policy covering the Executive, or, if due to such physical or mental disability the Executive becomes unable for a period of more than six (6) consecutive months to perform his/her duties hereunder on substantially a full-time basis as determined by the Company in its sole reasonable discretion, the Company may, at its option, terminate the Executive's employment hereunder upon not less than thirty (30) days' written notice so long as the terms of any disability insurance policy then in effect provide for Executive to receive disability payments from that date forward.

(c) Cause. The Company may terminate the Executive's employment hereunder for Cause effective immediately upon notice. For purposes of this Agreement, the Company shall have "Cause" to terminate the Executive's employment hereunder: (i) if the Executive engages in conduct which has caused or is reasonably likely to cause demonstrable and serious injury to Company; (ii) if the Executive is convicted of a felony as evidenced by a binding and final judgment, order, or decree of a court of competent jurisdiction; (iii) for the Executive's failure or refusal to perform his/her duties or responsibilities hereunder as determined by the Company's Chief Executive Officer in good faith, if such failure or refusal continues for a period of ten (10) days after written notice of the same to the Executive; (iv) for gross incompetence; (v) for the Executive's violation of this Agreement, including, without limitation, Section 5 hereof; (vi) for chronic absenteeism; (vii) for use of illegal drugs; (viii) for insobriety by the Executive while performing his or her duties hereunder; and (ix) for any act of dishonesty or falsification of reports, records, or information submitted by the Executive to the Company.

(d) Termination by the Company for Convenience. Subject to the Company's obligation to pay Liquidated Damages in accordance with the terms and conditions of this Agreement, the Company may terminate Executive's employment hereunder at any time, for the Company's convenience and without reason, by delivering written notice of termination to the Executive.

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*James D. Farnsworth*

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(e) **Payments Upon Termination.** In the event of a termination of the Executive's employment, all payments and Company benefits to the Executive hereunder, except the payment of Liquidated Damages (if any) provided below, shall immediately cease and terminate. In the event the Company terminates the Executive's employment pursuant to Section 6(d) hereof, and such termination constitutes an "involuntary separation from service" within the meaning of Treasury Regulations Section 1.409A-1(n)(1), the Company shall pay the Executive an amount equal to the Liquidated Damages defined in this Section 6(e) in lieu of actual damages for such termination. If the Executive's employment terminates or is terminated for any reason other than as specified in the preceding sentence, the Executive shall not be entitled to any Liquidated Damages. Notwithstanding anything to the contrary herein contained, and in addition to any other compensation which the Executive may be entitled to receive pursuant to this Agreement, the Executive shall receive all compensation and other benefits to which he/she was entitled under this Agreement or otherwise as an executive of the Company through the termination date, payable to Executive in accordance with this Agreement or the applicable plan. The "Liquidated Damages" amount, if due as provided above, shall be equal to the weekly amount stated as Base Salary then in effect but not less than the weekly Base Salary amount set forth on Exhibit "A" multiplied by fifty two (52). Except as provided in Section 6(g)(2), the amount of Liquidated Damages shall be paid biweekly in equal installments over a fifty two (52) week period, commencing immediately upon termination of employment.

(f) **Condition Precedent to Receipt of Liquidated Damages.** Executive expressly agrees that in the event of a termination of this Agreement, Executive will execute an agreement containing waiver and release provisions in form and substance acceptable to the Company. Executive agrees and acknowledges that the execution of such an agreement upon termination of employment is a condition precedent to the obligation of the Company to pay any Liquidated Damages hereunder. Executive acknowledges that the waiver and release provisions required by the Company will provide for the release and waiver of important rights and/or claims that Executive might have against the Company at the time of termination of this Agreement.

(g) **Section 409A Provisions.**

(1) **Separation from Service.** To the extent necessary to comply with Section 409A of the Code, references to "termination of employment," "separation from service" or variations thereof in this Agreement shall mean the Executive's "separation from service" from his/her employer within the meaning of Section 409A(a)(2)(A)(i) of the Code and the default rules of Treasury Regulations Section 1.409A-1(h). For this purpose, Executive's "employer" is the Company and every entity or other person which collectively with the Company constitutes a single service recipient (as that term is defined in Treasury Regulations Sections 1.409A-1(g)) as the result of the application of the rules of Treasury Regulations Sections 1.409A-1(h)(3).

(2) Notwithstanding anything to the contrary in this Agreement, if Executive is a Specified Employee (as defined below) on the date of Executive's separation from service (the "Severance Date"), to the extent that Executive is entitled to receive any benefit or payment upon such separation from service under this Agreement that constitutes deferred compensation within the meaning of Section 409A of the Code before the date that is six (6) months after the Severance Date, such benefits or payments shall not be provided or paid to Executive on the date otherwise required to be provided or paid. Instead, all such amounts shall be accumulated and paid in a single lump sum to Executive on the first business day after the date that is six (6) months after the Severance Date (or, if earlier, within fifteen (15) days following Executive's date of death). If Executive is required to pay for a benefit that is otherwise required to be provided by the Company under this Agreement by reason of this Section 6(g)(2), Executive shall be entitled to reimbursement for such payments on the first business day after the date that is six (6) months after the Severance Date (or, if earlier, within fifteen (15) days following Executive's date of death). All benefits or payments otherwise required to be provided or paid on or after the date that is six (6) months after the Severance Date shall not be affected by this Section 6(g)(2) and shall be provided or paid in accordance with the payment schedule applicable to such benefit or payment under this Agreement. Prior to the imposition of the six month delay as set forth in this Section 6(g)(2), it is intended that (i) each installment under this Agreement be regarded as a separate "payment" for purposes of Section 409A of the Code, and (ii) all benefits or payments provided under this Agreement satisfy, to the greatest extent possible, the exemptions from the application of Section 409A of the Code provided under Treasury Regulations Sections 1.409A-1(b)(4) (short-term deferral) or 1.409A-1(b)(9) (certain separation pay plans). This Section 6(g)(2) is intended to comply with the requirements of Section 409A(a)(2)(B)(i) of the Code.

(3) For purposes of this Agreement, "Specified Employee" means a "specified employee" of the service recipient that includes the Company (as determined under Treasury Regulations Sections 1.409A-1(g)) within the meaning of Section 409A(a)(2)(B)(i) of the Code and Treasury Regulations Section 1.409A-1(i), as determined in accordance with the procedures adopted by such service recipient that are then in effect, or, if no such procedures are then in effect, in accordance with the default procedures set forth in Treasury Regulations Section 1.409A-1(i).

**7. NOTICE.**

For purposes of this Agreement, notices and all other communications provided for herein shall be in writing and shall be deemed to have been duly given when hand-delivered, sent by telecopier, facsimile transmission, or other electronic means of transmitting written documents (as long as receipt is acknowledged) or mailed by United States certified or registered mail, return receipt requested, postage prepaid, addressed as follows:

If to the Executive, to the address set forth on the signature page.

If to the Company:      Sykes Enterprises, Incorporated  
   400 North Ashley Drive, Suite 3100  
   Tampa, Florida 33602  
   Attention: Executive VP of Human Resources

with a copy to:

Sykes Enterprises, Incorporated  
400 North Ashley Drive, Suite 3100  
Tampa, Florida 33602  
Attention: General Counsel

or to such other address as either party may have furnished to the other in writing in accordance herewith, except that a notice of change of address shall be effective only upon receipt.

**8. ENFORCEMENT AND GOVERNING LAW.**

It is stipulated that a breach by Executive of the restrictive covenants set forth in Sections 4 and 5 of this Agreement will cause irreparable damage to Company or its Clients, and that in the event of any breach of those provisions, Company is entitled to injunctive relief restraining Executive from violating or continuing a violation of the restrictive covenants as well as other remedies it may have. Additionally, such covenants shall be enforceable against the Executive's heirs, executors, administrators and legal representatives, and enforceable by Company's successors or assigns.

The validity, interpretation, construction, and performance of this Agreement shall be governed by the internal laws of the State of Florida. Any litigation to enforce this Agreement shall be brought in the state or federal courts of Hillsborough County, Florida, which is the principal place of business for Company and which is considered to be the place where this Agreement is made. Both parties hereby consent to such courts' exercise of personal jurisdiction over them.

