

SYKES ENTERPRISES INC
Form 10-K
February 20, 2014
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

x **Annual Report Pursuant To Section 13 Or 15(d) Of The Securities Exchange Act Of 1934**
For the fiscal year ended December 31, 2013

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

Sykes Enterprises, Incorporated

(Exact name of registrant as specified in its charter)

<p>Florida (State or other jurisdiction of incorporation or organization)</p> <p>400 N. Ashley Drive, Suite 2800, Tampa, Florida (Address of principal executive offices)</p>	<p>56-1383460 (IRS Employer Identification No.)</p> <p>33602 (Zip Code)</p>
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(813) 274-1000

(Registrant's telephone number, including area code)

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

<p>Title of Each Class Common Stock \$.01 Par Value</p>	<p>Name of each exchange on which registered NASDAQ Stock Market, LLC</p>
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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 Accelerated filer

Non-accelerated filer Smaller reporting company

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

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 28, 2013, the last business day of the Registrant's most recently completed second fiscal quarter, was \$668,308,805.

As of February 12, 2014, there were 43,996,834 outstanding shares of common stock.

DOCUMENTS INCORPORATED BY REFERENCE:

Documents	Form 10-K Reference
Portions of the Proxy Statement for the year 2014 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 leader in providing comprehensive outsourced customer contact management solutions and services in the business process outsourcing (BPO) arena. We provide an array of sophisticated customer contact management solutions to a wide range of clients including Fortune 1000 companies, medium-sized businesses and public institutions around the world, primarily in the communications, financial services, technology/consumer, transportation and leisure, healthcare and other verticals. 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 contact management services (with an emphasis on inbound technical support and customer service), which includes customer assistance, healthcare and roadside assistance, technical support and product sales to our clients' customers. These services are delivered through multiple communication channels including phone, e-mail, social media, text messaging and chat. 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 including multilingual sales order processing via the Internet and phone, inventory control, product delivery and product returns handling. (See Note 27, 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 contact management 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.

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 (click on Investor Relations and then SEC Filings under the heading Financial Information) as soon as reasonably practicable after they are filed with, or furnished to, the SEC.

Industry Overview

The customer contact management industry is highly fragmented and significant in size. According to Ovum, an industry research firm, the total number of individuals, or agent positions (APs), working in the customer contact management industry worldwide was estimated at roughly 9.2 million in 2013. With approximately 80% of the customer contact work done by in-house contact centers, the number of APs working for outsourcers such as SYKES, was estimated at 1.9 million in 2013. Both the outsourced and total APs are forecasted by Ovum to grow at compound annual growth rate of 5.2% and 3.1%, respectively, from 2013 to 2018. It is estimated that no single outsourcer has more than five percent of the total APs worldwide. Measured in dollar terms, the size of the outsourced portion of the customer contact management industry worldwide was estimated at \$58 billion in 2012, according to International Data Corporation (IDC), an industry research firm. IDC also estimates that the outsourced portion of the customer contact industry is expected to grow to \$76.8 billion by 2017, a compound annual growth rate of 5.8% from 2012 to 2017.

We believe that growth for outsourced customer contact management solutions and services will be fueled by the trend of global Fortune 1000 companies and medium-sized businesses utilizing outsourcers. In today's marketplace, companies require innovative customer contact management solutions that allow them to enhance the end user's experience with their products and services, strengthen and enhance their company brands, maximize the lifetime value of their customers, efficiently and effectively deliver human interaction when 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 contact management needs.

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To address these needs, we offer comprehensive global customer contact management solutions that leverage both brick-and-mortar and virtual delivery infrastructure. 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 geographic markets where companies have access to high-quality customer contact management 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 virtual at-home agent delivery model, which we acquired through the Alpine acquisition in August of 2012. By working in partnership with outsourcers, companies can ensure that the crucial task of retaining and growing 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

Our goal is to provide enhanced and value-added customer contact management solutions and services, acting as a partner in our clients' business. We seek to anticipate trends and deliver new ways of growing our clients' customer satisfaction and retention rates, and thus profit, through timely, insightful and proven solutions.

Our business strategy encompasses building long-term client relationships, capitalizing on our expert worldwide response team, leveraging our depth of relevant experience and expanding both organically and through acquisitions. The principles of this strategy 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®. This standard is a compilation of more than 30 years of experience and best practices. Every customer contact management 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.

