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

# FORM 10-Q

**(Mark One)**

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

**FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2023**

**OR**

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

**FOR THE TRANSITION PERIOD FROM __________ TO __________**

**COMMISSION FILE NUMBER 001-33089**

# EXLSERVICE HOLDINGS, INC.
**(Exact name of registrant as specified in its charter)**

| | |
|---|---|
| **Delaware**<br>**(State or other jurisdiction of incorporation or organization)** | **82-0572194**<br>**(I.R.S. Employer Identification No.)** |
| **320 Park Avenue, 29th Floor, New York, New York**<br>**(Address of principal executive offices)** | **10022**<br>**(Zip code)** |

**(212) 277-7100**
**(Registrant's telephone number, including area code)**

| **Securities registered pursuant to Section 12(b) of the Act:** | | |
|---|---|---|
| **Title of Each Class:** | **Trading symbol(s)** | **Name of Each Exchange on Which Registered:** |
| Common Stock, par value $0.001 per share | EXLS | NASDAQ |

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

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

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

| | | | |
|---|---|---|---|
| Large Accelerated Filer | ☒ | Accelerated filer | ☐ |
| Non-accelerated filer | ☐ | Smaller reporting company | ☐ |
| Emerging growth company | ☐ | | |

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

As of October 24, 2023, there were 164,922,767 shares of the registrant's common stock outstanding, par value $0.001 per share.

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## PART I. FINANCIAL INFORMATION

## ITEM 1. FINANCIAL STATEMENTS

### EXLSERVICE HOLDINGS, INC.
### CONSOLIDATED BALANCE SHEETS (UNAUDITED)
### (In thousands, except per share amount and share count)

| | As of | |
|---|---|---|
| | September 30, 2023 | December 31, 2022 |
| **Assets** | | |
| **Current assets:** | | |
| Cash and cash equivalents | $ 122,655 | $ 118,669 |
| Short-term investments | 151,581 | 179,027 |
| Restricted cash | 3,257 | 4,897 |
| Accounts receivable, net | 303,378 | 259,222 |
| Other current assets | 70,697 | 50,979 |
| **Total current assets** | **651,568** | **612,794** |
| Property and equipment, net | 96,729 | 82,828 |
| Operating lease right-of-use assets, net | 56,817 | 55,347 |
| Restricted cash | 2,047 | 2,055 |
| Deferred tax assets, net | 79,767 | 55,791 |
| Goodwill | 405,579 | 405,637 |
| Other intangible assets, net | 53,315 | 64,819 |
| Long-term investments | 5,273 | 34,779 |
| Other assets | 51,398 | 32,069 |
| **Total assets** | **$ 1,402,493** | **$ 1,346,119** |
| **Liabilities and stockholders' equity** | | |
| **Current liabilities:** | | |
| Accounts payable | $ 3,159 | $ 7,789 |
| Current portion of long-term borrowings | 50,000 | 30,000 |
| Deferred revenue | 13,766 | 18,782 |
| Accrued employee costs | 105,535 | 108,100 |
| Accrued expenses and other current liabilities | 107,730 | 95,352 |
| Current portion of operating lease liabilities | 14,008 | 14,978 |
| Income taxes payable, net | 11,948 | 2,945 |
| **Total current liabilities** | **306,146** | **277,946** |
| Long-term borrowings, less current portion | 160,000 | 220,000 |
| Operating lease liabilities, less current portion | 48,445 | 48,155 |
| Deferred tax liabilities, net | 461 | 547 |
| Other non-current liabilities | 31,354 | 41,292 |
| **Total liabilities** | **546,406** | **587,940** |
| Commitments and contingencies (Refer to Note 25) | | |
| ExlService Holdings, Inc. Stockholders' equity: | | |
| Preferred stock, $0.001 par value; 15,000,000 shares authorized, none issued | — | — |
| Common stock, $0.001 par value; 400,000,000 shares authorized, 202,124,185 shares issued and 165,117,859 shares outstanding as of September 30, 2023 and 199,939,880 shares issued and 166,172,220 shares outstanding as of December 31, 2022 [(1)] | 202 | 200 |
| Additional paid-in capital [(1)] | 492,577 | 444,948 |
| Retained earnings | 1,043,380 | 899,105 |
| Accumulated other comprehensive loss | (136,805) | (144,143) |
| **Total including shares held in treasury** | **1,399,354** | **1,200,110** |

| | | |
|---|---|---|
| Less: 37,006,326 shares as of September 30, 2023 and 33,767,660 shares as of December 31, 2022, held in treasury, at cost [1] | (543,267) | (441,931) |
| **Total stockholders' equity** | **856,087** | **758,179** |
| **Total liabilities and stockholders' equity** | **$ 1,402,493** | **$ 1,346,119** |

*(1) Prior period information has been adjusted to reflect the 5-for-1 forward stock split of the Company's common stock effected in August 2023. Refer to Note 19 – Capital Structure to the unaudited consolidated financial statements for further details.*

*See accompanying notes to unaudited consolidated financial statements.*

## EXLSERVICE HOLDINGS, INC.

## CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)
**(In thousands, except per share amount and share count)**

| | Three months ended September 30, | | Nine months ended September 30, | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| Revenues, net | $ 410,971 | $ 361,351 | $ 1,216,610 | $ 1,037,341 |
| Cost of revenues [(1)] | 256,002 | 230,462 | 760,691 | 659,185 |
| **Gross profit [(1)]** | **154,969** | **130,889** | **455,919** | **378,156** |
| Operating expenses: | | | | |
| General and administrative expenses | 52,213 | 42,519 | 144,564 | 122,898 |
| Selling and marketing expenses | 30,943 | 23,879 | 88,674 | 72,034 |
| Depreciation and amortization expense | 11,583 | 14,380 | 38,192 | 42,057 |
| Total operating expenses | 94,739 | 80,778 | 271,430 | 236,989 |
| **Income from operations** | **60,230** | **50,111** | **184,489** | **141,167** |
| Foreign exchange gain, net | 409 | 1,504 | 838 | 4,683 |
| Interest expense | (3,405) | (2,442) | (10,030) | (4,820) |
| Other income, net | 778 | 2,261 | 6,594 | 4,498 |
| **Income before income tax expense and earnings from equity affiliates** | **58,012** | **51,434** | **181,891** | **145,528** |
| Income tax expense | 14,161 | 12,447 | 37,773 | 34,774 |
| **Income before earnings from equity affiliates** | **43,851** | **38,987** | **144,118** | **110,754** |
| Gain from equity-method investment | 25 | 108 | 157 | 365 |
| **Net income attributable to ExlService Holdings, Inc. stockholders** | **$ 43,876** | **$ 39,095** | **$ 144,275** | **$ 111,119** |
| Earnings per share attributable to ExlService Holdings, Inc. stockholders [(2)]: | | | | |
| Basic | $ 0.26 | $ 0.24 | $ 0.87 | $ 0.67 |
| Diluted | $ 0.26 | $ 0.23 | $ 0.86 | $ 0.66 |
| Weighted average number of shares used in computing earnings per share attributable to ExlService Holdings, Inc. stockholders [(2)]: | | | | |
| Basic | 166,159,619 | 166,189,165 | 166,707,599 | 166,801,730 |
| Diluted | 167,688,374 | 168,888,745 | 168,591,612 | 169,168,185 |

*(1) Exclusive of depreciation and amortization expense.*

*(2) Prior period information has been adjusted to reflect the 5-for-1 forward stock split of the Company’s common stock effected in August 2023. Refer to Note 19 – Capital Structure to the unaudited consolidated financial statements for further details.*

*See accompanying notes to unaudited consolidated financial statements.*

**EXLSERVICE HOLDINGS, INC.**

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)**
**(In thousands)**

| | Three months ended September 30, 2023 | Three months ended September 30, 2022 | Nine months ended September 30, 2023 | Nine months ended September 30, 2022 |
|---|---|---|---|---|
| Net income | $ 43,876 | $ 39,095 | $ 144,275 | $ 111,119 |
| **Other comprehensive income/(loss):** | | | | |
| Unrealized gain/(loss) on cash flow hedges | (7,903) | (13,489) | 8,242 | (28,638) |
| Foreign currency translation loss | (7,782) | (19,144) | (2,605) | (49,371) |
| **Reclassification adjustments** | | | | |
| (Gain)/loss on cash flow hedges[1] | 32 | 1,567 | 4,261 | (1,881) |
| Retirement benefits[2] | (22) | 147 | (70) | 451 |
| **Income tax effects relating to above[3]** | 3,017 | 10,090 | (2,490) | 14,710 |
| **Total other comprehensive income/(loss)** | **$ (12,658)** | **$ (20,829)** | **$ 7,338** | **$ (64,729)** |
| **Total comprehensive income** | **$ 31,218** | **$ 18,266** | **$ 151,613** | **$ 46,390** |

*(1)* *These are reclassified to net income and are included in cost of revenues, operating expenses and interest expense, as applicable in the unaudited consolidated statements of income. Refer to Note 17 - Derivatives and Hedge Accounting to the unaudited consolidated financial statements.*

(2) *These are reclassified to net income and are included in other income, net in the unaudited consolidated statements of income. Refer to Note 20 - Employee Benefit Plans to the unaudited consolidated financial statements.*

*(3)* *These are income tax effects recognized on cash flow hedges, retirement benefits and foreign currency translation gain/(loss). Refer to Note 22 - Income Taxes to the unaudited consolidated financial statements.*

*See accompanying notes to unaudited consolidated financial statements.*

**EXLSERVICE HOLDINGS, INC.**
**CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (UNAUDITED)**
**For the three months ended September 30, 2023 and 2022**
**(In thousands, except share count)**

| | Common Stock (1) | | Additional Paid-in Capital (1) | Retained Earnings | Accumulated Other Comprehensive Loss | Treasury Stock | | Total |
|---|---|---|---|---|---|---|---|---|
| | Shares | Amount | | | | Shares (1) | Amount | |
| **Balance as of June 30, 2023** | **201,748,635** | **$ 202** | **$ 471,962** | **$ 999,504** | **$ (124,147)** | **(35,985,285)** | **$ (513,307)** | **$ 834,214** |
| Stock issued against stock-based compensation plans | 375,550 | — | 3,548 | — | — | — | — | 3,548 |
| Stock-based compensation | — | — | 17,067 | — | — | — | — | 17,067 |
| Acquisition of treasury stock | — | — | — | — | — | (1,021,041) | (29,960) | (29,960) |
| Other comprehensive income | — | — | — | — | (12,658) | — | — | (12,658) |
| Net income | — | — | — | 43,876 | — | — | — | 43,876 |
| **Balance as of September 30, 2023** | **202,124,185** | **$ 202** | **$ 492,577** | **$ 1,043,380** | **$ (136,805)** | **(37,006,326)** | **$ (543,267)** | **$ 856,087** |

| | Common Stock (1) | | Additional Paid-in Capital (1) | Retained Earnings | Accumulated Other Comprehensive Loss | Treasury Stock | | Total |
|---|---|---|---|---|---|---|---|---|
| | Shares | Amount | | | | Shares (1) | Amount | |
| **Balance as of June 30, 2022** | **198,975,805** | **$ 199** | **$ 420,147** | **$ 828,161** | **$ (133,374)** | **(33,355,630)** | **$ (429,480)** | **$ 685,653** |
| Stock issued against stock-based compensation plans | 18,975 | — | — | — | — | — | — | — |
| Stock-based compensation | — | — | 12,186 | — | — | — | — | 12,186 |
| Acquisition of treasury stock | — | — | — | — | — | (384,045) | (11,521) | (11,521) |
| Other comprehensive loss | — | — | — | — | (20,829) | — | — | (20,829) |
| Net income | — | — | — | 39,095 | — | — | — | 39,095 |
| **Balance as of September 30, 2022** | **198,994,780** | **$ 199** | **$ 432,333** | **$ 867,256** | **$ (154,203)** | **(33,739,675)** | **$ (441,001)** | **$ 704,584** |

*(1) Prior period information has been adjusted to reflect the 5-for-1 forward stock split of the Company's common stock effected in August 2023. Refer to Note 19 – Capital Structure to the unaudited consolidated financial statements for further details.*

**EXLSERVICE HOLDINGS, INC.**
**CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (UNAUDITED)**
**For the nine months ended September 30, 2023 and 2022**
**(In thousands, except share count)**

| | Common Stock (1) | | Additional Paid-in Capital (1) | Retained Earnings | Accumulated Other Comprehensive Income/(loss) | Treasury Stock | | Total |
|---|---|---|---|---|---|---|---|---|
| | Shares | Amount | | | | Shares (1) | Amount | |
| **January 1, 2023** | **199,939,880** | **$ 200** | **$ 444,948** | **$ 899,105** | **$ (144,143)** | **(33,767,660)** | **$ (441,931)** | **$ 758,179** |
| Stock issued against stock-based compensation plans | 2,184,305 | 2 | 4,644 | — | — | — | — | 4,646 |
| Stock-based compensation | — | — | 42,985 | — | — | — | — | 42,985 |
| Acquisition of treasury stock | — | — | — | — | — | (3,238,666) | (101,336) | (101,336) |
| Other comprehensive income | — | — | — | — | 7,338 | — | — | 7,338 |
| Net income | — | — | — | 144,275 | — | — | — | 144,275 |
| **Balance as of September 30, 2023** | **202,124,185** | **$ 202** | **$ 492,577** | **$ 1,043,380** | **$ (136,805)** | **(37,006,326)** | **$ (543,267)** | **$ 856,087** |

| | Common Stock (1) | | Additional Paid-in Capital (1) | Retained Earnings | Accumulated Other Comprehensive Loss | Treasury Stock | | Total |
|---|---|---|---|---|---|---|---|---|
| | Shares | Amount | | | | Shares (1) | Amount | |
| **January 1, 2022** | **197,541,700** | **$ 198** | **$ 395,584** | **$ 756,137** | **$ (89,474)** | **(31,084,290)** | **$ (369,289)** | **$ 693,156** |
| Stock issued against stock-based compensation plans | 1,453,080 | 1 | (1) | — | — | — | — | — |
| Stock-based compensation | — | — | 36,750 | — | — | — | — | 36,750 |
| Acquisition of treasury stock | — | — | — | — | — | (2,655,385) | (71,712) | (71,712) |
| Other comprehensive loss | — | — | — | — | (64,729) | — | — | (64,729) |
| Net income | — | — | — | 111,119 | — | — | — | 111,119 |
| **Balance as of September 30, 2022** | **198,994,780** | **$ 199** | **$ 432,333** | **$ 867,256** | **$ (154,203)** | **(33,739,675)** | **$ (441,001)** | **$ 704,584** |

*(1) Prior period information has been adjusted to reflect the 5-for-1 forward stock split of the Company's common stock effected in August 2023. Refer to Note 19 – Capital Structure to the unaudited consolidated financial statements for further details.*

*See accompanying notes to unaudited consolidated financial statements.*

**EXLSERVICE HOLDINGS, INC.**
**CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)**
**(In thousands)**

| | Nine months ended September 30, | |
|---|---|---|
| | **2023** | **2022** |
| Cash flows from operating activities: | | |
| Net income | $ 144,275 | $ 111,119 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization expense | 38,010 | 41,993 |
| Stock-based compensation expense | 42,985 | 36,750 |
| Amortization of operating lease right-of-use assets | 15,171 | 17,365 |
| Unrealized loss/(gain) on investments | 6,003 | (475) |
| Unrealized foreign currency exchange gain, net | (862) | (16,813) |
| Deferred income tax benefit | (26,555) | (5,621) |
| Allowance for expected credit losses | 2,444 | 177 |
| Fair value changes in contingent consideration | 2,500 | 1,000 |
| Others, net | 1,384 | 1,240 |
| Change in operating assets and liabilities, net of effects of acquisitions: | | |
| Accounts receivable | (46,488) | (68,066) |
| Other current assets | (412) | 2,553 |
| Income taxes payable, net | (12,022) | 4,043 |
| Other assets | (18,792) | (8,428) |
| Accounts payable | (4,624) | (1,927) |
| Deferred revenue | 2,319 | 2,103 |
| Accrued employee costs | (1,853) | (11,778) |
| Accrued expenses and other liabilities | 4,299 | 13,685 |
| Operating lease liabilities | (15,622) | (17,831) |
| Net cash provided by operating activities | 132,160 | 101,089 |
| Cash flows from investing activities: | | |
| Purchases of property and equipment | (41,106) | (32,099) |
| Proceeds from sale of property and equipment | 640 | 197 |
| Investment in equity affiliate | (600) | — |
| Business acquisition (net of cash and cash equivalents acquired) | — | (3,322) |
| Purchases of investments | (165,021) | (164,313) |
| Proceeds from redemption of investments | 217,525 | 124,355 |
| Net cash provided by/(used for) investing activities | 11,438 | (75,182) |
| Cash flows from financing activities: | | |
| Principal payments of finance lease liabilities | (120) | (108) |
| Proceeds from borrowings | 70,000 | 35,000 |
| Repayments of borrowings | (110,000) | (25,000) |
| Acquisition of treasury stock | (100,542) | (71,712) |
| Payment of contingent consideration | (5,000) | — |
| Proceeds from ESPP contribution and exercise of stock options | 4,690 | — |
| Net cash used for financing activities | (140,972) | (61,820) |
| Effect of exchange rate changes on cash, cash equivalents and restricted cash | (288) | (9,626) |
| Net increase/(decrease) in cash, cash equivalents and restricted cash | 2,338 | (45,539) |
| Cash, cash equivalents and restricted cash at the beginning of the period | 125,621 | 143,810 |
| Cash, cash equivalents and restricted cash at the end of the period | $ 127,959 | $ 98,271 |
| **Supplemental disclosure of cash flow information:** | | |
| Cash paid during the period for: | | |
| Interest | $ 10,580 | $ 4,982 |
| Income taxes, net of refunds | $ 76,743 | $ 35,192 |
| **Supplemental disclosure of non-cash investing and financing activities:** | | |
| Assets acquired under finance lease | $ 285 | $ 218 |

*See accompanying notes to unaudited consolidated financial statements.*

**EXLSERVICE HOLDINGS, INC.**

**NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS**
**September 30, 2023**
**(In thousands, except per share amount and share count)**

**1. Organization**

ExlService Holdings, Inc. ("ExlService Holdings") is organized as a corporation under the laws of the state of Delaware. ExlService Holdings, together with its subsidiaries and affiliates (collectively, the "Company"), is a leading data analytics and digital operations and solutions company that partners with clients to improve business outcomes and unlock growth. By bringing together deep domain expertise with robust data, powerful analytics, cloud, artificial intelligence and machine learning, the Company creates agile, scalable solutions and executes complex operations for the world's leading corporations in industries including insurance, healthcare, banking and financial services, media, and retail, among others. The Company's data-led value creation framework enables better and faster decision making, leveraging its end-to-end data and analytics capabilities to drive improved business outcomes, and re-designing of operating models to integrate advanced technology into operational workflows. The Company embeds digital operations and solutions into clients' businesses and introduces its data led approach to transform operations.

The Company's clients are located principally in the United States of America ("U.S.") and the United Kingdom ("U.K.").

**2. Summary of Significant Accounting Policies**

***(a) Basis of Preparation and Principles of Consolidation***

The unaudited consolidated financial statements have been prepared in conformity with United States generally accepted accounting principles ("U.S. GAAP") for interim financial information, the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by U.S. GAAP for annual financial statements and therefore should be read in conjunction with the audited consolidated financial statements and footnotes thereto included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2022.

The unaudited consolidated financial statements reflect all adjustments (of a normal and recurring nature) that management considers necessary for a fair presentation of such statements for the interim periods presented. The unaudited consolidated statements of income for the interim periods presented are not necessarily indicative of the results for the full year or for any subsequent period.

The accompanying unaudited consolidated financial statements include the financial statements of ExlService Holdings and all of its subsidiaries. The standalone financial statements of subsidiaries are fully consolidated on a line-by-line basis. Intra-group balances and transactions, and gains and losses arising from intra-group transactions, are eliminated while preparing consolidated financial statements.

The Company's investments in equity affiliates are initially recorded at cost and any excess purchase consideration paid over proportionate share of the fair value of the net assets of the investee at the acquisition date is recognized as goodwill. The proportionate share of net income or loss of the investee after its acquisition is recognized in the unaudited consolidated statements of income.

Accounting policies of the respective individual subsidiaries and equity affiliates are aligned wherever necessary, so as to ensure consistency with the accounting policies that are adopted by the Company under U.S. GAAP.

***(b) Stock Split***

The Company recognizes the effects of a forward stock split in the financial statements if there are changes in the total par value of the increased shares upon such forward stock split. The Company reclassifies an amount equal to the par value of the increased shares resulting from the forward stock split from "Additional paid-in capital" to "Common stock." The Company presents the effects of a forward stock split on earnings per share in the financial statements retroactively for all the periods presented. The Company has an option to present other effects of the forward stock split, including changes in the total par value of the increased shares and count of shares of common stock, in the consolidated financial statements either retroactively for all the periods presented or only for the period in which the forward stock split of the common stock becomes effective. The Company has elected to present the effects of the forward stock split retroactively for all the periods presented.

***(c) Use of Estimates***

The preparation of the unaudited consolidated financial statements in conformity with U.S. GAAP requires management 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 unaudited consolidated financial statements and the unaudited consolidated statements of income during the reporting period. Although these estimates are based on management's best assessment of the current business environment, actual results may be different from those estimates. The significant estimates and assumptions that affect the unaudited consolidated financial statements include, but are not limited to, estimates of the fair value of the identifiable intangible assets and contingent consideration, purchase price allocation, including revenue projections and the discount rate applied within the discounted cash flow model for business acquisitions, credit risk of customers, the nature and timing of the satisfaction of performance obligations, the standalone selling price of performance obligations, and variable consideration in a customer contract, expected recoverability from customers with contingent fee arrangements, estimated costs to complete fixed price contracts, assets and obligations related to employee benefit plans, deferred tax valuation allowances, income-tax uncertainties and other contingencies, valuation of derivative financial instruments, and stock-based awards, useful life of long-lived assets and other intangible assets, assumptions used to calculate stock-based compensation expense, assumptions used to determine the incremental borrowing rate to calculate lease liabilities and right-of-use ("ROU") assets, lease term to calculate amortization of ROU, methods to calculate depreciation and amortization for long-lived assets and other intangible assets, and recoverability of long-lived assets, goodwill and other intangible assets.

***(d) Recent Accounting Pronouncements***

In March 2023, the Financial Accounting Standard Board ("FASB") issued Accounting Standard Update ("ASU") No. 2023-01, *Leases ("Accounting Standards Codification ("ASC") Topic 842"): Common Control Arrangements*. This ASU provides guidance in ASC Topic 842 that leasehold improvements associated with common control leases should be (i) amortized by the lessee over the useful life of the leasehold improvements to the common control group, regardless of the lease term, as long as the lessee controls the use of the underlying asset through a lease, and (ii) accounted for as a transfer between entities under common control through an adjustment to equity if and when the lessee no longer controls the use of the underlying asset. The ASU is effective for fiscal years beginning after December 15, 2023. Early adoption is permitted for both interim and annual financial statements that have not yet been issued. When adopted in an interim period, it must be adopted from the beginning of the year that includes that interim period. The Company is currently evaluating the impact of this ASU on its consolidated financial statements.

