

ExlService Holdings, Inc.
Form 424B5
September 13, 2011
Table of Contents

Filed Pursuant to Rule 424(b)(5)
Registration No. 333-162335

The information in this preliminary prospectus supplement is not complete and may be changed. This preliminary prospectus supplement and the accompanying prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

SUBJECT TO COMPLETION, DATED SEPTEMBER 13, 2011

PRELIMINARY PROSPECTUS SUPPLEMENT

(To Prospectus dated January 20, 2010)

4,000,000 Shares

ExlService Holdings, Inc.

Common Stock

\$ per share

We are selling 1,000,000 shares of our common stock and the selling stockholders named in this prospectus supplement are selling 3,000,000 shares. We will not receive any proceeds from the sale of the shares by the selling stockholders. We intend to use the net proceeds to us from this offering for general corporate purposes, which may include, among other things, debt repayment, financing of possible acquisitions, working capital and/or capital expenditures.

We and the selling stockholders have granted the underwriters an option to purchase up to 600,000 additional shares.

Our common stock is listed on the Nasdaq Global Select Market under the symbol EXLS. The last reported sale price of our common stock on the Nasdaq Global Select Market on September 12, 2011 was \$24.89 per share.

Investing in our common stock involves risks. See Risk Factors beginning on page S-3.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus supplement or the accompanying prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

	<u>Per Share</u>	<u>Total</u>
Public Offering Price	\$	\$
Underwriting Discount	\$	\$
Proceeds to ExlService Holdings, Inc. (before expenses)	\$	\$
Proceeds to the selling stockholders (before expenses)	\$	\$

The underwriters expect to deliver the shares of common stock to purchasers on or about _____, 2011 through the book-entry facilities of The Depository Trust Company.

Joint Book-Running Managers

Citigroup

J.P. Morgan

Co-Managers

Baird

Stifel Nicolaus Weisel

Janney Montgomery Scott

, 2011

Table of Contents

We are responsible for the information contained in or incorporated by reference in this prospectus supplement and the accompanying prospectus and in any free-writing prospectus we prepare or authorize. We have not authorized anyone to provide you with different information, and we take no responsibility for any other information others may give you. We, the selling stockholders and the underwriters are not making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. You should not assume that the information contained in or incorporated by reference into this prospectus supplement or the accompanying prospectus is accurate as of any date other than its date.

TABLE OF CONTENTS

	Page
Prospectus Supplement	
<u>Special Note Regarding Forward-Looking Statements</u>	S-iii
<u>Summary</u>	S-1
<u>Risk Factors</u>	S-3
<u>Use of Proceeds</u>	S-5
<u>Price Range of Common Stock</u>	S-6
<u>Capitalization</u>	S-7
<u>Selling Stockholders</u>	S-8
<u>Material United States Federal Income Tax Consequences for Non-U.S. Holders</u>	S-9
<u>Underwriting (Conflicts of Interest)</u>	S-13
<u>Validity of Securities</u>	S-18
<u>Experts</u>	S-18
<u>Where You Can Find More Information</u>	S-19
Prospectus	
<u>About This Prospectus</u>	1
<u>The Company</u>	2
<u>Forward-Looking Statements</u>	2
<u>Risk Factors</u>	3
<u>Use of Proceeds</u>	4
<u>Ratio of Earnings to Fixed Charges</u>	4
<u>Selling Stockholders</u>	4
<u>Description of Capital Stock</u>	7
<u>Description of the Debt Securities</u>	10
<u>Description of the Depositary Shares</u>	20
<u>Description of the Warrants</u>	23
<u>Description of the Rights</u>	25
<u>Description of the Purchase Contracts</u>	26
<u>Description of the Units</u>	27
<u>Plan of Distribution</u>	28
<u>Legal Matters</u>	31
<u>Experts</u>	31
<u>Where You Can Find More Information</u>	31
<u>Incorporation by Reference</u>	32

This prospectus supplement updates information in the prospectus dated January 20, 2010. You should read this prospectus supplement in conjunction with the prospectus. This prospectus supplement is not complete without, and may not be delivered or used except in conjunction

Edgar Filing: ExlService Holdings, Inc. - Form 424B5

with, the prospectus, including any amendments or supplements to it. This prospectus supplement is qualified by reference to the prospectus, except to the extent that the information provided by this prospectus supplement supersedes information contained in the prospectus.