Capitalize on Our Worldwide Response Team. Companies are demanding a customer contact management solution that is global in nature—one of our key strengths. In addition to our network of customer contact management centers throughout North America, Australia and Europe, we continue to develop our global delivery model with offshore and near-shore operations in The Philippines, the People's Republic of China, India, Costa Rica, El Salvador, Mexico, Brazil, Egypt and Romania, offering our clients a secure, high-quality solution tailored to the needs of their diverse and global markets. Furthermore, we are leveraging our expansive virtual infrastructure to deliver home-based agent solutions to our clients across North America.

Maintain a Competitive Advantage Through Technology Solutions. For more than 30 years, we have been an innovative pioneer in delivering customer contact management solutions. We seek to maintain a competitive advantage and differentiation by utilizing technology to consistently deliver innovative service solutions, ultimately enhancing the client's relationship with its customers and generating revenue growth. This includes knowledge solutions for agents and end customers, automatic call distributors, interactive voice response systems, intelligent call routing and workforce management capabilities based on agent skill and availability, call tracking software, quality management systems and computer-telephony integration (CTI). CTI enables our customer contact management centers to serve as transparent extensions of our clients, receive telephone calls and data directly from our clients' systems, and report detailed information concerning the status and results of our services on a daily basis.

Through strategic technology relationships, we are able to provide fully integrated communication services encompassing e-mail, chat, text messaging and social media platforms. In addition, we utilize Global Direct, our customer relationship management (CRM)/e-commerce application for our European fulfillment operations. Global Direct establishes a platform whereby our clients can manage all customer profile and contact information from every communication channel, making it a viable customer-facing infrastructure solution to support their CRM initiatives.

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We are also continuing to capitalize on sophisticated technological capabilities, including our digital private network that provides us the ability to manage call volumes more efficiently by load balancing calls and data between customer contact management centers over the same network. Our converged voice and data digital communications network provides a high-quality, fault-tolerant global network for the transport of Voice Over Internet Protocol communications and fully integrates with emergent Internet Protocol telephony systems as well as traditional Time Domain Multiplexing telephony systems. Our flexible, secure and scalable network infrastructure allows us to rapidly respond to changes in client voice and data traffic and quickly establish support operations for new and existing clients.

Continue to Grow Our Business Organically and through Acquisitions. We have grown our customer contact management outsourcing operations utilizing a strategy of both internal organic growth and external acquisitions.

Our organic growth 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 Brazil, Romania, Egypt and El Salvador 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.

Strategic Rationale for the Alpine Acquisition

We completed the acquisition of Alpine Access, Inc. (Alpine) in August 2012. The Alpine acquisition, through use of at-home agents rather than agents who work at brick-and-mortar centers:

Creates significant competitive differentiation for quality, speed to market, scalability and flexibility driven by proprietary, internally-developed software, systems, processes and other intellectual property which uniquely overcome the challenges of the at-home delivery model;

Dramatically strengthens the Company's current service portfolio and go-to-market offering while expanding the breadth of clients with minimal client overlap;

Broadens the addressable market opportunity within existing and new verticals as well as clients;

Expands the addressable pool of skilled labor;

Allows SYKES to leverage operational best practices across its global platform, with the potential to convert more of the fixed cost to variable cost; and

Further enhances the growth profile of SYKES to drive shareholder value.

Growth Strategy

Applying the key principles of our business strategy, we execute our growth strategy by focusing on the following levers.

Maximizing Capacity Utilization Rates and Strategically Adding Seat Capacity. Revenues and profitability growth is 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 the Alpine acquisition, we can rationalize underutilized capacity more efficiently and drive capacity utilization rates.

Broadening 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 the seat capacity geographically is also important. By broadening and continuously strengthening our brick-and-mortar global delivery footprint, we are able to meet both our existing and new clients' customer contact management needs globally as they enter new markets. At the end of 2013, our global delivery footprint spanned 20 countries. As a multi-channel provider of phone, e-mail,

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social media, text messaging and chat customer contact management services, we provide comprehensive customer contact management solutions through our recently acquired best-in-class virtual at-home agent offering, which further augments and strengthens our existing brick-and-mortar global delivery footprint. Additionally, with the rapid emergence of on-line communities, 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.

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Increasing Share of Seats Within Existing Clients and Winning New Clients. We provide customer contact management support to numerous multinational companies. With this client list, 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 leverage our highly differentiated virtual customer contact delivery capability, along with the knowledge of verticals and business lines, we plan to win new clients as a way to broaden our base of growth.