**(e)** ***Recently adopted Accounting Pronouncements***

In October 2021, FASB issued ASU No. 2021-08, *Business Combinations ("ASC Topic 805")*: *Accounting for Contract Assets and Contract Liabilities from Contracts with Customers*. This ASU provides guidance in ASC Topic 805 to require the acquirer entity to recognize and measure contract assets and contract liabilities acquired in a business combination in accordance with ASC Topic 606, *Revenue from Contract with Customers*, as if it had originated the contracts. Generally, this should result in an acquirer recognizing and measuring the acquired contract assets and contract liabilities consistent with how they were recognized and measured in the acquiree's financial statements, if the acquiree prepared financial statements in accordance with U.S. GAAP. The ASU is effective for fiscal years beginning after December 15, 2022. An entity may early adopt the ASU including adoption in an interim period, with retrospective application to all business combinations within the fiscal year that includes such interim period. The adoption of this ASU is applicable for future business combinations.

In July 2023, the FASB issued ASU No. 2023-03, Presentation of Financial Statements ("ASC Topic 205"), Income Statement-Reporting Comprehensive Income ("ASC Topic 220"), Distinguishing Liabilities from Equity ("ASC Topic 480"), Equity ("ASC Topic 505"), and Compensation-Stock Compensation ("ASC Topic 718") pursuant to SEC Staff Accounting Bulletin No. 120 and amends various SEC paragraphs in the ASC. The ASU is effective immediately upon issuance and did not have a material impact on the Company's unaudited consolidated financial statements.

(In thousands, except per share amount and share count)

### 3. Segment and Geographical Information

The Company is a provider of data analytics and digital operations and solutions.

The Company manages and reports financial information through its four reportable segments: Insurance, Healthcare, Analytics and Emerging Business, which reflects how management reviews financial information and makes operating decisions. These business units develop client-specific solutions, build capabilities, maintain a unified go-to-market approach and are integrally responsible for service delivery, customer satisfaction, growth and profitability.

The chief operating decision maker ("CODM") generally reviews financial information such as revenues, cost of revenues and gross profit, disaggregated by the operating segments to allocate an overall budget among the operating segments.

The Company does not allocate, and therefore the CODM does not evaluate, certain operating expenses, interest expense or income taxes by segment. Many of the Company's assets are shared by multiple operating segments. The Company manages these assets on a total Company basis, not by operating segment, and therefore asset information and capital expenditures by operating segment are not presented.

Revenues and cost of revenues for the three months ended September 30, 2023 and 2022, respectively, for each of the reportable segments, are as follows:

| | Three months ended September 30, 2023 | | | | |
|---|---|---|---|---|---|
| | Insurance | Healthcare | Emerging Business | Analytics | Total |
| Revenues, net | $ 136,369 | $ 26,177 | $ 65,316 | $ 183,109 | $ 410,971 |
| Cost of revenues[1] | 86,435 | 16,533 | 37,599 | 115,435 | 256,002 |
| Gross profit[1] | $ 49,934 | $ 9,644 | $ 27,717 | $ 67,674 | $ 154,969 |
| Operating expenses | | | | | 94,739 |
| Foreign exchange gain, net, interest expense and other income, net | | | | | (2,218) |
| Income tax expense | | | | | 14,161 |
| Gain from equity-method investment | | | | | 25 |
| Net income | | | | | $ 43,876 |

(1) Exclusive of depreciation and amortization expense.

| | Three months ended September 30, 2022 | | | | |
|---|---|---|---|---|---|
| | Insurance | Healthcare | Emerging Business | Analytics | Total |
| Revenues, net | $ 116,198 | $ 22,820 | $ 56,035 | $ 166,298 | $ 361,351 |
| Cost of revenues[1] | 75,041 | 17,119 | 32,363 | 105,939 | 230,462 |
| Gross profit[1] | $ 41,157 | $ 5,701 | $ 23,672 | $ 60,359 | $ 130,889 |
| Operating expenses | | | | | 80,778 |
| Foreign exchange gain, net, interest expense and other loss, net | | | | | 1,323 |
| Income tax expense | | | | | 12,447 |
| Gain from equity-method investment | | | | | 108 |
| Net income | | | | | $ 39,095 |

(1) Exclusive of depreciation and amortization expense.

Revenues and cost of revenues for the nine months ended September 30, 2023 and 2022, respectively, for each of the reportable segments, are as follows:

EXLSERVICE HOLDINGS, INC.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS—(continued)
September 30, 2023
(In thousands, except per share amount and share count)

| | Nine months ended September 30, 2023 | | | | |
|---|---|---|---|---|---|
| | Insurance | Healthcare | Emerging Business | Analytics | Total |
| Revenues, net | $ 390,762 | $ 80,036 | $ 198,677 | $ 547,135 | $ 1,216,610 |
| Cost of revenues(1) | 253,081 | 52,882 | 111,414 | 343,314 | 760,691 |
| Gross profit(1) | $ 137,681 | $ 27,154 | $ 87,263 | $ 203,821 | $ 455,919 |
| Operating expenses | | | | | 271,430 |
| Foreign exchange gain, net, interest expense and other income, net | | | | | (2,598) |
| Income tax expense | | | | | 37,773 |
| Gain from equity-method investment | | | | | 157 |
| Net income | | | | | $ 144,275 |

(1) Exclusive of depreciation and amortization expense.

| | Nine months ended September 30, 2022 | | | | |
|---|---|---|---|---|---|
| | Insurance | Healthcare | Emerging Business | Analytics | Total |
| Revenues, net | $ 328,021 | $ 72,027 | $ 160,655 | $ 476,638 | $ 1,037,341 |
| Cost of revenues(1) | 210,768 | 52,464 | 92,790 | 303,163 | 659,185 |
| Gross profit(1) | $ 117,253 | $ 19,563 | $ 67,865 | $ 173,475 | $ 378,156 |
| Operating expenses | | | | | 236,989 |
| Foreign exchange gain, net, interest expense and other income, net | | | | | 4,361 |
| Income tax expense | | | | | 34,774 |
| Gain from equity-method investment | | | | | 365 |
| Net income | | | | | $ 111,119 |

(1) Exclusive of depreciation and amortization expense.

Revenues, net by service type, were as follows:

| | Three months ended September 30, | | Nine months ended September 30, | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| Digital operations and solutions(1) | $ 227,862 | $ 195,053 | $ 669,475 | $ 560,703 |
| Analytics services | 183,109 | 166,298 | 547,135 | 476,638 |
| Revenues, net | $ 410,971 | $ 361,351 | $ 1,216,610 | $ 1,037,341 |

(1) Digital operations and solutions include revenues of the Company’s Insurance, Healthcare and Emerging Business reportable segments. Refer to the reportable segment disclosure above.

The Company attributes the revenues to regions based upon the location of its customers.

(In thousands, except per share amount and share count)

| | Three months ended September 30, 2023 | Three months ended September 30, 2022 | Nine months ended September 30, 2023 | Nine months ended September 30, 2022 |
|---|---|---|---|---|
| **Revenues, net** | | | | |
| United States | $ 343,135 | $ 310,652 | $ 1,022,883 | $ 891,551 |
| Non-United States | | | | |
| United Kingdom | 46,327 | 34,131 | 131,549 | 98,994 |
| Rest of World | 21,509 | 16,568 | 62,178 | 46,796 |
| Total Non-United States | 67,836 | 50,699 | 193,727 | 145,790 |
| Revenues, net | $ 410,971 | $ 361,351 | $ 1,216,610 | $ 1,037,341 |

Long-lived assets by geographic area, which consist of property and equipment, net and operating lease right-of-use assets were as follows:

| | As of September 30, 2023 | As of December 31, 2022 |
|---|---|---|
| **Long-lived assets** | | |
| United States | $ 62,642 | $ 60,709 |
| India | 44,811 | 50,118 |
| Philippines | 21,895 | 18,406 |
| Rest of World | 24,198 | 8,942 |
| Long-lived assets | $ 153,546 | $ 138,175 |

## 4. Revenues, net

Refer to Note 3 - Segment and Geographical Information to the unaudited consolidated financial statements for revenues disaggregated by reportable segments and geography.

Contract balances

The following table provides information about accounts receivable, contract assets and contract liabilities from contracts with customers:

| | As of September 30, 2023 | As of December 31, 2022 |
|---|---|---|
| Accounts receivable, net | $ 303,378 | $ 259,222 |
| Contract assets | $ 11,086 | $ 2,768 |
| Contract liabilities: | | |
| Deferred revenue (consideration received in advance) | $ 11,285 | $ 17,079 |
| Consideration received for process transition activities | $ 13,893 | $ 5,423 |

Accounts receivable includes $152,425 and $126,027 as of September 30, 2023 and December 31, 2022, respectively, representing unbilled receivables. The Company has accrued the unbilled receivables for work performed in accordance with the terms of contracts with customers and considers no significant performance risk associated with its unbilled receivables.

Contract assets represent upfront payments such as deal signing discounts or deal signing bonuses made to customers. These costs are amortized over the expected period of the benefit and are recorded as an adjustment to transaction price and reduced from revenues. The Company's assessment did not indicate any impairment losses on its contract assets for the periods presented.

(In thousands, except per share amount and share count)

Contract liabilities represent that portion of deferred revenue for which payments have been received in advance from customers. The Company also defers revenues attributable to certain process transition activities for which costs have been capitalized by the Company as contract fulfillment costs. Consideration received from customers, if any, relating to such transition activities are classified under contract liabilities and are included within “Deferred revenue” and “Other non-current liabilities” in the consolidated balance sheets. The revenues are recognized as (or when) the performance obligation is fulfilled under the contract with customer.

Revenue recognized during the three and nine months ended September 30, 2023 and 2022, which was included in the contract liabilities balance at the beginning of the respective periods:

| | Three months ended September 30, | | Nine months ended September 30, | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| Deferred revenue (consideration received in advance) | $ 690 | $ 2,456 | $ 16,682 | $ 16,326 |
| Consideration received for process transition activities | $ 373 | $ 706 | $ 1,381 | $ 1,370 |

**Contract acquisition and fulfillment costs**

The following table provides details of the Company’s contract acquisition and fulfillment costs:

| | Contract Acquisition Costs | | | | |
|---|---|---|---|---|---|
| | Three months ended | | Nine months ended | | Year ended |
| | September 30, 2023 | September 30, 2022 | September 30, 2023 | September 30, 2022 | December 31, 2022 |
| Opening Balance | $ 2,183 | $ 983 | $ 1,095 | $ 511 | $ 511 |
| Additions | 115 | 78 | 1,591 | 805 | 1,014 |
| Amortization | (233) | (73) | (621) | (328) | (430) |
| Closing Balance | **$ 2,065** | **$ 988** | **$ 2,065** | **$ 988** | **$ 1,095** |

| | Contract Fulfillment Costs | | | | |
|---|---|---|---|---|---|
| | Three months ended | | Nine months ended | | Year ended |
| | September 30, 2023 | September 30, 2022 | September 30, 2023 | September 30, 2022 | December 31, 2022 |
| Opening Balance | $ 21,445 | $ 10,167 | $ 13,871 | $ 5,795 | $ 5,795 |
| Additions | 3,790 | 2,964 | 12,633 | 8,449 | 15,509 |
| Amortization | (878) | (1,170) | (2,147) | (2,283) | (7,433) |
| Closing Balance | **$ 24,357** | **$ 11,961** | **$ 24,357** | **$ 11,961** | **$ 13,871** |

There was no impairment for contract acquisition and contract fulfillment costs as of September 30, 2023 and December 31, 2022. The capitalized costs are amortized over the expected period of benefit of the contract.

**Allowance for expected credit losses**

The Company evaluates the credit risk of its customers based on a combination of various financial and qualitative factors that may affect the ability of each customer to pay. The Company considered current and anticipated future economic conditions relating to the industries of the Company’s customers and the countries where it operates. In calculating expected credit loss, the Company also considered past payment trends, credit rating and other related credit information for its significant customers to estimate the probability of default in the future.

(In thousands, except per share amount and share count)

| | As of | |
|---|---|---|
| | September 30, 2023 | December 31, 2022 |
| Accounts receivable, including unbilled receivables | $ 307,074 | $ 260,554 |
| Less: Allowance for expected credit losses | (3,696) | (1,332) |
| **Accounts receivable, net** | **$ 303,378** | **$ 259,222** |

The movement in “Allowance for expected credit losses” on customer balances was as follows:

| | Three months ended | | Nine months ended | | Year ended |
|---|---|---|---|---|---|
| | September 30, 2023 | September 30, 2022 | September 30, 2023 | September 30, 2022 | December 31, 2022 |
| Opening Balance | $ 1,800 | $ 844 | $ 1,332 | $ 573 | $ 573 |
| Additions | 1,964 | 9 | 2,441 | 752 | 815 |
| Reductions due to write-off of accounts receivables | (70) | — | (78) | (472) | (60) |
| Currency translation adjustments | 2 | 2 | 1 | 2 | 4 |
| **Closing Balance** | **$ 3,696** | **$ 855** | **$ 3,696** | **$ 855** | **$ 1,332** |

**Concentration of credit risk**

To reduce credit risk, the Company conducts ongoing credit evaluations of its customers. No customer accounted for more than 10% of accounts receivable, net, as of September 30, 2023 and December 31, 2022.

**5. Earnings Per Share**

Basic earnings per share is computed by dividing net income attributable to common stockholders by the weighted average number of common shares outstanding, adjusted for outstanding shares that are subject to repurchase during each period. Diluted earnings per share is computed using the weighted average number of common shares plus the potentially dilutive effect of common stock equivalents (outstanding stock options, restricted stock, restricted stock units and employee stock purchase plans) issued and outstanding at the reporting date, using the treasury stock method. Common stock equivalents that are anti-dilutive are excluded from the computation of weighted average shares outstanding.

The following table sets forth the computation of basic and diluted earnings per share:

| | Three months ended September 30, | | Nine months ended September 30, | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| **Numerators:** | | | | |
| Net income | $ 43,876 | $ 39,095 | $ 144,275 | $ 111,119 |
| **Denominators**[(1)]**:** | | | | |
| Basic weighted average common shares outstanding | 166,159,619 | 166,189,165 | 166,707,599 | 166,801,730 |
| Dilutive effect of stock-based awards | 1,528,755 | 2,699,580 | 1,884,013 | 2,366,455 |
| Diluted weighted average common shares outstanding | 167,688,374 | 168,888,745 | 168,591,612 | 169,168,185 |
| Earnings per share attributable to ExlService Holdings, Inc. stockholders [(1)]: | | | | |
| Basic | $ 0.26 | $ 0.24 | $ 0.87 | $ 0.67 |
| Diluted | $ 0.26 | $ 0.23 | $ 0.86 | $ 0.66 |
| Weighted average potentially dilutive shares considered anti-dilutive and not included in computing diluted earnings per share [(1)] | 2,899,035 | 4,680 | 1,564,844 | 3,365 |

*(1) Prior period information has been adjusted to reflect the 5-for-1 forward stock split of the Company’s common stock effected in August 2023. Refer to Note 19 – Capital Structure to the unaudited consolidated financial statements for further details.*

(In thousands, except per share amount and share count)

## 6. Other Income, net

Other income, net consists of the following:

| | Three months ended September 30, | | Nine months ended September 30, | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| Gain on sale and mark-to-market on investments | $ 1,337 | $ 1,471 | $ 4,076 | $ 3,341 |
| Interest and dividend income | 2,106 | 1,457 | 5,480 | 3,674 |
| Fair value changes of contingent consideration* | (2,500) | — | (2,500) | (1,000) |
| Others, net | (165) | (667) | (462) | (1,517) |
| Other income, net | $ 778 | $ 2,261 | $ 6,594 | $ 4,498 |

* Refer to Note 16 - Fair Value Measurements to the unaudited consolidated financial statements for further details.

## 7. Cash, Cash Equivalents and Restricted Cash

For the purposes of unaudited statements of cash flows, cash, cash equivalents and restricted cash consist of the following:

| | As of | | |
|---|---|---|---|
| | September 30, 2023 | September 30, 2022 | December 31, 2022 |
| Cash and cash equivalents | $ 122,655 | $ 89,262 | $ 118,669 |
| Restricted cash (current) | 3,257 | 7,013 | 4,897 |
| Restricted cash (non-current) | 2,047 | 1,996 | 2,055 |
| Cash, cash equivalents and restricted cash | $ 127,959 | $ 98,271 | $ 125,621 |

Restricted cash (current) primarily represents funds held on behalf of clients in dedicated bank accounts. The corresponding liability against the same is included under “Accrued Expenses and other current liabilities.” Restricted cash (non-current) represents amounts on deposit with banks against bank guarantees issued through banks in favor of relevant statutory authorities for equipment imports, deposits for obtaining indirect tax registrations and for demands against pending income tax assessments. These deposits with banks will mature one year after the balance sheet date.

## 8. Investments

Investments consist of the following:

| | As of | |
|---|---|---|
| | September 30, 2023 | December 31, 2022 |
| **Short-term investments** | | |
| Mutual funds | $ 76,476 | $ 110,964 |
| Term deposits | 75,105 | 68,063 |
| **Total Short-term investments** | **$ 151,581** | **$ 179,027** |
| | | |
| **Long-term investments** | | |
| Term deposits | $ 1,078 | $ 31,341 |
| Investment in equity affiliate | 4,195 | 3,438 |
| **Total Long-term investments** | **$ 5,273** | **$ 34,779** |

Refer to Note 16 - Fair Value Measurements to the unaudited consolidated financial statements for further details.

(In thousands, except per share amount and share count)

## 9. Property and Equipment

Property and equipment, net consists of the following:

| | Estimated useful lives (Years) | As of September 30, 2023 | As of December 31, 2022 |
|---|---|---|---|
| **Owned Assets:** | | | |
| Network equipment and computers | 3-5 | $ 143,357 | $ 130,218 |
| Software | 2-5 | 99,614 | 88,487 |
| Leasehold improvements | 3-8 | 39,470 | 42,890 |
| Office furniture and equipment | 3-8 | 19,407 | 20,211 |
| Motor vehicles | 2-5 | 727 | 605 |
| Buildings | 30 | 958 | 961 |
| Land | — | 627 | 629 |
| Capital work in progress | — | 15,674 | 14,459 |
| | | 319,834 | 298,460 |
| Less: Accumulated depreciation and amortization | | (223,760) | (216,132) |
| | | 96,074 | 82,328 |
| **Right-of-use assets under finance leases:** | | | |
| Network equipment and computers | | 58 | 82 |
| Leasehold improvements | | 605 | 1,013 |
| Office furniture and equipment | | 431 | 662 |
| Motor vehicles | | 891 | 742 |
| | | 1,985 | 2,499 |
| Less: Accumulated depreciation and amortization | | (1,330) | (1,999) |
| | | 655 | 500 |
| Property and equipment, net | | $ 96,729 | $ 82,828 |

Capital work in progress represents advances paid towards acquisition of property and equipment and costs incurred on internally developed software not yet ready for its intended use.

During the three and nine months ended September 30, 2023, there were no material changes in estimated useful lives of property and equipment during the ordinary course of operations.

The depreciation and amortization expense, excluding amortization of acquisition-related intangibles, recognized in the unaudited consolidated statements of income was as follows:

| | Three months ended September 30, 2023 | Three months ended September 30, 2022 | Nine months ended September 30, 2023 | Nine months ended September 30, 2022 |
|---|---|---|---|---|
| Depreciation and amortization expense | $ 8,426 | $ 10,137 | $ 26,682 | $ 29,182 |

The effect of foreign exchange loss upon settlement of cash flow hedges recorded under depreciation and amortization expense, was as follows:

| | Three months ended September 30, 2023 | Three months ended September 30, 2022 | Nine months ended September 30, 2023 | Nine months ended September 30, 2022 |
|---|---|---|---|---|
| Effect of foreign exchange loss | $ (37) | $ (126) | $ (182) | $ (64) |

(In thousands, except per share amount and share count)

Internally developed software costs, included under Software, was as follows:

| | As of | |
|---|---|---|
| | September 30, 2023 | December 31, 2022 |
| Cost | $ 42,585 | $ 31,544 |
| Less : Accumulated amortization | (22,843) | (16,134) |
| Internally developed software, net | $ 19,742 | $ 15,410 |

The amortization expense on internally developed software recognized in the unaudited consolidated statements of income was as follows:

| | Three months ended September 30, | | Nine months ended September 30, | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| Amortization expense | $ 2,311 | $ 1,832 | $ 6,711 | $ 4,414 |

As of September 30, 2023 and December 31, 2022, the Company believes no impairment exists because the long-lived asset's future undiscounted net cash flows expected to be generated exceeds its carrying value; however, there can be no assurance that long-lived assets will not be impaired in future periods. Determining whether an impairment has occurred typically requires various estimates and assumptions, including determining which undiscounted cash flows are directly related to the potentially impaired asset, the useful life over which cash flows will occur, their amount, the asset's residual value, if any. It is reasonably possible that the judgments and estimates described above could change in future periods.

## 10. Goodwill and Other Intangible Assets

### *Goodwill*

The following table sets forth details of changes in goodwill by reportable segment of the Company:

| | Insurance | Healthcare | Emerging Business | Analytics | Total |
|---|---|---|---|---|---|
| Balance as of January 1, 2023 | $ 49,929 | $ 21,875 | $ 47,101 | $ 286,732 | $ 405,637 |
| Currency translation adjustments | 11 | (2) | (66) | (1) | (58) |
| Balance as of September 30, 2023 | $ 49,940 | $ 21,873 | $ 47,035 | $ 286,731 | $ 405,579 |

As of September 30, 2023, the Company performed an assessment to determine whether events or circumstances exist that may lead to a determination that it is more likely than not that the fair value of a reporting unit is less than its carrying amount. The Company considered current and forecasted economic and market conditions and qualitative factors, such as the Company's performance during nine months of the current fiscal year, business forecasts for the remainder of the year, stock price movements, generation and availability of cash and expansion plans. The Company reviewed key assumptions, including revisions of projected future revenues for reporting units against the results of the annual impairment test performed during the fourth quarter of 2022. The Company did not identify any triggers or indications of potential impairment for its reporting units as of September 30, 2023.

The recoverability of goodwill is dependent upon the continued growth of cash flows from the Company's business activities. This growth is based on business forecasts and improvement in profitability of its reporting units. The Company continues to maintain its focus on cultivating long-term client relationships as well as attracting new clients.