S-i

Table of Contents

This prospectus supplement incorporates by reference important information. You should read the information incorporated by reference before deciding to invest in our common stock, and you may obtain this information incorporated by reference without charge by following the instructions under **Where You Can Find More Information** appearing below. In this prospectus supplement, the terms **ExlService**, **we**, **us**, **our** and the **Company** refer to ExlService Holdings, Inc.

S-ii

Table of Contents

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus supplement, the accompanying prospectus and the information incorporated by reference contain forward-looking statements. You should not place undue reliance on those 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. Forward-looking statements include information concerning our possible or assumed future results of operations, including descriptions of our business strategy. 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 prospectus supplement, the accompanying prospectus and the information incorporated by reference, 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 dependence on a limited number of clients in a limited number of industries;

worldwide political, economic or business conditions;

negative public reaction in the United States or elsewhere to offshore outsourcing;

fluctuations in our earnings;

our ability to attract and retain clients;

restrictions on immigration;

our ability to hire and retain enough sufficiently trained employees to support our operations;

our ability to grow our business or effectively manage growth and international operations;

increasing competition in our industry;

telecommunications or technology disruptions;

fluctuations in exchange rates between the currencies in which we receive our revenues and the currencies in which we incur our costs;

regulatory, legislative and judicial developments, including the withdrawal of governmental fiscal incentives;

technological innovation;

political or economic instability in the geographies in which we operate;

our ability to successfully consummate or integrate strategic acquisitions; and

adverse outcome of our disputes with the Indian tax authorities.

These and other factors are more fully discussed elsewhere in this prospectus supplement and in the documents incorporated by reference herein.

You should keep in mind that any forward-looking statement made by us in this prospectus supplement, the accompanying prospectus and in the documents incorporated by reference, or elsewhere, speaks only as of the date on which we make it. New risks and uncertainties may come up from time to time, and it is impossible for us to predict these events or how they may affect us. We have no obligation to update any forward-looking statements in this prospectus supplement after the date of this prospectus supplement, except as required by federal securities laws.

S-iii

Table of Contents

SUMMARY

This summary highlights information contained or incorporated by reference in this prospectus supplement. This summary does not contain all of the information that you should consider before deciding to invest in our common stock. You should read this entire prospectus supplement carefully, including the information incorporated by reference in this prospectus supplement. See Item 1A. Risk Factors in our Annual Report on Form 10-K for the fiscal year ended December 31, 2010 and our Quarterly Reports on Form 10-Q for the quarters ended March 31, 2011 and June 30, 2011, incorporated by reference herein.

ExlService Holdings, Inc.

We are a leading provider of outsourcing and transformation services focused on providing a competitive edge to our clients. Our outsourcing services provide front-, middle- and back-office process outsourcing services for our primarily United States based and United Kingdom based clients. Outsourcing services involve the transfer to us of select business operations of a client, such as claims processing, finance and accounting and customer service, after which we administer and manage the operations for our client on an ongoing basis. We also offer a number of transformation services that include decision analytics, risk and financial management and operations and process excellence services. These transformation services help our clients improve their operating environments through cost reduction, enhanced efficiency and productivity initiatives, and improve the risk and control environments within our clients' operations whether or not they are outsourced to us. A significant portion of our business relates to processes that we believe are integral to our clients' operations, and the close nature of our relationships with our clients assists us in developing strong strategic long-term relationships with them. We serve primarily the needs of Fortune Global 500 and Fortune 1000 companies in the insurance, utilities, banking and financial services, transportation and logistics and travel sectors. Our 17,400 professionals service our clients from fifteen operations centers in India, three operations centers in the United States, two operations centers in Bulgaria and one operations center in each of the Philippines, Romania, the Czech Republic and Malaysia.

ExlService is a Delaware corporation. Our principal executive offices are located at 280 Park Avenue, 38th Floor, New York, New York 10017, and our telephone number at that address is (212) 277-7100. Our website is www.exlservice.com. The information contained in, or that can be accessed through, our website is not part of, and is not incorporated by reference into, this prospectus supplement or the accompanying prospectus and should not be considered part of this prospectus supplement or the accompanying prospectus.