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 transportation and leisure. These verticals cover various business lines, including wireless services, broadband, retail banking, credit card/consumer fraud protection, content moderation, telemedicine and travel portals.

Creating Value-Added Service Enhancements. To improve both revenue and margin expansion, we will continue to introduce new service offerings and add-on enhancements. Bilingual customer support and back office services are examples of horizontal service offerings, while data analytics and process improvement products are examples of add-on enhancements.

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 contact management services. We currently operate in 15 markets.

Services

We specialize in providing inbound outsourced customer contact management solutions in the BPO arena on a global basis. Our customer contact management services are provided through two reportable segments—the Americas and EMEA. The Americas region, representing 83.2% of consolidated revenues in 2013, 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 contact management solutions in these locations to support their customer care needs. In addition, the Americas region also includes revenues from our virtual customer contact solution, which serves markets in both the U.S. and Canada. The EMEA region, representing 16.8% of consolidated revenues in 2013, includes Europe, the Middle East and Africa. See Note 27, 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 contact management solutions:

Outsourced Customer Contact Management Services. Our outsourced customer contact management services represented approximately 98.2% of total 2013 consolidated revenues. Each year since 2008, we have handled over 250 million customer contacts including phone, e-mail, social media, text messaging and chat 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 primarily focused on inbound up-selling of our clients' products and services.

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We provide these services, primarily inbound customer calls, through our extensive global network of customer contact management centers in many languages. 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.

Fulfillment Services. In Europe, we offer fulfillment services that are integrated with our customer care and technical support services. Our fulfillment solutions include multilingual sales order processing via the Internet and phone, payment processing, 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 Contact Management Centers. We operate across 20 countries in 72 customer contact management centers, which breakdown as follows: 18 centers across Europe and Egypt, 22 centers in the United States, 10 centers in Canada, 4 centers in Australia and 18 centers offshore, including the People's Republic of China, The Philippines, Costa Rica, El Salvador, India, Mexico and Brazil. In addition to our customer contact management centers, we employ approximately 7,500 virtual customer contact agents across 40 states in the U.S. and across eight 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 contact 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 contact management 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 contact management 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 two fulfillment centers 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 contact management services.

Enterprise Support Services Offices. Our enterprise support services office, located in a metropolitan area in the United States, provides a recruiting platform for high-end knowledge workers and to establish a local presence to service major accounts.

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Quality Assurance

We believe that providing consistent high-quality service is critical in our clients' decision to outsource and in building long-term relationships with our clients. It is also our belief and commitment that quality is the responsibility of each individual at every level of the organization. To ensure service excellence and continuity across our organization, we have developed an integrated Quality Assurance program consisting of three major components:

The certification of client accounts and customer contact management centers to the SYKES Science of Service® program;

The application of continuous improvement through application of our Data Analytics techniques; and

The application of process audits to all work procedures.

The SYKES Science of Service® is a standard that was developed based on our more than 30 years of experience, and best practices from industry standards such as the Malcolm Baldrige National Quality Award and Customer Operations Performance Center. It specifies the requirements that must be met in each of our customer contact management centers including measured performance against our standard operating procedures. It has a well-defined auditing process that ensures compliance with the SYKES' standards. Our focus is on quality, predictability and consistency over time, not just point in time certification.

The application of continuous improvement is based upon our suite of data analytics techniques that we have fine-tuned to apply specifically to our service industry. All managers are responsible for continuous improvement in their operations.

Process audits are used to verify that processes and procedures are consistently executed as required by established documentation. Process audits are applicable to services being provided for the client and internal procedures.

Sales and Marketing

Our sales and marketing objective is to leverage our expertise and global presence to develop long-term relationships with existing and future clients. Our customer contact management solutions have been developed to help our clients acquire, retain and increase the value of their customer relationships. Our plans for increasing our visibility include market-focused advertising, consultative personal visits, participation in market-specific trade shows and seminars, speaking engagements, articles and white papers, and our website.

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 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 outbound lead generation for the business development managers. We also have relationships with channel partners including systems integrators, software and hardware vendors and value-added resellers, where we pair our solutions and services with their product offering or focus. We plan to maintain and expand these relationships as part of our sales and marketing strategy.

As part of our marketing efforts, we invite existing and potential clients to experience our customer contact management centers and virtual delivery operations, where we can demonstrate the expertise of our skilled staff in partnering to deliver new ways of growing clients' customer satisfaction and retention rates, and thus profit, through timely, insightful and proven solutions. During these experiences, we demonstrate our ability to quickly and effectively support a new client or scale business from an existing client by emphasizing our systematic approach to implementing customer contact solutions throughout the world.