### *Other Intangible Assets*

Information regarding the Company's intangible assets is set forth below:

(In thousands, except per share amount and share count)

| | As of September 30, 2023 | | |
|---|---|---|---|
| | Gross Carrying Amount | Accumulated Amortization | Net Carrying Amount |
| **Finite-lived intangible assets:** | | | |
| Customer relationships | $ 99,146 | $ (48,313) | $ 50,833 |
| Developed technology | 3,490 | (2,266) | 1,224 |
| Trade names and trademarks | 1,700 | (1,520) | 180 |
| Non-compete agreements | 336 | (158) | 178 |
| | 104,672 | (52,257) | 52,415 |
| **Indefinite-lived intangible assets:** | | | |
| Trade names and trademarks | 900 | — | 900 |
| **Total intangible assets** | $ 105,572 | $ (52,257) | $ 53,315 |

| | As of December 31, 2022 | | |
|---|---|---|---|
| | Gross Carrying Amount | Accumulated Amortization | Net Carrying Amount |
| **Finite-lived intangible assets:** | | | |
| Customer relationships | $ 99,146 | $ (39,848) | $ 59,298 |
| Developed technology | 24,878 | (20,902) | 3,976 |
| Trade names and trademarks | 1,700 | (1,303) | 397 |
| Non-compete agreements | 336 | (88) | 248 |
| | 126,060 | (62,141) | 63,919 |
| **Indefinite-lived intangible assets:** | | | |
| Trade names and trademarks | 900 | — | 900 |
| **Total intangible assets** | $ 126,960 | $ (62,141) | $ 64,819 |

The amortization expense recognized in the unaudited consolidated statements of income was as follows:

| | Three months ended September 30, | | Nine months ended September 30, | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| Amortization expense | $ 3,157 | $ 4,243 | $ 11,510 | $ 12,875 |

Estimated future amortization expense related to finite-lived intangible assets as of September 30, 2023 was as follows:

| | |
|---|---|
| 2023 (October 1 - December 31) | $ 3,147 |
| 2024 | 12,135 |
| 2025 | 10,699 |
| 2026 | 10,363 |
| 2027 | 9,364 |
| 2028 and thereafter | 6,707 |
| Total | $ 52,415 |

(In thousands, except per share amount and share count)

## 11. Other Current Assets

Other current assets consist of the following:

| | As of | |
|---|---|---|
| | September 30, 2023 | December 31, 2022 |
| Advance income tax, net | $ 26,630 | $ 5,716 |
| Receivables from statutory authorities | 15,996 | 15,724 |
| Prepaid expenses | 15,066 | 18,132 |
| Deferred contract fulfillment costs | 3,091 | 1,178 |
| Derivative instruments | 2,757 | 1,526 |
| Contract assets | 2,286 | 904 |
| Advances to suppliers | 1,299 | 1,944 |
| Others | 3,572 | 5,855 |
| Other current assets | $ 70,697 | $ 50,979 |

## 12. Other Assets

Other assets consist of the following:

| | As of | |
|---|---|---|
| | September 30, 2023 | December 31, 2022 |
| Deferred contract fulfillment costs | $ 21,266 | $ 12,693 |
| Contract assets | 8,800 | 1,864 |
| Deposits with statutory authorities | 7,272 | 6,276 |
| Lease deposits | 5,828 | 6,621 |
| Derivative instruments | 2,265 | 820 |
| Others | 5,967 | 3,795 |
| Other assets | $ 51,398 | $ 32,069 |

## 13. Accrued Expenses and Other Current Liabilities

Accrued expenses and other current liabilities consist of the following:

| | As of | |
|---|---|---|
| | September 30, 2023 | December 31, 2022 |
| Accrued expenses | $ 55,071 | $ 47,854 |
| Payable to statutory authorities | 19,067 | 20,430 |
| Contingent consideration | 15,600 | 5,000 |
| Client liabilities | 5,251 | 5,110 |
| Derivative instruments | 5,089 | 10,059 |
| Accrued capital expenditures | 3,978 | 4,032 |
| Others | 3,674 | 2,867 |
| Accrued expenses and other current liabilities | $ 107,730 | $ 95,352 |

(In thousands, except per share amount and share count)

## 14. Other Non-Current Liabilities

Other non-current liabilities consist of the following:

| | As of | |
|---|---|---|
| | September 30, 2023 | December 31, 2022 |
| Retirement benefits | $ 13,210 | $ 12,982 |
| Deferred transition revenue | 11,807 | 4,408 |
| Unrecognized tax benefits | 2,329 | 2,329 |
| Derivative instruments | 1,534 | 6,218 |
| Contingent consideration | 589 | 13,689 |
| Others | 1,885 | 1,666 |
| Other non-current liabilities | $ 31,354 | $ 41,292 |

## 15. Accumulated Other Comprehensive Income/(Loss)

Accumulated other comprehensive income/(loss) ("AOCI") consists of actuarial gain/(loss) on retirement benefits and foreign currency translation adjustments. In addition, the Company enters into foreign currency forward contracts and interest rate swaps, which are designated as cash flow hedges and net investment hedges, as applicable, in accordance with ASC Topic 815, *Derivatives and Hedging*. Cumulative changes in the fair values of cash flow hedges are recognized in AOCI on the Company's consolidated balance sheets. The fair value changes are reclassified from AOCI to unaudited consolidated statements of income upon settlement of foreign currency forward contracts designated as cash flow hedges of a forecast transaction, whereas such changes for interest rate swaps are reclassified over the term of the contract. Fair value changes related to net investment hedges are included in AOCI and are reclassified to unaudited consolidated statements of income when a foreign operation is disposed or partially disposed. The following table sets forth the changes in AOCI during the nine months ended September 30, 2023 and 2022:

| | Accumulated Other Comprehensive Income/(Loss) | | | |
|---|---|---|---|---|
| | Foreign currency translation gain/(loss) | Unrealized gain/(loss) on cash flow hedges | Retirement benefits | Total |
| **Balance as of January 1, 2023** | **$ (133,139)** | **$ (11,303)** | **$ 299** | **$ (144,143)** |
| Gains/(losses) recognized during the period | (2,605) | 8,242 | — | 5,637 |
| Reclassification to net income [1] | — | 4,261 | (70) | 4,191 |
| Income tax effects [2] | 466 | (2,900) | (56) | (2,490) |
| **Accumulated other comprehensive income/(loss) as of September 30, 2023** | **$ (135,278)** | **$ (1,700)** | **$ 173** | **$ (136,805)** |
| | | | | |
| **Balance as of January 1, 2022** | **$ (95,437)** | **$ 8,420** | **$ (2,457)** | **$ (89,474)** |
| Losses recognized during the period | (49,371) | (28,638) | — | (78,009) |
| Reclassification to net income [1] | — | (1,881) | 451 | (1,430) |
| Income tax effects [2] | 8,898 | 5,948 | (136) | 14,710 |
| **Accumulated other comprehensive income/(loss) as of September 30, 2022** | **$ (135,910)** | **$ (16,151)** | **$ (2,142)** | **$ (154,203)** |

(1) *Refer to Note 17 - Derivatives and Hedge Accounting and Note 20 - Employee Benefit Plans to the unaudited consolidated financial statements for reclassification to net income.*

(2) *These are income tax effects recognized on cash flow hedges, retirement benefits and foreign currency translation gain/(loss). Refer to Note 22 - Income Taxes to the unaudited consolidated financial statements.*

(In thousands, except per share amount and share count)

## 16. Fair Value Measurements

***Assets and Liabilities Measured at Fair Value***

The following table sets forth the Company's assets and liabilities that were recognized at fair value:

| As of September 30, 2023 | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Other Unobservable Inputs (Level 3) | Total |
|---|---|---|---|---|
| **Assets** | | | | |
| Cash equivalents - Money market funds [1] | $ 17,718 | $ — | $ — | $ 17,71 |
| Mutual funds [2] | 76,476 | — | — | 76,47 |
| Derivative financial instruments | — | 5,022 | — | 5,02 |
| Total | $ 94,194 | $ 5,022 | $ — | $ 99,21 |
| **Liabilities** | | | | |
| Derivative financial instruments | $ — | $ 6,623 | $ — | $ 6,62 |
| Contingent consideration [3] | — | — | 16,189 | 16,18 |
| Total | $ — | $ 6,623 | $ 16,189 | $ 22,81 |

| As of December 31, 2022 | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Other Unobservable Inputs (Level 3) | Total |
|---|---|---|---|---|
| **Assets** | | | | |
| Cash equivalents - Money market funds [1] | $ 1,137 | $ — | $ — | $ 1,13 |
| Mutual funds [2] | 110,964 | — | — | 110,96 |
| Derivative financial instruments | — | 2,346 | — | 2,34 |
| Total | $ 112,101 | $ 2,346 | $ — | $ 114,44 |
| **Liabilities** | | | | |
| Derivative financial instruments | $ — | $ 16,277 | $ — | $ 16,27 |
| Contingent consideration [3] | — | — | 18,689 | 18,68 |
| Total | $ — | $ 16,277 | $ 18,689 | $ 34,96 |

*(1) Represents money market funds which are carried at the fair value option under ASC Topic 825 "Financial Instruments".*

*(2) Represents those short-term investments which are carried at the fair value option under ASC Topic 825 "Financial Instruments".*

*(3) Contingent consideration is presented under "Accrued Expenses and Other Current Liabilities" and "Other Non-Current Liabilities," as applicable, in the consolidated balance sheets.*

*Fair Value of Derivative Financial Instruments:*

The Company's derivative financial instruments consist of foreign currency forward contracts and interest rate swaps. Fair values for derivative financial instruments are based on independent sources including highly rated financial institutions and are classified as Level 2. Refer to Note 17 - Derivatives and Hedge Accounting to the unaudited consolidated financial statements for further details.

(In thousands, except per share amount and share count)

*Fair Value of Contingent Consideration:*

The fair value measurement of contingent consideration is determined using Level 3 inputs. The Company's contingent consideration represents a component of the total purchase consideration for business acquisitions. The measurement is calculated using unobservable inputs based on the Company's own assessment of achievement of certain performance goals. The Company estimated the fair value of the contingent consideration based on the Monte Carlo simulation model and scenario-based method.

The following table summarizes the changes in the fair value of contingent consideration:

| | Three months ended September 30, | | Nine months ended September 30, | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| **Opening balance** | $ 13,689 | $ 11,439 | $ 18,689 | $9,000 |
| Acquisitions | — | — | — | 1,439 |
| Fair value changes | 2,500 | — | 2,500 | 1,000 |
| Payments | — | — | (5,000) | — |
| **Closing balance** | $ 16,189 | $ 11,439 | $ 16,189 | $ 11,439 |

During the three and nine months ended September 30, 2023 and 2022, there were no transfers among Level 1, Level 2 and Level 3.

*Financial Instruments Not Carried at Fair Value*:

The Company's other financial instruments not carried at fair value consist primarily of cash and cash equivalents (except investments in money market funds, as disclosed above), short-term investments (except investments in mutual funds, as disclosed above), restricted cash, accounts receivable, net, long-term investments, accrued capital expenditures, accrued expenses, client liabilities and interest payable on borrowings for which fair values approximate their carrying amounts. The carrying value of the Company's outstanding revolving credit facility approximates its fair value because the Company's interest rate yield is near current market rates for comparable debt instruments.

**17. Derivatives and Hedge Accounting**

The Company uses derivative instruments to mitigate cash flow volatility from risk of fluctuations in foreign currency exchange rates and interest rates. The Company enters into foreign currency forward contracts to hedge cash flow risks from forecasted transactions denominated in certain foreign currencies, and interest rate swaps to hedge cash flow risks from its revolving credit facility having variable interest rate obligations. These contracts qualify as cash flow hedges under ASC Topic 815, *Derivatives and Hedging*, and are with counterparties that are highly rated financial institutions. For derivatives in cash flow hedging relationships as of September 30, 2023 and December 31, 2022, the Company had outstanding foreign currency forward contracts totaling $797,400 and $841,620, respectively and interest rate swaps totaling $75,000, each.

The Company estimates that approximately $2,399 of derivative losses, net, excluding tax effects, included in AOCI, representing changes in the value of cash flow hedges based on exchange rates prevailing as of September 30, 2023, could be reclassified into earnings within the next twelve months. As of September 30, 2023, the maximum outstanding term of the cash flow hedges was approximately 36 months.

The Company also enters into foreign currency forward contracts to hedge its intercompany balances and other monetary assets and liabilities denominated in currencies other than functional currencies, against the risk of fluctuations in foreign currency exchange rates associated with remeasurement of such assets and liabilities to functional currency. These foreign currency forward contracts do not qualify as fair value hedges under ASC Topic 815, *Derivatives and Hedging*. Changes in the fair value of these financial instruments are recognized in the unaudited consolidated statements of income and are included in the foreign exchange gain/(loss) line item. The Company's primary exchange rate exposure is with the Indian rupee, the Philippine peso and the U.K. pound sterling (GBP). The Company also has exposure to Colombian pesos (COP), the Euro (EUR), South African rand (ZAR), the Australian dollar (AUD), the Canadian dollar (CAD) and other local currencies in which it operates.

(In thousands, except per share amount and share count)

The following table sets forth the aggregate notional principal amounts of outstanding foreign currency forward contracts for derivatives not designated as hedging instruments:

| | As of | |
|---|---|---|
| **Foreign currency forward contracts denominated in:** | **September 30, 2023** | **December 31, 2022** |
| U. S. dollar (USD) | 175,445 | 163,990 |
| U.K. pound sterling (GBP) | 10,435 | 8,351 |
| Euro (EUR) | 3,531 | 1,956 |
| Australian dollar (AUD) | 3,991 | 1,951 |
| South African rand (ZAR) | 122,188 | — |
| Colombian peso (COP) | 2,286,550 | — |

The following table sets forth the fair value of the foreign currency forward contracts and interest rate swaps and their location on the consolidated balance sheets:

| | Derivatives in cash flow hedging relationships | | Derivatives not designated as hedging instruments | |
|---|---|---|---|---|
| | As of | | As of | |
| | September 30, 2023 | December 31, 2022 | September 30, 2023 | December 31, 2022 |
| **Assets:** | | | | |
| Other current assets | $ 2,542 | $ 1,271 | $ 215 | $ 2 |
| Other assets | $ 2,265 | $ 820 | $ — | $ [illegible] |
| **Liabilities:** | | | | |
| Accrued expenses and other current liabilities | $ 4,941 | $ 10,044 | $ 148 | $ |
| Other non-current liabilities | $ 1,534 | $ 6,218 | $ — | $ [illegible] |

The following table sets forth the effect of foreign currency forward contracts and interest rate swaps on AOCI and the unaudited consolidated statements of income:

| | Three months ended September 30, | | Nine months ended September 30, | |
|---|---|---|---|---|
| **Derivative financial instruments:** | **2023** | **2022** | **2023** | **2022** |
| **Unrealized gain/(loss) recognized in AOCI** | | | | |
| Derivatives in cash flow hedging relationships | $ (7,903) | $ (13,489) | $ 8,242 | $ (28,638) |
| | | | | |
| **Gain/(loss) recognized in unaudited consolidated statements of income** | | | | |
| Derivatives not designated as hedging instruments | $ (1,584) | $ (4,889) | $ 574 | $ (11,245) |

(In thousands, except per share amount and share count)

The following table sets forth the location and amount of gain/(loss) recognized in unaudited consolidated statements of income for derivatives in cash flow hedging relationships and derivatives not designated as hedging instruments:

| | Three months ended September 30, | | | |
|---|---|---|---|---|
| | 2023 | | 2022 | |
| | As per unaudited consolidated statements of income | Gain/(loss) on derivative financial instruments | As per unaudited consolidated statements of income | Gain/(loss) on derivative financial instruments |
| **Derivatives in cash flow hedging relationships** | | | | |
| Location in unaudited consolidated statements of income where gain/(loss) was reclassified from AOCI | | | | |
| Cost of revenues | $ 256,002 | $ (252) | $ 230,462 | $ (1,381) |
| General and administrative expenses | $ 52,213 | 18 | $ 42,519 | (109) |
| Selling and marketing expenses | $ 30,943 | — | $ 23,879 | (6) |
| Depreciation and amortization expense | $ 11,583 | (19) | $ 14,380 | (71) |
| Interest expense | $ 3,405 | 221 | $ 2,442 | — |
| **Total before tax** | | (32) | | (1,567) |
| Income tax effects on above | | (64) | | 133 |
| **Net of tax** | | $ (96) | | $ (1,434) |
| **Derivatives not designated as hedging instruments** | | | | |
| Location in unaudited consolidated statements of income where gain/(loss) was recognized | | | | |
| Foreign exchange gain/(loss), net | $ 409 | $ (1,584) | $ 1,504 | $ (4,889) |
| | $ 409 | $ (1,584) | $ 1,504 | $ (4,889) |

(In thousands, except per share amount and share count)

The following table sets forth the location and amount of gain/(loss) recognized in unaudited consolidated statements of income for derivatives in cash flow hedging relationships and derivatives not designated as hedging instruments:

| | Nine months ended September 30, | | | |
|---|---|---|---|---|
| | 2023 | | 2022 | |
| | As per unaudited consolidated statements of income | Gain/(loss) on derivative financial instruments | As per unaudited consolidated statements of income | Gain/(loss) on derivative financ[illegible] instruments |
| **Derivatives in cash flow hedging relationships** | | | | |
| Location in unaudited consolidated statements of income where gain/(loss) was reclassified from AOCI | | | | |
| Cost of revenues | $ 760,691 | $ (4,148) | $ 659,185 | $ 1,[illegible] |
| General and administrative expenses | $ 144,564 | (357) | $ 122,898 | |
| Selling and marketing expenses | $ 88,674 | (32) | $ 72,034 | |
| Depreciation and amortization expense | $ 38,192 | (185) | $ 42,057 | |
| Interest expense | $ 10,030 | 461 | $ 4,820 | |
| **Total before tax** | | (4,261) | | 1,[illegible] |
| Income tax effects on above | | 701 | | ([illegible] |
| **Net of tax** | | $ (3,560) | | $ 1,[illegible] |
| | | | | |
| **Derivatives not designated as hedging instruments** | | | | |
| Location in unaudited consolidated statements of income where gain/(loss) was recognized | | | | |
| Foreign exchange gain/(loss), net | $ 838 | $ 574 | $ 4,683 | $ (11,[illegible] |
| | $ 838 | $ 574 | $ 4,683 | $ (11,[illegible] |

**18. Borrowings**

The following table summarizes the Company’s debt position:

| | As of | |
|---|---|---|
| | September 30, 2023 | December 31, 2022 |
| | Revolving credit facility | |
| Current portion of long-term borrowings | $ 50,000 | $ 30,000 |
| Long-term borrowings | 160,000 | 220,000 |
| **Total borrowings** | $ 210,000 | $ 250,000 |

Unamortized debt issuance costs for the Company’s revolving credit facility of $972 and $1,177 as of September 30, 2023 and December 31, 2022, respectively, are presented under “Other current assets” and “Other assets,” as applicable in the consolidated balance sheets.

(In thousands, except per share amount and share count)

*Credit Agreement*

The Company held a $300,000 revolving credit facility pursuant to its credit agreement (the "Credit Agreement"), dated as of November 21, 2017 with certain lenders and Citibank N.A. as Administrative Agent. The revolving credit facility originally had a maturity date of November 21, 2022 and was voluntarily pre-payable from time to time without premium or penalty.

On April 18, 2022, the Company and each of the Company's wholly owned material domestic subsidiaries entered into an Amendment and Restatement Agreement with Citibank, N.A. as Administrative Agent and certain lenders (the "2022 Credit Agreement"), pursuant to which the parties thereto amended and restated the Credit Agreement. Among other things, the 2022 Credit Agreement (a) provides for the issuance of new revolving credit commitments such that the aggregate amount of revolving credit commitments available to the Company is equal to $400,000; (b) extends the maturity date of the revolving credit facility from November 21, 2022 to April 18, 2027; and (c) replaces LIBOR with Secured Overnight Financing Rate ("SOFR") as the reference rate for the U.S. dollar borrowings.

The 2022 Credit Agreement provides an option to increase the commitments by up to $200,000, subject to certain approvals and conditions. The 2022 Credit Agreement includes a letter of credit sub facility and is voluntarily pre-payable from time to time without premium or penalty. Borrowings under the 2022 Credit Agreement can be used for working capital and general corporate purposes, including permitted acquisitions.

Obligations under the 2022 Credit Agreement are guaranteed by the Company's material domestic subsidiaries and are secured by all or substantially all of the Company's and its material domestic subsidiaries' assets. The 2022 Credit Agreement contains customary affirmative and negative covenants, including, but not limited to, restrictions on the ability to incur indebtedness, create liens, make certain investments, make certain dividends and related distributions, enter into, or undertake, certain liquidations, mergers, consolidations or acquisitions and dispose of certain assets or subsidiaries.

The revolving credit facility carried an effective interest rate as shown below:

| | Three months ended September 30, | | Nine months ended September 30, | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| Effective Interest Rate | 6.5 % | 3.4 % | 6.2 % | 2.3 % |

As of September 30, 2023 and December 31, 2022, the Company was in compliance with all financial and non-financial covenants listed under the revolving credit facility.

Expected payments for all of the Company's borrowings as of September 30, 2023 were as follows:

| | Revolving credit facility | |
|---|---|---|
| | Principal Payments | Interest Payments* |
| 2023 (October 1 - December 31) | $ 35,000 | $ 3,029 |
| 2024 | 15,000 | 10,659 |
| 2025 | — | 10,069 |
| 2026 | — | 10,069 |
| 2027 | 160,000 | 3,776 |
| **Total** | $ 210,000 | $ 37,602 |

* Interest payments are based on interest rate prevailing as of September 30, 2023.

(In thousands, except per share amount and share count)

*Letters of Credit*

In the ordinary course of business, the Company provides standby letters of credit to third parties primarily for facility leases. As of each of September 30, 2023 and December 31, 2022, the Company had outstanding letters of credit of $461, that were not recognized in the consolidated balance sheets.

## 19. Capital Structure

***Common Stock***

The Company has one class of common stock outstanding.

***Stock Split***

On June 20, 2023, the Company's stockholders approved an amendment to the Company's Amended and Restated Certificate of Incorporation, which upon filing with the State of Delaware on August 1, 2023, and effectiveness thereof, effected a 5-for-1 forward stock split of the Company's common stock (the "2023 Stock Split") and an increase in the number of authorized shares of the Company's common stock from 100,000,000 shares to 400,000,000 shares. The par value of each share of common stock, $0.001, remained unchanged.

Pursuant to the 2023 Stock Split, each stockholder of record on July 25, 2023 holding shares of the Company's common stock received four additional shares of the Company's common stock for every one share held. The additional shares were distributed after the close of business on August 1, 2023. The common shares began trading on the Nasdaq Global Select Market on a post-split basis on August 2, 2023.

All share count and per share amounts in the unaudited consolidated financial statements have been retrospectively adjusted from January 1, 2022 to reflect the 2023 Stock Split as if it occurred at the beginning of the earliest period presented. An amount equal to the par value of the increased shares resulting from the 2023 Stock Split was reclassified from "Additional paid-in capital" to "Common stock."

***Share Repurchases***

The Company purchased shares of its common stock from employees in connection with withholding tax payments related to the vesting of restricted stock units and performance-based restricted stock units, as below:

| | Shares repurchased | Total consideration | Weighted average purchase price per share [1] |
|---|---|---|---|
| Three months ended September 30, 2023 | 45,267 | $ 1,324 | $ 29.25 |
| Three months ended September 30, 2022 | — | $ — | $ — |
| | | | |
| Nine months ended September 30, 2023 | 237,047 | $ 7,853 | $ 33.13 |
| Nine months ended September 30, 2022 | 136,095 | $ 3,191 | $ 23.45 |

(1) The weighted average purchase price per share is based on the closing price of the Company's common stock on the Nasdaq Global Select Market on the trading day prior to the applicable vesting date of the shares of restricted stock.