**9. ARBITRATION OF DISPUTES.**

(a) Duty to Arbitrate. Except for any claim by the Company to enforce the restrictive covenants set forth in Sections 4 and 5 above, Company and Executive agree to resolve by binding arbitration any claim or controversy arising out of or related to Executive's employment by Company or this Agreement, to include all matters directly or indirectly related to your recruitment, employment or termination of employment by the Company including, but not limited to claims involving laws against discrimination whether brought under federal and/or state law, and/or claims involving co-employees but excluding workers compensation claims, whether such claim is based in contract, tort, statute, or any other legal theory, including any claim for damages, equitable relief, or both. The duty to arbitrate under this Section extends to any claim by or against any officer, director, shareholder, employee, agent, representative, parent, subsidiary, affiliate, heir, trustee, legal representative, successor, or assign of either party making or defending any claim that would otherwise be arbitrable under this Section. However, this Section shall not be interpreted to preclude either party from petitioning a court of competent jurisdiction for temporary injunctive relief, solely to preserve the status quo pending arbitration of the claim or controversy, upon a proper showing of the need for such relief.

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(b) The Arbitrator. A single arbitrator will conduct the arbitration in Tampa, Florida, U.S.A., in accordance with the Commercial Arbitration Rules of the American Arbitration Association (the "Rules"), and judgment upon the written award rendered by the arbitrator may be entered in any court of competent jurisdiction. Notwithstanding the application of the Rules, however, discovery in the arbitration, including interrogatories, requests for production, requests for admission, and depositions, will be fully available and governed by the Federal Rules of Civil Procedure and Local Rules of the United States District Court for the Middle District of Florida. The parties may agree upon a person to act as sole arbitrator within thirty (30) days after submission of any claim or controversy to arbitration pursuant to this Section. If the parties are unable to agree upon such a person within such time period, an arbitrator shall be selected in accordance with the Rules. The parties will pay their own respective attorneys' fees, witness fees, and other costs and expenses incurred in any investigations, arbitrations, trials, bankruptcies, and appeals; provided, however, that the Company will pay the filing fees, hearing fees, and processing fees associated with arbitration hereunder.

(c) Limitations Period. The parties agree that any claim or controversy that would be arbitrable under this Section must be submitted to arbitration within one (1) year after the claim or controversy arises and that a failure to institute arbitration proceedings within such time period shall constitute an absolute bar to the institution of any proceedings, in arbitration or in any court, and a waiver of all such claims. This Section will survive the expiration or early termination of this Agreement.

(d) Governing Law. This Agreement shall be governed in its construction, interpretation, and performance by the laws of the State of Florida, without reference to law pertaining to conflict of laws. However, the Federal Arbitration Act, as amended, will govern the interpretation and enforcement of this Section.

(e) Attorneys' Fees. The prevailing party in any arbitration or dispute, or in any litigation, arising out of or related to Executive's employment by Company or this Agreement, shall be entitled to recover all reasonable attorneys' fees incurred on all levels and in all proceedings, unless otherwise provided by law.

(f) Severability. Each part of this Section is severable. A holding that any part of this Section is unenforceable will not affect the duty to arbitrate under this Section.

**10. MISCELLANEOUS.**

No provision of this Agreement may be modified or waived unless such waiver or modification is agreed to in writing signed by the parties hereto; provided, however, that the terms of the performance bonus and fringe benefits set forth on Exhibit "A" may be amended by the Company in its discretion without the Executive's consent to the extent provided therein. No waiver by any party hereto of any breach by any other party hereto shall be deemed a waiver of any similar or dissimilar term or condition at the same or at any prior or subsequent time. This Agreement is the entire agreement between the parties hereto with respect to the Executive's employment by the Company and there are no agreements or representations, oral or otherwise,

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expressed or implied, with respect to or related to the employment of the Executive which are not set forth in this Agreement. Any prior agreement relating to the Executive's employment with the Company (including the Prior Agreement) is hereby superseded and void, and is no longer in effect. This Agreement shall be binding upon and inure to the benefit of the Company, its respective successors and assigns, and the Executive and his/her heirs, executors, administrators and legal representatives. Except as expressly set forth herein, no party shall assign any of his/her or its rights under this Agreement without the prior written consent of the other party and any attempted assignment without such prior written consent shall be null and void and without legal effect; provided, however, that Company may assign this Agreement to any party that acquires all or substantially all of Company's assets or business, without Executive's consent. The parties agree that if any provision of this Agreement shall under any circumstances be deemed invalid or inoperative, the Agreement shall be construed with the invalid or inoperative provision deleted and the rights and obligations of the parties shall be construed and enforced accordingly. This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original but all of which together will constitute but one and the same instrument. This Agreement has been negotiated and no party shall be considered as being responsible for such drafting for the purpose of applying any rule construing ambiguities against the drafter or otherwise.

#### **11. ADDITIONAL TAX PROVISIONS.**

(a) To the extent this Agreement provides for reimbursements of expenses incurred by Executive or in-kind benefits the provision of which are not exempt from the requirements of Section 409A of the Code, the following terms apply with respect to such reimbursements or benefits: (1) the reimbursement of expenses or provision of in-kind benefits will be made or provided only during the term of employment hereunder, or other period of time specifically provided herein; (2) the amount of expenses eligible for reimbursement, or in-kind benefits provided, during a calendar year will not affect the expenses eligible for reimbursement, or in-kind benefits to be provided, in any other calendar year; (3) all reimbursements will be made upon Executive's request in accordance with the Company's normal policies but no later than the last day of the calendar year immediately following the calendar year in which the expense was incurred; and (4) the right to reimbursement or the in-kind benefit will not be subject to liquidation or exchange for another benefit.

(b) The parties intend for this Agreement to conform in all respects to the requirements under Section 409A of the Code or an exemption thereto. Accordingly, the parties intend for this Agreement to be interpreted, construed, administered and applied in a manner as shall meet and comply with the requirements of Section 409A of the Code or an exemption thereto. Notwithstanding any other provision of this Agreement, none of the Company, its subsidiaries or affiliates or any individual acting as a director, officer, employee, agent or other representative of the Company or a subsidiary or affiliate shall be liable to Executive or any other person for any claim, loss, liability or expense arising out of any interest, penalties or additional taxes due by Executive or any other person as a result of this Agreement or the administration thereof not satisfying any of the requirements of Section 409A of the Code. Executive represents and warrants that Executive has reviewed or will review with his own tax advisors the federal, state, local and employment tax consequences of entering into this

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Agreement, including, without limitation, under Section 409A of the Code, and, with respect to such matters, Executive relies solely on such advisors.

[Signature Page Follows]

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*James D. Farnsworth*

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IN WITNESS WHEREOF, the parties have executed this Agreement as of the day and year first above written.

**SYKES ENTERPRISES, INCORPORATED**

**EXECUTIVE**

By:

/s/ James T. Holder

/s/ James D. Farnsworth

\_\_\_\_\_  
**JAMES T. HOLDER**  
**EVP & GENERAL COUNSEL**

\_\_\_\_\_  
**JAMES D. FARNSWORTH**  
1261 S Emerson St  
Denver, CO 80210

*Executive Evergreen Ver. 12/2008*  
*James D. Farnsworth*

*Sykes Enterprises Incorporated*  
*Page Number 14*

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*Initial*

EXHIBIT "A" TO EMPLOYMENT AGREEMENT

**Job Title:** Executive Vice President and General Manager

**Base Salary:** \$350,000 annually / \$6,730.77 weekly (less applicable tax and withholdings)

**HPP Incentive Plan:** Eligible to participate in a performance based bonus program ranging from 0% to 40% of base salary

**Long Term Incentive Plan:** Eligible for consideration to receive long term incentive awards under the Company's Equity Incentive Plan.

**Fringe Benefits:** Standard executive company benefits.

**Non-Solicitation Covenants:** Twelve (12) months

**Covenant Not to Compete:** Twelve (12) months

THE COMPANY RESERVES THE RIGHT, AT ITS DISCRETION, AT SUCH TIME OR TIMES AS IT ELECTS, TO CHANGE OR ELIMINATE THE PERFORMANCE BONUS, INCENTIVES, OR OTHER BENEFITS.

IN WITNESS WHEREOF, the parties have executed this Exhibit A as of the 18th day of November, 2016.