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 Fortune 1000 corporations, medium-sized businesses and public institutions, which span the communications, financial services, technology/consumer, transportation and leisure, healthcare and other industries. Revenue by vertical market for 2013, as a percentage

of our consolidated revenues,

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was 35% for communications, 28% for financial services, 16% for technology/consumer, 8% for transportation and leisure, 6% for healthcare, 2% for retail and 5% for all other vertical markets, 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,					
	2013		2012		2011	
	Amount	% of Revenues	Amount	% of Revenues	Amount	% of Revenues
Americas	\$ 162,888	12.9%	\$ 130,072	11.5%	\$ 129,331	11.1%
EMEA	3,513	0.3%	3,018	0.3%	3,343	0.2%
	\$ 166,401	13.2%	\$ 133,090	11.8%	\$ 132,674	11.3%

We have multiple distinct contracts with AT&T spread across multiple lines of businesses, including a master services agreement that expires in 2017 and various statements of work, which expire at varying dates between 2014 and 2015. 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.

Total revenues from our next largest client, which was in the financial services vertical market, were as follows (in thousands):

	Years Ended December 31,					
	2013		2012		2011	
	Amount	% of Revenues	Amount	% of Revenues	Amount	% of Revenues
Next largest client	\$ 73,226	5.8%	\$ 70,311	6.2%	\$ 65,783	5.6%

Our top ten clients accounted for approximately 45.9%, 47.8% and 45.4% of our consolidated revenues during the years ended December 31, 2013, 2012 and 2011, respectively.

Competition

The industry in which we operate is global and, therefore, highly fragmented and extremely competitive. While many companies provide customer contact management 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 contact management operations. When it is not the in-house operations of a client or potential client, our public and private direct competition includes TeleTech, Sitel, Convergys, iQor, Concentrix, Alorica, West Corporation, Aegis Global, Sutherland, 24/7 Customer, StarTek, Atento, Teleperformance, Transcom, Expert Global Solutions, LiveOps, Working Solutions and Arise, as well as the customer care arm of such companies as Accenture, Xerox, Wipro, Infosys and Mahindra Satyam, among others. There are other numerous and varied providers of such services, including firms specializing in various CRM consulting, other customer management 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 contact management services include service quality, tailored value-added service offerings, industry experience, advanced technological capabilities, global coverage, reliability, scalability, security,

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price and financial strength. As a result of intense competition, outsourced customer contact management 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.

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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®, ICT®, SOUND OF SERVICE®, ONEVIEW®, ALPINE ACCESS® and ALPINE ACCESS UNIVERSITY®. The duration of trademark and service mark registrations varies from country to country but may generally be renewed indefinitely as long as the marks are in use and their registrations are properly maintained. 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 call center. Alpine has several additional pending U.S. patent applications.

Employees

As of January 31, 2014, we had approximately 47,900 employees worldwide, including 37,200 customer contact agents handling technical and customer support inquiries at our centers, 7,500 at-home customer contact agents handling technical and customer support inquiries, 3,000 in management, administration, information technology, finance, sales and marketing roles, 100 in enterprise support services and 100 in fulfillment services. Our employees, with the exception of approximately 700 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 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:

Name	Age	Principal Position
Charles E. Sykes	51	President and Chief Executive Officer and Director
W. Michael Kipphut	60	Executive Vice President and Chief Financial Officer
Christopher M. Carrington	52	Executive Vice President, Global Delivery
Lawrence R. Zingale	58	Executive Vice President, General Manager of Major Markets
Jenna R. Nelson	50	Executive Vice President, Human Resources
Daniel L. Hernandez	47	Executive Vice President, Global Strategy
David L. Pearson	55	Executive Vice President and Chief Information Officer
James T. Holder	55	Executive Vice President, General Counsel and Corporate Secretary
William N. Rocktoff	51	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.

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W. Michael Kipphut, C.P.A., joined SYKES in March 2000 as Vice President and Chief Financial Officer and was named Senior Vice President and Chief Financial Officer in June 2001. In May 2010, he was named Executive Vice President and Chief Financial Officer. From September 1998 to February 2000, Mr. Kipphut held the position of Vice President and Chief Financial Officer for USA Floral Products, Inc., a publicly-held, worldwide, perishable products distributor. From September 1994 until September 1998, Mr. Kipphut held the position of Vice President and Treasurer for Spalding & Evenflo Companies, Inc., a global manufacturer of consumer products. Previously, Mr. Kipphut held various financial positions, including Vice President and Treasurer, in his 17 years at Tyler Corporation, a publicly-held, diversified holding company.