Recent Developments

Acquisition of OPI

On May 31, 2011, we completed the acquisition of Business Process Outsourcing, Inc. ("OPI"), pursuant to a Merger Agreement, dated as of April 30, 2011 (the "OPI Acquisition"). The aggregate consideration paid to OPI's former stockholders in the OPI Acquisition was \$91 million in cash excluding adjustments based on OPI's working capital, debt and certain expenses incurred by OPI in connection with the consummation of the OPI Acquisition.

We acquired OPI to further strengthen our position as a provider of finance and accounting outsourcing services. At the time of the OPI Acquisition, OPI had over 3,700 professionals globally and approximately 80 clients. By combining our existing finance and accounting outsourcing and transformation capabilities with OPI's end-to-end finance and accounting outsourcing capabilities and proprietary platforms, we

Edgar Filing: ExlService Holdings, Inc. - Form 424B5

intend to provide a comprehensive set of finance and accounting services to our clients. The OPI Acquisition also furthers our strategic objective of leveraging technology and proprietary intellectual property in our services to our client offerings.

S-1

Table of Contents

THE OFFERING

Common stock outstanding before this offering	30,122,194 shares
Common stock offered by us	1,000,000 shares
Common stock offered by the selling stockholders	3,000,000 shares
Underwriters' option to purchase additional shares	600,000 shares
Common stock outstanding after this offering	31,122,194 shares (31,272,194 shares if the underwriters exercise their option in full)
Use of proceeds	We expect to use a portion of the net proceeds from the offering to repay the outstanding borrowings under our revolving credit facility. We intend to use the remaining net proceeds to us from this offering for general corporate purposes, which may include, among other things, financing of possible acquisitions, working capital and/or capital expenditures. We will not receive any proceeds from the sale of common stock by the selling stockholders.
Conflicts of Interest	As a portion of the net proceeds of this offering will be used to reduce our indebtedness under our revolving credit facility and as affiliates of Citigroup and J.P. Morgan serve as lenders under that facility, Citigroup and J.P. Morgan are each deemed to have a conflict of interest as defined in Rule 5121 of the Conduct Rules (Rule 5121) of the Financial Industry Regulatory Authority, Inc. Accordingly, this offering will be made in compliance with the applicable provisions of Rule 5121. Citigroup and J.P. Morgan will not make sales to discretionary accounts without the prior written consent of the customer. The appointment of a qualified independent underwriter is not required in connection with this offering, as a bona fide public market, as defined in Rule 5121, exists for our common shares.
Risk factors	You should read the Risk Factors section of this prospectus supplement for a discussion of factors that you should consider carefully before deciding to invest in our common stock.
Nasdaq Global Select Market symbol	EXLS

Unless otherwise indicated, all information in this prospectus supplement relating to outstanding shares of our common stock is as of September 9, 2011 and excludes as of that date:

3,004,041 shares of our common stock issuable upon the exercise of stock options outstanding with a weighted average exercise price of \$13.01 and 1,036,158 restricted stock units (each of which represents the right to receive a share of our common stock upon vesting); and

Edgar Filing: ExlService Holdings, Inc. - Form 424B5

2,211,172 shares of our common stock available as of that date for future grant or issuance pursuant to our stock plans.

Unless otherwise indicated, all information in this prospectus supplement assumes no exercise by the underwriters of their option.

S-2

Table of Contents

RISK FACTORS

Investing in our common stock involves risk. You should carefully consider the specific risks discussed in this prospectus supplement and the accompanying prospectus, together with all the other information contained or incorporated by reference in this prospectus supplement and the accompanying prospectus. You should also consider the risks, uncertainties and assumptions discussed under the heading "Item 1A. Risk Factors" included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2010 and our Quarterly Reports on Form 10-Q for the quarters ended March 31, 2011 and June 30, 2011, incorporated by reference herein. These risk factors may be amended, supplemented or superseded from time to time by other reports we file with the Securities and Exchange Commission (the "SEC") in the future.

Risks Relating to this Offering and our Common Stock

We do not intend to pay dividends in the foreseeable future, and, because we are a holding company, we may be unable to pay dividends.