SYKES ENTERPRISES, INCORPORATED

EXECUTIVE

By:

/s/ James T. Holder  
 \_\_\_\_\_  
**JAMES T. HOLDER**  
**EVP & GENERAL COUNSEL**

/s/ James D. Farnsworth  
 \_\_\_\_\_  
**JAMES D. FARNSWORTH**

*Executive Evergreen Ver. 12/2008*  
*James D. Farnsworth*

*Sykes Enterprises Incorporated*  
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**SECRETARY’S CERTIFICATE  
OF  
SYKES ENTERPRISES, INCORPORATED**

**I HEREBY CERTIFY** that I am the duly elected Secretary of Sykes Enterprises, Incorporated (the “Company”), and that the following is a true and correct copy of the resolutions duly adopted at a meeting of the Board of Directors of the Company held on December 9, 2015; and, I further certify that the said resolutions remain in full force and effect as of the date hereof and have not been amended or revised in any respect:

**WHEREAS**, the Company has previously adopted the Sykes Enterprises, Incorporated Deferred Compensation Plan (the “Plan”); and

**WHEREAS**, the Company is authorized and empowered to amend the Plan; and

**WHEREAS**, the Company, upon the recommendation of the Compensation Committee of the Board, deems it advisable to amend and restate the Plan to provide for certain design changes and clarifications and to offer participants more flexibility with respect to elections regarding the timing and form of distribution.

**NOW, THEREFORE, BE IT RESOLVED** that the adoption of the Sykes Enterprises, Incorporated Deferred Compensation Plan, amended and restated as of January 1, 2016, except as otherwise provided therein, be, and it hereby is, approved in all respects to be effective as of the dates set forth therein.

**BE IT FURTHER RESOLVED** that the appropriate officers be, and they hereby are, authorized and directed to execute such documents and to take such further steps as they deem necessary or desirable to implement such resolutions.

**IN WITNESS WHEREOF**, I have hereunto set my hand this 9<sup>th</sup> day of December, 2015

**SYKES ENTERPRISES, INCORPORATED**

By: /s/ James T. Holder  
Secretary

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**SYKES ENTERPRISES, INCORPORATED**

**DEFERRED COMPENSATION PLAN**

**AMENDED AND RESTATED**

**AS OF**

**JANUARY 1, 2016**

Sykes Enterprises, Incorporated (“SYKES”) previously established the Sykes Enterprises, Incorporated Deferred Compensation Plan (the “Plan”) effective as of December 17, 1998, to retain and reward a select group of management or highly compensated employees of SYKES or an Affiliate. The Plan has been amended from time to time to comply with legislative and regulatory changes and to make other desired changes to the Plan. SYKES has determined that it would be in the best interest of the Participants to amend and restate the Plan effective as of January 1, 2016 to make certain desired plan design changes, including increased flexibility as to the timing and form of distributions. The Plan is an unfunded plan established and maintained for the primary purpose of providing certain key employees who contribute or who are expected to contribute substantially to the success of SYKES with the opportunity to defer the receipt of compensation. The Plan is intended to comply with Section 409A of the Internal Revenue Code of 1986.

**ARTICLE I. Definitions.**

1.01. “Administrator” means the Compensation Committee of the Board of Directors of Sykes Enterprises, Incorporated.

1.02. “Affiliate” means, with respect to SYKES, any corporation other than SYKES that is a member of a controlled group of corporations, within the meaning of Section 414(b) of the Code, of which SYKES is a member; and any other trade or business (whether or not incorporated) under common control, within the meaning of Section 414(c) of the Code, with SYKES. Provided, however, that solely for purposes of Section 1.17, fifty percent (50%) ownership shall be substituted for eighty percent (80%) ownership.

1.03. “Beneficiary” means the person or persons designated by the Participant to receive any benefits under the Plan in the event of Participant’s death in accordance with Section 4.03.

1.04. “Board” means the Board of Directors of Sykes Enterprises, Incorporated.

1.05. “Change in Control” means the occurrence of any one (1) or more of the following events:

- (a) A change in the effective control of SYKES, which occurs only on either of the following dates:

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- (1) The date any Person or more than one Person acting as a group (other than SYKES or any corporation owned, directly or indirectly, by the stockholders of SYKES in substantially the same proportions as their ownership of stock of SYKES, and any trustee or other fiduciary holding securities under an employee benefit plan of SYKES or such proportionately owned corporation), acquires (or has acquired during the twelve (12) month period ending on the date of the most recent acquisition by such Person or Persons) ownership of stock of SYKES representing thirty percent (30%) or more of the total voting power of the stock of SYKES; or
  - (2) The date a majority of the members of the Board is replaced during any twelve (12) month period by directors whose appointment or election is not endorsed by a majority of the members of the Board before the date of the appointment or election; provided that, in any event, the transaction must constitute a change in the effective control of SYKES within the meaning of Section 409A(a)(2)(A)(v) of the Code and Treasury Regulations Section 1.409A-3(i)(5)(vi).
- (b) The date any Person or more than one Person acting as a group acquires (or has acquired during the twelve (12) month period ending on the date of the most recent acquisition by such Person or Persons) all or substantially all of SYKES; assets; provided that the transaction must constitute a change in the ownership of a substantial portion of the assets of SYKES within the meaning of Section 409A(a)(2)(A)(v) of the Code and Treasury Regulations Section 1.409A-3(i)(5)(vii).

1.06. "Code" means the Internal Revenue Code of 1986, as it may be amended from time to time, or any successor statute. Reference to a specific Section of the Code shall include a reference to any successor provision.

1.07. "Contingent Deferred Obligation" means the total amount of SYKES' contingent liability for payment of deferred benefits under the Plan.

1.08. "Deferred Compensation Account" means the bookkeeping accounts established in accordance with Article III for each Participant that represents the Participant's hypothetical interest in the amounts credited to such accounts in accordance with Article II.

1.09. "Disability" means (a) the Participant is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than twelve (12) months, or (b) the Participant is, by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than twelve (12) months, receiving income replacement benefits for a period of not less than three (3) months under an accident and health plan covering employees of the Participant's employer.

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1.10. "Fiscal Year" or "Year" means the twelve (12) month period ending on December 31.

1.11. "Matching Contribution Account" means a bookkeeping account established in accordance with Article III that represents a Participant's hypothetical interest with respect to the amounts credited to such account in accordance with Article II.

1.12. "Participant" means an employee of SYKES, or of an Affiliate, designated by the Administrator as eligible to participate in the Plan, or a person who was such at the time of his retirement, death, or resignation and who retains, or whose Beneficiaries retain, benefits under the Plan in accordance with its terms from time to time.

1.13. "Participation Agreement" means a form or forms (paper or electronic) provided to the Participants by the Administrator for purposes of making annual elections as set forth in Article II.

1.14. "Person" shall have the same meaning ascribed to such term in the Code and Treasury Regulations.

1.15. "Plan" means this Sykes Enterprises, Incorporated Deferred Compensation Plan as it may be amended from time to time.

1.16. "Retirement" means a Separation from Service at or after a Participant attains age sixty-five (65).

1.17. "Separation from Service" means the Participant has a termination of employment with SYKES, and/or any Affiliates.

- (a) A termination of employment will occur as of the date that both the Participant and SYKES reasonably anticipate, based on all of the facts and circumstances, that either (1) no services will be performed by the Participant for SYKES, or an Affiliate, after such date, whether as an employee or as an independent contractor, or (2) the level of bona fide services that the Participant will perform for SYKES, or an Affiliate, after such date, whether as an employee or as an independent contractor, will be permanently reduced to less than twenty percent (20%) of the average level of bona fide services the Participant performed over the immediately preceding thirty-six (36) month period (or, if less, the Participant's full period of service to SYKES, or an Affiliate).

- (b) If a Participant is on a “bona fide leave of absence” (as defined below) from SYKES, or any Affiliate, the Participant’s employment will be considered terminated, even though the Participant is reasonably expected to return to perform services for SYKES, or any Affiliate (at a level such that the Participant’s employment is not terminated pursuant to subsection (a) above), on the later of: (1) the first date immediately following the end of the “six (6) month period” (as defined below), or (2) the date the Participant’s right to reemployment under applicable law or contract, if any, expires. A “bona fide leave of absence” is a leave of absence, including military leave or sick leave, in which there is a reasonable expectation that the Participant will return to perform service for SYKES, or any Affiliates. The “six (6) month period” is the period that begins on the date the leave of absence commences and ends on the date that is six (6) months thereafter. Notwithstanding, if the leave of absence is due to any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than six (6) months, where such impairment causes the employee to be unable to perform the duties of his position of employment or any substantially similar position of employment, a twenty-nine (29) month period of absence shall be substituted for such six (6) month period of absence.
- (c) The foregoing definition is intended to meet the requirements for a “Separation from Service” within the meaning of Section 409A(a)(2)(A)(i) of the Code, and shall be interpreted, construed, administered and applied consistently therewith.