On October 5, 2021, the Company's board of directors authorized a $300,000 common stock repurchase program beginning January 1, 2022 (the "2022 Repurchase Program").

Under the 2022 Repurchase Program, shares may be purchased by the Company from time to time from the open market and through private transactions, or otherwise, as determined by the Company's management as market conditions warrant. Repurchases may be discontinued at any time by the management.

The Company purchased shares of its common stock, for a total consideration including commissions, under the 2022 Repurchase Program, as below:

(In thousands, except per share amount and share count)

| | Shares repurchased | Total consideration | Weighted average purchase price per share |
|---|---|---|---|
| Three months ended September 30, 2023 | 975,774 | $ 28,636 | $ 29.35 |
| Three months ended September 30, 2022 | 384,045 | $ 11,521 | $ 30.00 |
| | | | |
| Nine months ended September 30, 2023 | 3,001,619 | $ 93,483 | $ 31.14 |
| Nine months ended September 30, 2022 | 2,519,290 | $ 68,521 | $ 27.20 |

Repurchased shares have been recorded as treasury shares and will be held until the Company's board of directors designates that these shares be retired or used for other purposes.

**20. Employee Benefit Plans**

The Company's Gratuity Plan in India (the "India Plan") provides for a lump sum payment to vested employees on retirement or upon termination of employment in an amount based on the respective employee's salary and years of employment with the Company. In addition, the Company's subsidiary operating in the Philippines conforms to the minimum regulatory benefit, which provide for lump sum payment to vested employees on retirement from employment in an amount based on the respective employee's salary and years of employment with the Company (the "Philippines Plan"). Liabilities with regard to the India Plan and the Philippines Plan are determined by actuarial valuation using the projected unit credit method. Current service costs for these plans are accrued in the year to which they relate. Actuarial gains or losses or prior service costs, if any, resulting from amendments to the plans are recognized and amortized over the remaining period of service of the employees.

The India Plan is partially funded whereas the Philippines Plan is unfunded. The Company makes annual contributions to the India Plan established with insurance companies. Fund managers manage these funds and calculate the annual contribution required to be made by the Company and manage the India Plan, including any required payouts. These funds are managed on a cash accumulation basis and interest is declared retrospectively on March 31 of each year. The Company expects to earn a return of approximately 7.2% per annum on the India Plan for the year ending on December 31, 2023.

| **Change in Plan Assets** | |
|---|---|
| Plan assets as of January 1, 2023 | $ 14,449 |
| Actual return | 853 |
| Employer contribution | 2,921 |
| Benefits paid* | (1,015) |
| Effect of exchange rate changes | (78) |
| Plan assets as of September 30, 2023 | $ 17,130 |

** Benefits payments were substantially made through the plan assets during the nine months ended September 30, 2023.*

Components of net periodic benefit costs recognized in unaudited consolidated statements of income and actuarial (gain)/loss reclassified from AOCI, were as follows:

(In thousands, except per share amount and share count)

| | Three months ended September 30, 2023 | Three months ended September 30, 2022 | Nine months ended September 30, 2023 | Nine months ended September 30, 2022 |
|---|---|---|---|---|
| Service cost | $ 947 | $ 921 | $ 2,856 | $ 2,869 |
| Interest cost | 392 | 302 | 1,180 | 938 |
| Expected return on plan assets | (261) | (215) | (788) | (664) |
| Amortization of actuarial (gain)/loss, gross of tax | (22) | 147 | (70) | 451 |
| Net gratuity cost | $ 1,056 | $ 1,155 | $ 3,178 | $ 3,594 |
| | | | | |
| Amortization of actuarial (gain)/loss, gross of tax | $ (22) | $ 147 | $ (70) | $ 451 |
| Income tax effects on above | (19) | (44) | (56) | (136) |
| Amortization of actuarial (gain)/loss, net of tax | $ (41) | $ 103 | $ (126) | $ 315 |

The Company maintains several 401(k) plans (the "401(k) Plans") under Section 401(k) of the Internal Revenue Code of 1986, as amended (the "Code"), covering all eligible employees, as defined in the Code as a defined social security contribution plan. The Company may make discretionary contributions of up to a maximum of 3.0% of employee compensation within certain limits.

The Company's accrual for contribution to the 401(k) Plans was as follows:

| | Three months ended September 30, 2023 | Three months ended September 30, 2022 | Nine months ended September 30, 2023 | Nine months ended September 30, 2022 |
|---|---|---|---|---|
| Contribution to the 401(k) Plans | $ 1,240 | $ 1,097 | $ 4,804 | $ 4,140 |

The Company's contribution for various defined social security contribution plans on behalf of employees in foreign subsidiaries of the Company was as follows:

| | Three months ended September 30, 2023 | Three months ended September 30, 2022 | Nine months ended September 30, 2023 | Nine months ended September 30, 2022 |
|---|---|---|---|---|
| Contributions to the defined social security contribution plans | $ 5,841 | $ 4,660 | $ 16,837 | $ 13,422 |

## 21. Leases

The Company conducts its operations using facilities leased under operating lease agreements that expire at various dates. The Company finances its use of certain motor vehicles and other equipment under various lease arrangements provided by financial institutions. The lease agreements do not contain any covenants to impose any restrictions except for market-standard practice for similar lease arrangements.

The Company had performed an evaluation of its contracts with suppliers in accordance with ASC Topic 842, *Leases*, and had determined that, except for leases for office facilities, motor vehicles and other equipment as described above, none of the Company's contracts contain a lease. As part of the Company's efforts to optimize its existing network of operations centers, the Company continued to evaluate its office facilities to determine where it can exit or consolidate its use of office space.

(In thousands, except per share amount and share count)

***Supplemental balance sheet information***

| | As of | |
|---|---|---|
| | September 30, 2023 | December 31, 2022 |
| **Operating Lease** | | |
| Operating lease right-of-use assets, net | $ 56,817 | $ 55,347 |
| Operating lease liabilities - Current | $ 14,008 | $ 14,978 |
| Operating lease liabilities - Non-current | 48,445 | 48,155 |
| **Total operating lease liabilities** | $ 62,453 | $ 63,133 |
| **Finance Lease** | | |
| Property and equipment, gross | $ 1,985 | $ 2,499 |
| Accumulated depreciation | (1,330) | (1,999) |
| Property and equipment, net | $ 655 | $ 500 |
| Finance lease liabilities - Current | $ 171 | $ 164 |
| Finance lease liabilities - Non-current | 505 | 355 |
| **Total finance lease liabilities** | $ 676 | $ 519 |

The components of lease cost, which are included in the Company's unaudited consolidated statements of income, are as follows:

| **Lease cost** | Three months ended September 30, | | Nine months ended September 30, | |
|---|---|---|---|---|
| **Finance lease:** | 2023 | 2022 | 2023 | 2022 |
| Amortization of right-of-use assets | $ 50 | $ 28 | $ 127 | $ 116 |
| Interest on lease liabilities | 25 | 14 | 63 | 42 |
| | 75 | 42 | 190 | 158 |
| **Operating lease[(a)]** | 4,839 | 5,360 | 15,171 | 17,365 |
| **Variable lease costs** | 1,170 | 1,298 | 3,334 | 3,827 |
| **Total lease cost** | $ 6,084 | $ 6,700 | $ 18,695 | $ 21,350 |

(a) Includes short-term leases, which are immaterial.

***Supplemental cash flow and other information related to leases are as follows:***

| | Nine months ended September 30, | |
|---|---|---|
| | 2023 | 2022 |
| Cash payments for amounts included in the measurement of lease liabilities : | | |
| Operating cash outflows for operating leases | $ 15,622 | $ 17,831 |
| Operating cash outflows for finance leases | $ 63 | $ 42 |
| Financing cash outflows for finance leases | $ 120 | $ 108 |
| Right-of-use assets obtained in exchange for new operating lease liabilities | $ 13,477 | $ 3,519 |
| Right-of-use assets obtained in exchange for new finance lease liabilities | $ 285 | $ 218 |
| Weighted average remaining lease term (in years) | | |
| Finance lease | 3.1 years | 2.7 years |
| Operating lease | 5.6 years | 5.5 years |
| Weighted average discount rate | | |
| Finance lease | 14.2 % | 14.4 % |
| Operating lease | 7.4 % | 7.0 % |

(In thousands, except per share amount and share count)

The Company modified certain of its operating leases, resulting in a net decrease of its lease liabilities by $1,876 and a net increase of its lease liabilities by $209, during the nine months ended September 30, 2023 and 2022, respectively, with a corresponding adjustment to ROU assets.

As of September 30, 2023 and December 31, 2022, the Company did not have any significant leases that have not yet commenced but that create significant rights and obligations for the Company.

**Maturities of lease liabilities as of September 30, 2023 were as follows:**

| | Operating Leases | Finance Leases |
|---|---|---|
| 2023 (October 1 - December 31) | $ 4,632 | $ 72 |
| 2024 | 17,468 | 241 |
| 2025 | 13,220 | 198 |
| 2026 | 12,322 | 167 |
| 2027 | 9,779 | 148 |
| 2028 and thereafter | 20,584 | 65 |
| Total lease payments | 78,005 | 891 |
| Less: Imputed interest | 15,552 | 215 |
| Present value of lease liabilities | $ 62,453 | $ 676 |

**Maturities of lease liabilities as of December 31, 2022 were as follows:**

| | Operating Leases | Finance Leases |
|---|---|---|
| 2023 | $ 18,711 | $ 228 |
| 2024 | 14,846 | 162 |
| 2025 | 10,037 | 114 |
| 2026 | 8,941 | 88 |
| 2027 | 6,474 | 79 |
| 2028 and thereafter | 19,624 | — |
| Total lease payments | 78,633 | 671 |
| Less: Imputed interest | 15,500 | 152 |
| Present value of lease liabilities | $ 63,133 | $ 519 |

## 22. Income Taxes

The Company determines the tax provision for interim periods using an estimate of its annual effective tax rate. Each quarter, the Company updates its estimate of annual effective tax rate, and if its estimated tax rate changes, the Company makes a cumulative adjustment.

The effective tax rate increased from 24.2% during the three months ended September 30, 2022 to 24.4% during the three months ended September 30, 2023. The Company recorded income tax expense of $14,161 and $12,447 for the three months ended September 30, 2023 and 2022, respectively. The increase in income tax expense was primarily as a result of higher profit during the three months ended September 30, 2023, compared to the three months ended September 30, 2022, and an increase in non-deductible expenses during the three months ended September 30, 2023, partially offset by higher excess tax benefits related to stock-based compensation, and higher tax credits during the three months ended September 30, 2023, compared to the three months ended September 30, 2022.

The effective tax rate decreased from 23.9% during the nine months ended September 30, 2022 to 20.8% during the nine months ended September 30, 2023. The Company recorded income tax expense of $37,773 and $34,774 for the nine months ended September 30, 2023 and 2022, respectively. The increase in income tax expense was primarily as a result of higher profit during the nine months ended September 30, 2023, compared to the nine months ended September 30, 2022, and an increase in non-deductible expenses, partially offset by higher excess tax benefits related to stock-based compensation, and higher tax credits during the nine months ended September 30, 2023, compared to the nine months ended September 30, 2022.

(In thousands, except per share amount and share count)

During the nine months ended September 30, 2023, the Company's subsidiaries in India, the United Kingdom and Australia repatriated $76,000 (net of $4,015 withholding taxes), $15,598 and $9,081, respectively, to the United States. These distributions do not constitute a change in the Company's permanent reinvestment assertion.

Deferred income taxes recognized in AOCI were as follows:

| | Three months ended September 30, | | Nine months ended September 30, | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| **Deferred taxes benefit / (expense) recognized on:** | | | | |
| Unrealized gain/(loss) on cash flow hedges | $ 1,370 | $ 2,348 | $ (2,199) | $ 5,146 |
| Reclassification adjustment for cash flow hedges | 64 | (133) | (701) | 802 |
| Reclassification adjustment for retirement benefits | (19) | (44) | (56) | (136) |
| Foreign currency translation adjustments | 1,602 | 7,919 | 466 | 8,898 |
| **Total** | **$ 3,017** | **$ 10,090** | **$ (2,490)** | **$ 14,710** |

## 23. Stock-Based Compensation

Prior period information has been adjusted to reflect the 5-for-1 forward stock split of the Company's common stock effected in August 2023. Refer to Note 19 – Capital Structure to the unaudited consolidated financial statements for further details.

Stock-based compensation expense by nature of function, as below, are included in the unaudited consolidated statements of income:

| | Three months ended September 30, | | Nine months ended September 30, | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| Cost of revenues | $ 4,038 | $ 2,713 | $ 10,945 | $ 8,485 |
| General and administrative expenses | 6,544 | 5,237 | 15,579 | 14,937 |
| Selling and marketing expenses | 6,485 | 4,236 | 16,461 | 13,328 |
| Total | $ 17,067 | $ 12,186 | $ 42,985 | $ 36,750 |
| | | | | |
| Income tax benefit related to stock-based compensation[(1)] | $ 4,340 | $ 2,833 | $ 16,959 | $ 8,855 |

*(1) Includes $462 and ($92) during the three months ended September 30, 2023 and 2022, respectively, and $13,172 and $3,532 during the nine months ended September 30, 2023 and 2022, respectively, related to discrete benefits recognized in income tax expense in accordance with ASU No. 2016-09, Compensation - Stock Compensation.*

As of September 30, 2023 and December 31, 2022, the Company had 3,284,270 and 6,623,775 shares, respectively, available for grant under the 2018 Omnibus Incentive Plan.

(In thousands, except per share amount and share count)

**Stock Options**

Stock options activity under the Company’s stock-based compensation plans is shown below:

| | Number of Stock Options | Weighted Average Exercise Price | Aggregate Intrinsic Value | Weighted Average Remaining Contractual Life (Years) |
|---|---|---|---|---|
| Outstanding as of December 31, 2022 | 15,465 | $ 5.52 | $ 439 | 1.0 |
| Granted | 1,790,695 | 30.14 | — | 9.7 |
| Exercised | (15,465) | 5.52 | 384 | — |
| Forfeited | — | — | — | — |
| Outstanding as of September 30, 2023 | 1,790,695 | $ 30.14 | $ — | 9.7 |
| Vested and exercisable as of September 30, 2023 | — | $ — | $ — | — |
| Weighted average grant date fair value of per unit of stock option granted during the period | $ 12.03 | | | |

Stock options granted under the 2018 Omnibus Incentive Plan during the three and nine months ended September 30, 2023, have a contractual period of ten years and vest ratably over four years.

The fair value of each stock option granted to employees is estimated on the date of grant using the Black-Scholes option-pricing model with the following assumptions:

| | Nine months ended September 30, 2023 |
|---|---|
| Dividend yield | — |
| Expected life (years) | 6.25 |
| Risk free interest rate for expected life | 3.8 % |
| Volatility for expected life | 32.4 % |

The Company does not anticipate paying any cash dividends in the foreseeable future and therefore uses an expected dividend yield of zero in the option valuation model.

As of September 30, 2023, unrecognized compensation cost of $20,070 is expected to be expensed over a weighted average period of 3.8 years. The total grant date fair value of stock options exercised during the nine months ended September 30, 2023 and 2022, was $30 and $nil, respectively.

**Share Matching Program**

Under the Company’s 2018 Omnibus Incentive Plan (the “2018 Plan”), the Company established a share matching program (“SMP”) for executive officers and other specified employees. Under the SMP, the Company agreed to issue a number of restricted stock units equal to the number of newly acquired shares of the Company's common stock.

Restricted stock unit activity under the SMP is shown below:

| | Restricted Stock Units (SMP) | |
|---|---|---|
| | Number | Weighted Average Fair Value |
| Outstanding as of December 31, 2022 | 238,115 | $ 24.95 |
| Granted | — | — |
| Vested | — | — |
| Forfeited | (20,885) | 24.95 |
| Outstanding as of September 30, 2023 | 217,230 | $ 24.95 |

(In thousands, except per share amount and share count)

As of September 30, 2023, unrecognized compensation cost of $2,710 is expected to be expensed over a weighted average period of 1.5 years.

**Restricted Stock Units**

Restricted stock unit activity under the Company's stock-based compensation plans is shown below:

| | Restricted Stock Units | |
|---|---|---|
| | Number | Weighted Average Fair Value |
| Outstanding as of December 31, 2022* | 4,615,630 | $ 19.74 |
| Granted | 1,193,615 | 34.27 |
| Vested | (1,779,745) | 18.48 |
| Forfeited | (332,035) | 21.30 |
| Outstanding as of September 30, 2023* | 3,697,465 | $ 24.89 |

** As of September 30, 2023 and December 31, 2022 restricted stock units vested for which the underlying common stock is yet to be issued are 652,640 and 872,450 respectively.*

As of September 30, 2023, unrecognized compensation cost of $66,970 is expected to be expensed over a weighted average period of 2.5 years.

**Performance Based Stock Awards**

Under the 2018 Plan, the Company grants performance-based restricted stock units ("PRSUs") to executive officers and other specified employees. During the nine months ended September 30, 2023, the Company granted 40% of each award recipient's equity grants in the form of PRSUs that cliff vest at the end of a three-year period based on an aggregated revenue target for a three-year period ("PU"). The remaining 60% of each award recipient's equity grants are PRSUs that are based on market conditions, contingent on the Company's meeting a total shareholder return relative to a group of peer companies specified under the 2018 Plan, and are measured over a three-year performance period ("MU").

PRSU activity under the Company's stock plans is shown below:

| | Revenue Based PRSUs | | Market Condition Based PRSUs | |
|---|---|---|---|---|
| | Number | Weighted Average Fair Value | Number | Weighted Average Fair Value |
| Outstanding as of December 31, 2022 | 247,955 | $ 24.00 | 893,560 | $ 26.94 |
| Granted | 219,740 | 34.56 | 329,245 | 44.72 |
| Vested | (245) | 25.94 | (365) | 33.55 |
| Forfeited | (27,495) | 25.59 | (87,010) | 28.33 |
| Outstanding as of September 30, 2023 | 439,955 | $ 29.17 | 1,135,430 | $ 31.99 |

As of September 30, 2023, unrecognized compensation cost of $29,509 is expected to be expensed over a weighted average period of 1.9 years.

**Employee Stock Purchase Plan**

On June 21, 2022, at the annual meeting of stockholders of the Company, the Company's stockholders approved the ExlService Holdings, Inc. 2022 Employee Stock Purchase Plan (the "2022 ESPP").

The 2022 ESPP allows eligible employees to purchase the Company's shares of common stock through payroll deductions at a pre-specified discount to the lower of closing price of the Company's common shares on the date of offering or the last business day of each purchase interval. The dollar amount of shares of common stock that can be purchased under the 2022 ESPP must not exceed 15% of the participating employee's compensation during the offering period, subject to a cap of

(In thousands, except per share amount and share count)

$25 per employee per calendar year. The Company has reserved 4,000,000 shares of common stock for issuance under the 2022 ESPP.

The third offering period under the 2022 ESPP commenced on July 1, 2023 with a term of six months.

Activity under the Company's 2022 ESPP is shown below:

| | Number | Total Proceeds Received |
|---|---|---|
| Shares available for issuance as of December 31, 2022 | 4,000,000 | |
| Issuance of common stock related to the: | | |
| First offering period | (38,180) | $ 1,013 |
| Second offering period | (130,495) | $ 3,548 |
| Shares available for issuance as of September 30, 2023 | 3,831,325 | |
| Contributions received for the third offering period up to September 30, 2023 | | $ 1,112 |

The ESPP is compensatory and results in compensation expense. The fair value of common stock to be issued under the ESPP was determined using the Black-Scholes option pricing model with the following assumptions:

| | Second offering period of January 1, 2023 to June 30, 2023 | Third offering period of July 1, 2023 to December 31, 2023 |
|---|---|---|
| Dividend yield | — | — |
| Expected life (years) | 0.5 | 0.5 |
| Risk free interest rate for expected life | 4.7 % | 5.4 % |
| Volatility for expected life | 38.9 % | 25.5 % |
| Discount for illiquidity | 10.3 % | 8.9 % |

## 24. Related Party Disclosures

In April 2022, the Company entered into a service contract for providing analytics services to The Vanguard Group Inc. which beneficially owns more than 10% of the Company's common stock as of September 30, 2023. During the three months ended September 30, 2023 and 2022, the Company recognized revenues, net of $354 and $814, respectively, related to this service contract. During the nine months ended September 30, 2023 and 2022, the Company recognized revenues, net of $1,684 and $1,388, respectively, related to this service contract. The Company had outstanding accounts receivable, net of $240 and $856, related to this service contract as of September 30, 2023 and December 31, 2022, respectively.

## 25. Commitments and Contingencies

***Capital Commitments***

As of September 30, 2023, the Company had committed to spend approximately $9,400 under agreements to purchase property and equipment. This amount is net of capital advances paid which are recognized in unaudited consolidated balance sheets as "Capital work in progress" under "Property and equipment, net."

On June 15, 2023, the Company, along with other limited partners, entered into a limited partnership agreement with the general partner, PNP Financial Services Fund GP I, LLC and initial limited partner and outgoing partner, to form a partnership with the name Plug and Play Financial Services Fund I, L.P. (the "Partnership") for the primary purpose of making investments in growth-stage technology companies. During the three months ended September 30, 2023, the Company invested $600 in the Partnership and is committed under the Partnership to make further investments up to an amount of $3,400.

*Other Commitments*

Certain units of the Company's Indian subsidiaries were established as 100% Export-Oriented units or under the Software Technology Parks of India or Special Economic Zone scheme promulgated by the Government of India. These units are exempt from customs, central excise duties, and levies on imported and indigenous capital goods, stores, and spares. The Company has undertaken to pay custom duties, service taxes, levies, and liquidated damages payable, if any, in respect of imported and indigenous capital goods, stores and spares consumed duty free, in the event that certain terms and conditions are not fulfilled. The Company believes, however, that these units have in the past satisfied, and will continue to satisfy, the required conditions.

The Company's operations centers in the Philippines are registered as qualified Philippines Economic Zone Authority units, which provides the Company fiscal incentives on the import of capital goods and local purchase of services and materials. The Company is required to meet certain requirements to retain the incentives. The Company has complied, and intends to continue compliance, with the requirements to avail itself of the incentives.

*Contingencies*

The transfer pricing regulations in the countries in which the Company operates require that controlled intercompany transactions be at arm's-length. Accordingly, the Company determines and documents pricing for controlled intercompany transactions based on an economic analysis as prescribed in the respective regulations. The tax authorities have jurisdiction to review the Company's transfer pricing. If the Company's transfer pricing is challenged by the authorities, they could assess additional tax, interest and penalties, thereby impacting the Company's profitability and cash flows.

The Company is currently involved in transfer pricing and related income tax disputes with Indian tax authorities. The aggregate amount demanded by Indian tax authorities (net of advance payments) as of September 30, 2023 and December 31, 2022 is $36,682 and $37,088, respectively. The Company has made payments and/or provided bank guarantees against these demands in the amounts of $7,242 and $7,532, as of September 30, 2023 and December 31, 2022, respectively. The Company believes that its positions will more likely than not be sustained upon final examination by the tax authorities, and accordingly has not accrued any liabilities with respect to these matters in its consolidated financial statements.