Christopher M. Carrington joined SYKES in August 2012 and assumed the post of Executive Vice President, Global Delivery in September 2012. Prior to his role at SYKES, Mr. Carrington served as a board member and President and CEO of Alpine Access, a market leader in the virtual contact center solutions and services market. Prior to joining Alpine Access, Mr. Carrington served as President of Americas Outsourcing Services for Capgemini, President and CEO of the Interlink Group and President of the Americas E-business consulting practice for EDS.

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 of Major Markets. 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.

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, Global 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.

Daniel L. Hernandez joined SYKES in October 2003 as Senior Vice President, Global Strategy overseeing marketing, public relations, operational strategy and corporate development efforts worldwide. In May 2010, he was named Executive Vice President, Global Strategy. Prior to joining SYKES, Mr. Hernandez served as President and Chief Executive Officer of SBC Internet Services, a division of SBC Communications Inc., since March 2000. From February 1998 to March 2000, Mr. Hernandez held the position of Vice President/General Manager, Internet and System Operations, at Ameritech Interactive Media Services. Prior to February 1998, Mr. Hernandez held various management positions at US West Communications since joining the telecommunications provider in 1990.

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.

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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 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 contact management 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 decline, 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 45.9% of our consolidated revenues in 2013. 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 call 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.

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of our clients. While we take measures to protect the security of, and unauthorized access to our systems, 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 contact management services, we believe no one company is dominant in the industry. There are numerous and varied providers of our services, including firms specializing in call center operations, temporary staffing and personnel placement, consulting and integration firms, and niche providers of outsourced customer contact management services, many of whom compete in only certain markets. Our competitors include both companies who 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 contact management 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 contact management 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 support centers in certain geographies poses risks to our operations which could adversely affect our financial condition.

Although we have call 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 contact management services. Outsourcing means that an entity contracts with a third party, such as us, to provide customer contact 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.

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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 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 contact management 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 contact management center operations could affect our business and results of operations.

Our operations are dependent upon our ability to protect our customer contact management 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 contact 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 business.

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 business.

Our profitability may be adversely affected if we are unable to maintain and find new locations for customer contact 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 contact management 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 contact management 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. 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 contact management 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 United States Congress has passed, and the President has signed into law, the Dodd-Frank Wall Street Reform and Consumer Protection Act (the Dodd-Frank 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, 2013, our international operations were conducted from 33 customer contact management centers located in Sweden, Finland, Germany, Egypt, Scotland, Denmark, Norway, Hungary, Romania, Slovakia, The Philippines, the People's Republic of China, India and Australia. Revenues from these international operations for the years ended

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December 31, 2013, 2012, and 2011, were 38.7%, 40.2%, and 42.8% of consolidated revenues, respectively. We also conduct business from 17 customer contact management centers located in Canada, Costa Rica, El Salvador, Mexico and Brazil. International operations are subject to certain risks common to international activities, such as changes in foreign 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 2014 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. 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.

As of December 31, 2013, we had cash balances of approximately \$195.0 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 for temporary differences related to investments in foreign subsidiaries that are essentially permanent in nature is not practicable due to the inherent complexity of the multi-national tax environment in which we operate.

The U.S. Department of the Treasury released the General Explanations of the Administration's Fiscal Year 2014 Revenue Proposals in April 2013. These proposals represent a significant shift in international tax policy, which may materially impact U.S. taxation of international earnings. We continue to monitor these proposals and are currently evaluating their potential impact on our financial condition, results of operations, and cash flows.

The American Taxpayer Relief Act of 2012 was enacted on January 2, 2013, with many provisions retroactively effective to January 1, 2012. This Act, which extended the tax provisions of the Internal Revenue Code Section 954(c)(6) through the end of 2013, permits continued tax deferral on cash movements that would otherwise be taxable immediately in the U.S. While these cash movements are not taxable in the U.S., related foreign withholding taxes of \$3.5 million were included in the provision for income taxes in the accompanying Consolidated Statements of Operations for the year ended December 31, 2013.

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 and Brazil, 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

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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 contact management 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 contact 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.

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Risks Related to Our Growth 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.

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; and

incurring additional indebtedness.

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.