For the foreseeable future, we intend to retain any earnings to finance the development and expansion of our business, and we do not anticipate paying any cash dividends on our common stock. Any future determination to pay dividends will be at the discretion of our board of directors and will be dependent on then-existing conditions, including our financial condition and results of operations, capital requirements, contractual restrictions, including restrictions under our credit agreement, business prospects and other factors that our board of directors considers relevant. Furthermore, because we are a holding company, any dividend payments would depend on the cash flow of our subsidiaries. Accordingly, we may not be able to pay dividends even if our board of directors would otherwise deem it appropriate. For the foregoing reasons, you will not be able to rely on dividends to receive a return on your investment.

Provisions in our charter documents and Delaware law may delay or prevent our acquisition by a third party.

Our amended and restated certificate of incorporation and by-laws contain several provisions that may make it more difficult or expensive for a third party to acquire control of us without the approval of our board of directors. These provisions also may delay, prevent or deter a merger, acquisition, tender offer, proxy contest or other transaction that might otherwise result in our stockholders receiving a premium over the market price for their common stock. The provisions include, among others:

provisions relating to creating a board of directors that is divided into three classes with staggered terms;

provisions relating to the number and election of directors, the appointment of directors upon an increase in the number of directors or vacancy and provisions permitting the removal of directors only for cause and with a 66²/₃% stockholder vote;

provisions requiring a 66²/₃% stockholder vote for the amendment of certain provisions of our certificate of incorporation and for the adoption, amendment and repeal of our by-laws;

provisions barring stockholders from calling a special meeting of stockholders or requiring one to be called;

Edgar Filing: ExlService Holdings, Inc. - Form 424B5

elimination of the right of our stockholders to act by written consent; and

provisions that set forth advance notice procedures for stockholders' nominations of directors and proposals for consideration at meetings of stockholders.

Additionally, because we are incorporated in Delaware, we are subject to the provisions of Section 203 of the Delaware General Corporation Law. In general, Section 203 prevents an interested stockholder (defined generally as a person owning 15% or more of the corporation's outstanding voting stock) of a Delaware corporation from engaging in a business combination (as defined) for three years following the date that person

S-3

Table of Contents

became an interested stockholder unless various conditions are satisfied. For more information, see "Description of Capital Stock" in the accompanying prospectus. These provisions of our amended and restated certificate of incorporation, by-laws and Delaware law could discourage potential takeover attempts and reduce the price that investors might be willing to pay for shares of our common stock in the future which could reduce the market price of our stock.

Our stock price may be volatile and you may lose all or part of your investment.

The market price of our common stock could fluctuate significantly, in which case you may not be able to resell your shares at or above your purchase price. The market price of our common stock may fluctuate based on a number of factors in addition to those listed in this prospectus supplement, including:

our operating performance and the performance of our competitors and other similar companies;

the public's reaction to our press releases, our other public announcements and our filings with the SEC;

changes in earnings estimates or recommendations by research analysts who track our common stock or the stocks of other companies in our industry;

changes in general economic conditions;

the number of our publicly traded shares;

actions of our current stockholders, including this offering;

the arrival or departure of key personnel or personal matters affecting our principal stockholders;

acquisitions, strategic alliances or joint ventures involving us or our competitors; and

other developments affecting us, our industry or our competitors.

In addition, in recent years the stock market has experienced significant price and volume fluctuations. These fluctuations are often unrelated to the operating performance of particular companies. These broad market fluctuations may cause declines in the market price of our common stock. The price of our common stock could fluctuate based upon factors that have little or nothing to do with our company or its performance, and these fluctuations could materially reduce our stock price.

Future sales of shares could cause our stock price to decline.

Sales of a substantial number of shares of our common stock, or the perception that a large number of shares will be sold, could cause the market price of our common stock to decline. As of September 9, 2011, we had 30,122,194 shares of our common stock outstanding. Of these, 10,597,497 shares (or 10,147,497 shares if the underwriters exercise their option in full) will be restricted pursuant to Rule 144 under the Securities Act after giving effect to this offering. The holders of approximately 3,000,000 of these restricted shares of our common stock after giving effect to this offering (or 2,550,000 shares if the underwriters exercise their option in full) have caused their shares to be registered under the registration statement of which this prospectus supplement and the accompanying prospectus are parts. In addition, the restricted shares may be sold under Rule 144 from time to time subject to the volume, manner of sale and other conditions of Rule 144. Although the selling stockholders and our directors, executive officers and stockholders who beneficially own in the aggregate 10,597,497 shares of our common stock after giving effect to this offering (or 10,147,497 shares if the underwriters exercise their option in full) have entered into 90-day underwriter lock-up agreements, the underwriter may waive the lock-up restrictions at its discretion.