India's Value Added Tax ("VAT") regime ended in June 2017 and was replaced by the current Goods and Service Tax ("GST") regime. Pursuant to reviewing the Company's annual VAT filings, the Indian tax authorities raised aggregate VAT demands for tax years 2015 and 2017, in the amounts of $5,504 and $5,526, as of September 30, 2023 and December 31, 2022, respectively. The GST authorities rejected the Company's refunds claims in the amounts of $4,203 and $3,866 as of September 30, 2023 and December 31, 2022, respectively. The Company has filed appeals against these matters and believes that it is more likely than not that upon final examination its position will be sustained based on its technical merits. Accordingly, no provision was recognized as of September 30, 2023 and December 31, 2022, respectively.

One of the Company's subsidiaries in India has undergone an assessment with the statutory authority with respect to defined social security contribution plan. Except for some components of the assessment for which the Company has recognized a provision in the financial statements, the Company believes that the amount demanded by such authority is not a meaningful indicator of the potential liabilities of the Company, and that the matter is without merit. The Company is defending against the assessment order and has accordingly instituted an appeal against the order before the relevant tribunal while also making a payment under protest of the amount demanded. As of the reporting date, the Company's management does not believe that the ultimate assessment will have a material adverse effect on the Company's consolidated financial condition, results of operations or cash flows. The Company will continue to monitor and evaluate its position based on future events and developments in this matter.

In August 2019 and September 2020, the Indian Parliament passed various consolidating labor codes, including the Code on Social Security, 2020 (the "Indian Social Security Code") which aims to rationalize labor laws relating to employee benefits during employment and post-employment benefits. However, the rules for the Indian Social Security Code are yet to be published and the effective date from which these changes are applicable is yet to be notified. The Company will complete its evaluation once the subject rules are notified and will give appropriate impact in the financial statements in the period in which, the Indian Social Security Code becomes effective and the related rules to determine the financial impact are published.

From time to time, the Company, its subsidiaries, and/or their present officers or directors, may be or have been, named as a defendant in litigation matters, including employment-related claims. The plaintiffs in those cases seek damages, including, where applicable, compensatory damages, punitive damages and attorney’s fees. With respect to pending litigation matters as of the reporting date, the Company believes that the damages claimed are without merit, and the Company intends to vigorously defend them. The Company will continuously monitor developments on these matters to assess potential impacts to the financial statements.

The outcomes of legal actions are unpredictable and subject to significant uncertainties, and thus it is inherently difficult to determine the likelihood of the Company incurring a material loss or quantification of any such loss. With respect to pending litigation matters as of the reporting date, based on information currently available, including the Company’s assessment of the facts underlying each matter and advice of counsel, the amount or range of reasonably possible losses, if any, cannot be reasonably estimated. Based on the Company’s assessment, including the availability of insurance recoveries, the Company’s management does not believe that currently pending litigation, individually or in aggregate, will have a material adverse effect on the Company’s consolidated financial condition, results of operations or cash flows. The Company will continuously monitor these matters to assess potential impacts to the financial statements.

### ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

*You should read the following discussion in connection with our unaudited consolidated financial statements and the related notes included elsewhere in this Quarterly Report on Form 10-Q and our audited consolidated financial statements and the related notes included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2022. Some of the statements in the following discussion are forward looking statements.*

### Cautionary Note Regarding Forward-Looking Statements

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of the United States Private Securities Litigation Reform Act of 1995. You should not place undue reliance on these statements because they are subject to numerous uncertainties and factors relating to our operations and business environment, all of which are difficult to predict and many of which are beyond our control. These statements often include words such as "may," "will," "should," "believe," "expect," "anticipate," "intend," "plan," "estimate" or similar expressions. These statements are based on assumptions that we have made in light of our experience in the industry as well as our perceptions of historical trends, current conditions, expected future developments and other factors we believe are appropriate under the circumstances. As you read and consider this Quarterly Report on Form 10-Q, you should understand that these statements are not guarantees of performance or results. They involve known and unknown risks, uncertainties and assumptions. Although we believe that these forward-looking statements are based on reasonable assumptions, you should be aware that many factors could affect our actual financial results or results of operations and could cause actual results to differ materially from those in the forward-looking statements. These factors include but are not limited to:

- our ability to maintain and grow client demand for our services and solutions, including anticipating and incorporating the latest technology into our offerings;
- impact on client demand by the selling cycle and terms of our client contracts;
- fluctuations in our earnings;
- our ability to hire and retain enough sufficiently trained employees to support our operations or any changes in the senior management team;
- our ability to accurately estimate and/or manage costs;
- our ability to adjust our pricing terms or effectively manage our asset utilization levels to meet the changing demands of our clients and potential clients;
- cyber security incidents, data breaches, or other unauthorized disclosure of sensitive or confidential client and employee data;
- reliance on third parties to deliver services and infrastructure for client critical services;
- employee wage increases;
- failure to protect our intellectual property;
- our dependence on a limited number of clients in a limited number of industries and our ability to withstand the loss of a significant client;
- our ability to grow our business or effectively manage growth and international operations;
- our ability to successfully consummate or integrate strategic acquisitions including the impact from the impairment of goodwill and other intangible assets, if any;
- our ability to adhere to regulations or accreditation or licensing standards that govern our business;
- increasing competition in our industry;
- telecommunications or technology disruptions or breaches, natural or other disasters, medical epidemics or pandemics, such as COVID-19, or acts of violence or war;
- operational and information security failures arising as a result of remote work solutions adopted due to COVID-19;
- legal liability arising out of customer and third party contracts;
- adverse outcome of our disputes with the tax authorities in the geographies where we operate;
- the introduction of new or unfavorable tax legislation;

- changes in tax laws or decisions regarding repatriation of funds held abroad;
- exposure to currency exchange rate fluctuations in the various currencies in which we do business including the potential effects of Russian-Ukraine conflict, rising inflation, high interest rates and economic recessionary trends on currency exchange rates;
- restrictions on immigration;
- ability to service debt or obtain additional financing on favorable terms. Inception of interest rate swaps to hedge interest rate risk;
- negative public reaction in the U.S. or elsewhere to offshore outsourcing;
- effects of political and economic conditions globally, particularly in the geographies where we operate;
- ability to make accurate estimates and assumptions in connection with the preparation of our consolidated financial statements;
- regulatory, legislative and judicial developments, including changes to or the withdrawal of governmental fiscal incentives;
- credit risk fluctuations in the market values of our investment and derivatives portfolios; and
- our ability to meet our environmental, social and governance-related goals and targets.

These and other factors are more fully discussed in our Annual Report on Form 10-K for the fiscal year ended December 31, 2022. These and other risks could cause actual results to differ materially from those implied by forward-looking statements in this Quarterly Report on Form 10-Q.

The forward-looking statements made by us in this Quarterly Report on Form 10-Q, or elsewhere, speak only as of the date on which they were made. New risks and uncertainties may occur from time to time, and it is impossible for us to predict those events or how they may affect us. We have no obligation to update any forward-looking statements in this Quarterly Report on Form 10-Q after the date of this Quarterly Report on Form 10-Q, except as required by federal securities laws.

**Executive Overview**

We are a leading data analytics and digital operations and solutions company that partners with clients to improve business outcomes and unlock growth. By bringing together deep domain expertise with robust data, powerful analytics, cloud, artificial intelligence, including generative AI, we create agile, scalable solutions and execute complex operations for the world’s leading corporations in industries including insurance, healthcare, banking and financial services, media, and retail, among others.

We deliver data analytics and digital operations and solutions to our clients, driving enterprise-scale business transformation initiatives that leverage our deep expertise in advanced analytics, artificial intelligence, generative AI and cloud. We manage and report financial information through our four strategic business units: Insurance, Healthcare, Analytics and Emerging Business, which reflects how management reviews financial information and makes operating decisions.

Our reportable segments are as follows:

- Insurance,
- Healthcare,
- Analytics, and
- Emerging Business

Our global delivery network, which includes highly trained industry and process specialists across the United States, Latin America, South Africa, Europe and Asia (primarily India and the Philippines), is a key asset. We have operations centers in India, the United States, the United Kingdom, the Republic of Ireland, the Philippines, Bulgaria, Colombia, South Africa, Romania and the Czech Republic.

**Revenues**

For the three months ended September 30, 2023, we generated revenues of $411.0 million compared to revenues of $361.4 million for the three months ended September 30, 2022, an increase of $49.6 million, or 13.7%. For the nine months ended September 30, 2023, we generated revenues of $1,216.6 million compared to revenues of $1,037.3 million for the nine months ended September 30, 2022, an increase of $179.3 million, or 17.3%.

We serve clients mainly in the United States and the United Kingdom, with these two regions generating 83.5% and 11.3%, respectively, of our total revenues for the three months ended September 30, 2023, and 86.0% and 9.4%, respectively, of our total revenues for the three months ended September 30, 2022. For the nine months ended September 30, 2023, these two regions generated 84.1% and 10.8%, respectively, of our total revenues and 85.9% and 9.5%, respectively, of our total revenues for the nine months ended September 30, 2022.

For the three months ended September 30, 2023 and 2022, our total revenues from our top ten clients accounted for 34.6% and 34.2% of our total revenues, respectively. For the nine months ended September 30, 2023 and 2022, our total revenues from our top ten clients accounted for 34.2% and 33.7% of our total revenues, respectively. Although we continue to develop relationships with new clients to diversify our client base, we believe that the loss of any of our top ten clients could have a material adverse effect on our financial performance.

**Our Business**

We provide data analytics and digital operations and solutions to our clients. We market our services to our existing and prospective clients through our sales and client management teams, which are aligned by key industry verticals and cross-industry domains such as finance and accounting. Our sales and client management teams operate primarily from the United States, Europe and Australia.

*Digital Operations and Solutions:* We provide our clients with a range of digital operations and solutions from our Insurance, Healthcare and Emerging Business strategic business units, which are focused on solving complex industry challenges such as the insurance claims life cycle, financial transactions processing and provider and member experiences. This typically involves the use of agile delivery models to implement digital technologies and interventions like hyper-automation, customer experience transformation, advanced automation, generative AI, robotics, enterprise architecture, end-to-end business function management and transformations. We either administer and manage these functions on an ongoing basis via longer-term arrangements or project work. For a portion of our digital operations and solutions, we hire and train employees to work at our operations centers on the relevant business operations, implement a process migration to these operations centers and then provide services either to the client or directly to the client's customers. Each client contract has different terms based on the scope, deliverables and complexity of the engagement. We also provide consulting services related to digital operations and solutions that include industry-specific digital transformational services as well as cross-industry finance and accounting services as part of the Emerging Business strategic business unit.

We provide our services under contracts with our clients, which typically have terms of three or more years, with some being contracts with no end dates. These contracts provide us with a relatively predictable revenue base for a substantial portion of our digital operations and solutions business. However, our clients can typically terminate these contracts with or without cause and with short notice periods. We have a long selling cycle for our services and the budget and approval processes of prospective clients make it difficult to predict the timing of entering into definitive agreements with new clients. Similarly, new license sales and implementation projects for our technology service platforms and other software-based services have a long selling cycle, however ongoing annual maintenance and support contracts for existing arrangements provide us with a relatively predictable revenue base.

We charge for our services using various pricing models like time-and-material pricing, full-time-equivalent pricing, transaction-based pricing, outcome-based pricing, subscription-based pricing and other alternative pricing models. Outcome-based pricing arrangements are examples of non-linear pricing models where clients link revenues from platforms and solutions and the services we provide to usage or savings rather than the efforts deployed to provide these services. We continue to observe a shift in the industry pricing models toward transaction-based pricing, outcome-based pricing and other alternative pricing models. We believe this trend will continue and we use such alternative pricing models with some of our current clients and are seeking to move certain other clients from a full-time-equivalent pricing model to a transaction-based or other alternative pricing model. These alternative pricing models place the focus on operating efficiency in order to maintain or improve our gross margins.

We have also observed that prospective larger clients are entering into multi-vendor relationships with regard to their digital operations and solutions needs to seek more favorable contract terms and diversification of the risk of concentration on a few vendors. We believe that the trend toward multi-vendor relationships will continue. A multi-vendor relationship allows a client to seek more favorable pricing and other contract terms from each vendor, which can result in significantly reduced gross margins from the provision of services to such client for each vendor. To the extent our large clients expand their use of multi-vendor relationships and are able to extract more favorable contract terms from other vendors, our gross margins and revenues may be reduced with regard to such clients if we are required to modify the terms of our relationships with such clients to meet competition.

*Analytics:* Our analytics services aim to drive better business outcomes for our clients by unlocking deep insights from data and creating data-led solutions across all parts of our clients' business. We provide care optimization and reimbursement optimization services for our clients through our healthcare analytics solutions and services. We also offer integrated solutions to help our clients in cost containment by leveraging technology platforms, customizable and configurable analytics and expertise in healthcare reimbursements to help clients enhance their claim payment accuracy. Our Analytics teams deliver predictive and prescriptive analytics in the areas of customer acquisition and life cycle management, risk underwriting and pricing, operational effectiveness, credit and operational risk monitoring and governance, regulatory reporting and data management. We enhance, modernize and enrich structured and unstructured data and use a spectrum of advanced analytical tools and techniques, including our in-house and third party artificial intelligence, generative AI, and machine learning capabilities and proprietary solutions to create insights, improve decision making for our clients and address a range of complex industry-wide priorities. We actively cross-sell and, where appropriate, integrate our analytics services with other digital operations and solutions as part of a comprehensive offering for our clients. Our project-based analytics services are cyclical and can be significantly affected by variations in business cycles. In addition, our project-based analytics services are documented in contracts with terms generally not exceeding one year and may not produce ongoing or recurring business for us once the project is completed. These contracts also usually contain provisions permitting termination of the contract after a short notice period. The short-term nature and specificity of these projects could lead to fluctuations and uncertainties in the revenues generated from providing analytics services.

We anticipate that revenues from our analytics services will grow as we expand our service offerings and client base, both organically and through acquisitions.

**2023 Stock Split**

On June 20, 2023, subsequent to the approval and recommendation of our board of directors, our stockholders approved an amendment to our Amended and Restated Certificate of Incorporation, which upon filing with the State of Delaware on August 1, 2023, and effectiveness thereof, effected a 5-for-1 forward stock split of our common stock and an increase in the number of authorized shares of our common stock from 100,000,000 shares to 400,000,000 shares. The par value of each share of common stock, $0.001, remained unchanged. See Note 19 – Capital Structure to our unaudited consolidated financial statements herein for further details.

**Critical Accounting Policies and Estimates**

There have been no significant changes in our critical accounting policies and estimates during the three and nine months ended September 30, 2023, as compared to the critical accounting policies and estimates referred in Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" under "Critical Accounting Policies and Estimates" and Note 2 - Summary of Significant Accounting Policies to our consolidated financial statements included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2022.

**Results of Operations**

The following table summarizes our results of operations:

| | Three months ended September 30, | | Nine months ended September 30, | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| | (dollars in millions) | | (dollars in millions) | |
| Revenues, net | $ 411.0 | $ 361.4 | $ 1,216.6 | $ 1,037.3 |
| Cost of revenues[(1)] | 256.0 | 230.5 | 760.7 | 659.2 |
| **Gross profit[(1)]** | **155.0** | **130.9** | **455.9** | **378.1** |
| Operating expenses: | | | | |
| General and administrative expenses | 52.2 | 42.5 | 144.5 | 122.9 |
| Selling and marketing expenses | 31.0 | 23.9 | 88.7 | 72.0 |
| Depreciation and amortization expense | 11.6 | 14.4 | 38.2 | 42.1 |
| Total operating expenses | 94.8 | 80.8 | 271.4 | 237.0 |
| **Income from operations** | **60.2** | **50.1** | **184.5** | **141.1** |
| Foreign exchange gain, net | 0.4 | 1.5 | 0.8 | 4.7 |
| Interest expense | (3.4) | (2.4) | (10.0) | (4.8) |
| Other income, net | 0.8 | 2.3 | 6.6 | 4.5 |
| **Income before income tax expense and earnings from equity affiliates** | **58.0** | **51.5** | **181.9** | **145.5** |
| Income tax expense | 14.2 | 12.5 | 37.8 | 34.8 |
| **Income before earnings from equity affiliates** | **43.8** | **39.0** | **144.1** | **110.7** |
| Gain from equity-method investment | 0.1 | 0.1 | 0.2 | 0.4 |
| **Net income attributable to ExlService Holdings, Inc. stockholders** | **$ 43.9** | **$ 39.1** | **$ 144.3** | **$ 111.1** |

*(1) Exclusive of depreciation and amortization expense.*

*Due to rounding, the numbers presented in the tables included in this Part I, Item 2, “Management’s Discussion and Analysis of Financial Condition and Results of Operations” may not add up precisely to the totals provided.*

***Three Months Ended September 30, 2023 Compared to Three Months Ended September 30, 2022***

***Revenues.***

The following table summarizes our revenues by reportable segments:

| | Three months ended September 30, 2023 | Three months ended September 30, 2022 | Change | Percentage change |
|---|---|---|---|---|
| | (dollars in millions) | | | |
| Insurance | $ 136.4 | $ 116.2 | $ 20.2 | 17.4 % |
| Healthcare | 26.2 | 22.8 | 3.4 | 14.7 % |
| Emerging Business | 65.3 | 56.1 | 9.2 | 16.6 % |
| Analytics | 183.1 | 166.3 | 16.8 | 10.1 % |
| Total revenues, net | $ 411.0 | $ 361.4 | $ 49.6 | 13.7 % |

Revenues for the three months ended September 30, 2023 were $411.0 million, up $49.6 million, or 13.7%, compared to the three months ended September 30, 2022, driven primarily by revenue growth from our new and existing clients in all of our reportable segments.

Revenue growth in Insurance of $20.2 million was primarily driven by expansion of business from our new and existing clients of $20.4 million. This was partially offset by a loss of $0.2 million, mainly attributable to the depreciation of the Australian dollar, the South African rand and the Indian rupee against the U.S. dollar during the three months ended September 30, 2023, compared to the three months ended September 30, 2022. Insurance revenues were 33.2% and 32.2% of our total revenues during the three months ended September 30, 2023 and September 30, 2022, respectively.

Revenue growth in Healthcare of $3.4 million was primarily driven by expansion of business from our new and existing clients during the three months ended September 30, 2023. Healthcare revenues were 6.4% and 6.3% of our total revenues during the three months ended September 30, 2023 and September 30, 2022, respectively.

Revenue growth in Emerging Business of $9.2 million was primarily driven by expansion of business from our new and existing clients of $8.2 million and an increase in revenues of $1.0 million, mainly attributable to the appreciation of the U.K. pound sterling against the U.S. dollar during the three months ended September 30, 2023, compared to the three months ended September 30, 2022. Emerging Business revenues were 15.9% and 15.5% of our total revenues during the three months ended September 30, 2023 and September 30, 2022, respectively.

Revenue growth in Analytics of $16.8 million was primarily driven by higher volumes in our annuity and project based engagements from our new and existing clients of $15.7 million and an increase in revenues of $1.1 million, mainly attributable to the appreciation of the U.K. pound sterling against the U.S. dollar during the three months ended September 30, 2023, compared to the three months ended September 30, 2022. Analytics revenues were 44.5% and 46.0% of our total revenues during the three months ended September 30, 2023 and September 30, 2022, respectively.

***Cost of Revenues and Gross Margin*****:** The following table sets forth cost of revenues and gross margin of our reportable segments:

| | Cost of Revenues | | | | Gross Margin | | |
|---|---|---|---|---|---|---|---|
| | Three months ended September 30, | | | | Three months ended September 30, | | |
| | 2023 | 2022 | Change | Percentage change | 2023 | 2022 | Change |
| | (dollars in millions) | | | | | | |
| Insurance | $ 86.5 | $ 75.0 | $ 11.5 | 15.2 % | 36.6 % | 35.4 % | 1.2 % |
| Healthcare | 16.5 | 17.1 | (0.6) | (3.4)% | 36.8 % | 25.0 % | 11.8 % |
| Emerging Business | 37.6 | 32.4 | 5.2 | 16.2 % | 42.4 % | 42.2 % | 0.2 % |
| Analytics | 115.4 | 106.0 | 9.4 | 9.0 % | 37.0 % | 36.3 % | 0.7 % |
| Total | $ 256.0 | $ 230.5 | $ 25.5 | 11.1 % | 37.7 % | 36.2 % | 1.5 % |

For the three months ended September 30, 2023, cost of revenues was $256.0 million compared to $230.5 million for the three months ended September 30, 2022, an increase of $25.5 million, or 11.1%. The increase in cost of revenues was primarily due to increases in employee-related costs, partially offset by foreign exchange gain, net of hedging. Our gross margin for the three months ended September 30, 2023 was 37.7%, compared to 36.2% for the three months ended September 30, 2022, an increase of 150 basis points ("bps") primarily driven by higher revenues and operational efficiencies during the three months ended September 30, 2023, compared to the three months ended September 30, 2022.

The increase in cost of revenues in Insurance of $11.5 million for the three months ended September 30, 2023 was primarily due to increases in employee-related costs of $11.3 million on account of higher headcount and wage inflation and higher technology costs of $1.7 million on account of increased use of the hybrid and remote working models, partially offset by foreign exchange gain, net of hedging of $1.5 million. Gross margin in Insurance increased by 120 bps during the three months ended September 30, 2023, compared to the three months ended September 30, 2022, primarily due to higher revenues and operational efficiencies during the three months ended September 30, 2023, compared to the three months ended September 30, 2022.

The decrease in cost of revenues in Healthcare of $0.6 million for the three months ended September 30, 2023 was primarily due to lower other operating costs of $0.5 million and foreign exchange gain, net of hedging of $0.3 million, partially offset by increases in employee-related costs of $0.2 million on account of wage inflation. Gross margin in Healthcare increased by 1,180 bps during the three months ended September 30, 2023, compared to the three months ended September 30, 2022, primarily due to higher revenues and operational efficiencies during the three months ended September 30, 2023, compared to the three months ended September 30, 2022.

The increase in cost of revenues in Emerging Business of $5.2 million for the three months ended September 30, 2023 was primarily due to increases in employee-related costs of $5.5 million on account of higher headcount and wage inflation and higher technology costs of $1.0 million on account of increased use of the hybrid and remote working models, partially offset by foreign exchange gain, net of hedging of $0.8 million and lower travel costs of $0.5 million. Gross margin in Emerging Business increased by 20 bps during the three months ended September 30, 2023, compared to the three months ended September 30, 2022, primarily due to higher revenues and operational efficiencies during the three months ended September 30, 2023, compared to the three months ended September 30, 2022.

The increase in cost of revenues in Analytics of $9.4 million for the three months ended September 30, 2023 was primarily due to increases in employee-related costs of $11.5 million on account of higher headcount and wage inflation, partially offset by foreign exchange gain, net of hedging of $1.3 million and lower travel costs of $0.8 million. Gross margin in Analytics increased by 70 bps during the three months ended September 30, 2023, compared to the three months ended September 30, 2022, primarily due to higher revenues and operational efficiencies during the three months ended September 30, 2023, compared to the three months ended September 30, 2022.