1.18. “SYKES” means Sykes Enterprises, Incorporated, a Florida corporation, and its corporate successors.

1.19. “Unforeseeable Emergency” means a severe financial hardship to the Participant resulting from an illness or accident of the Participant, the Participant’s spouse, the Participant’s Beneficiary, or the Participant’s dependent (as defined in Code Section 152, without regard to Code Sections 152(b)(1), (b)(2), and (d)(1)(B)); loss of the Participant’s property due to casualty (including the need to rebuild a home following damage to a home not otherwise covered by insurance); or other similar extraordinary and unforeseeable circumstances arising from the events beyond the control of the Participant. The need to pay for medical expenses, including nonrefundable deductibles, as well as for the cost of prescription drug medication may constitute an unforeseeable emergency. The need to pay for the funeral expenses of a spouse, a Beneficiary, or a dependent (as defined in Code Section 152, without regard to Code Sections 152(b)(1), (b)(2), and (d)(1)(B)) may also constitute an unforeseeable emergency. Except as otherwise provided in this paragraph, the purchase of a home and payment of college tuition are not unforeseeable emergencies.

1.20. “Valuation Date” means each day that the New York Stock Exchange and the Plan’s recordkeeper are open for business.

1.21. "Year of Participation" means each twelve (12) month period in which the Participant is eligible to participate in this Plan. Years of Participation shall include the periods for which the Participant was eligible to participate in the nonqualified deferred compensation plan maintained by ICT Group Inc., as well as the period beginning January 1, 2010 and ending December 31, 2010 during which the Participant was employed; provided that the Participant was employed with ICT Group Inc. on February 2, 2010, the date ICT Group Inc. was acquired by SYKES. Further, effective as of January 1, 2013, Years of Participation shall include a Participant's years of service (each continuous 12-month period of service) that the Participant was employed with Alpine Access, Inc. in a position of Director or above, provided, that such Participant was employed with Alpine Access, Inc. in such position on the date immediately preceding August 20, 2012, the date Alpine Access, Inc. was acquired by SYKES or its Affiliate, and continued in such position or higher position following such date. Effective July 1, 2014 Years of Participation shall include all years of service (each continuous 12-month period of service) that the employee worked outside of the United States in a position that is the equivalent of a Director or above in the United States, as determined by the Administrator.

**ARTICLE II. Designation of Participants and Income Deferral.**

2.01. The Administrator shall have the sole and exclusive discretion to establish the criteria to determine those eligible to participate from among the officers of SYKES who hold the offices currently designated by the titles of Director, Senior Director, Executive Director, Vice President, Global Vice President, Senior Vice President, Executive Vice President, Chief Executive Officer and President. Officers meeting the criteria established by the Administrator shall become Participants effective as of the January 1 or July 1 which next follows the date they have met the criteria. Participation in the Plan shall cease once the Participant becomes entitled to a distribution (other than an in-service benefit distribution) in accordance with Article IV.

- 2.02. (a) For any Fiscal Year, other than the Fiscal Year in which a Participant first becomes entitled to participate in the Plan, a Participant may elect to defer a specific percentage (between 1% and 100%) of his base compensation or commissions and/or bonus earned during such Fiscal Year (regardless of when paid) as provided herein. Such election shall be made by the execution and delivery to the Administrator (or its agent) of a Participation Agreement prior to the first day of such Fiscal Year. Such election shall become effective with respect to base compensation, commissions and/or bonuses earned after such Fiscal Year begins. An election to defer under this Section 2.02(a) shall continue to apply to base compensation or commissions and/or bonuses earned in subsequent Fiscal Years, unless such election is modified by the Participant. Any modification shall be effective for the next Fiscal Year and shall be made through the execution and delivery of a new Participation Agreement.

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- (b) For the Fiscal Year in which an individual is first designated as eligible to participate in the Plan, pursuant to Section 2.01, the Participant may elect to defer a specific percentage (between 1% and 100%) of his base compensation or commissions and/or bonus to be earned for the remainder of the Fiscal Year, a Participation Agreement must be submitted by the Participant to the Administrator (or its agent) no later than thirty (30) days following the January 1 or July 1, whichever is applicable, on which such individual becomes designated as an eligible Participant. Any such election made in such Participation Agreement shall be effective only with regard to base compensation or commissions and/or bonuses earned after the date the Participation Agreement is submitted to the Administrator. If a newly eligible Participant does not submit a Participation Agreement within such period of time, such Participant will not be eligible to elect to defer compensation except in accordance with Section 2.02(a) above. An election to defer (or not to defer) under this Section 2.02(b) shall continue to apply to base compensation or commissions and/or bonuses earned in subsequent Fiscal Years unless such election is modified by the Participant. Any modification shall be effective for the next Fiscal Year and shall be made through the execution and delivery of a new Participation Agreement.
- (c) As part of his deferral election, a Participant may elect to receive all or a portion of the amounts deferred under (a) or (b) above as of January 31<sup>st</sup> of a specified year (referred to as an “in-service” benefit) provided that the specified year selected is not earlier than the third Fiscal Year following the Fiscal Year for which the in-service benefit is first elected. For example, if deferrals are elected for the 2016 Plan Year, the date of the in-service benefit distribution cannot be before January 15, 2019. Such election shall continue to apply to deferrals made in subsequent years until modified or changed, provided, however, that the election shall lapse with respect to amounts deferred for the year in which the in-service benefit is to be paid. If the in-service benefit election lapses, the Participant will be deemed to have elected to receive such amounts for which the in-service benefit election lapsed in a lump sum at Separation from Service, unless another in-service benefit election is timely made. Any modification or change to the in-service benefit election will be effective for amounts deferred for the next Fiscal Year. Further, if a Participant becomes entitled to a distribution under the Plan prior to the in-service benefit distribution date, he will be paid out in accordance with Section 4.01.

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**Example** : A Participant elects in 2015 to defer 10% of his base salary for 2016. He further elects to have 50% of the amount deferred for 2016 paid as an in-service benefit paid on January 31, 2020, the remainder to be paid in the form of installments following a Separation from Service. The Participant incurs a Separation from Service in 2021. Assuming the Participant does not change any of his elections, 50% of the amounts deferred for 2017, 2018 and 2019 will be paid as a lump sum in 2020 as an in-service benefit distribution. The other 50% deferred that was not subject to the in-service benefit election for all years (2017, 2018, 2019, 2020 and 2021), will be paid in installments that will commence on the first day of the seventh month following the Participant's Separation from Service. Amounts for which the in-service benefit election lapsed (50% of the elective deferrals for 2020 and 2021) will be paid in a lump sum on the first day of the seventh month following Separation from Service. Since the in-service benefit election applies only to elective deferral amounts, any matching contributions as described in Section 2.04 will be paid in installments following the Separation from Service.

2.03. Notwithstanding the foregoing, a Participant may cancel a deferral election made pursuant to 2.02 above, during a Fiscal Year with respect to which such election is in effect due to an Unforeseeable Emergency or if necessary to receive a hardship distribution from a qualified cash or deferred arrangement pursuant to income Treasury Regulation Section 1.401(k)-1(d)(3). The Participant may make a new deferral election pursuant to the provisions of Section 2.02(a) above, which new election shall only apply to amounts earned by the Participant after the end of the Fiscal Year in which such new election is delivered to the Administrator.

2.04. SYKES will match a portion of amounts deferred by Participants who hold the offices currently designated by the titles of President, Chief Executive Officer, Executive Vice President, Senior Vice President, Global Vice President and Vice President on a quarterly basis as follows: fifty percent (50%) match on the amount deferred by the Participants, provided, that the matching contribution amount shall not exceed \$12,000.00 per year for the President, Chief Executive Officer, and Executive Vice Presidents or \$7,500.00 per year for Senior Vice Presidents, Global Vice Presidents and Vice Presidents. Participants who hold the offices currently designated by the titles of Executive Director, Senior Director and Director shall not be entitled to receive any matching funds. The total amount of the matching contribution made to this Plan will be made in the form of SYKES common stock, valued as of the Valuation Date for which the matching contribution is applicable, based on the closing price of a share of SYKES common stock as of such date as reported by the securities market on which SYKES common stock is sold (or if such date is not a trading date, the closing price as of the next preceding trading date). If there is more than one securities market on which SYKES common stock is traded, the Administrator shall determine the appropriate market for determining the common stock's value for this purpose. If SYKES common stock is not traded on a securities market, the stock's value will be determined by the Administrator in good faith. To the extent that dividends are paid on the SYKES common stock shares that have been credited to a Participant's Matching Contribution Account under the Plan, such dividend payments will be reinvested under the Plan as of the ex-dividend date. This Section 2.04 is hereby effective with respect to amounts deferred for Plan Years beginning January 1, 2015. Amounts deferred for prior Plan Years to that date are subject to the matching contribution provisions as set forth in the prior Plan document.