Table of Contents

USE OF PROCEEDS

We estimate the net proceeds from the sale of common stock by us in this offering will be approximately \$. We will not receive any proceeds from the sale of common stock by the selling stockholders.

We expect to use a portion of the net proceeds from the offering to repay the outstanding borrowings under our \$50 million revolving credit facility. The borrowings under the revolving credit facility were used to fund the OPI Acquisition. Following such repayment, the revolving credit facility will remain in effect with available borrowings of up to \$50 million. The revolving credit facility bears interest at a variable rate based on our leverage ratio and either the prime rate or LIBOR, and will mature on May 26, 2014.

We intend to use the remaining net proceeds to us from this offering for general corporate purposes, which may include, among other things, financing of possible acquisitions, working capital and/or capital expenditures.

S-5

Table of Contents**PRICE RANGE OF COMMON STOCK**

Our common stock trades on the Nasdaq Global Select Market under the symbol EXLS. The following table sets forth the high and low sales prices per share of our common stock, as reported by the Nasdaq Global Select Market, for the periods indicated.

Period	High	Low
2009		
First Quarter	\$ 9.49	\$ 5.86
Second Quarter	11.40	8.10
Third Quarter	14.99	9.75
Fourth Quarter	18.39	13.43
2010		
First Quarter	\$ 19.51	\$ 15.64
Second Quarter	19.00	14.61
Third Quarter	20.00	15.96
Fourth Quarter	22.05	18.36
2011		
First Quarter	\$ 22.49	\$ 18.63
Second Quarter	24.75	17.94
Third Quarter (through September 12, 2011)	26.55	21.89

The closing sale price of our common stock, as reported by the Nasdaq Global Select Market, on September 12, 2011 was \$24.89. As of September 9, 2011, there were approximately 23 holders of record of our common stock.

Table of Contents**CAPITALIZATION**

The following table sets forth our cash and cash equivalents and capitalization as of June 30, 2011 on an actual basis and as adjusted to give effect to this offering and the use of net proceeds thereof.

This table should be read in conjunction with Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations and the financial statements and notes thereto set forth in our Quarterly Report on Form 10-Q for the quarter ended June 30, 2011, incorporated by reference herein.

	As of June 30, 2011	
	Actual	As Adjusted
	(in thousands, except share and per share amounts)	
Cash and cash equivalents	\$ 79,355	\$
Short-term borrowings(1)	\$ 30,049	\$
Capital lease obligations (less current portion)	\$ 5,752	\$
Stockholders' equity:		
Preferred stock, \$0.001 par value; 15,000,000 shares authorized, none issued	\$	\$
Common stock, \$0.001 par value; 100,000,000 shares authorized, 30,312,901 shares issued and 29,989,504 shares outstanding	30	
Additional paid-in capital	144,878	
Retained earnings	129,102	
Accumulated other comprehensive income	2,389	
Total stockholders' equity including shares held in treasury	276,399	
Less: 323,397 shares held in treasury, at cost	(2,712)	
Total ExlService Holdings, Inc. stockholders' equity	273,687	
Total capitalization	\$ 279,439	\$

(1) Represents borrowings under our revolving credit facility. See Use of Proceeds.

Table of Contents

SELLING STOCKHOLDERS

The table below sets forth for each selling stockholder:

the selling stockholder's name;

the number and percentage of shares of common stock owned by the selling stockholder prior to the offering;

the number of shares of common stock to be offered for the selling stockholder's account; and

the number and percentage of shares of common stock to be owned by the selling stockholder after completion of the offering.

Name of Beneficial Owner	Shares Beneficially Owned Before the Offering(1)		Shares Offered Hereby		Shares Beneficially Owned Immediately After the Closing			
			Offering	Underwriters Option	Assuming No Exercise of Underwriters Option		Assuming Full Exercise of Underwriters Option	
	Shares	%			Shares	%	Shares	%
Oak Hill Capital Partners, L.P.(2)	10,278,942	34.1	2,925,000	438,750	7,353,942			