***Selling, General and Administrative ("SG&A") Expenses.***

| | Three months ended September 30, 2023 | 2022 | Change | Percentage change |
|---|---|---|---|---|
| | (dollars in millions) | | | |
| General and administrative expenses | $ 52.2 | $ 42.5 | $ 9.7 | 22.8 % |
| Selling and marketing expenses | 31.0 | 23.9 | 7.1 | 29.6 % |
| Selling, general and administrative expenses | $ 83.2 | $ 66.4 | $ 16.8 | 25.2 % |
| As a percentage of revenues | 20.2 % | 18.4 % | | |

The increase in SG&A expenses of $16.8 million was primarily due to higher employee-related costs of $10.7 million on account of higher headcount and wage inflation, higher investment in digital capabilities of $3.7 million, higher allowance for expected credit losses of $1.9 million, primarily related to a customer bankruptcy event and increase in travel costs of $0.9 million. This was partially offset by foreign exchange gain, net of hedging of $0.4 million during the three months ended September 30, 2023, compared to the three months ended September 30, 2022.

***Depreciation and Amortization.***

| | Three months ended September 30, 2023 | 2022 | Change | Percentage change |
|---|---|---|---|---|
| | (dollars in millions) | | | |
| Depreciation expense | $ 8.4 | $ 10.1 | $ (1.7) | (16.9)% |
| Intangible amortization expense | 3.2 | 4.3 | (1.1) | (25.6)% |
| Depreciation and amortization expense | $ 11.6 | $ 14.4 | $ (2.8) | (19.5)% |
| As a percentage of revenues | 2.8 % | 4.0 % | | |

The decrease in depreciation expense of $1.7 million was primarily due to lower depreciation of $1.5 million on assets related to operations centers closed as a result of optimization of office space and increased use of the hybrid and remote working models and foreign exchange gain, net of hedging of $0.2 million during the three months ended September 30, 2023, compared to the three months ended September 30, 2022. The decrease in intangibles amortization expense of $1.1 million during the three months ended September 30, 2023, compared to the three months ended September 30, 2022 was primarily due to end of useful lives for certain intangible assets.

***Income from Operations.*** Income from operations increased by $10.1 million, or 20.2%, from $50.1 million for the three months ended September 30, 2022 to $60.2 million for the three months ended September 30, 2023, primarily due to higher revenues and higher gross margins, partially offset by higher SG&A expenses during the three months ended September 30, 2023. As a percentage of revenues, income from operations increased from 13.9% for the three months ended September 30, 2022 to 14.7% for the three months ended September 30, 2023.

***Foreign Exchange Gain, net.*** Foreign exchange gains and losses are primarily attributable to the movement of the U.S. dollar against the Indian rupee, the Philippine peso, the U.K. pound sterling and the South African rand during the three months ended September 30, 2023, compared to the three months ended September 30, 2022. The average exchange rate of the U.S. dollar against the Indian rupee increased from 80.01 during the three months ended September 30, 2022 to 82.69 during the three months ended September 30, 2023. The average exchange rate of the U.S. dollar against the Philippine peso decreased from 56.63 during the three months ended September 30, 2022 to 56.02 during the three months ended September 30, 2023. The average exchange rate of the U.K. pound sterling against the U.S. dollar increased from 1.16 during the three months ended September 30, 2022 to 1.26 during the three months ended September 30, 2023. The average exchange rate of the U.S. dollar against the South African rand increased from 17.21 during the three months ended September 30, 2022 to 18.49 during the three months ended September 30, 2023.

We recorded a foreign exchange gain, net of $1.5 million for the three months ended September 30, 2022 compared to a foreign exchange gain, net of $0.4 million for the three months ended September 30, 2023.

***Interest expens***e. Interest expense increased from $2.4 million for the three months ended September 30, 2022 to $3.4 million for the three months ended September 30, 2023, primarily due to a higher effective interest rate of 6.5% during the three months ended September 30, 2023, compared to 3.4% during the three months ended September 30, 2022, partially offset by a lower average outstanding balance under our revolving credit facility during the three months ended September 30, 2023, compared to the three months ended September 30, 2022.

***Other Income, net.***

| | Three months ended September 30, | | | |
|---|---|---|---|---|
| | 2023 | 2022 | | |
| | (dollars in millions) | | Change | Percentage change |
| Gain on sale and mark-to-market on investments | $ 1.3 | $ 1.5 | $ (0.2) | (9.1)% |
| Interest and dividend income | 2.1 | 1.5 | 0.6 | 44.5 % |
| Fair value changes of contingent consideration | (2.5) | — | (2.5) | (100.0)% |
| Others, net | (0.1) | (0.7) | 0.6 | (75.3)% |
| Other income, net | $ 0.8 | $ 2.3 | $ (1.5) | (65.6)% |

Other income, net decreased by $1.5 million, from $2.3 million for the three months ended September 30, 2022 to $0.8 million for the three months ended September 30, 2023. The decrease is primarily due to a fair value adjustment to recognize an increase in contingent consideration liability of $2.5 million related to our acquisition of Clairvoyant AI, Inc. (“Clairvoyant”) in December 2021 as a result of strong operational performance. This was partially offset by higher interest and dividend income on our investments and lower other expenses during the three months ended September 30, 2023, compared to the three months ended September 30, 2022.

***Income Tax Expense.*** The effective tax rate increased from 24.2% during the three months ended September 30, 2022 to 24.4% during the three months ended September 30, 2023. We recorded income tax expense of $14.2 million and $12.5 million for the three months ended September 30, 2023 and 2022, respectively. The increase in income tax expense was primarily as a result of higher profit during the three months ended September 30, 2023, compared to the three months ended September 30, 2022, and an increase in non-deductible expenses during the three months ended September 30, 2023, partially offset by higher excess tax benefits related to stock-based compensation, and higher tax credits during the three months ended September 30, 2023, compared to the three months ended September 30, 2022.

***Net Income.*** Net income increased from $39.1 million for the three months ended September 30, 2022 to $43.9 million for the three months ended September 30, 2023, primarily due to increase in income from operations of $10.1 million, partially offset by higher income tax expense of $1.7 million, lower other income, net of $1.5 million, lower foreign exchange gain, net of $1.1 million and higher interest expense of $1.0 million. As a percentage of revenues, net income decreased from 10.8% for the three months ended September 30, 2022 to 10.7% for the three months ended September 30, 2023.

***Nine Months Ended September 30, 2023 Compared to Nine Months Ended September 30, 2022***

***Revenues.***

The following table summarizes our revenues by reportable segments:

| | Nine months ended September 30, | | | |
|---|---|---|---|---|
| | 2023 | 2022 | Change | Percentage change |
| | (dollars in millions) | | | |
| Insurance | $ 390.8 | $ 328.0 | $ 62.8 | 19.1 % |
| Healthcare | 80.0 | 72.1 | 7.9 | 11.1 % |
| Emerging Business | 198.7 | 160.6 | 38.1 | 23.7 % |
| Analytics | 547.1 | 476.6 | 70.5 | 14.8 % |
| Total revenues, net | $ 1,216.6 | $ 1,037.3 | $ 179.3 | 17.3 % |

Revenues for the nine months ended September 30, 2023 were $1,216.6 million, up $179.3 million, or 17.3%, compared to the nine months ended September 30, 2022, driven primarily by revenue growth from our new and existing clients in all of our reportable segments.

Revenue growth in Insurance of $62.8 million was primarily driven by expansion of business from our new and existing clients of $65.3 million. This was partially offset by a loss of $2.5 million, mainly attributable to the depreciation of the Australian dollar, the Indian rupee and the South African rand against the U.S. dollar during the nine months ended September 30, 2023, compared to the nine months ended September 30, 2022. Insurance revenues were 32.1% and 31.6% of our total revenues during the nine months ended September 30, 2023 and September 30, 2022, respectively.

Revenue growth in Healthcare of $7.9 million was primarily driven by expansion of business from our new and existing clients during the nine months ended September 30, 2023. Healthcare revenues were 6.6% and 6.9% of our total revenues during the nine months ended September 30, 2023 and September 30, 2022, respectively.

Revenue growth in Emerging Business of $38.1 million was primarily driven by expansion of business from our new and existing clients of $39.2 million. This was partially offset by a loss of $1.1 million, mainly attributable to the depreciation of the Indian rupee against the U.S. dollar during the nine months ended September 30, 2023, compared to the nine months ended September 30, 2022. Emerging Business revenues were 16.3% and 15.5% of our total revenues during the nine months ended September 30, 2023 and September 30, 2022, respectively.

Revenue growth in Analytics of $70.5 million was primarily driven by higher volumes in our annuity and project based engagements from our new and existing clients of $70.2 million and an increase in revenues of $0.3 million, mainly attributable to the appreciation of the U.K. pound sterling against the U.S. dollar during the nine months ended September 30, 2023, compared to the nine months ended September 30, 2022. Analytics revenues were 45.0% and 46.0% of our total revenues during the nine months ended September 30, 2023 and September 30, 2022, respectively.

***Cost of Revenues and Gross Margin*:** The following table sets forth cost of revenues and gross margin of our reportable segments:

| | Cost of Revenues | | | | Gross Margin | | |
|---|---|---|---|---|---|---|---|
| | Nine months ended September 30, | | | | Nine months ended September 30, | | |
| | 2023 | 2022 | Change | Percentage change | 2023 | 2022 | Change |
| | (dollars in millions) | | | | | | |
| Insurance | $ 253.1 | $ 210.7 | $ 42.4 | 20.1 % | 35.2 % | 35.7 % | (0.5)% |
| Healthcare | 52.9 | 52.4 | 0.5 | 0.8 % | 33.9 % | 27.2 % | 6.7 % |
| Emerging Business | 111.4 | 92.8 | 18.6 | 20.1 % | 43.9 % | 42.2 % | 1.7 % |
| Analytics | 343.3 | 303.3 | 40.0 | 13.2 % | 37.3 % | 36.4 % | 0.9 % |
| Total | $ 760.7 | $ 659.2 | $ 101.5 | 15.4 % | 37.5 % | 36.5 % | 1.0 % |

For the nine months ended September 30, 2023, cost of revenues was $760.7 million compared to $659.2 million for the nine months ended September 30, 2022, an increase of $101.5 million, or 15.4%. The increase in cost of revenues was primarily due to increases in employee-related costs, partially offset by foreign exchange gain, net of hedging. Our gross margin for the nine months ended September 30, 2023 was 37.5% compared to 36.5% for the nine months ended September 30, 2022, an increase of 100 basis points (“bps”) primarily driven by higher revenues, operational efficiencies and foreign exchange gain, net of hedging during the nine months ended September 30, 2023, compared to the nine months ended September 30, 2022.

The increase in cost of revenues in Insurance of $42.4 million for the nine months ended September 30, 2023 was primarily due to increases in employee-related costs of $42.0 million on account of higher headcount and wage inflation, higher technology costs of $6.7 million on account of increased use of the hybrid and remote working models and higher other operating cost of $2.6 million, partially offset by foreign exchange gain, net of hedging of $6.5 million, lower travel cost of $1.5 million and lower facilities cost of $0.9 million on account of optimization of office space. Gross margin in Insurance decreased by 50 bps during the nine months ended September 30, 2023, compared to the nine months ended September 30, 2022, primarily due to lower margins associated with higher costs during ramp-ups in certain existing and new clients during the nine months ended September 30, 2023, compared to the nine months ended September 30, 2022.

The increase in cost of revenues in Healthcare of $0.5 million for the nine months ended September 30, 2023 was primarily due to increases in employee-related costs of $3.2 million on account of wage inflation, partially offset foreign exchange gain, net of hedging of $1.7 million and lower facilities cost of $1.0 million on account of optimization of office space. Gross margin in Healthcare increased by 670 bps during the nine months ended September 30, 2023, compared to the nine months ended September 30, 2022, primarily due to higher revenues, operational efficiencies and foreign exchange gain, net of hedging during the nine months ended September 30, 2023, compared to the nine months ended September 30, 2022.

The increase in cost of revenues in Emerging Business of $18.6 million for the nine months ended September 30, 2023 was primarily due to increases in employee-related costs of $18.7 million on account of higher headcount and wage inflation, higher technology costs of $2.8 million on account of increased use of the hybrid and remote working models and higher other operating costs of $1.8 million, partially offset by foreign exchange gain, net of hedging of $3.5 million and lower travel costs of $1.2 million. Gross margin in Emerging Business increased by 170 bps during the nine months ended September 30, 2023, compared to the nine months ended September 30, 2022, primarily due to higher revenues and foreign exchange gain, net of hedging during the nine months ended September 30, 2023, compared to the nine months ended September 30, 2022.

The increase in cost of revenues in Analytics of $40.0 million for the nine months ended September 30, 2023 was primarily due to increases in employee-related costs of $48.4 million on account of higher headcount and wage inflation and higher technology costs of $1.2 million on account of increased use of the hybrid and remote working models, partially offset by foreign exchange gain, net of hedging of $6.0 million, lower travel costs of $2.4 million and lower facilities cost of $1.2 million on account of optimization of office space. Gross margin in Analytics increased by 90 bps during the nine months ended September 30, 2023, compared to the nine months ended September 30, 2022, primarily due to higher revenues, operational efficiencies and foreign exchange gain, net of hedging during the nine months ended September 30, 2023, compared to the nine months ended September 30, 2022.

***Selling, General and Administrative ("SG&A") Expenses.***

| | Nine months ended September 30, 2023 | Nine months ended September 30, 2022 | Change | Percentage change |
|---|---|---|---|---|
| | (dollars in millions) | | | |
| General and administrative expenses | $ 144.5 | $ 122.9 | $ 21.6 | 17.6 % |
| Selling and marketing expenses | 88.7 | 72.0 | 16.7 | 23.1 % |
| Selling, general and administrative expenses | $ 233.2 | $ 194.9 | $ 38.3 | 19.7 % |
| As a percentage of revenues | 19.2 % | 18.8 % | | |

The increase in SG&A expenses of $38.3 million was primarily due to higher employee-related costs of $27.7 million on account of higher headcount and wage inflation, higher investment in digital capabilities of $4.6 million, higher sales and marketing spend of $3.6 million, increase in travel costs of $2.9 million and higher allowance for expected credit losses of $2.1 million, primarily related to a customer bankruptcy event. This was partially offset by foreign exchange gain, net of hedging of $2.6 million during the nine months ended September 30, 2023, compared to the nine months ended September 30, 2022.

***Depreciation and Amortization.***

| | Nine months ended September 30, 2023 | Nine months ended September 30, 2022 | Change | Percentage change |
|---|---|---|---|---|
| | (dollars in millions) | | | |
| Depreciation expense | $ 26.7 | $ 29.2 | $ (2.5) | (8.6)% |
| Intangible amortization expense | 11.5 | 12.9 | (1.4) | (10.6)% |
| Depreciation and amortization expense | $ 38.2 | $ 42.1 | $ (3.9) | (9.2)% |
| As a percentage of revenues | 3.1 % | 4.1 % | | |

The decrease in depreciation expense of $2.5 million was primarily due to lower depreciation of $1.7 million on assets related to operations centers closed as a result of optimization of office space, increased use of the hybrid and remote working models and foreign exchange gain, net of hedging of $0.8 million during the nine months ended September 30, 2023, compared to the nine months ended September 30, 2022. The decrease in intangibles amortization expense of $1.4 million during the nine months ended September 30, 2023, compared to the nine months ended September 30, 2022 was primarily due to end of useful lives for certain intangible assets.

***Income from Operations.*** Income from operations increased by $43.4 million, or 30.7%, from $141.1 million for the nine months ended September 30, 2022 to $184.5 million for the nine months ended September 30, 2023, primarily due to higher revenues and higher gross margins, partially offset by higher SG&A expenses during the nine months ended September 30, 2023. As a percentage of revenues, income from operations increased from 13.6% for the nine months ended September 30, 2022 to 15.2% for the nine months ended September 30, 2023.

***Foreign Exchange Gain, net.*** Foreign exchange gains and losses are primarily attributable to the movement of the U.S. dollar against the Indian rupee, the Philippine peso, the U.K. pound sterling and the South African rand during the nine months ended September 30, 2023, compared to the nine months ended September 30, 2022. The average exchange rate of the U.S. dollar against the Indian rupee increased from 77.65 during the nine months ended September 30, 2022 to 82.38 during the nine months ended September 30, 2023. The average exchange rate of the U.S. dollar against the Philippine peso increased from 53.71 during the nine months ended September 30, 2022 to 55.46 during the nine months ended September 30, 2023. The average exchange rate of the U.K. pound sterling remained unchanged at 1.25 for each of the nine months ended September 30, 2023 and September 30, 2022. The average exchange rate of the U.S. dollar against the South African rand increased from 16.10 during the nine months ended September 30, 2022 to 18.47 during the nine months ended September 30, 2023.

We recorded a foreign exchange gain, net of $4.7 million for the nine months ended September 30, 2022 compared to a foreign exchange gain, net of $0.8 million for the nine months ended September 30, 2023.

***Interest expense.*** Interest expense increased from $4.8 million for the nine months ended September 30, 2022 to $10.0 million for the nine months ended September 30, 2023, primarily due to a higher effective interest rate of 6.2% during the nine months ended September 30, 2023, compared to 2.3% during the nine months ended September 30, 2022, partially offset by a lower average outstanding balance under our revolving credit facility during the nine months ended September 30, 2023, compared to the nine months ended September 30, 2022.

***Other Income, net.***

| | Nine months ended September 30, | | | |
|---|---|---|---|---|
| | 2023 | 2022 | Change | Percentage change |
| Gain on sale and mark-to-market on investments | $ 4.1 | $ 3.4 | $ 0.7 | 22.0 % |
| Interest and dividend income | 5.5 | 3.7 | 1.8 | 49.2 % |
| Fair value changes of contingent consideration | (2.5) | (1.0) | (1.5) | 150.0 % |
| Others, net | (0.5) | (1.6) | 1.1 | (69.5)% |
| Other income, net | $ 6.6 | $ 4.5 | $ 2.1 | 46.6 % |

Other income, net increased by $2.1 million, from $4.5 million for the nine months ended September 30, 2022 to $6.6 million for the nine months ended September 30, 2023. The increase is primarily due to higher return on mutual fund investments of $0.7 million, higher interest income on our investments of $1.8 million and lower other expenses of $1.1 million during the nine months ended September 30, 2023, compared to the nine months ended September 30, 2022. This was partially offset by an increase in fair value adjustment to recognize an increase in contingent consideration liability of $1.5 million related to our acquisition of Clairvoyant in December 2021 during the nine months ended September 30, 2023, compared to the nine months ended September 30, 2022.

***Income Tax Expense.*** The effective tax rate decreased from 23.9% during the nine months ended September 30, 2022 to 20.8% during the nine months ended September 30, 2023. We recorded income tax expense of $37.8 million and $34.8 million for the nine months ended September 30, 2023 and 2022, respectively. The increase in income tax expense was primarily as a result of higher profit during the nine months ended September 30, 2023, compared to the nine months ended September 30, 2022, and an increase in non-deductible expenses, partially offset by higher excess tax benefits related to stock-based compensation, and higher tax credits during the nine months ended September 30, 2023, compared to the nine months ended September 30, 2022.

***Net Income.*** Net income increased from $111.1 million for the nine months ended September 30, 2022 to $144.3 million for the nine months ended September 30, 2023, primarily due to increase in income from operations of $43.4 million and higher other income, net of $2.1 million, partially offset by higher interest expense of $5.2 million, lower foreign exchange gain, net of $3.9 million and higher income tax expense of $3.0 million. As a percentage of revenues, net income increased from 10.7% for the nine months ended September 30, 2022 to 11.9% for the nine months ended September 30, 2023.

***Liquidity and Capital Resources***

| | Nine months ended September 30, 2023 | 2022 |
|---|---|---|
| | (dollars in millions) | |
| Opening cash, cash equivalents and restricted cash | $ 125.6 | $ 143.8 |
| Net cash provided by operating activities | 132.2 | 101.1 |
| Net cash provided by/(used for) investing activities | 11.4 | (75.2) |
| Net cash used for financing activities | (141.0) | (61.8) |
| Effect of exchange rate changes | (0.3) | (9.6) |
| Closing cash, cash equivalents and restricted cash | $ 127.9 | $ 98.3 |

As of September 30, 2023 and 2022, we had $274.2 million and $262.2 million, respectively, in cash, cash equivalents and short-term investments, of which $256.5 million and $237.5 million, respectively, is located in foreign jurisdictions that upon distribution may be subject to withholding and other taxes. We periodically evaluate opportunities to distribute cash among our group entities to fund our operations, expand our business and make strategic acquisitions in the United States and other geographies, and as and when we decide to distribute, we may have to accrue additional taxes in accordance with local tax laws, rules and regulations in the relevant foreign jurisdictions. During the nine months ended September 30, 2023, our subsidiaries in India, the United Kingdom and Australia repatriated $76.0 million (net of $4.0 million withholding taxes), $15.6 million and $9.1 million, respectively, to the United States. These distributions do not constitute a change in our permanent reinvestment assertion.

*Operating Activities:*

Net cash provided by operating activities was $132.2 million for the nine months ended September 30, 2023, as compared to net cash provided by operating activities of $101.1 million for the nine months ended September 30, 2022, reflecting higher cash earnings, partially offset by higher working capital needs. The major drivers contributing to the increase of $31.1 million year-over-year included the following:

- Increase in cash earnings including adjustments for non-cash and other items contributed higher cash flow of $38.6 million during the nine months ended September 30, 2023, as compared to the nine months ended September 30, 2022. These adjustments comprise of deferred tax effects, unrealized foreign currency exchange gain/(loss), unrealized gain/(loss) on investments, stock-based employee compensation, depreciation and amortization of long-lived assets and intangibles acquired in business combinations, fair value changes in contingent consideration, among others.

- Changes in accounts receivable, including advance billings, contributed higher cash flow of $21.8 million during the nine months ended September 30, 2023, as compared to the nine months ended September 30, 2022. Collections in accounts receivable, including advance billings was driven by revenue growth during the nine months ended September 30, 2023. This was partially offset by increase in our days sales outstanding which was 64 days as of September 30, 2023, as compared to 63 days as of September 30, 2022.

- Higher income tax payments, net of refunds, contributed higher cash payouts of $41.6 million, partially offset by provision for income tax and changes in deferred tax assets and liabilities of $25.5 million during the nine months ended September 30, 2023, as compared to the nine months ended September 30, 2022.

- Changes in other assets, accounts payables including other liabilities contributed higher cash payouts of $13.2 million during the nine months ended September 30, 2023, as compared to the nine months ended September 30, 2022.

*Investing Activities:* Cash provided by investing activities were $11.4 million for the nine months ended September 30, 2023, as compared to cash used for investing activities of $75.2 million for the nine months ended September 30, 2022. The increase in cash provided by investing activities of $86.6 million year-over-year is mainly due to net redemption of investments of $52.5 million during nine months ended September 30, 2023, as compared to net purchase of investments of $40.0 million during the nine months ended September 30, 2022. The increase was also due to acquisition-related payouts of $3.3 million during the nine months ended September 30, 2022 with no corresponding payouts during the nine months ended September 30, 2023. This was partially offset by higher capital expenditures in infrastructure, technology assets, software and product developments of $9.0 million during the nine months ended September 30, 2023, as compared to the nine months ended September 30, 2022.