2.05. Amounts deferred in accordance with Section 2.02 and any matching contribution credited in accordance with Section 2.04 shall be paid in accordance with Article IV.

**ARTICLE III. Contingency Payments, Investments and Forfeitures.**

3.01. SYKES shall establish a Deferred Compensation Account and Matching Contribution Account in the name of each Participant for purposes of the Plan. Such amounts deferred by a Participant shall be credited to the Participant's Deferred Compensation Account after each payroll period during the Fiscal Year. Matching contributions will be credited to the Participant's Matching Contribution Account of the end of each Fiscal Year quarter. Earnings on the deferred compensation shall be credited to the Participant's Deferred Compensation Account each Valuation Date and statements reflecting the balance of each Participant's Deferred Compensation Account and Matching Contribution Account shall be prepared on a quarterly basis as soon as is practicable after the end of each quarter. A Deferred Compensation Account and Matching Contribution Account shall be kept in the name of each Participant (or the Beneficiary of a deceased Participant) which shall reflect the value of the Participant's benefit, or in the event that the Participant's benefit has become vested as provided herein, the value of any vested benefits, payable to such Participant or Beneficiary under the Plan. The Deferred Compensation Account and the Matching Contribution Account shall be credited or debited in accordance with the following procedure at the end of each Valuation Date for purposes of determining earnings and losses:

- (a) Payments - The total amount of any payments made from the accounts since the last Valuation Date shall be subtracted from the account balance that existed as of the last Valuation Date.
- (b) Deferred Compensation Contributions - Any deferred compensation contributions made by the Participant since the last Valuation Date shall be added to the account balance that existed as of the last Valuation Date.
- (c) Net Gain or Loss - Each Participant's Deferred Compensation Account shall be increased or decreased to reflect a proportionate share of the net increase or net decrease for each investment fund held in the Deferred Compensation Account, since the last Valuation Date.
- (d) Matching Contributions - The entire amount of any matching contributions made by SYKES shall be added to the Matching Contribution Account balance that existed as of the prior Valuation Date.
- (e) Investment Transfers - The amount(s) necessary in order to effect an investment transfer requested by the participant shall be added to or subtracted from each investment fund as required. Such transfers shall be made as soon as is practicable.

3.02. Until and except to the extent that all deferred benefits hereunder are distributed to or vested in a Participant or Beneficiary from time to time in accordance with the provisions of the Plan, the interest of each Participant and Beneficiary therein is contingent only and is subject to forfeiture as provided in this Plan. Title to and beneficial ownership of any assets, whether cash or investments, which SYKES may set aside to meet its Contingent Deferred Obligation hereunder, shall at all times remain in SYKES; and no Participant or Beneficiary shall under any circumstances acquire any property interest and any specific assets of SYKES.

3.03. Any amounts credited to the Deferred Compensation Account of a Participant shall be invested and reinvested in mutual funds, stocks, bonds, securities or any other assets that may be selected by the Administrator in its discretion, provided that it is the intention of the Board in establishing this Plan that the Administrator will select investment vehicles which are substantially identical to those investment vehicles provided under the Sykes Enterprises, Inc. 401(k) Savings Plan and Trust. In selecting investment vehicles, the Board may engage an investment consultant, and may delegate to such consultant authority to recommend investment choices be made available for investment within the Plan. Any such service may be charged to the Participant's account as an expense of administering the Plan. Participants may request that the Administrator allocate deferred compensation among investment vehicles selected by the Administrator on a daily basis; and may request reallocation of amounts already deferred and earnings attributable thereto on the same basis.

3.04. As a condition of participation in this Plan, the Participant agrees that on behalf of himself and his designated Beneficiary to assume all risk in connection with any decrease in value of the funds which are invested and which continue to be invested in accordance with the provisions of this Plan.

#### **ARTICLE IV. Distribution of Benefits, Vesting.**

4.01. The benefits under the Plan (unless they are forfeited under Section 4.01(e) or by the occurrence of any of the events of forfeiture specified in Section 4.04 below) shall be paid or commence as of the dates set forth below:

- (a) In the event of a Separation from Service, the Participant shall be entitled to the balance in his Deferred Compensation Account as of the date of distribution. Payment of such amounts shall commence on the first day of the seventh month following Separation from Service. For example, if the Participant incurs a Separation from Service on September 3, 2015, payment will be made on April 1, 2016.
- (b) In the event of a Separation from Service, the Participant shall be entitled to a distribution of the SYKES common stock credited to his Matching Contribution Account as of the date of distribution. The SYKES common stock held in the Matching Contribution Account will be distributed to the Participant on the first day of the seventh month following Separation from Service, subject to the

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vesting provisions of subsection 4.01(e) below, and the forfeiture provisions of Section 4.04. Notwithstanding the foregoing, fractional shares shall not be distributed. Any fractional shares shall be liquidated and distributed in cash.

- (c) Any in-service benefit of amounts deferred in accordance with Section 2.02, shall be paid on January 31<sup>st</sup> (or as soon as administratively possible following that date) of the year selected by the Participant. The year of payment with respect to an in-service benefit is generally irrevocable unless the Participant requests a change and (i) the change does not take effect until at least 12 months after the date on which the election is made, (ii) the change is made at least 12 months prior to the date the payment is scheduled to commence, and (iii) payment is deferred for a period of not less than 5 years from the date payment would otherwise have been made (unless payment is being made for disability or death), and such request is permitted under Section 409A of the Code.
- (d) In the event of a Change in Control, a Participant will be entitled to a distribution of the balance of his accounts. A Participant will be treated as fully vested as of the effective date of the Change in Control. In the event of a Change in Control, the amounts credited to his Deferred Compensation Account and his Matching Contribution Account shall be distributed as of the first day of the seventh month following the Change of Control. Notwithstanding anything to the contrary, in the event of a distribution of benefits as a result of a Change in Control, SYKES will increase the benefit by an amount sufficient to offset the income tax obligations created by the distribution of benefits.
- (e) Notwithstanding the foregoing, in the event the Participant incurs a Separation from Service (for reasons other than death, disability or Retirement) with less than three (3) Years of Participation, any matching contributions will be forfeited. In the event that a Participant incurs a Separation from Service after more than three (3) Years of Participation, but after less than five (5) Years of Participation, the Participant shall forfeit sixty-seven percent (67%) of the matching contribution and earnings thereon. In the event that a Participant incurs a Separation from Service after more than five (5) Years of Participation but after less than seven (7) Years of Participation, the Participant shall forfeit thirty-three percent (33%) of the matching contribution and earnings thereon. Once the Participant completes seven (7) Years of Participation he will be fully vested with respect to the shares of SYKES common stock credited to his Matching Contribution Account. Further, a Participant shall be fully vested upon death, Disability or Retirement. Participant will be fully vested in the event the Plan is terminated in accordance with section 6.02.

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- (f) Any nonvested amounts shall be forfeited and will be deducted from the Participant's bookkeeping account upon distribution of the vested account balance.
  - (g) In the event of death of the Participant while still an employee, the balance (or remaining balance) in the Participant's Deferred Compensation Account and any shares of SYKES common stock in the Matching Contribution Account will be distributed to the Participant's named Beneficiary on the first day of the second month following the Participant's death.
  - (h) In the event of the Participant's Disability while still an employee as defined herein, the Participant's Deferred Compensation Account and total distribution of the shares of SYKES common stock held in the Matching Contribution Account will be paid to the Participant on the first day of the second month following the Participant's Disability.
  - (i) In the event an alternate payee is entitled to an accelerated payment pursuant to section 5.02(b), a lump sum distribution from the Participant's Deferred Compensation Account and a distribution of the vested shares of SYKES common stock credited to the Matching Contribution Account will be paid to the alternate payee based on the provisions of the domestic relations order as soon as administratively feasible following the date the Administrator approves the domestic relations order.