We have substantial goodwill and if it becomes impaired, then our profits would be significantly reduced or eliminated and shareholders equity would be reduced.

We recorded goodwill as a result of the ICT and Alpine acquisitions. On at least an annual basis, we assess whether there has been an impairment in the value of goodwill. If the carrying value of goodwill exceeds its estimated fair value, impairment is deemed to have occurred and the carrying value of goodwill is written down to fair value. This would result in a charge to our operating earnings.

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.

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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 contact management 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 contact management 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 expensive 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, 2013 relating to our periodic or current reports filed under the Securities Exchange Act of 1934.

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Our principal executive offices are located in Tampa, Florida, which consists 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 contact management 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, 2013, excluding centers we have exited, we operated 75 centers that are classified as follows:

Multi-Client Centers We own or lease space for these centers and serve multiple clients in each facility;

Managed Centers These facilities are owned or leased by our clients and we staff and manage these sites on behalf of our clients in accordance with facility management contracts; and

Fulfillment Centers We own or lease space for these centers and serve multiple clients in each facility.

As of December 31, 2013, our centers were located in the following countries:

	Multi-Client Centers	Managed Centers	Fulfillment Centers	Total Number of Centers
Americas				
Australia	4			4
Brazil	1			1
Canada	10			10
Costa Rica	4			4
El Salvador	1			1
India	1			1
Mexico	1			1
People's Republic of China	3			3
The Philippines	7			7
United States of America	22			22
Total Americas centers	54			54
EMEA				
Denmark	1			1
Egypt	1			1
Finland	1			1
Germany	4			4
Hungary	1			1
Netherlands		1		1
Norway	2			2
Romania	1			1
Scotland	2		1	3
Slovakia	1			1
Sweden	4		1	5
Total EMEA centers	18	1	2	21
Total centers	72	1	2	75

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The leases for our centers have remaining terms ranging from one to twenty years and generally contain renewal options. 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. During 2013, our centers, taken as a whole, were utilized at average capacities of approximately 73% and were capable of supporting a higher level of market demand.

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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.

Table of Contents**PART II****Item 5. Market for the Registrant's Common Equity, Related Shareholder Matters and Issuer Purchases of 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 sale prices per share of our common stock as quoted on the NASDAQ Global Select Market.

	High	Low
Year Ended December 31, 2013:		
Fourth Quarter	\$ 23.29	\$ 17.08
Third Quarter	18.27	15.59
Second Quarter	16.58	13.95
First Quarter	16.48	14.45
Year Ended December 31, 2012:		
Fourth Quarter	\$ 16.39	\$ 12.87
Third Quarter	16.52	12.81
Second Quarter	16.52	14.28
First Quarter	18.61	13.62

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 12, 2014, there were 871 holders of record of the common stock. We estimate there were approximately 9,900 beneficial owners of our common stock.

Below is a summary of stock repurchases for the quarter ended December 31, 2013 (in thousands, except average price per share).

Period	Total Number of Shares Purchased ⁽¹⁾	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares That May Yet Be Purchased Under Plans or Programs
October 1, 2013 – October 31, 2013		\$		1,629
November 1, 2013 – November 30, 2013		\$		1,629
December 1, 2013 – December 31, 2013		\$		1,629
Total				1,629

⁽¹⁾ All shares purchased as part of the repurchase plan publicly announced on August 18, 2011. Total number of shares approved for repurchase under the 2011 Share Repurchase Plan was 5.0 million with no expiration date. All of the shares available under the repurchase plan publicly announced on August 5, 2002 have been repurchased.

Table of Contents**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 call center, customer care business, have similar business models to SYKES, and are those most commonly compared to SYKES by industry analysts following SYKES. SYKES has updated its Peer Group to include Teleperformance, a publicly-traded France-based global customer care company, which increasingly competes with SYKES in the marketplace. SYKES further added Teleperformance in order for investors to have a broader set of data points from which to better gauge the Peer's share price performance and to substitute for publicly-traded competitors that have either gone private or have been acquired through strategic acquisitions over the past few years. This graph assumes that \$100 was invested on December 31, 2008 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)

New SYKES Peer Group	Exchange & Ticker Symbol
Convergys Corp.	NYSE: CVG
StarTek, Inc.	NYSE: SRT
TeleTech Holdings, Inc.	Nasdaq: TTEC
Teleperformance	NYSE Euronext: RCF
Old SYKES Peer Group	Exchange & Ticker Symbol
Convergys Corp.	