*Financing Activities:* Cash used for financing activities were $141.0 million during the nine months ended September 30, 2023, as compared to cash used for financing activities of $61.8 million during the nine months ended September 30, 2022. The increase in cash used for financing activities of $79.2 million year-over-year was primarily due to net repayment of our borrowings under our revolving credit facility of $40.0 million during the nine months ended September 30, 2023, as compared to net proceeds of our borrowings of $10.0 million during the nine months ended September 30, 2022. The increase was also due to higher purchases of treasury stock by $28.8 million under our share repurchase program during the nine months ended September 30, 2023, as compared to the nine months ended September 30, 2022.

We expect to use cash from operating activities to maintain and expand our business by making investments, primarily related to building new digital capabilities and purchase telecommunications equipment and computer hardware and software in connection with managing client operations.

We incurred $41.1 million of capital expenditures during the nine months ended September 30, 2023. We expect to incur total capital expenditures of between $50.0 million to $55.0 million in 2023, primarily to meet our growth requirements, including additions to our facilities as well as investments in technology applications, product development, digital technology, advanced automation, robotics and infrastructure.

In connection with any tax assessment orders that have been issued, or may be issued against us or our subsidiaries, we may be required to deposit additional amounts with the relevant authorities with respect to such assessment orders. See Note 25 - Commitments and Contingencies to our unaudited consolidated financial statements herein for further details.

We believe that our existing cash, cash equivalents and short-term investments and sources of liquidity will be sufficient to satisfy our cash requirements over the next 12 months. Our future cash requirements will depend on many factors, including our rate of revenue growth, our investments in strategic initiatives, applications or technologies, operation centers and acquisition of complementary businesses, continued stock repurchases under our board-authorized stock repurchase program, which may require the use of significant cash resources and/or additional financing. We anticipate that we will continue to rely upon cash from operating activities to finance most of our above mentioned requirements, although if we have significant growth through acquisitions, we may need to obtain additional financing.

In the ordinary course of business, we enter into contracts and commitments that obligate us to make payments in the future. These obligations include borrowings, including interest obligations, purchase commitments, operating and finance lease commitments, employee benefit payments under gratuity plans, payments for contingent consideration and uncertain tax positions. See Note 16 - Fair Value Measurements - Fair Value of Contingent Consideration, Note 18 - Borrowings, Note 21 - Leases and Note 25 - Commitments and Contingencies to our unaudited consolidated financial statements herein for further information on material cash requirements from known contractual and other obligations.

In the ordinary course of business, we provide standby letters of credit to third parties primarily for facility leases. As of September 30, 2023 and December 31, 2022, we had outstanding letters of credit of $0.5 million, each, that were not recognized in our consolidated balance sheets. These are unlikely to have, a current or future material effect on our financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources. We had no other off-balance sheet arrangements or obligations.

***Financing Arrangements (Debt Facility)***

The following table summarizes our debt position:

| | As of September 30,2023 | As of December 31, 2022 |
|---|---|---|
| | (dollars in millions) | |
| | Revolving credit facility | |
| Current portion of long-term borrowings | $ 50.0 | $ 30.0 |
| Long-term borrowings | 160.0 | 220.0 |
| **Total borrowings** | $ 210.0 | $ 250.0 |

See Note 18 - Borrowings to our unaudited consolidated financial statements herein for further details.

**Recent Accounting Pronouncements**

For a description of recent accounting pronouncements, see Note 2 - Summary of Significant Accounting Policies - Recent Accounting Pronouncements to our unaudited consolidated financial statements contained herein.

**ITEM 3. Quantitative and Qualitative Disclosures About Market Risk**

During the three months ended September 30, 2023, there were no material changes in our market risk exposure. For a discussion of our market risk associated with exchange rate risk and interest rate risk, see Part II, Item 7A “Quantitative and Qualitative Disclosures About Market Risk” in our Annual Report on Form 10-K for the fiscal year ended December 31, 2022.

**ITEM 4. Controls and Procedures**

***Evaluation of Disclosure Controls and Procedures***

The Company maintains disclosure controls and procedures that are designed to ensure that information required to be disclosed in the reports the Company files or submits under the Securities Exchange Act of 1934, as amended (the “Exchange Act”) is recorded, processed, summarized and reported within the time periods specified in the U.S. Securities and Exchange Commission’s rules and forms, and that such information is accumulated and communicated to the Company’s management, including its Chief Executive Officer (“CEO”) and Chief Financial Officer (“CFO”), to allow timely decisions regarding required disclosure. In connection with the preparation of this Quarterly Report on Form 10-Q, the Company’s management carried out an evaluation, under the supervision and with the participation of the CEO and CFO, of the effectiveness and operation of the Company’s disclosure controls and procedures as of September 30, 2023. Based upon that evaluation, the CEO and CFO have concluded that the Company’s disclosure controls and procedures, as of September 30, 2023, were effective.

***Changes in Internal Control over Financial Reporting***

During the three months ended September 30, 2023, there were no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

**PART II. OTHER INFORMATION**

**ITEM 1. Legal Proceedings**

In the course of our normal business activities, various lawsuits, claims and proceedings may be instituted or asserted against us. Although there can be no assurance, we believe that the disposition of matters currently instituted or asserted will not have a material adverse effect on our consolidated financial position, results of operations or cash flows. See Note 25 - Commitments and Contingencies to our unaudited consolidated financial statements contained herein for details regarding our tax proceedings.

**ITEM 1A. Risk Factors**

We have disclosed under the heading “Risk Factors” in our Annual Report on Form 10-K for the fiscal year ended December 31, 2022, a number of risks which may materially affect our business, financial condition or results of operations. You should carefully consider those risk factors and the other information set forth elsewhere in this Quarterly Report on Form 10-Q. You should be aware that these risk factors and other information may not describe every risk facing our Company. Additional risks and uncertainties not currently known to us may also materially adversely affect our business, financial condition and/or results of operations.

**ITEM 2. Unregistered Sales of Equity Securities and Use of Proceeds**

***Unregistered Sales of Equity Securities***

None.

***Use of Proceeds***

None.

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***Purchases of Equity Securities by the Issuer***

During the three months ended September 30, 2023, purchases of common stock were as follows:

| Period | Shares Purchased from Employees in connection with satisfaction of Withholding Tax Obligations: Number of Shares Purchased | Shares Purchased from Employees in connection with satisfaction of Withholding Tax Obligations: Average Price Paid per share | Shares Purchased as Part of Publicly Announced Programs: Number of Shares Purchased | Shares Purchased as Part of Publicly Announced Programs: Average Price Paid per share | Total Number of Shares Purchased | Approximate Dollar Value of Shares That May Yet Be Purchased Under the Programs |
|---|---|---|---|---|---|---|
| July 1, 2023 through July 31, 2023 | — | $ — | 320,620 | $ 31.19 | 320,620 | $ 156,632,595 |
| August 1, 2023 through August 31, 2023 | — | $ — | 356,689 | $ 28.04 | 356,689 | $ 146,632,597 |
| September 1, 2023 through September 30, 2023 | 45,267 | $ 29.25 | 298,465 | $ 28.94 | 343,732 | $ 137,995,675 |
| Total | 45,267 | $ 29.25 | 975,774 | $ 29.35 | 1,021,041 | $ — |

On October 5, 2021, our board of directors authorized a $300 million common stock repurchase program beginning January 1, 2022 (the “2022 Repurchase Program”).

Under the 2022 Repurchase Program, shares may be purchased by us from time to time from the open market and through private transactions, or otherwise, as determined by our management as market conditions warrant. We have structured open market purchases under the 2022 Repurchase Program to comply with Rule 10b-18 under the Exchange Act. Repurchases may be discontinued at any time by management.

**ITEM 3. Defaults Upon Senior Securities**

None.

**ITEM 4. Mine Safety Disclosures**

Not applicable.

**ITEM 5. Other Information**

***Rule 10b5-1 Trading Plans***

During the three months ended September 30, 2023, no director or officer of the Company adopted or terminated a “Rule 10b5-1 trading arrangement” or “non-Rule 10b5-1 trading arrangement,” as each term is defined in Item 408(a) of Regulation S-K.

## ITEM 6. Exhibits

The following exhibits are being filed as part of this report or incorporated by reference as indicated therein:

| | |
|---|---|
| 3.1 | Restated Certificate of Incorporation of the Company, as in effect on the date hereof. |
| 3.2 | Sixth Amended and Restated By-laws of the Company (incorporated by reference to Exhibit 3.2 of the Company's Current Report on Form 8-K (File No. 1-33089) filed on June 21, 2023). |
| 31.1 | Certification of the Chief Executive Officer of ExlService Holdings, pursuant to Rule 13a-14(a) of the Exchange Act, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| 31.2 | Certification of the Chief Financial Officer of ExlService Holdings, pursuant to Rule 13a-14(a) of the Exchange Act, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| 32.1 | Certification of the Chief Executive Officer pursuant to Rule 13a-14(b) of the Exchange Act and 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |
| 32.2 | Certification of the Chief Financial Officer pursuant to Rule 13a-14(b) of the Exchange Act and 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |
| 101.INS | XBRL Instance Document* |
| 101.SCH | XBRL Taxonomy Extension Scheme* |
| 101.CAL | XBRL Taxonomy Extension Calculation Linkbase* |
| 101.DEF | XBRL Taxonomy Extension Definition Linkbase* |
| 101.LAB | XBRL Taxonomy Extension Label Linkbase* |
| 101.PRE | XBRL Extension Presentation Linkbase* |
| 104 | Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101) |

*This exhibit will not be deemed "filed" for purposes of Section 18 of the Exchange Act, or otherwise subject to the liability of that section. Such exhibit will not be deemed to be incorporated by reference into any filing under the Securities Act or the Exchange Act, except to the extent that the Company specifically incorporates it by reference.

**SIGNATURES**

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

| | | |
|---|---|---|
| Date: October 26, 2023 | **EXLSERVICE HOLDINGS, INC.** | |
| | By: | /S/ MAURIZIO NICOLELLI |
| | | **MAURIZIO NICOLELLI**<br>**Chief Financial Officer**<br>**(Duly Authorized Signatory, Principal Financial and Accounting Officer)** |

**Exhibit 3.1**

**RESTATED**
**CERTIFICATE OF INCORPORATION**
**of**
**EXLSERVICE HOLDINGS, INC.**

ExlService Holdings, Inc., a corporation organized and existing under the laws of the State of Delaware (the "Corporation"), hereby certifies as follows:

FIRST: The name of the corporation is ExlService Holdings, Inc. The original Certificate of Incorporation of the Corporation was filed with the Secretary of State of the State of Delaware on the 29th day of October 2002. The first Amended and Restated Certificate of Incorporation of the Corporation was filed with the Secretary of State of the State of Delaware on December 13, 2002. The second Amended and Restated Certificate of Incorporation of the Corporation was filed with the Secretary of State of the State of Delaware on October 24, 2006.

SECOND: The Board of Directors of the Corporation approved and adopted resolutions setting forth this Restated Certificate of Incorporation, which are filed with the minutes of the Corporation.

THIRD: This Restated Certificate of Incorporation has been duly adopted in accordance with Section 245 of the Delaware General Corporation Law and restates and integrates but does not further amend the provisions of the Corporation's second Amended and Restated Certificate of Incorporation as heretofore amended or supplemented. There is no discrepancy between those provisions and the provisions of this Restated Certificate of Incorporation.

FOURTH: The text of the certificate of incorporation of the Corporation is hereby restated in its entirety to read as follows:

1. Name. The name of the corporation is "ExlService Holdings, Inc."

2. Address; Registered Office and Agent. The address of the Corporation's registered office in the State of Delaware is 1209 Orange Street, City of Wilmington, County of New Castle, State of Delaware 19801; and the name of its registered agent at such address is The Corporation Trust Company.

3. Purposes. The purpose of the Corporation is to engage in any lawful act or activity for which corporations may be organized under the General Corporation Law.

4. Number of Shares. The Corporation is authorized to issue two classes of stock to be designated, respectively, "Common Stock" and "Preferred Stock." The total number of shares of all classes of stock which the Corporation shall have authority to issue is 415,000,000 shares, consisting of (i) 400,000,000 shares of Common Stock, $0.001 par value per share ("Common Stock"), and (ii) 15,000,000 shares of Preferred Stock, $0.001 par value per share ("Preferred Stock"), of which 45,833.36 are designated as Series A Preferred Stock ("Series A Preferred Stock").

5. Classes of Shares. The designation, relative rights, preferences and limitations of the shares of each class are as follows:

5.1 Common Stock.

(a) Except as otherwise provided by law or by this Certificate of Incorporation and subject to the express terms of any series of shares of Preferred Stock, the holders of outstanding shares of Common Stock shall exclusively possess voting power for the election of Directors and for all other purposes, each holder of record of shares of Common Stock shall be entitled to one vote for each share of Common Stock standing in his or her name on the books of the Corporation. Except as otherwise provided by law or by this Certificate of Incorporation and subject to the express terms of any series of shares of Preferred Stock, the holders of shares of Common Stock shall be entitled, to the exclusion of the holders of shares of Preferred Stock of any and all series, to receive such dividends as from time to time may be declared by the Board of Directors of the Corporation (the "Board"). In the event of any liquidation, dissolution or winding up of the Corporation, whether voluntary or involuntary, subject to the rights, if any, of the holders of any outstanding series of Preferred Stock, the holders of shares of Common Stock shall be entitled to share ratably according to the number of shares of Common Stock held by them in all remaining assets of the Corporation available for distribution to its stockholders. Subject to the rights of the holders of any one or more series of Preferred Stock then outstanding, the number of authorized shares of any class or classes of stock may be increased or decreased (but not below the number of shares thereof then outstanding) by the affirmative vote of the holders of a majority of the stock of the Corporation entitled to vote, irrespective of the provisions of Section 242(b)(2) of the General Corporation Law or any corresponding provision hereinafter enacted.

(b) The Series B Common Stock shall have the additional rights, conversion features and other terms set forth in Annex A attached hereto. Following the conversion of all shares of Series B Common Stock as provided in Section 2 of Annex A, there shall only be one class of Common Stock and it shall be referred to as Common Stock.

5.2 Preferred Stock. The shares of Preferred Stock may be issued from time to time in one or more series of any number of shares, provided that the aggregate number of shares issued and not retired of any and all such series shall not exceed the total number of shares of Preferred Stock hereinabove authorized, and with such powers, including voting powers, if any, and the designations, preferences and relative, participating, optional or other special rights, if any, and any qualifications, limitations or restrictions thereof, all as shall hereafter be stated and expressed in the resolution or resolutions providing for the designation and issue of such shares of Preferred Stock from time to time adopted by the Board pursuant to authority so to do which is hereby expressly vested in the Board. The powers, including voting powers, if any, preferences and relative, participating, optional and other special rights of each series of Preferred Stock, and the qualifications, limitations or restrictions thereof, if any, may differ from those of any and all other series at any time outstanding. Each series of shares of Preferred Stock: (a) may have such voting rights or powers, full or limited, if any; (b) may be subject to redemption at such time or times and at such prices, if any; (c) may be entitled to receive dividends (which may be cumulative or non-cumulative) at such rate or rates, on such conditions and at such times, and payable in preference to, or in such relation to, the dividends payable on any other class or classes or series of stock, if any; (d) may have such rights upon the voluntary or involuntary liquidation, winding up or dissolution of, upon any distribution of the assets of, or in the event of any merger, sale or consolidation of, the Corporation, if any; (e) may be made convertible into or exchangeable for, shares of any other class or classes or of any other series of the same or any other class or classes of stock of the Corporation (or any other securities of the Corporation or any other person) at such price or prices or at such rates of exchange and with such adjustments, if any; (f) may be entitled to the benefit of a sinking fund to be applied to the purchase or redemption of shares of such series in such amount or amounts, if any; (g) may be entitled to the benefit of conditions and restrictions upon the creation of indebtedness of the Corporation or any subsidiary, upon the issue of any additional shares (including additional shares of such series or of any other series) and upon the payment of dividends or the making of other distributions on, and the purchase, redemption or other acquisition by the Corporation or any subsidiary of, any outstanding shares of the Corporation, if any; (h) may be subject to restrictions on transfer or registration of transfer, or on the amount of shares that may be owned by any person or group of persons; and (i) may have such other relative, participating, optional or other special rights, qualifications, limitations or restrictions thereof, if any; all as shall be stated in said resolution or resolutions of the Board providing for the designation and issue of such shares of Preferred Stock.

5.3 Series A Preferred Stock. The designation, relative rights, preferences and limitations of the Series A Preferred Stock shall be as set forth in Annex B attached hereto. Upon the retirement, repurchase, redemption or other acquisition of shares of Series A Preferred Stock by the Corporation, such shares shall be deemed to be unissued and undesignated shares of Preferred Stock and may be reissued by the Corporation as shares of any series of Preferred Stock.

6. Board of Directors.

6.1 Number of Directors. The business and affairs of the Corporation shall be managed by, or under the direction of, the Board. Unless and except to the extent that the Amended and Restated By-laws of the Corporation, as such By-laws may be amended from time to time (the "By-laws"), shall so require, the election of the Directors of the Corporation need not be by written ballot. Except as otherwise provided for or fixed pursuant to the provisions of Section 5 of this Certificate of Incorporation relating to the rights of the holders of any series of Preferred Stock to elect additional Directors, the total number of Directors constituting the entire Board shall be not less than 6 nor more than 12, with the then authorized number of Directors being fixed from time to time by the Board. During any period when the holders of any series of Preferred Stock have the right to elect additional Directors as provided for or fixed pursuant to the provisions of Section 5 hereof, then upon commencement and for the duration of the period during which such right continues: (i) the then otherwise total authorized number of Directors of the Corporation shall automatically be increased by such specified number of Directors, and the holders of such Preferred Stock shall be entitled to elect the additional Directors so provided for or fixed pursuant to said provisions, and (ii) each such additional Director shall serve until such Director's successor shall have been duly elected and qualified, or until such Director's right to hold such office terminates pursuant to said provisions, whichever occurs earlier, subject to his or her earlier death, disqualification, resignation or removal. Except as otherwise provided by the Board in the resolution or resolutions establishing such series, whenever the holders of any series of Preferred Stock having such right to elect additional Directors are divested of such right pursuant to the provisions of such stock, the terms of office of all such additional Directors elected by the holders of such stock, or elected to fill any vacancies resulting from the death, resignation, disqualification or removal of such additional Directors, shall forthwith terminate and the total and authorized number of Directors of the Corporation shall be reduced accordingly.

6.2 Terms of Directors. Subject to the provisions of this Certificate of Incorporation relating to directors elected by the holders of one or more series of Preferred Stock, voting as a separate series or with one or more other series of Preferred Stock, at each annual meeting of stockholders commencing with the 2019 annual meeting of stockholders, directors of the corporation other than those in the 2020 Class and 2021 Class (each as defined below) shall be elected for a term of one year, expiring at the next succeeding annual meeting of stockholders. Each director of the corporation who was elected at the 2017 annual meeting of stockholders for a three-year term expiring in 2020 (the "2020 Class"), and each director of the corporation who was elected at the 2018 annual meeting of stockholders for a three-year term expiring in 2021 (the "2021 Class"), including any person appointed to fill any vacancy occurring with respect to any director in the 2020 Class or the 2021 Class (each of whom shall be deemed to be a member of the class of directors in which the vacancy occurred), shall continue to hold office until the end of the term for which such director was elected or appointed, as applicable. Subject to the provisions of this Certificate of Incorporation relating to directors elected by the holders of one or more series of Preferred Stock, voting as a separate series or with one or more other series of Preferred Stock, (a) commencing with the 2020 annual meeting of stockholders, all directors of the corporation other than those in the 2021 Class will be elected for a term of one year, and (b) commencing with the 2021 annual meeting of stockholders, all directors of the corporation will be elected for a term of one year. In all cases, each director shall serve until such director's successor has been duly elected and qualified or until such director's earlier death, disqualification, resignation or removal.

6.3 Vacancies and Newly Created Directorships. Subject to the rights of the holders of any one or more series of Preferred Stock then outstanding, newly created directorships resulting from any increase in the authorized number of Directors or any vacancies on the Board resulting from death, resignation, retirement, disqualification, removal from office or other cause shall be filled solely by the affirmative vote of a majority of the remaining Directors then in office, even if less than a quorum of the Board. Any Director so chosen shall hold office until the expiration of the term of office of the Director whom he or she has replaced and until his or her successor shall be duly elected and qualified or until such Director's earlier death, disqualification, resignation or removal. No decrease in the number of Directors shall shorten the term of any incumbent Director.

6.4 Removal of Directors. Unless otherwise restricted by applicable law and except for such additional Directors, if any, as are elected by the holders of any series of Preferred Stock as provided for or fixed pursuant to the provisions of Section 5 hereof, any Director, or the entire Board, may be removed from office at any time, with or without cause, by the affirmative vote of the holders of at least a majority of the total voting power of the outstanding shares of capital stock of the Corporation entitled to vote generally in the election of Directors, voting together as a single class.

7. Limitation of Liability. To the fullest extent permitted under the General Corporation Law, as amended from time to time, no Director of the Corporation shall be personally liable to the Corporation or its stockholders for monetary damages for breach of fiduciary duty as a Director, provided that this provision shall not eliminate or limit the liability of a Director (a) for any breach of the Director's duty of loyalty to the Corporation or its stockholders, (b) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (c) under Section 174 of the General Corporation Law or (d) for any transaction from which the Director derived any improper personal benefits. If the General Corporation Law is hereafter amended to authorize corporate action further eliminating or limiting the personal liability of Directors, then the liability of a Director of the Corporation shall be eliminated or limited to the fullest extent permitted by the General Corporation Law, as so amended.

Any amendment, repeal or modification of the foregoing provision shall not adversely affect any right or protection of a Director of the Corporation hereunder in respect of any act or omission occurring prior to the time of such amendment, repeal or modification.

8. Indemnification.

8.1 Right to Indemnification. The Corporation shall indemnify and hold harmless, to the fullest extent permitted by applicable law as it presently exists or may hereafter be amended, any person (a "Covered Person") who was or is made or is threatened to be made a party or is otherwise involved in any action, suit or proceeding, whether civil, criminal, administrative or investigative (a "Proceeding"), by reason of the fact that he or she, or a person for whom he or she is the legal representative, is or was a Director or officer of the Corporation or, while a Director or officer of the Corporation, is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation or of a partnership, joint venture, trust, enterprise or nonprofit entity (an "Other Entity"), including service with respect to employee benefit plans, against all liability and loss suffered and expenses (including attorneys' fees) reasonably incurred by such Covered Person. Notwithstanding the preceding sentence, except as otherwise provided in Section 8.3, the Corporation shall be required to indemnify a Covered Person in connection with a Proceeding (or part thereof) commenced by such Covered Person only if the commencement of such Proceeding (or part thereof) by the Covered Person was authorized by the Board.

8.2 Prepayment of Expenses. The Corporation shall pay the expenses (including attorneys' fees) incurred by a Covered Person in defending any Proceeding in advance of its final disposition, provided, however, that, to the extent required by applicable law, such payment of expenses in advance of the final disposition of the Proceeding shall be made only upon receipt of an undertaking by the Covered Person to repay all amounts advanced if it should be ultimately determined that the Covered Person is not entitled to be indemnified under this Section 8 or otherwise.