4.02. Benefits shall be paid in either the form of a lump sum or installments as set forth below and as may be elected by the Participant:

- (a) In-service benefit distributions shall be made in the form of a lump sum.
- (b) Distributions of any amounts deferred in accordance with Section 2.02(a) and 2.02(b) and any related Matching Contributions as a result of a Change in Control, death of the Participant or the Participant incurring a Disability shall be paid in the form of a lump sum.
- (c) For amounts deferred for Fiscal Years beginning on or after January 1, 2016 in accordance with Sections 2.02(a) and 2.02(b), and any related Matching Contributions, a Participant may elect to have all or a portion of the amount credited to his accounts paid in one or more of the following forms of payment with respect to benefits to be paid as a result of the Participant's Separation from Service:

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- (1) a lump sum, or
  - (2) annual installments over a term certain as elected by the Participant of either 5 or 10 years (the annual installments shall commence as of the first of the seventh month following the Separation from Service and each anniversary thereafter).

Such election shall be made in accordance with the forms provided by the Plan Administrator. Such election shall apply to amounts credited for all subsequent Fiscal Years unless changed prior to a subsequent Fiscal Year in accordance with forms provided by the Plan Administrator. If no election is made, the payment of amounts credited to the Deferred Compensation Account and the Matching Contribution Account shall be made in a lump sum. Such election may be changed with respect to amounts credited for prior Fiscal Years, in accordance with Section 4.02(f).

- (d) For amounts credited to the Participant's accounts for periods ending prior to January 1, 2016, such amounts shall be paid in the form of a lump sum unless the Participant makes a subsequent election to apply a different form of payment to all or a part of such amounts credited in accordance with Section 4.02(f).
- (e) If a Participant elects installment payments, annual payments will be made beginning as of the payment commencement date for such installments and shall continue on each anniversary thereof until the number of installment payments specified in the election has been paid. The amount of each installment payment shall be determined by dividing (i) by (ii), where (i) equals the account balance as of the valuation date and (ii) equals the remaining number of installment payments. Installment payments shall be treated as a single payment.
- (f) Such election or deemed election as to the form is generally irrevocable unless (i) the change does not take effect until at least 12 months after the date on which the election is made, (ii) the change is made at least 12 months prior to the date the payment is scheduled to commence, and (iii) payment is deferred for a period of not less than 5 years from the date payment would otherwise have been made (unless payment is being made for disability or death) and such request is permitted under Section 409A of the Code. Any election to change the form of payment will be deemed to have been made as of the following January 1.

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For example, if a Participant elected to change the form of distribution from lump sum to installments following a Separation from Service on February 1, 2016, his election would be deemed to have been made on January 1, 2017 and would not be effective until January 1, 2018, and his distribution would not commence for 5 years beyond the date that is seven months following his Separation from Service. If after making the election, the Participant is terminated prior to January 1, 2018, his new election would not apply and the distribution would be made in a lump sum on the first day of the seventh month following Separation from Service.

4.03. A Participant shall have the right to designate one or more Beneficiaries who are to succeed to his contingent right to receive future payments under the Plan in the event of his death. In case of a failure to designate or the death of a designated Beneficiary without a designated successor, distribution shall be made to the Participant's estate. Such designation must be made on a form (paper or electronic) provided by the Administrator. Beneficiaries may be changed without the consent of any prior Beneficiaries.

4.04. Notwithstanding anything herein contained to the contrary, no payment of any then unpaid distribution of SYKES shares of common stock credited to the Matching Contribution Accounting shall be made and all rights of the Participant, his designated Beneficiary, executors or administrators, or any other person to receive payments of such matching contributions shall be forfeited if any of the following events shall occur:

- (a) The Participant is terminated for "Cause." For the purposes of this Plan, SYKES shall have "Cause" to terminate a Participant's employment hereunder: (i) if the Participant engages in conduct which has caused or is reasonably likely to cause demonstrable and serious injury to SYKES; (ii) if the Participant is convicted of a felony as evidenced by a binding and final judgment, order, or decree of a court of competent jurisdiction; (iii) for the Participant's neglect of his duties hereunder or the Participant's refusal to perform his duties or responsibilities hereunder as determined by SYKES' Board of Directors in good faith; (iv) for the Participant's chronic absenteeism; (v) for the Participant's use of illegal drugs; (vi) for the Participant's insobriety while performing his or her duties hereunder; or (vii) for any act of dishonesty, embezzlement or falsification of reports, records, or information submitted by the Participant to SYKES. Notwithstanding the foregoing, to the extent the Participant is terminated for Cause under the terms of any employment agreement between the Participant and SYKES, such Participant shall also be deemed to be terminated for Cause for purposes of this Plan.

- (b) The Participant enters into a business or employment which the Administrator determines to be in violation of any non-compete agreement signed by the Participant in favor of SYKES or a subsidiary.
- (c) The Participant fails to fully comply with the terms of any confidentiality agreement signed by the Participant in favor of SYKES or a subsidiary or affiliate, as determined by the Administrator.

4.05. The Administrator may at any time and from time to time order all or any part of the value of the contingent right of a Participant or Beneficiary to receive future payments without forfeiture.

**ARTICLE V. General Provisions.**

5.01. Nothing contained in this Plan and no actions taken pursuant to the provisions of this Plan shall create or be construed to create a trust of any kind, or a fiduciary relationship between SYKES and a Participant, his designated Beneficiary or any other person. Any funds, which may be invested under the provisions of this Plan, shall continue for all purposes to be part of the general funds of SYKES and no person other than SYKES shall by virtue of the provisions of this Plan have any interest in such funds. To the extent that any person acquires a right to receive payments from SYKES under this Plan, such right shall be no greater than the right of any unsecured general creditor of SYKES.

- 5.02. (a) The right of a Participant or any other person to the payment of deferred compensation or other benefits under this Plan shall not be assigned, transferred, pledged or encumbered except by will or by the laws of descent and distribution.
- (b) (1) Notwithstanding the provisions of subsection (a) above, the Administrator may make payments to an alternate payee in accordance with the terms of the domestic relations order (as defined in Code Section 414(p)(1)(B)). Payments to such alternate payee shall be paid in accordance with the terms of the domestic relations order and section 4.01(i).
- (2) The Administrator may promulgate any additional rules and regulations it deems necessary or appropriate to govern this subsection (b).

5.03. If the Administrator shall find that any person to whom any payment is payable under this Plan is unable to care for his affairs because of illness or accident, or is a minor, any payment due (unless a prior claim therefore shall have been made by a duly appointed guardian or other legal representative) may be paid to the spouse, a child, a parent, or a brother or sister, or to any person deemed by the Administrator to have incurred expense for such person otherwise entitled to payment, in such manner and proportions as the Administrator may determine. Any such payment shall be in a complete discharge of the liabilities of SYKES to the Participant or person under this Plan.

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5.04. Nothing contained in this Plan shall be construed as conferring upon a Participant the right to continue in the employ of SYKES as an Executive or in any other capacity.

5.05. The Administrator shall have full power and authority to interpret, construe and administer this Plan; and the Administrator's interpretations and construction thereof, and actions thereunder, including an valuation of a Deferred Compensation Account or Matching Contribution Account, or the amount or recipient of the payment to be made therefrom, shall be binding and conclusive upon all persons for all purposes. No member of the Board of SYKES shall be liable to any person for any action taken or omitted in connection with the interpretation and administration of this Plan, unless attributable to his own willful misconduct or lack of good faith.

5.06. This Plan shall be binding upon and inure to the benefit of SYKES, its successors and assigns, and the Participant and his heirs, executors, administrators and legal representatives.

5.07. In no event shall any payments be made pursuant to the Plan that fail to satisfy the restrictions on acceleration of distributions imposed by Section 409A of the Code (including, but not limited to, any payments that would be made in the event of the termination of the Plan).

5.08. The Plan constitutes an unsecured promise by SYKES to pay benefits in the future. Participants shall have the status of general unsecured creditors. The Plan is unfunded for Federal tax purposes and for purposes of Title I of the Employee Retirement Income Security Act of 1974. All amounts credited to a Participant's accounts will remain the general assets of SYKES and shall remain subject to the claims of SYKES' creditors until such amounts are distributed to the Participants.

5.09. The Administrator shall establish such accounting procedures as are necessary to implement the provisions of this Plan.

5.10. The Plan shall not be deemed to constitute a contract between SYKES and any Participant, nor to be consideration for the employment of any Participant. Nothing in the Plan shall give a Participant the right to be retained in the employ of SYKES; all Participants shall remain subject to discharge or discipline as employees to the same extent as if the Plan had not been adopted.

5.11. The invalidity of any portion of this Plan shall not invalidate the remainder and the remainder shall continue in full force and effect.