8.3 Claims. If a claim for indemnification or advancement of expenses under this Section 8 is not paid in full within 30 days after a written claim therefor by the Covered Person has been received by the Corporation, the Covered Person may file suit to recover the unpaid amount of such claim and, if successful, shall be entitled to be paid the expense of prosecuting such claim. In any such action the Corporation shall have the burden of proving that the Covered Person is not entitled to the requested indemnification or advancement of expenses under applicable law.

8.4 Nonexclusivity of Rights. The rights conferred on any Covered Person by this Section 8 shall not be exclusive of any other rights that such Covered Person may have or hereafter acquire under any statute, provision of this Certificate of Incorporation, the By-laws, agreement, vote of stockholders or disinterested Directors or otherwise.

8.5 Other Sources. The Corporation's obligation, if any, to indemnify or to advance expenses to any Covered Person who was or is serving at its request as a Director, officer, employee or agent of an Other Entity shall be reduced by any amount such Covered Person collects as indemnification or advancement of expenses from such Other Entity.

8.6 Amendment or Repeal. Any repeal or modification of the foregoing provisions of this Section 8 shall not adversely affect any right or protection hereunder of any Covered Person in respect of any act or omission occurring prior to the time of such repeal or modification.

8.7 Other Indemnification and Prepayment of Expenses. This Section 8 shall not limit the right of the Corporation, to the extent and in the manner permitted by applicable law, to indemnify and to advance expenses to persons other than Covered Persons when and as authorized by appropriate corporate action.

9. Adoption, Amendment and/or Repeal of By-Laws. In furtherance and not in limitation of the powers conferred by the laws of the State of Delaware, the Board is expressly authorized to make, alter and repeal the By-laws, subject to the power of the Stockholders of the Corporation to alter or repeal any By-laws whether adopted by them or otherwise. Notwithstanding any other provisions of this Certificate of Incorporation or the By-laws (and notwithstanding the fact that a lesser percentage may be permitted by applicable law, this Certificate of Incorporation or the By-laws), but in addition to any affirmative vote of the holders of any particular class of stock of the Corporation required by applicable law or this Certificate of Incorporation, the affirmative vote of the holders of at least 66 2/3% of the voting power of the shares of the then outstanding voting stock of the Corporation, voting together as a single class, shall be required to adopt new By-laws or to alter, amend or repeal the By-laws.

10. Certificate Amendments. The Corporation reserves the right at any time, and from time to time, to amend, alter, change or repeal any provision contained in this Certificate of Incorporation. In addition, other provisions authorized by the laws of the State of Delaware at the time in force may be added or inserted, in the manner now or hereafter prescribed by applicable law. All rights, preferences and privileges of whatsoever nature conferred upon stockholders, Directors or any other persons whomsoever by and pursuant to this Certificate of Incorporation in its present form or as hereafter amended are granted and held subject to the rights the Corporation has reserved in this Section 10. Notwithstanding any other provisions of this Certificate of Incorporation or the By-laws (and notwithstanding the fact that a lesser percentage may be permitted by applicable law, this Certificate of Incorporation or the By-laws), but in addition to any affirmative vote of the holders of any particular class of stock of the Corporation required by applicable law or this Certificate of Incorporation, the affirmative vote of the holders of at least 66 2/3% of the voting power of the shares of the then outstanding voting stock of the Corporation, voting together as a single class, shall be required to amend or repeal, or adopt any provisions inconsistent with Sections 6, 9, 10, 11 or 12 of this Certificate of Incorporation.

11. Written Consent Prohibition. Except as otherwise provided for or fixed pursuant to the provisions of Section 5 of this Certificate of Incorporation relating to the rights of holders of any series of Preferred Stock, no action that is required or permitted to be taken by the stockholders of the Corporation at any annual or special meeting of stockholders may be effected by written consent of stockholders in lieu of a meeting of stockholders, unless the action to be effected by written consent of stockholders and the taking of such action by such written consent have expressly been approved in advance by the Board.

12. Special Meetings of the Corporation’s Stockholders. Unless otherwise provided by applicable law and subject to the express terms of any series of shares of Preferred Stock, a special meeting of the Corporation’s stockholders may be called only by (a) the Corporation’s Chairman of the Board or (b) a majority of the members of the Board, and may not be called by any other person or persons.

WITNESS the signature of this Restated Certificate of Incorporation this 1st day of August, 2023.

| | |
|---|---|
| | EXLSERVICE HOLDINGS, INC. |
| By: | /s/ Rohit Kapoor |
| Name: | Rohit Kapoor |
| Title: | Chief Executive Officer, Vice-Chairman and Director |

**ANNEX A**
**SERIES B COMMON STOCK**

1. Voting Rights. The holders of shares of Series B Common Stock (the “Series B Common Holders”) shall not be entitled or permitted to vote on any matter required or permitted to be voted on by the stockholders of the Corporation.

2. Conversion of Series B Common Stock.
(a) Immediately prior to the occurrence of a Conversion Event (as hereinafter defined), all of the outstanding shares of Series B Common Stock shall be converted, with no further action required by the Company and/or the holders of Series B Common Stock, into shares of Series A Common Stock at the Conversion Rate. The “Conversion Rate” shall initially be one (1) and may change, from time to time, in accordance with this Section 2 of this Annex A.

(b) Immediately prior to the occurrence of any Conversion Event, each Series B Common Holder shall surrender all certificates representing all of the Series B Common Stock held by such Series B Common Holder at the principal office of the Corporation (or such other office or agency of the Corporation as the Corporation may designate by notice in writing to the Series B Common Holders) at any time during normal business hours. Such conversion shall be deemed to have been effected as of the close of business on the date of the Conversion Event, and at such time, the rights of the Series B Common Holders shall cease and the person or persons in whose name or names the certificate or certificates for shares of Series A Common Stock are to be issued upon such conversion shall be deemed to have become holders of the Series A Common Stock represented thereby.

(c) Promptly after such surrender, the Corporation shall issue and deliver in accordance with the surrendering holder’s instructions the certificate or certificates for the Series A Common Stock issuable upon such conversion.

(d) In the case of, and as a condition to, any capital reorganization of, or any reclassification, subdivision or combination of shares of Series A Common Stock or Series B Common Stock into a greater or lesser number of shares (whether with or without par value) or a change in the par value of Series A Common Stock or Series B Common Stock (or from par value to no par value, or from no par value to par value) or in the case of, and as a condition to, the consolidation or merger of the Corporation with or into another corporation (other than a merger in which the Corporation is the continuing corporation and which does not result in any reclassification of outstanding shares of Series A Common Stock or Series B Common Stock), the Conversion Rate shall be adjusted so that each share of Series B Common Stock shall be convertible, in accordance with the provisions of this Section 2 of this Annex A, into the number of shares of stock or other securities or property receivable upon such reorganization, reclassification, consolidation or merger by a holder of the number of shares of Series A Common Stock into which such share of Series B Common Stock was convertible immediately prior to such reorganization, reclassification, consolidation or merger; and, in any such case, appropriate adjustment shall be made in the application of the provisions set forth in this Section 2 of this Annex A with respect to the rights and interests thereafter of the Series B Common Stock to the end that the provisions set forth in this Section 2 of this Annex A (including provisions with respect to the Conversion Rate and the restrictions set forth in subparagraph (a)) shall thereafter be applicable, as nearly as they reasonably may be, in relation to any shares of stock or other securities or property thereafter deliverable upon the conversion of the shares of Series B Common Stock.

(e) Shares of Series B Common Stock which are converted into shares of Series A Common Stock as provided herein shall not be reissued.

(f) The Corporation shall at all times reserve and keep available out of its authorized but unissued shares of Series A Common Stock or its treasury shares solely for the purpose of issue upon the conversion of the Series B Common Stock as provided in this Section 2 of this Annex A, such number of shares of Series A Common Stock as shall then be issuable upon the conversion of all then outstanding shares of Series B Common Stock.

(g) The issuance of certificates for Series A Common Stock upon the conversion of Series B Common Stock shall be made without charge to the holders of such shares for any issuance tax in respect thereof or other cost incurred by the Corporation in connection with such conversion and the related issuance of Series A Common Stock. The Corporation shall not close its books against the transfer of Series B Common Stock or of Series A Common Stock issued or issuable upon the conversion of Series B Common Stock in any manner which would interfere with the timely conversion of Series B Common Stock.

(h) For purposes of this Section 2 of this Annex A, each of the following events shall constitute a Conversion Event: (i) the sale or other transfer or disposition of eighty percent or more of the issued and outstanding capital stock of the Corporation, or the sale, lease or other transfer or disposition of all or substantially all of the assets of the Corporation, in either case whether (A) directly or indirectly, by merger, combination or other similar transaction or (B) in a single transaction or a series of related transactions; (ii) the consummation of a sale of the common stock of the Corporation in a public offering, registered under the Securities Act of 1933; and (iii) any of the Series B Common Stock being held by any person free and clear of any vesting requirements.

**ANNEX B**
**SERIES A PREFERRED STOCK**

1. Voting Rights. The holders of shares of Series A Preferred Stock (the "Series A Preferred Holders") shall not be entitled or permitted to vote on any matter required or permitted to be voted on by the stockholders of the Corporation.

2. Dividends. The Series A Preferred Holders shall be entitled to receive annual dividends, as and when declared by the Board out of funds legally available therefor, as set forth herein. As an annual dividend, each Series A Preferred Holder shall be entitled to 10% of the Liquidation Preference (as defined below) per share then held by them, as adjusted for any stock split, combination or similar recapitalization with respect to such share. Such annual dividends shall be payable, at the election of the Corporation, in cash or in the form of an additional Liquidation Preference. Such dividends shall accrue annually but shall be paid only upon redemption, liquidation, or as otherwise declared by the Board. Such dividends shall be cumulative and shall accrue on a day–to–day basis, whether or not earned, from and after the day immediately succeeding the date the Series A Preferred Stock is issued. Dividends payable for any partial dividend period shall be computed on the basis of actual days elapsed over a 365 day year.

3. Liquidation Preference.
(a) In the event of liquidation, dissolution or winding up of the Corporation, either voluntary or involuntary, the Series A Preferred Holders shall be entitled to receive, prior and in preference to any distribution of any assets or surplus funds of the Corporation to the holders of shares of Common Stock (the "Common Holders") by reason of their ownership thereof, for each outstanding share of Series A Preferred Stock then held by them, an amount equal to: $100 per share of Series A Preferred Stock, plus any declared and unpaid dividends on such Series A Preferred Stock, as adjusted for any stock split, combination or similar recapitalization with respect to such shares, and as such amount is adjusted for any dividends payable as an additional Liquidation Preference, in accordance with Section 2 above (the "Liquidation Preference"). If, upon the occurrence of such event, the assets and funds thus distributed among the holders of the Series A Preferred Stock shall be insufficient to permit the payment to such holders of the full amount of the applicable Liquidation Preference, then the entire assets and funds of the Corporation legally available for distribution shall be distributed ratably among the holders of the Series A Preferred Stock in proportion to the Liquidation Preference each such holder is otherwise entitled to receive.

(b) After the payment to the holders of Series A Preferred Stock of the full preferential amounts specified in Section 3(a) above, no further payments shall be made to the holders of Series A Preferred Stock by reason thereof and any remaining assets of the Corporation shall then be distributed with equal priority and pro rata among the holders of Common Stock, based on the number of shares of Common Stock held by each such holder relative to the total number of outstanding shares of Common Stock.

(c) Any transaction that results in a change of voting control of the Corporation, including without limitation a reorganization, consolidation or merger of the Corporation with or into any other entity or person, or a sale, lease or conveyance of all or substantially all of the assets of the Corporation, shall be subject to the provisions of Section 5 of this Annex B.

(d) For purposes of this Section 3, a liquidation, dissolution or winding up of the Corporation shall be deemed to be occasioned by, and to include, the events set forth in Section 5(a) of this Annex B.

4. Redemption.
(a) By the Corporation.
(i) The Corporation may, at its option, and at any time, redeem, at the applicable Redemption Price (as determined in Section 4(d) below), all (but not a portion) of the Series A Preferred Stock outstanding on the Corporation Redemption Date (as defined in Section 4(a)(ii) below). The Corporation shall give notice pursuant to this Section 4 to all of the holders of the then outstanding Series A Preferred Stock at the address of each such holder appearing on the books of the Corporation or given by such holder to the Corporation for the purpose of notice.

(ii) Notice. If the Corporation elects to redeem Series A Preferred Stock in accordance with Section 4(a)(i), the Corporation shall mail a notice of redemption (the "Corporation Redemption Notice") to each Series A Preferred Holder of record, addressed to such Series A Preferred Holder at the address of such Series A Preferred Holder appearing on the books of the Corporation or given by the Series A Preferred Holder to the Corporation for the purpose of the notice, not earlier than sixty (60) nor later than twenty (20) days before the date fixed for a redemption pursuant to this Section 4(a) (the "Corporation Redemption Date"). The notice of redemption shall include (i) the shares to be redeemed, (ii) the Corporation Redemption Date,

(iii) the Redemption Price and (iv) the place at which the stockholders may obtain payment of the Redemption Price upon surrender of their share certificates.

(iii) Cessation of Rights. If funds are available on the date fixed for a redemption of the Series A Preferred Stock, then whether or not the share certificates, representing shares which are to be redeemed, are surrendered for payment of the applicable redemption price, the shares which are redeemed shall no longer be outstanding and the holders thereof shall cease to be stockholders of the Corporation with respect to the shares redeemed on or after the date fixed for redemption and shall be entitled only to receive the applicable redemption price for such redeemed shares, without interest, upon surrender of the share certificates, representing the redeemed shares.

(b) By the Holders of Series A Preferred Stock.
(i) Upon the occurrence of a Mandatory Redemption Event (as defined in this Section 4(b)(i)), the holders of more than 50% of the outstanding shares of Series A Preferred Stock shall be entitled to require, at any time within one hundred eighty (180) days of the Mandatory Redemption Event, the Corporation to redeem, at the applicable Redemption Price, all shares of the Series A Preferred Stock held by the Series A Preferred Holders and submitted for redemption on the Mandatory Redemption Date (as defined in Section 4(b)(ii) below). For the purposes of this paragraph, a "Mandatory Redemption Event" shall be the occurrence of any of the following events: (A) any representation or warranty made by Conseco, Inc., an Indiana corporation ("Conseco"), under the Stock Purchase Agreement by and among Oak Hill Capital Partners, L.P., a Delaware limited partnership ("Oak Hill"), Financial Technology Ventures (Q), L.P., a Delaware limited partnership, and certain of its affiliates, Conseco, the Corporation and certain of the Corporation's subsidiaries dated November 14, 2002 (the "Stock Purchase Agreement"), is materially inaccurate or breached in any material respect (without regard to any materiality qualifications or limitations on the survival of the representations and warranties contained in the Stock Purchase Agreement); (B) a material adverse change, after the date hereof, in the condition, financial or otherwise, business, properties, assets, results of operations or prospects of the Corporation or its subsidiaries; (C) during the period between April 1, 2003 and December 31, 2003, the aggregate consolidated revenue of the subsidiaries of the Corporation for any three consecutive calendar months shall be twenty five percent (25%) below the anticipated revenue for such period, as reflected in the operating plan provided to Oak Hill on October 15, 2002 (the "Plan"); or (D) during the period between April 1, 2003 and December 31, 2003, the aggregate consolidated net cash flow, as such term is used in the Plan, for any three consecutive calendar months, is twenty five percent (25%) below the anticipated net cash flow for such period, as reflected in the Plan. If the funds of the Corporation legally available for redemption of shares of Series A Preferred Stock on any Mandatory Redemption Date are insufficient to redeem the total number of shares of Series A Preferred Stock submitted for redemption on such Mandatory Redemption Date, those funds which are legally available will be used to first redeem as many shares of Series A Preferred Stock as may be lawfully redeemed and that were submitted for redemption by holders thereof. At any time thereafter when additional funds of the Corporation are legally available for the redemption of shares of Series A Preferred Stock, such funds will immediately be used to redeem the balance of the shares which the Corporation has become obliged to redeem on any Mandatory Redemption Date (or such lesser maximum amount that shall be lawful at such time), but which it has not redeemed.

(ii) Notice. Immediately upon receipt of a demand for redemption pursuant to Section 4 (b), the Corporation shall give written notice (the "Mandatory Redemption Notice") to all of the Series A Preferred Holders of record, addressed to each Series A Preferred Holder at the address of such Series A Preferred Holder appearing on the books of the Corporation or given by such Series A Preferred Holder to the Corporation for the purpose of the notice; such Mandatory Redemption Notice shall include: (a) a date fixed for redemption which shall be within thirty (30) days after the Corporation receives a demand for redemption pursuant to Section 4(b) (the "Mandatory Redemption Date") and (b) the Redemption Price. Each share of Series A Preferred Stock submitted for redemption in accordance with this Section 4(b) shall be redeemed on the Mandatory Redemption Date at the applicable Redemption Price. On or prior to the Mandatory Redemption Date, each holder of shares of Series A Preferred Stock submitted for redemption shall surrender the certificate or certificates evidencing such shares to the Corporation, at the place designated in the Mandatory Redemption Notice and shall thereupon be entitled to receive payment of the appropriate Redemption Price. The Corporation shall be under no obligation to redeem, pursuant to this Section 4(b), shares of Series A Preferred Stock (A) for which no stock certificate or affidavit of lost stock certificate is surrendered on or prior to such Mandatory Redemption Date or (B) to the extent that any such redemption would be in violation of applicable law.

(iii) Cessation of Rights. Subject to the last sentence of 4(b)(i) this Annex B, from and after the applicable Mandatory Redemption Date, unless there shall have been a default in payment of the appropriate Redemption Price, all rights of the holders of shares of the Series A Preferred Stock submitted for redemption in response to a Redemption Notice (except the right to receive the Redemption Price without interest upon surrender of their certificate or certificates) shall cease with respect to such shares of Series A Preferred Stock, and such shares of Series A Preferred Stock shall not thereafter be outstanding for any purpose whatsoever.

(c) [Intentionally omitted]

(d) Redemption Price. For the purposes of this Section 4 of this Annex B, as of any date, the applicable redemption price shall equal the applicable Liquidation Preference, including accrued but unpaid dividends, as of such date (the "Redemption Price").

5. Merger, Consolidation.
(a) At any time, in the event of:
(i) a consolidation or merger of the Corporation or any of its direct or indirect subsidiaries in one or a series of related transactions with or into any other corporation, or any other entity or person in which the stockholders of the Corporation immediately prior to such transaction hold in the aggregate less than one-half of the outstanding voting securities of the surviving entity after the merger,

(ii) any corporate reorganization in which the stockholders of the Corporation immediately prior to such transaction control or hold in the aggregate less than one-half of the outstanding voting securities of the surviving entity after the merger,

(iii) a sale, lease or conveyance of all or substantially all of the assets of the Corporation or any of its direct or indirect subsidiaries in one or a series of related transactions, or

(iv) a reorganization of the Corporation as defined in Section 368(a)(1)(B) of the Internal Revenue Code of 1986 or in which more than fifty percent (50%) of the outstanding stock of the Corporation is exchanged (calculated on an as-converted to Common Stock basis), then, in any such case, the holders of the Series A Preferred Stock shall be paid an amount of cash or securities (or a combination thereof) received from the acquiring corporation, person or entity, as applicable, at the closing of any such transaction, that is equal to the amount per share that would be payable to the holders of the Series A Preferred Stock as if all such consideration received by the Corporation and its shareholders in connection with such event were being distributed in a liquidation of the Corporation pursuant to Section 3 hereof.

(b) Any securities to be delivered to the holders of the Series A Preferred Stock pursuant to this Section 5 of this Annex B shall be valued as follows:

(i) securities not subject to restrictions on free marketability covered by Section 5(b)(ii) below:

(A) if traded on a securities exchange, the value shall be deemed to be the average of the security's closing prices on such exchange over the 30-day period ending three (3) days prior to the closing;

(B) if actively traded over-the-counter, the value shall be deemed to be the average of the closing bid prices over the 30-day period ending three (3) days prior to the closing; and

(C) if there is no active public market, the value shall be the fair market value thereof, as mutually determined by the Corporation and the holders of not less than a majority of the outstanding Series A Preferred Stock.

(ii) The method of valuation of securities subject to restrictions on free marketability shall be to make an appropriate discount from the market value determined as above in Section 5(b)(i)(A)(B) or (C) to reflect the approximate fair market value thereof, as mutually determined by the Corporation and the holders of not less than a majority of the outstanding Series A Preferred Stock.

(iii) In the event of any dispute between the Corporation and the holders of Series A Preferred Stock regarding valuation issues as provided in this Section 5(b), such dispute shall be submitted to binding arbitration in accordance with the currently prevailing commercial arbitration rules of the American Arbitration Association. The decisions and awards rendered in such proceedings shall be final and conclusive and may be entered in any court having jurisdiction thereof.

(c) The Corporation shall give each holder of record of Series A Preferred Stock written notice of such proposed transaction not later than twenty (20) days prior to the stockholders' meeting called to approve any transaction described in Section 5(a) hereof, or twenty (20) days prior to the closing of such transaction, whichever is earlier, and shall also notify such holders in writing of the final approval of such transaction. The first of said notices shall describe the material terms and conditions of the contemplated transaction as well as the terms and conditions of this Section 5, and the Corporation shall thereafter give such holders prompt notice of any material changes in such proposed transaction. The transaction shall in no event take place sooner than (i) twenty (20) days after the mailing by the Corporation of the first notice provided for herein, or (ii) fifteen (15) days after the mailing by the Corporation of any additional notice of material changes provided for herein; provided, however, that such periods may be shortened upon the written consent of the holders of at least a majority of the then outstanding Series A

Preferred Stock, but not to the extent of having the effect of depriving any holder of Series A Preferred Stock of actual notice of the impending transaction.

**Exhibit 31.1**

SECTION 302 CERTIFICATION

I, Rohit Kapoor, certify that:

1. I have reviewed this Quarterly Report of ExlService Holdings, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 26, 2023

/s/ Rohit Kapoor
Rohit Kapoor
Vice-Chairman and Chief Executive Officer

**Exhibit 31.2**

SECTION 302 CERTIFICATION

I, Maurizio Nicolelli, certify that:

1. I have reviewed this Quarterly Report of ExlService Holdings, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 26, 2023

/s/ Maurizio Nicolelli
Maurizio Nicolelli
Chief Financial Officer

**Exhibit 32.1**

CERTIFICATION PURSUANT TO

18 U.S.C. SECTION 1350,

AS ADOPTED PURSUANT TO

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of ExlService Holdings, Inc. (the “Company”) on Form 10-Q for the period ended September 30, 2023 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Rohit Kapoor, Vice-Chairman and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(a) the Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(b) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Rohit Kapoor

Rohit Kapoor
Vice-Chairman and Chief Executive Officer

October 26, 2023

**Exhibit 32.2**

CERTIFICATION PURSUANT TO

18 U.S.C. SECTION 1350,

AS ADOPTED PURSUANT TO

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of ExlService Holdings, Inc. (the "Company") on Form 10-Q for the period ended September 30, 2023 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Maurizio Nicolelli, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(a) the Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(b) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Maurizio Nicolelli
Maurizio Nicolelli
Chief Financial Officer

October 26, 2023