5.12. SYKES intends for this Plan to conform in all respects to the requirements under Section 409A of the Code, the failure of which would result in the imposition or accrual of penalties, interest or additional taxes under Section 409A of the Code (the "Section 409A Requirements"). Accordingly, SYKES intends for this Plan to be interpreted, construed,

administered and applied in a manner as shall meet and comply with the Section 409A Requirements, and in the event of any inconsistency between this Plan and the Section 409A Requirements, this Plan shall be reformed so as to meet the Section 409A Requirements. Any reference in this Plan to Section 409A of the Code, or any subsection thereof, shall be deemed to mean and include, to the extent then applicable and then in force and effect (but not to the extent overruled, limited or superseded), published rulings, notices and similar announcements issued by the Internal Revenue Service under or interpreting Section 409A of the Code and regulations (proposed, temporary or final) issued by the Secretary of the Treasury under or interpreting Section 409A of the Code.

5.13. This instrument shall be construed in accordance with and governed by the laws of the State of Florida, to the extent not superseded by the laws of the United States.

5.14. Nothing contained in the Plan shall be deemed to give any Participant any equity or other interest in the assets, business or affairs of SYKES. No Participant in the Plan shall have a security interest in assets of SYKES used to make contributions or pay benefits.

5.15. Throughout this Plan, and whenever appropriate, the masculine gender shall be deemed to include the feminine and neuter; the singular, the plural; and vice versa.

#### **ARTICLE VI. Amendment and Termination.**

6.01. The Administrator may amend this Plan without the consent of any Participant as necessary to cause the Plan to continue to satisfy the requirements of Section 409A of the Code as the same may be amended from time to time.

6.02. Although SYKES anticipates that it will continue the Plan for an indefinite period of time, there is no guarantee that SYKES will continue the Plan or will not terminate the Plan as any time in the future. Accordingly, SYKES reserves the right to discontinue its sponsorship of the Plan by action of the Board.

No payment of any Participant's benefits under the Plan may be accelerated as a result of the termination of the Plan unless:

- (a) The Plan is terminated within the period of thirty (30) days preceding or the twelve (12) months following a change in control event (as this term is defined in Treasury Regulations Section 1.409A-2(i)(5));
- (b) The Plan is terminated within twelve (12) months of a corporate dissolution or is terminated with the approval of a bankruptcy court overseeing a bankruptcy of SYKES.
- (c) SYKES terminates the Plan and all other similar deferred compensation arrangements that would be aggregated with the Plan under Treasury Regulation Section 1.409A-1(c), provided that (i) any benefits payable as a result of the termination (other than benefits that would have been payable under the terms of the Plan

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without regard to the termination) are not paid until at least twelve (12) months after the date of termination of the Plan, (ii) all benefit payments under the Plan are completed within twenty-four (24) months after the date of termination of the Plan, and (iii) SYKES does not adopt a new or replacement deferred compensation plan within three (3) years after the date of termination of the Plan.

**IN WITNESS WHEREOF**, SYKES has caused this Plan to be executed by its duly authorized office on this 9th day of December , 2015.

**SYKES ENTERPRISES, INCORPORATED**

By: /s/ James T. Holder

**SECRETARY'S CERTIFICATE  
OF  
SYKES ENTERPRISES, INCORPORATED**

**I HEREBY CERTIFY** that I am the duly elected Secretary of Sykes Enterprises, Incorporated (the "Company"), and that the following is a true and correct copy of the resolutions duly adopted at a meeting of the Board of Directors of the Company held on May 18, 2016; and, I further certify that the said resolutions remain in full force and effect as of the date hereof and have not been amended or revised in any respect:

**WHEREAS**, the Company has previously adopted the Sykes Enterprises, Incorporated Deferred Compensation Plan which was Amended and Restated on January 1, 2016 (the "Plan"); and

**WHEREAS**, the Company is authorized and empowered to amend the Plan; and

**WHEREAS**, the Board of Directors deems it advisable and in the best interests of the Participants to amend the Plan.

**NOW, THEREFORE, BE IT RESOLVED** that the First Amendment to the Plan, be, and it hereby is, approved, ratified and adopted in all respects to be effective as of June 30, 2016.

**BE IT FURTHER RESOLVED** that the appropriate officers be, and they hereby are, authorized and directed to execute such documents and to take such further steps as they deem necessary or desirable to implement such resolutions.

**IN WITNESS WHEREOF**, I have hereunto set my hand this 18th day of May, 2016.

**SYKES ENTERPRISES, INCORPORATED**

By: \_\_\_\_\_ /s/ James T. Holder  
Secretary

**FIRST AMENDMENT  
TO THE  
AMENDED AND RESTATED SYKES ENTERPRISES, INCORPORATED  
DEFERRED COMPENSATION PLAN**

This First Amendment to the Sykes Enterprises, Incorporated Amended and Restated Deferred Compensation Plan is made and entered into by Sykes Enterprises, Incorporated (the "Company") this 18th day of May, 2016, and shall be effective for all purposes as of June 30, 2016.

**WITNESSETH:**

**WHEREAS**, the Company has previously adopted the Sykes Enterprises, Incorporated Amended and Restated Deferred Compensation Plan (the "Plan"); and

**WHEREAS**, pursuant to the terms of the Plan, the Company is authorized and empowered to amend the Plan; and

**WHEREAS**, the Company has determined that it is appropriate to amend the Plan to limit the amount of elective deferrals.

**NOW, THEREFORE**, paragraphs 2.02(a) and 2.02(b) of the Plan is hereby amended to read as follows and shall apply with respect to elections made on Participation Agreements delivered to the Plan Administrator to be effective June 30, 2016:

- 2.02 (a) For any Fiscal Year, other than the Fiscal Year in which a Participant first becomes entitled to participate in the Plan, a Participant may elect to defer a specific percentage (between 1% and 80%) of his base compensation or commissions and/or bonus earned during such Fiscal Year (regardless of when paid) as provided herein. Such election shall be made by the execution and delivery to the Administrator (or its agent) of a Participation Agreement prior to the first day of such Fiscal Year. Such election shall become effective with respect to base compensation, commissions and/or bonuses earned after such Fiscal Year begins. An election to defer under this Section 2.02(a) shall continue to apply to base compensation or commissions and/or bonuses earned in subsequent Fiscal Years, unless such election is modified by the Participant. Any modification shall be effective for the next Fiscal Year and shall be made through the execution and delivery of a new Participation Agreement.
- (b) For the Fiscal Year in which an individual is first designated as eligible to participate in the Plan, pursuant to Section 2.01, the Participant may elect to defer a specific percentage (between 1 % and 80%) of his base compensation or commissions and/or

bonus to be earned for the remainder of the Fiscal Year, a Participation Agreement must be submitted by the Participant to the Administrator (or its agent) no later than thirty (30) days following the January 1 or July 1, whichever is applicable, on which such individual becomes designated as an eligible Participant. Any such election made in such Participation Agreement shall be effective only with regard to base compensation or commissions and/or bonuses earned after the date the Participation Agreement is submitted to the Administrator. If a newly eligible Participant does not submit a Participation Agreement within such period of time, such Participant will not be eligible to elect to defer compensation except in accordance with Section 2.02(a) above. An election to defer (or not to defer) under this Section 2.02(b) shall continue to apply to base compensation or commissions and/or bonuses earned in subsequent Fiscal Years unless such election is modified by the Participant. Any modification shall be effective for the next Fiscal Year and shall be made through the execution and delivery of a new Participation Agreement.

**IN WITNESS WHEREOF**, this First Amendment has been executed and is effective as of the date set forth herein.

**SYKES ENTERPRISES, INCORPORATED**

By: \_\_\_\_\_ /s/ James T. Holder  
James T. Holder, EVP  
"COMPANY"

**SECOND AMENDMENT  
TO THE  
AMENDED AND RESTATED  
SYKES ENTERPRISES, INCORPORATED  
DEFERRED COMPENSATION PLAN**

This Second Amendment to the Amended and Restatement Sykes Enterprises, Incorporated Deferred Compensation Plan is made and entered into by Sykes Enterprises, Incorporated (the "Company") this 17th day of August, 2016, and shall be effective for all purposes as of January 1, 2017, unless a different date is set forth below.

**WITNESSETH:**

**WHEREAS**, the Company has previously adopted the Sykes Enterprises, Incorporated Deferred Compensation Plan (the "Plan"); and

**WHEREAS**, pursuant to the terms of the Plan, the Company is authorized and empowered to amend the Plan; and

**WHEREAS**, the Company has determined that it is appropriate to amend the Plan to expand eligibility and matching contributions.

**NOW, THEREFORE**, paragraphs 2.01 and 2.04 of the Plan is hereby amended to read as follows:

2.01 The Administrator shall have the sole and exclusive discretion to establish the criteria to determine those eligible to participate from among the officers of SYKES who hold the offices currently designated by the titles of Director, Senior Director, Executive Director, Vice President, Global Vice President, Senior Vice President, Executive Vice President, Chief Executive Officer and President, as well as those employees who are expected to receive an annualized base salary (which will not take into account bonuses or commissions) that exceeds the amount taken into account for purposes of determining highly compensated employees under Section 414(q) of the Code based on the current year's base salary and applicable dollar amounts. Employees meeting the criteria established by the Administrator shall become Participants effective as of the January 1 or July 1 which next follows the date they have met the criteria. Participation in the Plan shall cease once the Participant becomes entitled to a distribution (other than an in-service benefit distribution) in accordance with Article IV.

2.04 SYKES will match a portion of amounts deferred by Participants who hold the offices currently designated by the titles of President, Chief Executive Officer, Executive Vice President, Senior Vice President, Global Vice President and Vice President on a quarterly basis as follows: fifty percent (50%) match on the amount deferred by the Participants, provided, that the matching contribution amount shall not exceed \$12,000.00 per year for the President, Chief Executive Officer, and Executive Vice Presidents or \$7,500.00 per year for Senior Vice Presidents, Global Vice Presidents and Vice Presidents. All other Participants shall be entitled to a matching contribution equal to 50% of the amount

deferred by the Participants, provided, that the matching contribution for each such Participant shall not exceed \$5,000.00 per year. The total amount of the matching contribution made to this Plan will be made in the form of SYKES common stock, valued as of the Valuation Date for which the matching contribution is applicable, based on the closing price of a share of SYKES common stock as of such date as reported by the securities market on which SYKES common stock is sold (or if such date is not a trading date, the closing price as of the next preceding trading date). If there is more than one securities market on which SYKES common stock is traded, the Administrator shall determine the appropriate market for determining the common stock's value for this purpose. If SYKES common stock is not traded on a securities market, the stock's value will be determined by the Administrator in good faith. To the extent that dividends are paid on the SYKES common stock shares that have been credited to a Participant's Matching Contribution Account under the Plan, such dividend payments will be reinvested under the Plan as of the ex-dividend date. This Section 2.04 is hereby effective with respect to amounts deferred for Plan Years beginning January 1, 2017. Amounts deferred for prior Plan Years to that date are subject to the matching contribution provisions as set forth in the Plan documents prior to this Amendment.

**IN WITNESS WHEREOF**, this Second Amendment has been executed and is effective as of the date set forth herein.

**SYKES ENTERPRISES, INCORPORATED**

By: \_\_\_\_\_ /s/ James T. Holder  
"COMPANY"

**EXHIBIT 21.1**  
**SYKES ENTERPRISES, INCORPORATED**  
**LIST OF SUBSIDIARIES**

As of March 1, 2017, the Registrant directly or indirectly owned the following subsidiaries. Certain subsidiaries, which in the aggregate do not constitute significant subsidiaries, may be omitted.

<b>Subsidiary</b>	<b>State or Jurisdiction of Organization</b>
Sykes Australia Pty. Ltd.	Australia
Sykes Financial Services Pty. Ltd.	Australia
Qelp Do Brasil Software E Contuedo Digital LTDA	Brazil
Sykes do Brasil Servicos de Teleatendlmento Para Clientes	Brazil
Alpine Access Canada, Inc	Canada
ICT Canada Marketing, Inc.	Canada
Sykes Assistance Services Corporation	Canada
Sykes Colombia S.A.S.	Colombia
Sykes Latin America, S.A.	Costa Rica
Alpine Access, Inc.	Delaware
Clear Link Technologies, LLC	Delaware
ICT Accounts Receivable Management, Inc.	Delaware
ICT Enterprises, Inc.	Delaware
Sykes Enterprises Denmark ApS	Denmark
Sykes Egypt LLC	Egypt
Sykes El Salvador, Ltda	El Salvador
Sykes Finland Oyin	Finland
SEI Consulting Services, Inc.	Florida
SEI Employment Services, Inc.	Florida
Sykes Acquisition Corp. II	Florida
Sykes Realty, Inc.	Florida
Sykes Telehealth Services, Inc.	Florida
Sykes Enterprises Berlin GmbH & Co. KG	Germany
Sykes Enterprises Bochum GmbH & Co. KG	Germany
Sykes Enterprises GmbH	Germany
Sykes Enterprises Management GmbH	Germany
Sykes Enterprises Support Services B.V. & Co. KG	Germany
Sykes Enterprises Verwaltungen and Management GmbH	Germany
Sykes Central Europe Kft	Hungary
Sykes Business Services of India Private Limited	India
Sykes Enterprises (India) Pvt Ltd	India
Sykes Enterprises Italy S.r.L	Italy
SEI International Services S.a.r.l.	Luxembourg
SEI Offshore Holdings Operations S.a.r.l.	Luxembourg
Sykes India Holdings Corporation	Mauritius
ICT Marketing Services of Mexico, S. de R.L. de C.V.	Mexico

<b>Subsidiary</b>	<b>State or Jurisdiction of Organization</b>
Sykes Enterprises Norway AS	Norway
Sykes Enterprises Eastern Europe S.R.L.	Romania
LINK Network Limited	Scotland
Sykes Global Services Limited	Scotland
Sykes Slovakia Sro	Slovakia
Sykes Sweden AB	Sweden
McQueen International B.V.	The Netherlands
Qelp B.V.	The Netherlands
Sykes Enterprises Incorporated BV	The Netherlands
Sykes Enterprises Incorporated Holdings B.V.	The Netherlands
Sykes International Holdings BV	The Netherlands
Sykes Netherlands Group B.V.	The Netherlands
Beijing Pin Yue Information Technology Service Co. Ltd.	The People's Republic of China
Guangzhou Pin Duo Information Technology Service Co. Ltd.	The People's Republic of China
Shanghai Pintian Information Technology Service Co., Ltd.	The People's Republic of China
Suzhou Pin Zhuo Information Technology Service Co. Ltd.	The People's Republic of China
Sykes (Shanghai) Co. Ltd	The People's Republic of China
Sykes Information Technology Services (Shanghai) Co. Ltd.	The People's Republic of China
Sykes Asia Inc.	The Philippines
BuyCalls, LLC	Utah
Clear Link Insurance Agency, LLC	Utah
LeadAmp, LLC	Utah
Local Results, LLC	Utah

**CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

We consent to the incorporation by reference in Registration Statement No. 333-178670 on Form S-8 of our reports dated March 1, 2017, relating to the consolidated financial statements and financial statement schedule of Sykes Enterprises, Incorporated, and the effectiveness of Sykes Enterprises, Incorporated's internal control over financial reporting, appearing in the Annual Report on Form 10-K of Sykes Enterprises, Incorporated for the year ended December 31, 2016.

/s/ Deloitte & Touche LLP

Tampa, Florida  
March 1, 2017

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER  
PURSUANT TO RULE 13a-14(a)**

I, Charles E. Sykes, certify that:

1. I have reviewed this annual report on Form 10-K of Sykes Enterprises, Incorporated;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the company's most recent fiscal quarter (the company's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
5. The company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: March 1, 2017

/s/ Charles E. Sykes

\_\_\_\_\_  
Charles E. Sykes, President, Chief Executive Officer and Director

**CERTIFICATION OF CHIEF FINANCIAL OFFICER  
PURSUANT TO RULE 13a-14(a)**

I, John Chapman, certify that:

1. I have reviewed this annual report on Form 10-K of Sykes Enterprises, Incorporated;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the company's most recent fiscal quarter (the company's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
5. The company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: March 1, 2017

/s/ John Chapman

\_\_\_\_\_  
John Chapman, Executive Vice President and Chief Financial Officer

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER  
PURSUANT TO 18 U.S.C. SECTION 1350**

In connection with the Annual Report of Sykes Enterprises, Incorporated (the "Company") on Form 10-K for the year ended December 31, 2016 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Charles E. Sykes, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 1, 2017    By: /s/ Charles E. Sykes  
Charles E. Sykes  
President and Chief Executive Officer and Director

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

